DOMINATION AND PROFIT AND LOSS TRANSFER AGREEMENT

The following Domination and Profit and Loss Transfer Agreement is herewith entered into

between

Fresenius AG
Borkenberg 14
6370 Oberursel/Ts.,

represented by Hans Kröner,
as Chairman of the Management Board,

-hereinafter referred to as "the Parent Company"-

and

Hygieneplan GmbH, Friedberg

represented by Wieland Eisele,
as Managing Director

-hereinafter referred to as "the Subsidiary"-.

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PREAMBLE

A Domination and Profit and Loss Transfer Agreement dated 23 June 1975 exists between the Parent Company and the Subsidiary.

In a decision on a matter of principle (court order of 24 October 1988, II ZB 7/88), the German Federal Supreme Court required, by way of a further development of the law, both the consent of the shareholders meeting and of the general meeting of the dominating company and of the dependent company and the entry of the Agreement into the commercial register where the dependent company has its registered office as a prerequisite for the validity of domination and profit and loss transfer Agreements, even if the dependent company is a limited liability partnership (*Gesellschaft mit beschränkter Haftung – GmbH*).

In view of this adjudication, the aforementioned Agreement is to be continued as amended hereinafter and is to be submitted to the commercial register where the Subsidiary has its registered office after obtaining the required approvals by the shareholders meeting and the general meeting, respectively.

Section 1
Management Powers

(1) The Subsidiary places the management of its business operations at the disposal of the Parent Company. Accordingly, the Parent Company has the right to give instructions with regard to the management.

(2) To the extent that no instructions are issued, the Managing Directors of the Subsidiary shall decide on their own responsibility.

Section 2
Profit Transfer, Loss Absorption

(1) The Subsidiary undertakes to transfer its total profit determined in accordance with the authoritative German commercial laws when taking (2) below into consideration, to the Parent Company. Section 302 of the German Stock Corporation Act (Aktiengesetz – AktG) shall apply *mutatis mutandis* with regard to the maximum amount of the profit transfer.

(2) The Subsidiary may only allocate amounts arising from the net surplus for a year to profit reserves with the consent of the Parent Company to the extent that this justified in economic terms after a reasonable commercial appraisal.

(3) The transfer of income to the Parent Company from the dissolution of profit reserves accrued prior to the coming into effect of this Agreement is ruled out.

(4) With regard to the loss absorption, the provisions of sec. 302 AktG shall be applied accordingly.

Section 3

Term, Termination

(1) This Agreement commenced on 10 June 1975. It runs until 31 December 1980.

If it is not terminated half a year prior to the expiration of the term of the Agreement, it is automatically extended by one year respectively.

(2) Both parties have the right to terminate this Agreement without notice for good cause. Section 297 AktG applies accordingly.

Section 4

General Provisions

(1) There are no oral ancillary Agreements. Amendments of and additions to this Agreement must be made in writing.

(2) If any provision of this Agreement is or becomes invalid, this shall not affect the validity of this Agreement. The same applies if this Agreement proves to be incomplete. The invalid or missing provision is to be amended or replaced, respectively by a provision which does justice to the intent of the parties expressed in this Agreement.

(3) The place of performance and the place of jurisdiction is Bad Homburg v. d. H.

Oberursel/Ts., 27 April 1989

(Signature)
…………………………..
(for the Parent Company)

- H. Kröner -

(Signature)
……………………………
(for the Subsidiary)

- W. Eisele -

Profit and Loss Transfer Agreement

between

Fresenius AG
with its registered office in Bad Homburg v. d. H.

-hereinafter referred to as Fresenius AG-

and

Fresenius ProServe GmbH
with its registered office in Oberursel

-hereinafter referred to as Fresenius ProServe GmbH-

Section 1 Profit Transfer

(1) Fresenius ProServe GmbH undertakes to transfer its total profit to Fresenius AG as of the commencement of the first short fiscal year after its formation. Subject to the accrual or dissolution of reserves pursuant to (2) – the annual surplus generated without the profit transfer, less any loss carry forward from the previous year and less the amount which is to be allocated to the statutory reserves is to be transferred.

(2) With the consent of Fresenius AG, Fresenius ProServe GmbH may allocate amounts from the net surplus for the year to other reserves, insofar as this is admissible under German commercial law and is justified in terms of a reasonable commercial appraisal. The reserves (other profit reserves pursuant to sec. 272 (3) of the German Commercial Code (*Handelsgesetzbuch – HGB)* accrued during the term of this Agreement from additional payments by Fresenius AG in accordance with sec. 272 (3) HGB are to be dissolved at the request of Fresenius AG and to be used to compensate for a net deficit for the year or to be transferred as profits.

(3) The obligation to transfer profits shall apply for the first time for the whole profits of the fiscal year in which this Agreement was entered into.

(4) It is admissible to make preliminary down payments on the profit to be transferred or the net deficit to be compensated for during the year, to the extent that this is justifiable in terms of a reasonable commercial appraisal and legally permissible, in order to ensure the financing of both companies. Any down payments made during the year are to be credited to the profit to be transferred or to the deficit to be compensated for. Any overpayments are to be reimbursed. All other provisions of this Agreement remain unaffected hereby.

Section 2 Determination of the Profit

(1) The profit and loss of Fresenius ProServe GmbH are to be determined in accordance with the provisions of the German commercial law in compliance with the regulations applicable for German corporate tax law.

(2) In doing so, the provisions of sec. 300 No. 1 and sec. 301 of the German Stock Corporation Act (*Aktiengesetz – AktG*) are to be complied with.

Section 3 Loss Absorption

Fresenius AG is obliged to balance any annual deficit that would otherwise occur during the term of this Agreement, insofar as it cannot be balanced by means of withdrawal of amounts from free reserves that have been allocated to them during the term of this Agreement in accordance with Section 1 (2). In other respects sec. 302 (1) and (3) AktG, as amended from time to time, shall apply accordingly.

Section 4 Right to Information

Fresenius AG is entitled, at any time, to inspect the books and other business records of Fresenius ProServe GmbH. The Management of Fresenius ProServe GmbH is obligated to furnish, at any time, Fresenius AG with all of the information desired by the latter about the matters of Fresenius ProServe GmbH.

Section 5 Compensation and Settlements

No compensation or settlement payments shall made to outside shareholders because Fresenius ProServe GmbH does not have any outside shareholders.

Section 6 Coming into Force and Duration

(1) This Agreement requires the approval of the General Meeting of Fresenius AG and of the shareholders meeting of Fresenius ProServe GmbH. The Supervisory Board of Fresenius AG consented to the conclusion of this Agreement on 4 March 1999.

(2) The agreement in its original wording of 16 April 1999 came into force with its entry on 22 October 1999 into the commercial register where Fresenius ProServe GmbH has its registered office. The parties were agreed that the obligation of Fresenius ProServe GmbH to transfer profits and the obligation of Fresenius AG to absorb losses should take effect retroactively as of the beginning of the first short fiscal year following the formation of Fresenius ProServe GmbH.

(3) The agreement between Fresenius AG and Fresenius ProServe GmbH of 15 April 1999 is amended retroactively as of 1 January 2005 and receives the wording contained in this Agreement. The Agreement as amended takes effect with the entry of the amendment into the Commercial Register where Fresenius ProServe GmbH has its registered office. The Supervisory Board of Fresenius AG consented to the amendment on 18 March 2005. If individual provisions of the amendment are or become invalid or unenforceable, the validity of the amendment as a whole shall not be affected hereby. In this case, the parties are obligated to bring about a legally valid arrangement without undue delay, which comes closest to the economic intent of the invalid or unenforceable provision. The same shall apply accordingly in the event of a gap.

(4) This Agreement is firmly concluded as of the expiration of 31 December 2010 and shall be automatically extended by one (1) year unless it is terminated by no later than six (6) months prior to its expiration by either of the parties.

(5) The right to terminate the agreement for good cause without compliance with a notice period for terminations shall remain unaffected. The sale or any other termination of the majority shareholding held by Fresenius AG in Fresenius ProServe GmbH for example, shall be deemed to be good cause.

Section 7 Escape Clause

If individual provisions of this Agreement are or become invalid or unenforceable, the validity of the Agreement as a whole shall not be affected hereby. In this case, the parties are obligated to bring about a legally valid provision without undue delay, which comes closest to the economic intent of the invalid or unenforceable provision. The same shall apply accordingly, in the event of a gap.

6 April 2005

Fresenius AG

(Signature)	(Signature)
………………………….	……………………………….
(Dr. Ulf M. Schneider)	(Stephan Sturm)

Fresenius ProServe GmbH

(Signature)	(Signature)
………………………….	………………………………

[Stamp: Certified Photocopy]

Profit and Loss Transfer Agreement

between

Fresenius AG
with its registered office in Bad Homburg v. d. H.,

-hereinafter referred to as the Parent Company-

and

Fresenius
Versicherungsvermittlungs GmbH
with its registered office in Bad Homburg v. d. H.

-hereinafter referred to as the Subsidiary-

Section 1 Profit Transfer

(1) The Subsidiary undertakes to transfer its total profit within the meaning of Section 2 of this Agreement to the Parent Company, so that the Subsidiary does not have any operating result of its own subject to the arrangement agreed in (2) below.

(2) The Subsidiary may only allocate parts of the net surplus for a year to free reserves with the consent of the Parent Company. The Parent Company undertakes to grant such consent, if and to the extent that this is admissible under German commercial law and required after a reasonable commercial appraisal. Free reserves accrued during the term of this Agreement are to be dissolved and utilized to compensate for a loss or to be transferred as a profit, if Parent Company so requests and if this is justified after a reasonable commercial appraisal.

(3) The obligation to transfer profits shall apply for the first time for the whole profits of fiscal year 2001.

Section 2 Determination of the Profit

(1) The Subsidiary's profit and loss are to be determined in accordance with the provisions of the German commercial law in compliance with the regulations applicable for German corporate tax law.

(2) In doing so, the provisions of sec. 300 No. 1 and sec. 301 of the German Stock Corporation Act (*Aktiengesetz – AktG*) are to be complied with.

Section 3 Loss Absorption

(1) The Parent Company undertakes to compensate for every net deficit for the year that would otherwise be incurred during the term of this Agreement to the extent that such deficit is not compensated for by withdrawing amounts from other profit reserves which were allocated to such reserves during the term of this Agreement.

(2) The Parties undertake to neither waive the claim to compensation for losses or to enter into a settlement about such compensation prior to the expiration of three (3) years after the date on which the entry of the termination of this Agreement into the Commercial Register pursuant to sec. 10 of the German Commercial Code (*Handelsgesetzbuch – HGB*) is deemed as having been made known.

Section 4 Right to Information

The Parent Company is entitled, at any time, to inspect the Subsidiary's books and other business records. The Subsidiary's Management Board is obligated to furnish, at any time, the Parent Company with all of the information desired by the latter about the matters of the Subsidiary.

Section 5 Compensation and Settlements

No compensation or settlement payments shall be made to outside shareholders because the Subsidiary does not have any outside shareholders.

Section 6 Coming into Force and Duration

(1) This Agreement requires the approval of the shareholders meeting of the Parent Company and of the shareholders meeting of Subsidiary.

(2) The agreement comes into force with its entry into the commercial register where the Subsidiary has its registered office. The parties are agreed however, that the obligation of the Subsidiary to transfer profits and the obligation of the Parent Company to absorb losses should take effect retroactively as of 1 January 2001.

(3) This Agreement is firmly concluded as of the expiration of 31 December 2005 and shall be automatically extended by one (1) year unless it is terminated by no later than six (6) months prior to its expiration by either of the parties. Such termination must be made in writing. The date of the receipt of the letter of termination by the other company shall determine if this notice period has been complied with.

(4) The right to terminate the agreement for good cause without compliance with a notice period for terminations shall remain unaffected. The sale or any other termination of the indirect or indirect majority shareholding held by the Parent Company in the Subsidiary, for example, shall be deemed to be good cause.

Section 7 Miscellaneous

(1) Amendments, additions or cancellations must be made in writing to be valid. This shall also apply to any cancellation of the requirement for the written form.

(2) If individual provisions of this Agreement are or become invalid or prove to contain a gap, this shall not affect the validity of the remaining provisions. The parties agree to negotiate and agree valid and gapless provisions that come closest to the economic and legal intent of any invalid or incomplete provisions in the form required to replace any possibly invalid or incomplete provisions.

This shall apply even if the invalidity of a provision is based on a standardized measurement of performance or time in this Agreement. In such cases, a legally admissible measurement of performance or time which comes closest to the one intended is to be agreed in lieu of what was agreed.

Bad Homburg v.d.H., 12 December 2001

(Signature) (Signature)	(Signature) (Signature)
Fresenius AG	Versicherungsvermittlungs - GmbH
(Dr. G. Krick) (U. Werlé)	(R. Kirsten) (P. Krüger)

CONVENIENCE TRANSLATION

Agreement on the amendment of
the profit and loss transfer agreement

of 23 June 1975 as amended on 27 April 1989

between

Fresenius SE & Co. KGaA
with its legal seat in Bad Homburg v. d. Höhe

and

Hygieneplan GmbH
with its legal seat in Bad Homburg v. d. Höhe

Preamble

Fresenius SE & Co. KGaA with its legal seat in Bad Homburg v.d.Höhe, registered with the Commercial Register of the local court (“*Amtsgericht”*) Bad Homburg under HRB 11852, (hereinafter „**Parent Company**“) is the sole shareholder of Hygieneplan GmbH, registered with the Commercial Register of the local court (“*Amtsgericht”*) Bad Homburg under HRB 3942, (hereinafter „**Subsidiary**“). On 27 April 1989 the Parent Company (at that time named as Fresenius AG) and the Subsidiary (at that time with its legal seat in Friedberg) agreed on the version of the Domination and Profit and Loss Transfer Agreement enclosed as Exhibit to this amendment agreement (the "**Profit and Loss Transfer Agreement**") effective as of 10 June 1975.

Caused by a recent change of the stipulations in the Corporate Tax Act (KStG) due to the so called Act on the Modification and Simplification of Company Taxation and of the Tax Treatment of Travel Expenses (“Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des Reisekostenrechts”) dated 20 February 2013, Parent Company and Subsidiary intend to amend the Profit and Loss Transfer Agreement for clarification purposes.

Amendment of the Profit and Loss Transfer Agreement

Now, therefore, the Parent Company and the Subsidiary agree as follows:

1. The names of the parties contained in the Profit and Loss Transfer Agreement will be adjusted as follows for clarification purposes by virtue of the change in the Parent Company’s legal form since the conclusion of the Profit and Loss Transfer Agreement: The company name of the Parent Company is “Fresenius SE & Co. KGaA”. By virtue of the transfer of the Subsidiary’s registered office after the conclusion of the Profit and Loss Transfer Agreement, its registered office is corrected to read “Bad Homburg v. d. Höhe”. The Parent Company’s registered office is corrected to read “Bad Homburg v. d. Höhe”.

2. Section 2 (4) of the Profit and Loss Transfer Agreement is cancelled and replaced as follows:

   “Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time.”

As for the rest, the Profit and Loss Transfer Agreement remains unaltered.

Bad Homburg v. d. Höhe, 13 March 2014

Fresenius SE & Co. KGaA,
represented by Fresenius Management SE being the General Partner of Fresenius SE & Co. KGaA

Stephan Sturm	ppa. Dr. Uta Klawitter

Bad Homburg v. d. Höhe, 13 March 2014

Hygieneplan GmbH

Gerd Mac-Farlane	ppa. Dagmar Möller

CONVENIENCE TRANSLATION

Agreement on the amendment of
the profit and loss transfer agreement

of 15 April 1999 as amended on 6 April 2005

between

Fresenius SE & Co. KGaA
with its legal seat in Bad Homburg v. d. Höhe

and

Fresenius ProServe GmbH
with its legal seat in Bad Homburg v. d. Höhe

Preamble

Fresenius SE & Co. KGaA with its legal seat in Bad Homburg v.d.Höhe, registered with the Commercial Register of the local court ("*Amtsgericht*") Bad Homburg under HRB 11852, (hereinafter „**Controlling Entity**") is the sole shareholder of Fresenius ProServe GmbH, registered with the Commercial Register of the local court ("*Amtsgericht*") Bad Homburg under HRB 7302, (hereinafter „**Controlled Entity**"). On 6 April 2005, the Controlling Entity (at that time named as Fresenius AG) and the Controlled Entity (at that time with its legal seat in Oberursel) agreed on the version of the profit and loss transfer agreement enclosed as Exhibit to this amendment agreement (the "**Profit and Loss Transfer Agreement**").

Caused by a recent change of the stipulations in the Corporate Tax Act (KStG) due to the so called Act on the Modification and Simplification of Company Taxation and of the Tax Treatment of Travel Expenses ("Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des Reisekostenrechts") dated 20 February 2013, Controlling Entity and Controlled Entity intend to amend the Profit and Loss Transfer Agreement for clarification purposes.

Amendment of the Profit and Loss Transfer Agreement

Now, therefore, the Controlling Entity and the Controlled Entity agree as follows:

1. The names of the parties contained in the Profit and Loss Transfer Agreement will be adjusted as follows for clarification purposes by virtue of the change in the Controlling Entity's legal form since the conclusion of the Profit and Loss Transfer Agreement: The company name of the Controlling Entity is "Fresenius SE & Co. KGaA". By virtue of the transfer of the Controlled Entity's registered office after the conclusion of the Profit and Loss Transfer Agreement, its registered office is changed to "Bad Homburg v. d. Höhe".

2. Section 3 of the Profit and Loss Transfer Agreement is cancelled and reworded as follows:

   "Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time."

As for the rest, the Profit and Loss Transfer Agreement remains unaltered.

Bad Homburg v. d. Höhe, 13 March 2014

Fresenius SE & Co. KGaA,
represented by Fresenius Management SE being the General Partner of Fresenius SE & Co. KGaA

Stephan Sturm	ppa. Dr. Uta Klawitter

Bad Homburg v. d. Höhe., 13 March 2014

Fresenius ProServe GmbH

Dr. Jürgen Götz	ppa. Dr. Ulf Freytag

CONVENIENCE TRANSLATION

Agreement on the amendment of
the profit and loss transfer agreement

of 12 December 2001

between

Fresenius SE & Co. KGaA
with its legal seat in Bad Homburg v. d. Höhe

and

Fresenius Versicherungsvermittlungs GmbH
with its legal seat in Bad Homburg v. d. Höhe

Preamble

Fresenius SE & Co. KGaA with its legal seat in Bad Homburg v.d.Höhe, registered with the Commercial Register of the local court (“*Amtsgericht”*) Bad Homburg under HRB 11852, (hereinafter „**Parent Company**“) is the sole shareholder of Fresenius Versicherungsvermittlungs GmbH, registered with the Commercial Register of the local court (“*Amtsgericht”*) Bad Homburg under HRB 4223, (hereinafter „**Subsidiary**“). On 12 December 2001, the Parent Company (at that time named as Fresenius AG) and the Subsidiary agreed on the profit and loss transfer agreement enclosed as Exhibit to this amendment agreement (the "**Profit and Loss Transfer Agreement**").

Caused by a recent change of the stipulations in the Corporate Tax Act (KStG) due to the so called Act on the Modification and Simplification of Company Taxation and of the Tax Treatment of Travel Expenses (“*Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des Reisekostenrechts*”) dated 20 February 2013, Parent Company and Subsidiary intend to amend the Profit and Loss Transfer Agreement for clarification purposes.

Amendment of the Profit and Loss Transfer Agreement

Now, therefore, the Parent Company and the Subsidiary agree as follows:

1. The names of the parties contained in the Profit and Loss Transfer Agreement will be adjusted as follows for clarification purposes by virtue of the change in the Parent Company’s legal form since the conclusion of the Profit and Loss Transfer Agreement: The company name of the Parent Company is “Fresenius SE & Co. KGaA”.

2. Section 3 (1) and (2) of the Profit and Loss Transfer Agreement is cancelled and replaced by the following wording:

   “Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time.”

As for the rest, the Profit and Loss Transfer Agreement remains unaltered.

Bad Homburg v. d. Höhe, 13 March 2014

Fresenius SE & Co. KGaA,
represented by Fresenius Management SE being the General Partner of Fresenius SE & Co. KGaA

Stephan Sturm	ppa. Dr. Uta Klawitter

Bad Homburg v. d. Höhe., 13 March 2014

Fresenius Versicherungsvermittlungs GmbH

Markus Moll	Peter Krüger

[consolidated version]

DOMINATION AND PROFIT AND LOSS TRANSFER AGREEMENT

The following Domination and Profit and Loss Transfer Agreement is herewith entered into

between

Fresenius SE & Co. KGaA
Bad Homburg v. d. Höhe

-hereinafter referred to as "the Parent Company"-

and

Hygieneplan GmbH
Bad Homburg v. d. Höhe

-hereinafter referred to as "the Subsidiary"-.

PREAMBLE

A Domination and Profit and Loss Transfer Agreement dated 23 June 1975 exists between the Parent Company and the Subsidiary.

In a decision on a matter of principle (court order of 24 October 1988, II ZB 7/88), the German Federal Supreme Court required, by way of a further development of the law, both the consent of the shareholders meeting and of the general meeting of the dominating company and of the dependent company and the entry of the Agreement into the commercial register where the dependent company has its registered office as a prerequisite for the validity of domination and profit and loss transfer Agreements, even if the dependent company is a limited liability partnership (*Gesellschaft mit beschränkter Haftung – GmbH*).

In view of this adjudication, the aforementioned Agreement is to be continued as amended hereinafter and is to be submitted to the commercial register where the Subsidiary has its registered office after obtaining the required approvals by the shareholders meeting and the general meeting, respectively.

Section 1

Management Powers

(1) The Subsidiary places the management of its business operations at the disposal of the Parent Company. Accordingly, the Parent Company has the right to give instructions with regard to the management.

(2) To the extent that no instructions are issued, the Managing Directors of the Subsidiary shall decide on their own responsibility.

Section 2

Profit Transfer, Loss Absorption

(1) The Subsidiary undertakes to transfer its total profit determined in accordance with the authoritative German commercial laws when taking (2) below into consideration, to the Parent Company. Section 302 of the German Stock Corporation Act (Aktiengesetz – AktG) shall apply *mutatis mutandis* with regard to the maximum amount of the profit transfer.

(2) The Subsidiary may only allocate amounts arising from the net surplus for a year to profit reserves with the consent of the Parent Company to the extent that this justified in economic terms after a reasonable commercial appraisal.

(3) The transfer of income to the Parent Company from the dissolution of profit reserves accrued prior to the coming into effect of this Agreement is ruled out.

(4) Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time.

Section 3
Term, Termination

(1) This Agreement commenced on 10 June 1975. It runs until 31 December 1980.

If it is not terminated half a year prior to the expiration of the term of the Agreement, it is automatically extended by one year respectively.

(2) Both parties have the right to terminate this Agreement without notice for good cause. Section 297 AktG applies accordingly.

Section 4
General Provisions

(1) There are no oral ancillary Agreements. Amendments of and additions to this Agreement must be made in writing.

(2) If any provision of this Agreement is or becomes invalid, this shall not affect the validity of this Agreement. The same applies if this Agreement proves to be incomplete. The invalid or missing provision is to be amended or replaced, respectively by a provision which does justice to the intent of the parties expressed in this Agreement.

(3) The place of performance and the place of jurisdiction is Bad Homburg v. d. H.

Convenience Translation

[consolidated version]

Profit and Loss Transfer Agreement

between

Fresenius SE & Co. KGaA
with its registered office in Bad Homburg v. d. H.

-hereinafter referred to as Fresenius SE & Co. KGaA -

and

Fresenius ProServe GmbH
with its registered office in Bad Homburg v. d. Höhe

-hereinafter referred to as Fresenius ProServe GmbH-

Section 1 Profit Transfer

(1) Fresenius ProServe GmbH undertakes to transfer its total profit to Fresenius SE & Co. KGaA as of the commencement of the first short fiscal year after its formation. Subject to the accrual or dissolution of reserves pursuant to (2) – the annual surplus generated without the profit transfer, less any loss carry forward from the previous year and less the amount which is to be allocated to the statutory reserves is to be transferred.

(2) With the consent of Fresenius SE & Co. KGaA, Fresenius ProServe GmbH may allocate amounts from the net surplus for the year to other reserves, insofar as this is admissible under German commercial law and is justified in terms of a reasonable commercial appraisal. The reserves (other profit reserves pursuant to sec. 272 (3) of the German Commercial Code (*Handelsgesetzbuch – HGB)* accrued during the term of this Agreement from additional payments by Fresenius SE & Co. KGaA in accordance with sec. 272 (3) HGB are to be dissolved at the request of Fresenius SE & Co. KGaA and to be used to compensate for a net deficit for the year or to be transferred as profits.

(3) The obligation to transfer profits shall apply for the first time for the whole profits of the fiscal year in which this Agreement was entered into.

(4) It is admissible to make preliminary down payments on the profit to be transferred or the net deficit to be compensated for during the year, to the extent that this is justifiable in terms of a reasonable commercial appraisal and legally permissible, in order to ensure the financing of both companies. Any down payments made during the year are to be credited to the profit to be transferred or to the deficit to be compensated for. Any overpayments are to be reimbursed. All other provisions of this Agreement remain unaffected hereby.

Section 2 Determination of the Profit

(1) The profit and loss of Fresenius ProServe GmbH are to be determined in accordance with the provisions of the German commercial law in compliance with the regulations applicable for German corporate tax law.

(2) In doing so, the provisions of sec. 300 No. 1 and sec. 301 of the German Stock Corporation Act (*Aktiengesetz – AktG*) are to be complied with.

Section 3 Loss Absorption

Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time.

Section 4 Right to Information

Fresenius SE & Co. KGaA is entitled, at any time, to inspect the books and other business records of Fresenius ProServe GmbH. The Management of Fresenius ProServe GmbH is obligated to furnish, at any time, Fresenius SE & Co. KGaA with all of the information desired by the latter about the matters of Fresenius ProServe GmbH.

Section 5 Compensation and Settlements

No compensation or settlement payments shall made to outside shareholders because Fresenius ProServe GmbH does not have any outside shareholders.

Section 6 Coming into Force and Duration

(1) This Agreement requires the approval of the General Meeting of Fresenius AG and of the shareholders meeting of Fresenius ProServe GmbH. The Supervisory Board of Fresenius AG consented to the conclusion of this Agreement on 4 March 1999.

(2) The agreement in its original wording of 16 April 1999 came into force with its entry on 22 October 1999 into the commercial register where Fresenius ProServe GmbH has its registered office. The parties were agreed that the obligation of Fresenius ProServe GmbH to transfer profits and the obligation of Fresenius AG to absorb losses should take effect retroactively as of the beginning of the first short fiscal year following the formation of Fresenius ProServe GmbH.

(3) The agreement between Fresenius AG and Fresenius ProServe GmbH of 15 April 1999 is amended retroactively as of 1 January 2005 and receives the wording contained in this Agreement. The Agreement as amended takes effect with the entry of the amendment into the Commercial Register where Fresenius ProServe GmbH has its registered office. The Supervisory Board of Fresenius AG consented to the amendment on 18 March 2005. If individual provisions of the amendment are or become invalid or unenforceable, the validity of the amendment as a whole shall not be affected hereby. In this case, the parties are obligated to bring about a legally valid arrangement without undue delay, which comes closest to the economic intent of the invalid or unenforceable provision. The same shall apply accordingly in the event of a gap.

(4) This Agreement is firmly concluded as of the expiration of 31 December 2010 and shall be automatically extended by one (1) year unless it is terminated by no later than six (6) months prior to its expiration by either of the parties.

(5) The right to terminate the agreement for good cause without compliance with a notice period for terminations shall remain unaffected. The sale or any other termination of the majority shareholding held by Fresenius SE & Co. KGaA in Fresenius ProServe GmbH for example, shall be deemed to be good cause.

Section 7 Escape Clause

If individual provisions of this Agreement are or become invalid or unenforceable, the validity of the Agreement as a whole shall not be affected hereby. In this case, the parties are obligated to bring about a legally valid provision without undue delay, which comes closest to the economic intent of the invalid or unenforceable provision. The same shall apply accordingly, in the event of a gap.

[consolidated version]

Profit and Loss Transfer Agreement

between

Fresenius SE & Co. KGaA
with its registered office in Bad Homburg v. d. H.,

-hereinafter referred to as the Parent Company-

and

Fresenius
Versicherungsvermittlungs GmbH
with its registered office in Bad Homburg v. d. H.

-hereinafter referred to as the Subsidiary-

Section 1 Profit Transfer

(1) The Subsidiary undertakes to transfer its total profit within the meaning of Section 2 of this Agreement to the Parent Company, so that the Subsidiary does not have any operating result of its own subject to the arrangement agreed in (2) below.

(2) The Subsidiary may only allocate parts of the net surplus for a year to free reserves with the consent of the Parent Company. The Parent Company undertakes to grant such consent, if and to the extent that this is admissible under German commercial law and required after a reasonable commercial appraisal. Free reserves accrued during the term of this Agreement are to be dissolved and utilized to compensate for a loss or to be transferred as a profit, if Fresenius so requests and if this is justified after a reasonable commercial appraisal.

(3) The obligation to transfer profits shall apply for the first time for the whole profits of fiscal year 2001.

Section 2 Determination of the Profit

(1) The Subsidiary's profit and loss are to be determined in accordance with the provisions of the German commercial law in compliance with the regulations applicable for German corporate tax law.

(2) In doing so, the provisions of sec. 300 No. 1 and sec. 301 of the German Stock Corporation Act (*Aktiengesetz – AktG*) are to be complied with.

Section 3 Loss Absorption

Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time.

Section 4 Right to Information

The Parent Company is entitled, at any time, to inspect the Subsidiary's books and other business records. The Subsidiary's Management Board is obligated to furnish, at any time, the Parent Company with all of the information desired by the latter about the matters of the Subsidiary.

Section 5 Compensation and Settlements

No compensation or settlement payments shall be made to outside shareholders because the Subsidiary does not have any outside shareholders.

Section 6 Coming into Force and Duration

(1) This Agreement requires the approval of the shareholders meeting of the Parent Company and of the shareholders meeting of Subsidiary.

(2) The agreement comes into force with its entry into the commercial register where the Subsidiary has its registered office. The parties are agreed however, that the obligation of the Subsidiary to transfer profits and the obligation of the Parent Company to absorb losses should take effect retroactively as of 1 January 2001.

(3) This Agreement is firmly concluded as of the expiration of 31 December 2005 and shall be automatically extended by one (1) year unless it is terminated by no later than six (6) months prior to its expiration by either of the parties. Such termination must be made in writing. The date of the receipt of the letter of termination by the other company shall determine if this notice period has been complied with.

(4) The right to terminate the agreement for good cause without compliance with a notice period for terminations shall remain unaffected. The sale or any other termination of the indirect or indirect majority shareholding held by the Parent Company in the Subsidiary, for example, shall be deemed to be good cause.

Section 7 Miscellaneous

(1) Amendments, additions or cancellations must be made in writing to be valid. This shall also apply to any cancellation of the requirement for the written form.

(2) If individual provisions of this Agreement are or become invalid or prove to contain a gap, this shall not affect the validity of the remaining provisions. The parties agree to negotiate and agree valid and gapless provisions that come closest to the economic and legal intent of any invalid or incomplete provisions in the form required to replace any possibly invalid or incomplete provisions.

This shall apply even if the invalidity of a provision is based on a standardized measurement of performance or time in this Agreement. In such cases, a legally admissible measurement of performance or time which comes closest to the one intended is to be agreed in lieu of what was agreed.

Fresenius SE & Co. KGaA

Bad Homburg v.d.H.

2013

- ▶ Financial Statements
- ▶ Management Report
- ▶ Report of the Supervisory Board

Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

Balance Sheet as of December 31, 2013

A s s e t s

	Note	Dec 31, 2013		Dec 31, 2012	
		kEUR	kEUR	kEUR	kEUR
A. Fixed assets	(3)				
I. Intangible assets			924		508
II. Tangible assets			59,339		61,575
III. Financial assets			5,387,728		5,357,426
			5,447,991		5,419,509
B. Current assets					
I. Accounts receivable and other assets	(4)				
1. Trade accounts receivable		6		0	
2. Accounts receivable from related parties		4,398,762		1,643,969	
3. Other assets		44,230	4,442,998	53,698	1,697,667
II. Cash and cash equivalents	(5)		59,511		54,238
			4,502,509		1,751,905
C. Deferred expense	(6)		1,442		1,116
			9,951,942		7,172,530

L i a b i l i t i e s a n d s h a r e h o l d e r s' e q u i t y

	Note	Dec 31, 2013		Dec 31, 2012	
		kEUR	kEUR	kEUR	kEUR
A. Sherholders' equity					
I. Subscribed capital	(7, 8, 9, 10, 11)				
Ordinary shares			179,695		178,188
II. Capital reserves	(12)		3,012,026		2,944,992
III. Other reserves	(13)		1,763,395		1,555,495
IV. Retained earnings	(14)		224,650		196,036
			5,179,766		4,874,711
B. Special reserve for investment government grants	(15)		11		12
C. Accruals	(16)				
1. Pensions and similar obligations			40,228		36,772
2. Accruals for income taxes			48,445		42,150
3. Other accruals			25,860		82,472
			114,533		161,394
D. Liabilities	(17)				
1. Convertible bonds			115		194
2. Bank loans			2,707,306		596,002
3. Trade accounts payable			6,218		5,204
4. Accounts payable to related parties			1,930,018		1,520,333
5. Other liabilities			13,975		14,680
			4,657,632		2,136,413
			9,951,942		7,172,530

Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

Profit and Loss Statement
January 1 to December 31, 2013

		Note	2013	2012
			kEUR	kEUR
1.	Income from participations	(20)	577,169	369,701
2.	Other operating income	(21)	180,073	128,283
3.	Personnel expenses	(22)	-28,197	-26,079
4.	Depreciation and amortization on intangible assets and on property, plant and equipment	(23)	-4,288	-4,414
5.	Other operating expenses	(24)	-171,379	-172,571
6.	Net interest	(26)	-21,219	-20,928
7.	Write-offs of financial assets and marketable securities	(27)	-71,632	-74,133
8.	Other financial result	(28)	0	-34,519
9.	Profit from ordinary activities		460,527	165,340
10.	Income taxes	(29)	-27,835	-22,048
11.	Other taxes		-171	-497
12.	Net Income		432,521	142,795
13.	Retained earnings brought forward		29	41
14.	Increase of other reserves		-207,900	53,200
15.	Retained earnings		224,650	196,036

Notes Fresenius SE & Co. KGaA

(1) Structure

The Fresenius Group is as of December 31, 2013, divided into four legally independent business segments:

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

Fresenius SE & Co. KGaA owns the stakes in the management companies and functions as an operating holding.

The reporting currency of Fresenius SE & Co. KGaA is the euro. In order to make the presentation clearer, amounts are shown in € thousand. Amounts under €1,000.00 after rounding are marked with „-“.

The list of investments of Fresenius SE & Co. KGaA, registered in Bad Homburg v.d.H., will be shown in the enclosure to the Notes.

(2) Accounting principles and standards of valuation

Acquired **intangible assets** are valued at purchase cost less regular amortization. The useful life is normally between 2 and 5 years, for personal computer auxiliary programs the useful life is 2 years, and for know-how up to 5 years.

The value of **investments in property, plant and equipment** is stated at the cost of the assets less regular linear or degressive depreciation.

The following useful lives were used for calculating depreciation:

Office and factory buildings	10 - 40 years
Technical equipment and machinery	5 - 10 years
Other fixtures and fittings, tools and equipment	3 - 10 years.

Low value fixed assets with purchase or manufacturing cost of up to €150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than €150.00 and less than €1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Extraordinary depreciation is carried out, provided that the carrying book value is other than temporarily impaired.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

Securities are valued at purchase price or the lower market value.

No **deferred tax** is to be recognized for temporary differences in valuations in the tax and financial reporting balance sheets as long as the net difference would result in an asset.

Subscribed capital is accounted for at its nominal amount.

The **special reserve with equity portion** that was built according to Section 247 (3) HGB in the previous years can be retained according to the option in Art. 67 (3) sentence 1 EGHGB.

The **pension obligation** is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted depending on age by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 4.90%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2013).

Pursuant to Section 253 (1) sentence 3 HGB (security-based pension obligations), the value of the provisions for the employee financed life work time account (Demografiefonds) is based on the performance of the asset value of the corresponding plan reinsurance.

The asset values used to offset the provisions are calculated at their fair values.

Tax accruals and other accruals are built for recognizable risks and uncertain liabilities at the amounts to be paid and calculated on the basis of a reasonable commercial assessment. Long term accruals are accounted for taking into account future price and cost increases and are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Foreign currency items are translated with the foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB.

Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

Derivative financial instruments are contracted for hedging purposes only. Both interest rate and foreign currency derivatives are contracted for hedging.

Besides hedging instruments for Cashpool balances and loans in foreign currencies that Group Companies have borrowed from Fresenius SE & Co. KGaA or that Fresenius SE & Co. KGaA has borrowed from Group Companies or banks, Fresenius SE & Co. KGaA acquires hedging instruments from banks, that are mirrored by agreements between Fresenius SE & Co. KGaA and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together so that effects of the hedge are only recognized in earnings when the underlying transaction takes place.

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

Notes on balance sheet

(3) Fixed assets

The following is a breakdown of fixed assets and their development:

	Acquisition and manufacturing costs			
€ in thousands	As of Jan. 01, 2013	Additions	Disposals	As of Dec. 31, 2013
Intangible Assets				
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	1,088	645	0	1,733
	1,088	645	0	1,733
Tangible Assets				
Land, leasehold and buildings including buildings on third party property	112,875	57	0	112,932
Plant and machinery	467	153	0	620
Other fixtures and fittings, tools and equipment	12,865	1,378	1,535	12,708
Payments on account and tangible assets in course of construction	81	250	0	331
	126,288	1,838	1,535	126,591
Financial assets				
Shares in related parties	4,485,431	157,283	230,500	4,412,214
Loans to related parties	894,862	425,051	370,000	949,913
Security investments	49,526	0	0	49,526
	5,429,819	582,334	600,500	5,411,653
Non-current Assets	5,557,195	584,817	602,035	5,539,977

€ *in thousands*	Depreciation: Cumulated depreciation as of Jan. 01, 2013	Additions	Disposals	Cumulated depreciation as of Dec. 31, 2013	Carrying amount: Dec. 31, 2013	Dec. 31, 2012
Intangible Assets						
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	580	229	0	809	924	508
	580	229	0	809	924	508
Tangible Assets						
Land, leasehold and buildings including buildings on third party property	55,009	2,823	0	57,832	55,100	57,866
Plant and machinery	376	35	0	411	209	91
Other fixtures and fittings, tools and equipment	9,328	1,201	1,520	9,009	3,699	3,537
Payments on account and tangible assets in course of construction	0	0	0	0	331	81
	64,713	4,059	1,520	67,252	59,339	61,575
Financial assets						
Shares in related parties	72,393	71,625	128,110	15,908	4,396,306	4,413,038
Loans to related parties	0	8,017	0	8,017	941,896	894,862
Security investments	0	0	0	0	49,526	49,526
	72,393	79,642	128,110	23,925	5,387,728	5,357,426
Non-current Assets	137,686	83,930	129,630	91,986	5,447,991	5,419,509

Financial assets

As of December 31, 2013, Fresenius SE & Co. KGaA owns stakes in the following domestic management companies for business segments:

- Fresenius Medical Care AG & Co. KGaA, Hof an der Saale
- Fresenius Kabi AG, Bad Homburg v.d.H.
- Fresenius ProServe GmbH, Bad Homburg v.d.H.

The percentage of Fresenius Medical Care AG & Co. KGaA´s ("FMC-AG & Co. KGaA") subscribed capital (ordinary shares) held by Fresenius SE & Co. KGaA at the end of fiscal year 2013 was 31.31% (previous year including preference shares 30.77%). 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, 2013. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG.

Fresenius SE & Co. KGaA holds 100% in Fresenius Biotech Beteiligungs GmbH. In 2013, Fresenius Biotech Beteiligungs GmbH sold its stake of 100% in Fresenius Biotech GmbH.

In addition, Fresenius SE & Co. KGaA holds all of the stakes of the following domestic property management and service companies as well as foreign finance companies:

- Fresenius Immobilien-Verwaltungs-GmbH
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG
- Hygieneplan GmbH
- Fresenius Versicherungsvermittlungs GmbH
- Fresenius Medical Care Management AG
- Fresenius Finance B.V.
- Fresenius Finance II B.V.
- Fresenius Finance I S.A.
- Fresenius US Finance I, Inc.
- Fresenius US Finance II, Inc.
- GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF

All of the subscribed capital of Fresenius Netcare GmbH is indirectly held via Fresenius Versicherungsvermittlungs GmbH.

In January 2013, Fresenius SE & Co. KGaA sold shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of €36 million. In September 2013, Fresenius SE & Co. KGaA purchased shares of this company in the amount of €136 million. In October 2013, a dividend payment of €69.2 million took place. Due to this dividend payment a write-off on the company's shares in an equal amount was made. In December 2013, Fresenius SE & Co. KGaA sold further shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of €66 million. On December 31, 2013, the carrying amount of the shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF is €10 million. The company invests its assets completely and exclusively in German federal saving bonds (Bundeswertpapiere), European Government Securities and shares in funds.

Furthermore, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius Biotech Beteiligungs GmbH by €13.2 million and the additional paid-in capital of Fresenius US Finance I, Inc. by US$10.7 million (€8.1 million).

The additions of loans to related parties mainly affect a new loan to Fresenius US Finance I, Inc. of US$481.47 million (€369.4 million). This loan has a fair value of €349.1 million at actual exchange rates on December 31, 2013. As the decline is expected not to be permanent, a write-off in the amount of €20.3 million on the fair value was not required.

(4) Accounts receivable and other assets

	Dec. 31, 2013	Dec. 31, 2012
€ in thousands		
Trade accounts receivable	6	0
(amount with a remaining term of more than one year)	(-)	(-)
Accounts receivable from related parties	4,398,762	1,643,969
(amount with a remaining term of more than one year)	(24,786)	(27,315)
Other assets	44,230	53,698
(amount with a remaining term of more than one year)	(-)	(-)
	4,442,998	1,697,667

The Accounts receivable from related parties are composed of loans and finance-related accounts of €4,398,460 thousand (previous year €1,643,631 thousand) and trade accounts receivable of €302 thousand (previous year €338 thousand). The increase of accounts receivable from related parties is mainly a result of Fresenius SE & Co. KGaA issuing loans to several companies of the Fresenius Group. With these loans the companies financed advances made in the amount €2,178 million under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG.

Other assets mainly contain claims for tax credits, which relate to the tax calculation for the years 2006 to 2013 (€32,659 thousand), as well as derivatives with a positive fair value as of December 31, 2013 (€10,689 thousand). Also included are social security related receivables of €1 thousand (previous year €1 thousand).

(5) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks of €59,511 thousand (previous year €54,238 thousand).

(6) Deferred expense

Deferred expense of €1,442 thousand (previous year €1,116 thousand) mainly concerns the prepayment of the Directors&Officers-Insurance (D&O-Insurance).

(7) Subscribed capital

During the fiscal year 2013, 1,506,569 stock options were exercised

Consequently, as of December 31, 2013, the subscribed capital of Fresenius SE & Co. KGaA consisted of 179,694,829 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

On May 15, 2012, Fresenius SE & Co. KGaA successfully completed a capital increase upon registration with the commercial register. In connection with the capital increase, 13.8 million new ordinary shares were issued at a price of €73.50. The transaction generated gross proceeds of €1,014.3 million and increased the subscribed capital by €13.8 million. The new shares had full dividend entitlement for the fiscal year 2012.

The subscribed capital developed as follows:

	2013	2012
€ in thousands		
As of January 1	178,188	163,237
Increase due to issuance of bearer ordinary shares	0	13,800
Increase due to exercise of stock options	1,507	1,151
As of December 31	179,695	178,188

(8) Own shares

Fresenius SE & Co. KGaA purchased own ordinary shares during the year for distribution to employees entitled to the profit-sharing program.

The agreement reached between the Works Council and the Management Board in February 2012 is the basis for distributing the shares. The agreement awards €2,164.25 of profit-sharing to each full-time employee for 2012 as well as the employer contribution for social security payments. About two-thirds of the profit-sharing payment is settled in shares and employees are given a choice of cash or additional shares for the remaining third. Employees that opt for additional shares are awarded one additional share. The price determination for the shares and bonus shares in the profit-sharing program was made on June 10, 2013.

To be eligible for the program, employees must have had three years of continuous employment at Fresenius SE & Co. KGaA on December 31, 2012, its direct affiliated companies or affiliated companies of Fresenius Kabi and certain other affiliated companies as identified in the Works Council agreement. At that time, eligible employees must have not been under notice or in an executive position, as defined by Fresenius. Intercompany transfers are counted in full.

The following ordinary shares were purchased and distributed or re-sold as part of the Fresenius SE & Co. KGaA profit-sharing program for 2012.

	Date	Number	Price in € per share
Purchase	June 10, 2013	24,900	93.20
Disbursement	June 10, 2013	24,727	93.15
Sale	Oct. 31, 2013	173	95.72

Purchased shares with a nominal value of €24,900.00 and committed shares with a nominal value of €24,727.00 represented 0.0139% and 0.0138% of the subscribed capital, respectively.

The proceeds from the sale on October 31, 2013 have increased corporate funding.

As of December 31, 2013, no own shares were held.

(9) Notification by shareholders

The following table shows the notifications disclosed in 2013 in accordance with Section 26 (1) of the German Securities Trading Act (WpHG).

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attribution pursuant to WpHG	Percentage of voting rights	Number of voting rights
BlackRock International Holdings, Inc., New York, United States[1]	January 31, 2013	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with Section 22 (1) sentence 2	2.93	5,222,607
BR Jersey International Holdings, L. P., St. Helier, Jersey, Channel Islands[1]	January 31, 2013	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with Section 22 (1) sentence 2	2.93	5,222,607
BlackRock Advisors Holdings, Inc., New York, United States[1]	November 27, 2013	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with Section 22 (1) sentence 2	2.997	5,361,078

[1] Attributed to the controlling company BlackRock, Inc., New York, United States, holding 5.36% in Fresenius SE & Co. KGaA (last notification dated May 2012)

The Else Kröner-Fresenius-Stiftung as major shareholder informed Fresenius SE & Co. KGaA on December 20, 2013, that it holds 48,231,698 ordinary shares of Fresenius SE & Co. KGaA representing 26.84% of the subscribed capital on December 31, 2013.

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations – Fresenius Share / ADR – Shareholder Structure.

(10) Authorized capital

By resolution of the Annual General Meeting on May 17, 2013, the previous Authorized Capital I was revoked and a new Authorized Capital I was created.

In accordance with the new provision in the articles of association of Fresenius SE & Co. KGaA, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 16, 2018, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €40,320,000 through a single issue 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, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization. In the case of a contribution 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 the general partner 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, neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization.

The changes to the Authorized Capital became effective upon registration of the amendments to the articles of association with the commercial register on June 3, 2013.

The Authorized Capital I developed as follows:

	2013	2012
€ in thousands		
As of January 1	26,520	40,320
Revocation of previous Authorized Capital I due to resolution of the Annual General Meeting	-26,520	0
Creation of a new Authorized Capital I due to resolution of the Annual General Meeting	40,320	0
Decrease due to issuance of bearer ordinary shares	0	-13,800
As of December 31	40,320	26,520

(11) Conditional Capital

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE & Co. KGaA is divided into Conditional Capital I, Conditional Capital II, Conditional Capital III and Conditional Capital IV. These are used to satisfy the subscription rights in connection with previously issued stock options or convertible bonds, as the case may be, for bearer ordinary shares under the stock option plans of 2003, 2008 and 2013.

By resolution of the Annual General Meeting on May 17, 2013, the previous Conditional Capital I was revoked. Additionally, the change of the previous Conditional Capital II in Conditional Capital I, the change of the previous Conditional Capital III in Conditional Capital II as well as the change of the previous Conditional Capital IV in Conditional Capital III were resolved. By resolution on May 17, 2013, the Annual General Meeting of Fresenius SE & Co. KGaA authorized the general partner until May 16, 2018, to issue up to 8,400,000 subscription rights for up to 8,400,000 non-par value bearer ordinary shares of Fresenius SE & Co. KGaA in the framework of the 2013 Stock Option Plan. The authorization shall fall to the Supervisory Board alone, if members of the Management Board of the general partner are concerned. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €8,400,000 through issuing of up to 8,400,000 new bearer ordinary shares (Conditional Capital IV). The change of Fresenius SE & Co. KGaA's articles of association with regard to the Conditional Capital I, II, III and IV became effective upon registration with the commercial register on June 3, 2013. The conditional capital increase shall only be implemented to the extent that subscription rights were or are issued according to the 2013 Stock Option Plan, the holders of subscription rights exercise their 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 Conditional Capital I for the Fresenius AG Stock Option Plan 1998 (until June 3, 2013) developed as follows:

	Ordinary shares
in €	
As of January 1, 2013	857,970
Decrease due to revocation of previous Conditional Capital I	-857,970
As of December 31, 2013	0

The Conditional Capital I for the Fresenius AG Stock Option Plan 2003 (until June 3, 2013: Conditional Capital II) developed as follows:

	Ordinary shares
in €	
As of January 1, 2013	2,497,254
Decrease due to exercise of stock options	-385,737
As of December 31, 2013	2,111,517

The Conditional Capital II for the Fresenius SE Stock Option Plan 2008 (until June 3, 2013: Conditional Capital III) developed as follows:

	Ordinary shares
in €	
As of January 1, 2013	5,383,434
Decrease due to exercise of stock options	-1,120,832
As of December 31, 2013	4,262,602

The Conditional Capital III, approved May 11, 2012, (until June 3, 2013: Conditional Capital IV) developed as follows:

	Ordinary shares
in €	
As of January 1, 2013	16,323,734
As of December 31, 2013	16,323,734

The Conditional Capital IV for the Fresenius SE & Co. KGaA Stock Option Plan 2013 developed as follows:

	Ordinary shares
in €	
As of January 1, 2013	0
Increase due to resolution of the Annual General Meeting	8,400,000
As of December 31, 2013	8,400,000

Fresenius SE & Co. KGaA stock option plans

Description of the Fresenius SE & Co. KGaA stock option plans in place

As of December 31, 2013, 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. On June 30, 2012, the term of the options granted under the Fresenius AG Stock Option Plan 1998 expired. In 2013, stock options were solely granted under the 2013 LTIP.

Long Term Incentive Program 2013 (2013 LTIP)

The 2013 LTIP comprises 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.

Stock Option Plan 2013 (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 is 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 are designated for members of the Management Board of Fresenius Management SE; up to 4.4 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 2.4 million options are designated for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care). 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 Stock Option Plan 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, 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, 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 adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA (currency adjusted) and changes thereto compared to the adjusted net income (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.

Phantom Stock Option Plan 2013 (2013 PSP)

Fresenius SE & Co. KGaA's 2013 PSP was established in May 2013, together with the 2013 SOP. 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). As under the 2013 Stock Option Plan, 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, 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, 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 adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA (currency adjusted) and changes thereto compared to the adjusted net income (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. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was amended and completely adapted to ordinary shares. Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to exclusively obtain 6.2 million ordinary shares (originally 3.1 million ordinary shares and 3.1 million preference shares). Up to 1.2 million options are designated for members of the Management Board of Fresenius Management SE (originally Management Board of Fresenius SE), up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for executive employees of Fresenius SE & Co. KGaA (originally of Fresenius SE) and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius Management SE's Management Board, the Supervisory Board of Fresenius Management SE now holds the sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius Management SE now has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE & Co. KGaA's (originally Fresenius SE's) ordinary shares (originally ordinary and preference shares) on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price during the 30 calendar days immediately prior to the grant date, if this is higher. 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 for 2008 to 2012 were met. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods. Former options for preference shares are now exclusively options for ordinary shares.

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 options have been granted since 2008. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was also amended and completely adapted to ordinary shares. Under the 2003 Plan, eligible employees have the right to acquire ordinary shares (originally ordinary and preference shares) of Fresenius SE & Co. KGaA (originally of Fresenius AG or of Fresenius SE, respectively). 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. Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary shares (originally ordinary or preference shares, respectively) upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: one third of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares (originally three ordinary shares or three preference shares, respectively) is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of the ordinary shares (originally ordinary shares or preference shares, respectively) during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee was 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split in 2007 entitles to subscribe one ordinary share (originally one ordinary or one preference share, respectively), subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary share (originally one ordinary or one preference share, respectively), conversion after the share split entitles to three ordinary shares (originally three ordinary or three preference shares, respectively). In addition, due to the elimination of the preference shares, after the change of legal form, the success target of the 2003 Plan had to be adjusted to the effect that it is deemed to be achieved if and when the aggregate of the following price increases amounts to at least 25%: (1) increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day when the change of legal form took effect and (2) increase of the stock exchange price of ordinary shares since the change of legal form took effect.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees had the right to acquire ordinary and preference shares of Fresenius SE. After the change of legal form and the conversion of all preference shares into ordinary shares, the options exclusively granted the right to acquire ordinary shares of Fresenius SE & Co. KGaA. Options granted under this plan had a 10-year term which expired on June 30, 2012.

Transactions during 2013

In 2013, Fresenius SE & Co. KGaA awarded 720,206 stock options under the 2013 LTIP, including 105,000 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of €96.78, a weighted-average fair value of €25.98 each and a total fair value of €19 million. At the exercise date all vested stock options are recognized at initial value, not through profit or loss. Fresenius SE & Co. KGaA also awarded 111,294 phantom stocks in total, including 27,272 phantom stocks granted to members of the Management Board of Fresenius Management SE, at a weighted-average measurement date (December 31, 2013) fair value of €106.14 each and a total fair value of €12 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period. Thereof, Fresenius SE & Co. KGaA awarded 36,749 Phantom Stocks with a fair value of €4 million. During the fiscal year 2013, Fresenius SE & Co. KGaA received cash of €69 million from the exercise of 1,506,569 stock options. The average stock price of the ordinary share at the exercise date was €97.81. The intrinsic value of options exercised in 2013 was €74 million. 541,822 convertible bonds were outstanding and exercisable under the 2003 Plan at December 31, 2013. The members of the Fresenius Management SE Management Board held 111,698 convertible bonds. At December 31, 2013, out of 3,237,098 outstanding stock options issued under the 2008 Plan, 1,010,638 were exercisable and 603,460 were held by the members of the Fresenius Management SE Management Board. 717,581 stock options issued under the 2013 TIP were outstanding at December 31, 2013. The members of the Fresenius Management SE Management Board held 105,000 stock options. 111,059 phantom stocks issued under the 2013 LTIP were outstanding at December 31, 2013. The members of the Fresenius Management SE Management Board held 27,272 and Fresenius SE & Co. KGaA 9,477 stock options.

Stock option transactions are summarized as follows:

	Ordinary shares
	number
Number as of December 31, 2012	5,384,752
plus new issues	720,206
less forfeited options	-101,888
less exercises	-1,506,569
Number as of December 31, 2013	4,496,501

(12) Capital reserves

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

The capital reserves have developed during the fiscal year as follows:

	2013	2012
€ in thousands		
As of January 1	2,944,992	1,899,796
Increase due to issuance of bearer ordinary shares	0	1,000,500
Increase due to exercise of stock options	67,034	44,696
As of December 31	3,012,026	2,944,992

The capital reserve of 10% of the subscribed capital conforms with the legal reserve as in section 150 (1) and (2) of the German Stock Corporation Act (AktG).

(13) Other reserves

Other reserves developed as follows:

	2013	2012
€ in thousands		
As of January 1	1,555,495	1,308,995
Additions to other reserves from net income of the period	207,900	0
Additions to other reserves by the Annual General Meeting from retained earnings	0	299,700
Deduction of other reserves	0	-53,200
As of December 31	1,763,395	1,555,495

According to the restrictions in Section 268 (8) HGB, €25.9 thousand shall not be distributed. This amount relates exclusively to the fair value of the securities held to cover partial retirement agreement obligations in case of insolvency. Given that the amount of capital and other reserves is sensibly higher than retained earnings, there is no distribution restriction for this amount.

(14) Retained earnings

Accumulated profits from the prior year of €29 thousand are included in retained earnings in accordance with the decision taken at the Annual General Meeting on May 17, 2013.

(15) Special reserve for investment government grants

Special reserves primarily comprise government investment grants and subsidies according to sections 1, 4 and 4b of the German Investment Subsidy Code (InvZulG). Dissolution of grants and subsidies is spread over the useful life of the subsidized assets. The yearly dissolution (€1 thousand) is included in the profit and loss statement under “Other operating income”.

(16) Accrued expenses

The pension obligation has been determined according to the method described under Note (3) “Accounting principles and standards of valuation”. Included in this item is an obligation of €9,221 thousand in favor of Fresenius management SE for pension obligations related to its Management Board members.

In accordance with legal regulations the employee credit balances of partial retirement agreements are secured against insolvency. To fulfill this purpose the company buys shares of a money-market-similar investment fund in the amount of the cumulated credit balances. The securitization is done via pledging the investment fund shares to a trustee, hence the securities have the sole purpose of fulfilling the obligations derived from the partial retirement agreements and are not available to other creditors. They have been netted with their matching obligations following Section 246 (2) sentence 2 HGB. The fair value of these securities has been derived from the stock exchange price at the balance sheet date.

	Dec. 31, 2013
€ in thousands	
Amount to be paid for partial retirement agreements	880
Fair value of matching securities	828
Funded status (surplus of obligations over assets)	52
Acquisition cost of securities	867

In the statement of income, net interest includes €28 thousand of netted expense and income from the valuation of the securities and the provision.

On the basis of a Works Council Agreement from 2009 and starting on January 1, 2010, employees can participate in a demography fund (Demografiefonds) by contributing part of their compensation or working time to an account run by Fresenius SE & Co. KGaA in exchange of time-off in the future. The credit balances of the employees are invested in an insurance product via a trust agreement so that Fresenius SE & Co. KGaA and its creditors do not have access to the funds. This construction is a security-based pension obligation in the sense of Section 253 (1) sentence 3 HGB. The amount provisioned for the time balances of the employees corresponds to the fair value of the insurance product. The fair value results from the forecasted actuarial reserves of the insurance company plus the present profit sharing on the surplus.

	Dec 31, 2013
€ in thousands	
Amount to be paid for obligations from the demography fund	819
Fair value of matching insurance	819
Funded status (surplus of assets over obligations)	0
Acquisition cost of insurance	775

The statement of income includes €23 thousand of netted expense and income, respectively, from the valuation of the insurance product and the provision.

Accruals for income taxes include estimated amounts of outstanding tax payments from current year as well as prior years.

Other accruals are primarily established to cover contingent losses from interest rate swaps, personnel costs as well as outstanding invoice liabilities.

(17) Liabilities

	Dec 31, 2013				Dec 31, 2012	
		Thereof with a remaining term of				Thereof with a remaining term of up to 1 year
	Total	up to 1 year	1 year to 5 years	over 5 years	Total	
€ in thousands						
Convertible bonds	115	115	0	0	194	194
Bank loans	2,707,306	2,182,306	525,000	0	596,002	196,002
(thereof secured)	(525,000)	(0)	(525,000)	(0)	(596,000)	(196,000)
Trade accounts payable	6,218	6,218	0	0	5,204	5,204
Accounts payable to related parties	1,930,018	444,966	475,252	1,009,800	1,520,333	488,056
Other liabilities	13,975	13,873	102	0	14,680	14,680
	4,657,632	2,647,478	1,000,354	1,009,800	2,136,413	704,136
(thereof secured)	(525,000)	(0)	(525,000)	(0)	(596,000)	(196,000)

Convertible bonds

Liabilities result from the issuance of convertible bonds worth €115 thousand as part of the Fresenius AG 2003 Stock Option Plan.

Bank loans

Bridge Financing Facility

On October 15, 2013, Fresenius SE & Co. KGaA entered into a Bridge Financing Facility in the amount of €1,800 million with a group of banks. The Bridge Financing Facility is guaranteed by Fresenius ProServe GmbH and Fresenius Kabi AG. The Bridge Financing Facility has been drawn in an amount of €1,500 million on December 30, 2013. The proceeds were used for advances made in the amount of €2,178 million under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG. The transaction was closed on February 27, 2014.

The Bridge Financing Facility initially had a one year tenor and had to be mandatorily reduced by the net proceeds of any capital markets transaction. In line with these provisions, the facility has been reduced by the net proceeds of the €1,410 million Senior Notes issuances that were made in January and February 2014.

On February 27, 2014, the bridge financing facility was voluntary cancelled before maturity and the remaining outstanding amount of €90 million was repaid.

The Bridge Financing Facility contained a number of customary affirmative and negative covenants. These covenants included limitations on liens, sale of assets, incurrence of debt, investments and acquisitions, among other items. The Bridge Financing Facility also included a financial covenant.

The interest rate on each borrowing under the Bridge Financing Facility was a rate equal to EURIBOR plus the applicable margin. The applicable margin would have increased after three months and six months from the date of first utilization. As of December 31, 2013, Fresenius SE & Co. KGaA and its subsidiaries were in compliance with all covenants under the Bridge Financing Facility.

European Investment Bank Agreement

Fresenius SE & Co. KGaA had access to a revolving credit facility from the European Investment Bank (EIB) of €96 million, which was due on June 14, 2013 and repaid as scheduled.

Fresenius SE & Co. KGaA had access to a further loan from the EIB of €100 million, which was repaid on September 10, 2013 as scheduled.

The EIB is the not-for-profit long-term lending institution of the European Union and loans funds at favorable rates for the purpose of specific capital investment and research and development project. The above mentioned loans bore variable interest rates which were based on EURIBOR or LIBOR plus applicable margin. These interest rates changed quarterly. The drawing of €96 million under the credit facility was secured by bank guarantees. The drawing of €100 million under the credit facility was guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Euro Notes

On February 22, 2013, Fresenius SE & Co. KGaA issued Euro Notes in an amount of €125 million. Proceeds were used for general corporate purposes. The new Euro Notes are guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

On April 2, 2012, Fresenius SE & Co. KGaA issued Euro Notes in an amount of €400 million. Proceeds were used to refinance the tranches of the Euro Notes of Fresenius Finance B.V. which were due in April and July 2012 and for general corporate purposes. These Euro Notes are guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Commercial-Paper-Program

Fresenius SE & Co. KGaA has a commercial paper program under which up to €500 million in short-term notes can be issued. As of December 31, 2013, the commercial paper program was completely utilized.

Accounts payable to related parties

Accounts payable to related parties comprise loans and financing accounts with affiliated companies in an amount of €1,929,917 thousand (previous year €1,520,251 thousand) and trade accounts payable amounting to €101 thousand (previous year €82 thousand).

Included in this item are liabilities of €6,304 thousand (previous year €3,617 thousand) in favor of the general partner Fresenius Management SE. Moreover, liabilities of €15,033 thousand (previous year €12,335 thousand) in favor of Fresenius Management SE are included in pension liability and other liabilities.

Other liabilities

Other liabilities include primarily tax liabilities, interest liabilities as well as payroll liabilities.

Tax liabilities amount to €1,837 thousand (previous year €1,971 thousand).

(18) Contingent Liabilities

	2013	2012
€ in thousands		
Contingencies from indemnity agreements and guarantees	5,815,444	4,371,146
(thereof amount in favor of and from affiliated companies)	(5,815,444)	(4,371,146)

Fresenius SE & Co. KGaA has committed itself to exempt on certain preconditions various members of the managing boards of foreign affiliates from claims, in case such claims were made due to their function as members of the managing board of the affiliates concerned, and these claims were based on the law of the respective country.

Fresenius SE & Co. KGaA committed itself, to the extent legally admissible, to indemnify the members of the Management Board against claims against them arising from their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a 'Directors&Officers' insurance with an excess, in compliance with stock corporation requirements. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

Fresenius SE & Co. KGaA guarantees the liabilities of its wholly-owned subsidiaries Fresenius Finance B.V. and Fresenius US Finance II, Inc. – both wholly-owned subsidiaries of Fresenius SE & Co. KGaA. The following table shows these liabilities of the two companies as of December 31, 2013:

Issuer	Nominal Value	Maturity Date	Interest Rate
Euro Notes			
Fresenius Finance B.V. 2007/2014	€38 million	July 2, 14	5.75%
Fresenius Finance B.V. 2007/2014	€62 million	July 2, 14	variable
Fresenius Finance B.V. 2008/2014	€112 million	Apr. 2, 14	5.98%
Fresenius Finance B.V. 2008/2014	€88 million	Apr. 2, 14	variable
Senior Notes			
Fresenius Finance B.V. 2013/2020	€500 million	July 15, 20	2,875%
Fresenius Finance B.V. 2012/2019	€500 million	Apr. 15, 19	4.25%
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 15	8.75%
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 15	9.00%

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA.

The Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. described above 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. On February 7, 2013, the 5.5% Senior Notes due in 2016 that were issued in 2006 by Fresenius B.V. were early and completely repaid at a price of 100.916% plus accrued and unpaid interest. All other 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, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective 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, 2013, the Fresenius Group was in compliance with all of its covenants.

As part of the purchase agreement, signed in September 2013, between several entities of the Fresenius Group (Buyers) and of the Rhön-Klinikum Group (Sellers) referring to the shares of the Rhön-Klinikum AG’s companies, Fresenius SE & Co. KGaA guarantees all obligations and liabilities of the Buyers to the Seller deriving from or are related to this purchase agreement, including the obligation to pay the purchase price.

For funding the Rhön transaction, in January and February 2014 the following unsecured Senior Notes were issued which are guaranteed by Fresenius SE & Co. KGaA together with Fresenius Kabi AG and Fresenius ProServe GmbH.

Issuer	Nominal Value	Maturity Date	Interest Rate
Fresenius Finance B.V. 2014/2019	€300 million	Feb. 1, 19	2.375%
Fresenius Finance B.V. 2014/2021	€450 million	Feb. 1, 21	3.00%
Fresenius Finance B.V. 2014/2024	€450 million	Feb. 1, 24	4.00%
Fresenius US Finance II, Inc. 2014/2021	US$ 300 million	Feb. 1, 21	4.25%

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. The 2013 Senior Credit Agreement was funded on June 28, 2013 and replaced the 2008 Senior Credit Agreement. On August 7, 2013, the 2013 Senior Credit Agreement was extended by a term loan B facility in the amount of US$500 million.

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

- 5-year revolving credit facilities in the aggregate principal amount of US$300 million, €400 million and a €200 million multicurrency facility with a final repayment date on June 28, 2018. Those revolving credit facilities are available for Fresenius US Finance I, Inc., Fresenius Finance II B.V. and Fresenius SE & Co. KGaA, respectively. They have not been utilized at December 31, 2013.

- 5-year term loan facilities in the aggregate principal amount of US$980 million and €637 million (together Term Loan A) which were borrowed by Fresenius US Finance I, Inc. and Fresenius Finance II B.V. Term Loan A amortizes and is repayable in unequal quarterly installments with a final maturity on June 28, 2018.

- a 6-year term loan facility in the aggregate principal amount of US$499 million (Term Loan B) which was borrowed by Fresenius US Finance I, Inc. Term Loan B amortizes and is repayable in quarterly installments, whereby the majority of the loan is due on June 28, 2019.

The 2013 Senior Credit Agreement allows for establishment of incremental facilities if certain conditions are met. In line with these provisions, the 2013 Senior Credit Agreement has been increased on November 27, 2013 by facilities of €1,200 million in total. They consist of an incremental term loan facility A of €600 million, an incremental term loan facility B of €300 million (both can be utilized by Fresenius Finance II B.V.), and an incremental revolving facility of €300 million which can be utilized by Fresenius SE Co. KGaA. These incremental facilities were drown down on February 27, 2014 and used to fund the acquisition of hospitals from Rhön-Klinikum AG. 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 upon funding of the incremental facilities are additionally secured by a pledge of the capital stock of HELIOS Kliniken GmbH, in favor of the lenders.

Moreover, Fresenius SE & Co. KGaA together with Kabi AG guarantee a loan of €24.1 million from Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG entered into in 2010 and that has a value of €18.1 million on December 31, 2013.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

(19) Other financial commitments

	2013	2012
€ in thousands		
Commitments from building leases, and leasing commitments		
due 2014 (prior year 2013)	5,859	5,539
due 2015-2018 (prior year 2014-2017)	7,769	11,641
due after 2018 (prior year after 2017)	-	-
	13,628	17,180
Commitments from ongoing capital expenditures	45	155
(thereof amount to affiliated companies)	(-)	(-)
Other Commitments	16,415	16,257
(thereof amount to affiliated companies)	(16,415)	(16,257)
	30,088	33,592

Other financial commitments comprise liabilities for joint commitments from the transfer of pension obligations to operating divisions of the business segments and future payment-obligations from subsidiaries resulting from acquisitions.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Notes on the profit and loss statement

(20) Income from participations

	2013	2012
€ in thousands		
Income from profit transfer agreements	427,035	275,295
Income from participations	150,134	147,512
(thereof amount from affiliated companies)	(149,443)	(147,512)
Expenses from loss transfer agreements	0	53,106
	577,169	369,701

(21) Other operating income

Other operating income of €180,073 thousand in total (previous year €128,283 thousand) is comprised primarily of foreign currency gains of €97,770 thousand (previous year €62,383 thousand), of cost transfers to group companies of €75.733 thousand (previous year €57,938 thousand), service contracts with other subsidiaries, sales of property, plant and equipment from other accounting periods of €49 thousand (previous year €72 thousand), as well as other income from other accounting periods mainly income from the dissolution of short-term accruals in the amount of €4,777 thousand (previous year €7,233 thousand). The main reason for the increase in other operating income is an increase in foreign currency gains and in cost transfers to group companies.

The total income from other accounting periods was €8,249 thousand in the fiscal year (previous year €10,389 thousand).

(22) Personnel expenses

	2013	2012
€ in thousands		
Salaries and wages	22,676	21,401
Social security and costs of retirement pensions and social assistance	5,521	4,678
(thereof amount of retirement pensions)	(2,326)	(1,596)
	28,197	26,079

The annual average number of employees of Fresenius SE & Co. KGaA by function is divided into the following groups:

	2013	2012
Wage earners	18	18
Salaried employees	246	240
Apprentices	134	122
	398	380

(23) Depreciation and amortization of intangible assets and property, plant and equipment

Depreciation of intangible assets and property, plant and equipment of €4,288 thousand (previous year €4,414 thousand) is regular depreciation.

(24) Other operating expenses

Other operating expenses of €171,379 thousand in total (previous year €172,571 thousand) were primarily foreign currency losses of €95,988 thousand (previous year €64,847 thousand). Thereof, €8,017 thousand (previous year: €2,883 thousand) result from devaluation of financial assets. Also included are IT-related expenses, insurance premiums and consulting expenses, as well as the costs of Fresenius Management SE for the compensation of its Management Board that is passed on.

Total expenses from other accounting periods were €653 thousand in the fiscal year (previous year €984 thousand).

(25) Earnings before interest and taxes (EBIT)

	2013	2012
€ in thousands		
Profit on ordinary activities	460,527	165,340
Net interest	21,219	20,928
Write-offs on financial assets and marketable securities	71,632	74,133
Other financial result	0	34,519
Other taxes	-171	-497
EBIT	**553,207**	**294,423**

(26) Net interest

	2013	2012
€ in thousands		
Interest income from long-term loans	58,618	64,146
(thereof amount from affiliated companies)	(58,595)	(64,045)
Other interest and similar income	60,692	54,884
(thereof amount from affiliated companies)	(52,073)	(39,807)
Interest and similar expenses	-138,695	-138,284
(thereof amount from affiliated companies)	(-72,261)	(-63,573)
Expense from interest accrued for provisions	-1,834	-1,674
	-21,219	-20,928

(27) Write-offs of financial assets and marketable securities

The item mainly includes write-offs on the shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of €69 million (previous year €72 million) due to dividend payment. The equal amount of dividend payment was reported in the income from participations.

(28) Other financial result

In 2012, the item other financial result comprised the financing costs, mainly the costs for the financing commitment, related to the takeover offer to the shareholders of Rhön-Klinikum AG.

(29) Income Taxes

Income taxes in the amount of €27,835 thousand (previous year €22,048 thousand) resulted from current tax expense of €23,567 thousand (previous year €19,041 thousand) as well as taxes from other accounting periods in the amount of €4,268 thousand (previous year €3,007 thousand).

The deferred tax for the Tax Group is calculated with a tax rate of 29.5%, which is the tax rate expected to be applicable at the time the temporary differences reverse. Deferred tax liabilities arise from differences in the valuation of accounts receivables and from other assets not recognized for tax purposes. Differences in the valuation of pensions and other provisions generate deferred tax assets that exceed the amount of deferred tax liabilities. Moreover, as of December 31, 2013, Fresenius SE & Co. KGaA has further deferred tax assets that arise from operating losses that can be carried forward for an unlimited period. The Company makes use of the option to not recognize a net deferred asset.

(30) Derivatives

Fresenius SE & Co. KGaA uses derivative financial instruments, normally micro-hedges, to hedge against existing or highly probable future interest and currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. Fresenius SE & Co. KGaA has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Fresenius SE & Co. KGaA uses derivative financial instruments to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates and interest rates. The high effectiveness of the derivative financial instruments leads to the expectation that, in general, the underlying transaction and the corresponding derivative will offset each other.

Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius SE & Co. KGaA entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had mainly US$ and € currency derivatives with a nominal value of €587,717 thousand and fair value of €10,553 thousand with a maximum maturity of 12 months.

For foreign exchange forward contracts contracted with banks that were closed to hedge the foreign exchange risk of Fresenius SE & Co. KGaA Group companies' and that were passed down to the affected Group companies via Group internal transactions, hedges were built for the forward contracts and the underlying transactions with an offsetting fair value. The Company does not revaluate these hedges for financial reporting purposes until maturity (Einfrierungsmethode). The positive net fair value of internal and external hedges was €38 thousand. As of December 31, 2013, the notional amount of these transactions totaled €61,782 thousand. A provision for contingent losses of €16 thousand has been built within "Other provisions". The offsetting cash flows will level after 12 months the latest.

Further hedges were built for loans in foreign currencies that Group Companies have borrowed from the Company or that the Company has borrowed from Group Companies, and their offsetting foreign exchange forward contracts closed for hedging purposes. The loan receivables and payment obligations hedged against currency risk had a net book value of €502,494 thousand (asset). External foreign currency hedging contracts for the individual loans receivables and payment obligations had a positive net fair value of €10,689 thousand. The changes in value of both the loan receivables and payment obligations and the foreign currency hedging contracts have been recognized as income (Durchbuchungsmethode). The offsetting cash flows will nearly level after 6 months the latest.

The rest of the currency derivative contracts can have positive and negative fair values. Positive fair values of €104 thousand were not recognized for financial reporting purposes. Negative fair values amounting to €278 thousand were recognized as contingent losses.

Interest rate risk

The Company entered into interest rate swap transactions with banks with a nominal value of €584,566 thousand and a negative fair value on the balance sheet date of €4,229 thousand. These transactions are mainly offset by interest rate swaps with the same nominal value and a positive fair value of €4,229 thousand, through hedging transactions with affiliated companies. These transactions build a hedge that is not revaluated for financial reporting purposes until maturity (Einfrierungsmethode).

At the beginning of 2013, seven interest rate swaps with a notional amount of €400,000 thousand and a negative fair value of €36,664 thousand were cash settled at the debt issuance date. These interest rate swaps were used to achieve pre-establish interest rate benchmarks for Senior Notes issuances of Fresenius Group companies.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

- The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account.

- To determine the market 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 balance sheet. 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.

- The 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 balance sheet.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method and the Dollar Offset-Method for foreign exchange forward contracts and with the Dollar Offset-Method for interest rate swaps.

(31) Compensation of the Management Board and 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 exhibit Compensation Report), which is part of the Management Report.

The Management Board’s compensation is, as a whole, performance-oriented and was composed of three elements in the fiscal year 2013:

- 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 €11,044 thousand (2012: €11,080 thousand). Thereof, €5,044 thousand (2012: €5,053 thousand) is not performance-based and €6,000 thousand (2012: €6,027 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 105,000 stock options under the Fresenius SE Co. KGaA Stock Option Plan 2013 and 74,700 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 €3,632 thousand.

The payment of a part of the performance-based compensation in an amount of €203 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to Fresenius SE & Co. KGaA of the years 2014 and 2015. The total compensation paid to the Management Board was €18,407 thousand (previous year €17,751 thousand in the fiscal year 2013.

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was €2,920 thousand in 2013 (2012: €2,592 thousand). Of this amount, €213 thousand was fixed compensation (2012: €213 thousand), €100 thousand was compensation for committees services (2012: €100 thousand), and €2,607 thousand was variable compensation (2012: €2,279 thousand).

In 2013, based on pension commitments to former members of the Management Board, €1,064 thousand (2012: €778 thousand) was paid. The pension obligation for these persons amounted to €17,389 thousand in 2013 (2012: €11,310 thousand).

In the fiscal years 2013 and 2012, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

The members of the Management Board and Supervisory Board of Fresenius Management SE are displayed in the exhibit to the Notes.

(32) 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 under Who we are – Corporate Governance – Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations – Corporate Governance – Declaration of Compliance, respectively.

(33) Consolidated Financial Statements

As parent company Fresenius SE & Co. KGaA prepares and publishes consolidated financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a of the German Commercial Code (HGB) for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.H. prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

(34) 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 2013 of Fresenius SE & Co. KGaA be distributed as follows:

Payment of a dividend of €1.25 per ordinary share on the 179,694,829 ordinary shares entitled to dividend	€224,618,536.25
Balance to be carried forward	€31,207.40
Retained earnings	€224,649,743.65

(35) Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

Bad Homburg v.d.H., February 27, 2014

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

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

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

Dresden

Medical Director and Spokesman of the Management Board of the Universitätsklinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg (until Oct. 3, 2013)
Universitätsklinikum Rostock (until Feb. 28, 2013)

Prof. Dr. h. c. Roland Berger

Munich

Management Consultant

Offices
Supervisory Board
Fresenius Management SE
Prime Office REIT-AG (Chairman)
Schuler AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
Geox S.p.A., Italy
RCS Mediagroup S.p.A., Italy (Vice President)

Dario Anselmo Ilossi

Rome, Italy

Trade Union Officer FEMCA Cisl – Energy, Fashion, and Chemicals

Konrad Kölbl

Hof am Laithagebirge, Austria

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

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fresenius Management SE
Linde AG

Administrative Board
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

Weilrod

Full-time Works Council Member

Chairman of the Joint Works Council of Fresenius SE & Co. KGaA / Bad Homburg site

Member of the General Works Council of Fresenius SE & Co. KGaA

Gerhard Roggemann

Hanover

Canaccord Genuity Ltd., London (formerly: Hawkpoint Partners Ltd., London)
Vice Chairman Investment Banking

Offices
Supervisory Board
Deutsche Beteiligungs AG
Deutsche Börse AG (Deputy Chairman)
GP Günter Papenburg AG (Chairman)
WAVE Management AG (since Nov. 19, 2013)

Board of Directors
Friends Life Group plc, Great Britain (until Mar. 28, 2013)
Resolution Ltd., Guernsey (until Mar. 28, 2013)

Dr. Gerhard Rupprecht

Gerlingen

Former member of the Management Board of Allianz SE

Deputy Chairman

Offices
Supervisory Board
Allianz France SA
Euler Hermes Deutschland AG
Fresenius Management SE
Heidelberger Druckmaschinen AG (until Jul. 23, 2013)

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Stefan Schubert

Limburg-Staffel
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

Rainer Stein

Berlin
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

Niko Stumpfögger

Zeuthen
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 (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
Dr. Gerhard Rupprecht

Joint Committee [1]

Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Dr. Gerhard Rupprecht
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

Königstein

Chairman

Corporate Offices

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

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

Dr. Francesco De Meo

Eichenzell

Business Segment Fresenius Helios

Corporate Offices

Supervisory Board
Damp Holding GmbH (until Feb. 3, 2013; Chairman)
HELIOS Beteiligungs AG (Chairman)
HELIOS Kliniken Mansfeld-Südharz GmbH (until 04.09.2013; Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)

Dr. Jürgen Götz

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices

Supervisory Board
FPS Beteiligungs AG (Deputy Chairman)
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Mats Henriksson (since Jan. 1, 2013)

Bad Homburg v. d. H.

Business Segment Fresenius Kabi

Corporate Offices

Supervisory Board
Fresenius Kabi Austria GmbH, Austria (since Jan. 1, 2013; Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Kabi Japan K.K., Japan
Labesfal – Laboratórios Almiro, S.A., Portugal (since Jan. 1, 2013)

Administrative Board
Fresenius Kabi Groupe France S.A., France (since Jan. 1, 2013; Chairman)
Fresenius Kabi Italia S.p.A., Italy (Chairman)

Board of Directors
Beijing Fresenius Kabi Pharmaceutical Co., Ltd., China
Fenwal, Inc., USA
Fenwal Holdings, Inc., USA
FHC (Holdings) Ltd., Great Britain (since Jan. 1, 2013)
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Ltd., India
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (since Jan. 1, 2013)
Fresenius Kabi (Singapore) Pte Ltd., Singapore
Fresenius Kabi USA, Inc., USA (since Jan. 1, 2013)
Sino-Swed Pharmaceutical Corp, Ltd., China

Rice Powell (since Jan. 1, 2013)

Andover, Massachusetts (USA)

Business Segment Fresenius Medical Care

Corporate Offices

Management Board
Fresenius Medical Care Management AG (Chairman since Jan. 1, 2013)

Administrative Board
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Deputy Chairman)

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman since Jan. 1, 2013)

Stephan Sturm

Hofheim am Taunus

Chief Financial Officer

Corporate Offices

Supervisory Board
FPS Beteiligungs AG
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A.U., Spain
HELIOS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH

Administrative Board
Fresenius Kabi Groupe France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler

Linz, Austria

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

Königstein

Chairman

Prof. Dr. h. c. Roland Berger

Munich

Klaus-Peter Müller

Bad Homburg v. d. H.

Dr. Gerhard Rupprecht

Gerlingen

Dr. Dieter Schenk

Munich

Lawyer and Tax Consultant

Deputy Chairman

Offices

Supervisory Board

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)

Administrative Board

Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Administrative Board

Else Kröner-Fresenius-Stiftung (Deputy Chairman)

Management Report for Fresenius SE & Co. KGaA

Fresenius SE & Co. KGaA acts as an operating holding that holds the shares of the Fresenius Group management companies. Fresenius SE Co. KGaA collects income from service contracts, and in a higher amount, income from participations. The income from investments and with it, the result of operations, financial position and the assets and liabilities are highly dependent on the performance of the whole Group. Therefore the business development of the group is described in the following paragraphs.

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 the **business segments**, all of which are legally independent entities managed by the operating parent company Fresenius SE & Co. KGaA. This structure has not changed in the reporting period.

- Fresenius Medical Care offers products and services for patients with chronic kidney failure. As of December 31, 2013, Fresenius Medical Care treated 270,122 patients at 3,250 dialysis clinics.

- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition. The company is also a leading supplier of medical devices and products in the area of transfusion technology.

- At the end of 2013, Fresenius Helios operated a total of 74 hospitals with more than 23,000 beds in Germany.

- Fresenius Vamed manages projects and provides services for hospitals and other health care facilities.

- 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. Fresenius Biotech, a division active in research and development in the field of antibody therapies, was sold with effect from June 28, 2013. As announced in December 2012, Fresenius will focus on its four established business segments going forward. In addition, Corporate/Other includes the consolidation measures conducted among the business segments.

The Fresenius Group operates globally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains about 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.

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 the 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 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 Annual General Meeting. 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 in the exhibit to the Notes. The Company's annual corporate governance declaration describes the procedures of the

Supervisory Board's committees. The declaration can be found on our website www.fresenius.com, see Who we are – Corporate Governance.

The description of both the **compensation structure** 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 (see exhibit Compensation Report). The Compensation Report is part of the Group's Management Report.

Key products and services

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis, and provides dialysis care at its own dialysis clinics in more than 45 countries. Dialyzers, dialysis machines, and renal pharmaceuticals are among the most important product lines. These products are sold to Group clinics as well as to external dialysis care providers in more than 120 countries. In the United States, the company also performs clinical laboratory tests. **Fresenius Kabi** offers a comprehensive product range for clinical nutrition and infusion therapy as well as an extensive portfolio of IV drugs, and related medical devices. It also offers a broad spectrum of products for transfusion technology. The product range consists of more than 100 product families. The company sells products in over 160 countries, mainly to hospitals. **Fresenius Helios** treats more than 2.9 million patients at its hospitals each year, thereof more than 780,000 as inpatients. **Fresenius Vamed** manages projects and provides services for hospitals and other health care facilities worldwide.

Important markets and competitive position

Fresenius operates in about 80 countries through its subsidiaries. The **main markets** are North America and Europe with 42% and 40% of sales, respectively.

Fresenius Medical Care holds the leading position in dialysis care as it serves about 11% 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 strong positions 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 private hospital operator in Germany. **Fresenius Vamed** is also 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, meaning the Group's operating business was not materially affected.

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.

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

There were no legal aspects that significantly affected business performance in 2013.

Capital, shareholders, articles of association

The subscribed capital of Fresenius SE & Co. KGaA amounts to 179,694,829 ordinary shares as of December 31, 2013 (December 31, 2012: 178,188,260). 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).

The 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 €40.32 million, until May 16, 2018, 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 €2,497,254.00 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 €5,383,434.00 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 treasury 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 10, 2017, 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 €16,323,734.00 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 €8,400,000.00 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 treasury shares to satisfy the subscription rights.

The Company is authorized, until May 10, 2017, to purchase and use its **own shares** up to a maximum amount of 10% of the capital stock. As of December 31, 2013, the Company had not utilized this authorization.

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed in Note 9 of the Notes. As the largest shareholder, Else Kröner-Fresenius-Stiftung informed the Company, on December 20, 2013, that it held 48,231,698 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 26.84% as of December 31, 2013.

Amendments to the articles of association are made in accordance with Section 278 (3), 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 of 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 which 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 which 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. 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 and medium-sized acquisitions. 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 and in renal pharmaceuticals. 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, the Company 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 the acquired hospitals from Rhön-Klinikum AG, Fresenius Helios is now present across Germany. Building on this, the Company is now in the position to offer additional patient care models and take advantage of further growth opportunities arising from the ongoing privatization process in the German hospital market. Fresenius Vamed will further strengthen 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 the requirements of best-inclass medical standards by developing and offering more effective products and treatment methods for the critically and chronically ill. The goal of Fresenius Helios is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed's goal is to realize further projects in integrated health care services and to support patient-oriented health care systems more efficiently.

- **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 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.

We report on our goals in detail in the Outlook section on pages 22ff.

Corporate performance criteria

This key performance indicator for Fresenius SE &Co. KGaA as group parent company is retained earnings. The goal is to implement our long-term, earnings-driven dividend policy by means of profit transfers and distributions from affiliates.

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

Research and development **expenses** were €348 million (2012: €305 million), approximately 4.6% of our product sales (2012: 4.4%). Fresenius Medical Care increased its R & D spending by 9% and Fresenius Kabi by 29%.

As of December 31, 2013, there were 1,969 employees in research and development (2012: 1,903). Of that number, 583 were employed at Fresenius Medical Care (2012: 550) and 1,386 at Fresenius Kabi (2012: 1,305).

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.

Employees

Our employees' achievements and skills are vitally important to the Company's success. It is thanks to their expertise, experience, and commitment that all our business segments hold leading positions in their markets. We offer a variety of attractive opportunities for personnel development, and are working to ensure that these are effective. We also actively support international and interdisciplinary collaboration.

Fresenius SE & Co. KGaA had 411 employees on December 31, 2013 (December 31, 2012: 404). Apart from an increase in the number of apprentices, the higher number of employees is due to the growing operations of the Fresenius Group that requires increasing personnel in the central functions within Fresenius SE Co. KGaA.

Human resources management

Highly skilled and motivated employees are vital to our growth. 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. 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 our own employees**.

Personnel development

We support the development of our employees' **professional and personal skills** across the Group through a wide-ranging offering of internal training measures as well as through personal career talks. Through the systematic transfer of know-how within the framework of our successor planning, we ensure that valuable expertise is preserved and our well-qualified staff is trained and supported. Our **global talent management** comprises programs for developing managers in cooperation with Harvard Business School.

As part of our efforts to attract and promote **young talent**, our trainee programs offer promising university graduates an alternative opportunity to start a successful career with the Fresenius Group alongside the traditional channel of direct job entry.

Personnel marketing

The shortage of qualified employees has significantly increased the competition for top talents. We expanded our personnel marketing activities and took a number of steps to bolster Fresenius's reputation as an attractive employer. We participated in **numerous recruiting events** and **career fairs**.

We also successfully expanded our **digital personnel marketing**. The careers portal for the Fresenius Group can be found on our website www.fresenius.com in the "Career" section or directly at http://career.fresenius.com.

Profit-sharing

The high expectations we place on our employees require equivalent compensation. To identify with the Company, employees must take part in its successes and understand the opportunities and risks of entrepreneurial thinking. Fresenius uses the following models:

- Profit-sharing for our employees in Germany
- Stock option plans

These programs support the entrepreneurial focus of our employees to continually increase the value of the company and safeguard the interests of our shareholders.

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 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 is an important benchmark for **environmental management** in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site's impact on the environment, for example, with respect to emissions and waste. This international standard is implemented at our various production plants and most of our dialysis clinics. 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.

Report on economic position

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 9.3% of GDP in the OECD countries in 2011, with an average of US$3,339 spent per capita. As in previous years, the United States had the highest per capita spending (US$8,508). Germany ranked ninth among the OECD countries with per capita spending of US$4,495.

In contrast to other European countries where health spending has been cut in recent years, the trend in Germany was positive, with health care spending increasing by 1.1% in real terms in 2011 compared to 2010.

The public sector is the main source of **health funding** in all OECD countries, except Chile, the United States, and Mexico, where public spending was below 50% in 2011. In Germany, 76.5% of health spending was funded by public sources, above the average of 72.2% in the OECD countries.

Source: OECD Health Data 2013; Bank research

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 2011, average life expectancy in the OECD countries was 80.1 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 shall 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

For 2013, the volume of the global dialysis market was approximately US$75 billion. Thereof, 81% is attributable to dialysis care (including renal pharmaceuticals) and 19% to dialysis products. Due to currency translation effects, the market volume remained unchanged in U.S. dollar terms compared to the previous year. In constant currency, the global dialysis market grew 4%.

The number of dialysis patients worldwide increased by about 7% to approximately 2.5 million. The pie chart beside shows their regional distribution.

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, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition 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.

The United States, Japan, and Western and Central Europe recorded below-average growth in the number of patients in 2013. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment. In economically weaker regions, growth was above average.

In addition to easier access to dialysis resulting in better recording of patient numbers, however, other factors also contribute to a rise in global prevalence; for example, the spreading incidence of illnesses that cause renal damage such as diabetes and high blood pressure, as well as the aging of the global population due to medical advances.

In January 2011, the United States, our largest sales market, introduced a new bundled reimbursement system for the dialysis treatment of public health care patients. All products and services that used to be reimbursed according to the composite rate, as well as services that were reimbursed separately, such as the administration of certain intravenous drugs and diagnostic laboratory test, are now reimbursed in a flat fee.

Dialysis care

Of the approximately 2.5 million patients receiving regular dialysis treatment in 2013, about 89% were treated with hemodialysis, while about 11% chose peritoneal dialysis. The majority of the patients were treated in dialysis clinics. There are about 35,600 dialysis clinics worldwide with an average of 70 patients per clinic.

The organization of the clinics varies significantly, depending on whether the health systems in the individual countries are state-run or private: In the United States, most of the approximately 6,100 dialysis clinics are run privately, and only about 1% are publicly operated. By contrast, about 57% of the approximately 5,500 dialysis clinics in the European Union are publicly owned. In Japan, private nephrologists play a key role, treating about 80% of dialysis patients in their facilities.

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. 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.

In the United States, the **market for dialysis care** is already highly consolidated. Taken together, Fresenius Medical Care and the second-largest provider of dialysis care – DaVita – treat over 70% of all U.S. dialysis patients. In 2013, Fresenius Medical Care maintained its market-leading position of approximately 37%. Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals.

In 2013, the number of **peritoneal dialysis patients** worldwide was about 269,000. Fresenius Medical Care has a market share of about 21% according to sales, and is the global No. 2 in this market after Baxter. In the United States, our market share was 42%.

Dialysis products

Fresenius Medical Care is the world market leader in dialysis products with a market share of about 34% according to sales, followed by Baxter with 30%. Each of the other competitors, mainly from Japan, has a single-digit percentage market share.

Dialyzers are the largest product group in the dialysis market, with a worldwide sales volume of about 250 million units in 2013. Approximately 106 million were produced by Fresenius Medical Care.

Of the more than 80,000 **hemodialysis machines** that were sold onto the market in 2013, about 55% were from Fresenius Medical Care. In the United States, more than 94% of the dialysis machines sold there were made by Fresenius Medical Care. In 2013, China was our second-largest market, where we delivered about 6,800 new hemodialysis machines. Almost half of all hemodialysis machines currently in use in China were produced by Fresenius Medical Care.

The market for infusion therapy and clinical nutrition, intravenously administered drugs, medical devices, and transfusion technology

General cost pressure in Europe has increased the importance of high-quality, cost-effective health care. This especially holds true in the market for infusion therapy and clinical nutrition. Studies show that, in cases of health or age-induced nutritional deficiencies, the administration of food supplements can reduce hospital costs through shorter stays and less nursing care. Estimates to the European Union situation indicate that as many as 20 million individuals are at risk for malnutrition.

In Europe, the total market **for infusion therapy** is growing by about 1 to 2%. The total market for **clinical nutrition** is growing by about 3%. In the emerging markets of Asia-Pacific, Latin America, and Africa growth is up to 10% and more.

Based on its own estimates, Fresenius Kabi considers its potential relevant market for infusion therapy to be about €5 billion and for clinical nutrition to be over €6 billion.

We also expect the demand for **generic IV drugs** to continue growing. From a health economic standpoint, generic drugs are more advantageous than original drugs because of their significantly lower price and they already make a vital contribution to health care today. Judged from today's vantage point, in our view the focus is mainly on the pricing of patented drugs and the prescription drugs segment in the pharmacy market.

The market for IV generics is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. In Europe and the United States, the market for IV generics is growing by about 3 to 5%. We expect the U.S. market for IV drugs that go off-patent from 2014 to 2023 to amount to approximately US$19 billion on a cumulative basis. These figures are based on the sales of the original drugs in 2013 and do not take account of the usual price erosions for generics. We therefore see considerable growth potential for generic drugs.

Based on its own estimates, Fresenius Kabi considers its potential relevant market for IV generics to be about €12 billion.

The market for **medical devices** for infusion therapy, IV drugs, and clinical nutrition is growing by about 3% worldwide. Here, the main growth drivers are technical innovations that focus on application safety and therapy efficiency. Fresenius Kabi considers its potential relevant market for medical devices to be worth about €3 billion, based on its own estimates.

The worldwide market for **transfusion technology** is growing by about 2 to 3% on average. The main growth driver is the increasing demand for products and devices that perform blood collection and processing. Based on our own estimates, the potential relevant market for transfusion technology is worth over €2 billion.

Sources: German Society for Nutritional Medicine (DGEM) 2009; Ljungqvist O., Clin Nutr 2010, 29:149-150; Company research, market data refer to Fresenius Kabi's potential relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among others; IMS; Orange Book

In Europe, Fresenius Kabi is the market leader in infusion therapies as well as in parenteral nutrition. Competitors include Baxter and B. Braun. In the market for enteral nutrition, the company competes internationally with, among others, Danone, Nestlé and Abbott. In the market for IV drugs, our global competitors include generic drug manufacturers like Hospira, Sandoz, and Teva Pharmaceutical Industries. In the medical devices segment, our international competitors include CareFusion, Baxter, B. Braun, and Hospira, and in transfusion technology competitors include Haemonetics and Terumo. In all product segments, we also compete with smaller local providers.

The German hospital market

The total volume for hospital treatment in Germany was about €84 billion[1] in 2012. Personnel costs account for about 61% of hospital costs, and material costs for 38%. Personnel and material costs rose by approximately 5% and 3%, respectively. The number of hospitals in 2012 was 2,017 (2011: 2,045).

The **number of beds** fell to 501,475 (2011: 502,029). Nonetheless, with 6.24 beds per 1,000 population, Germany is still well above the OECD average of 4.8 (2011). The **average stay** of a patient in an acute care hospital in Germany fell slightly over the same period and was 7.6 days in 2012 (2011: 7.7 days). On the other hand, the number of **inpatient admissions** has increased. This is largely due to changing demographics. In 2012, the number of admissions increased by about 276,000 to about 18.6 million. This is equivalent to 232 admissions per 1,000 population (2011: 229). In the years 2008 to 2012, the number of admissions in Germany rose at an average annual rate of 1.5%. The average costs per admission have increased by 3.0% on average over the five years leading up to 2012.

According to a survey by the German Hospital Institute (DKI), the **economic situation** at many hospitals in Germany worsened during 2012: 43% of the hospitals earned a surplus (2011: 55%), 7% achieved breakeven (2011: 14%), and 51% made a loss (2011: 31%).

Many hospitals are facing a difficult economic and financial situation as well as 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. Moreover, investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the investment gap at German hospitals is about €34 billion.

According to the German Federal Statistical Office, the **privatization trend** in the German hospital market continued in 2012, with the share of private hospital beds rising to 18.0% (2011: 17.3%). However, with a share of 47.9%, the bulk of the hospital beds continued to be in the public sector (2011: 48.4%).

[1] Total costs, gross of the German hospitals less academic research and teaching

Sources: German Federal Statistical Office; German Hospital Institute (DKI), Krankenhaus Barometer 2013; OECD Health Data 2013; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2013

According to our research, about €318 million in hospital transaction revenues were acquired in 2013.

Quality is increasingly becoming a key competitive factor for the hospital market. Transparency and comparability of the treatments for the patients and their doctors will play an ever more decisive role.

In 2012, the **post-acute care** market in Germany comprised a total of 1,212 clinics, below the previous year's 1,233. The number of beds also declined, to 168,968 (2011: 170,544).

Private clinics accounted for 65.8% of the total number of post-acute care beds (2011: 66.4%). Independent non-profit clinics and public clinics accounted for 16.1% (2011: 15.7%) and 18.1% (2011: 18.0%), respectively. The total number of admissions in Germany increased by about 39,000 admissions to 1.96 million. The average length of stay remained almost unchanged at 25.5 days.

Fresenius Helios is the largest private hospital operator in the Germany. Our main competitors are other private hospital operators like Rhön-Klinikum AG, Asklepios, and Sana Kliniken.

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 country-specific and depends, to a large extent, on factors such as public health care policies, government regulation, levels of privatization, economic conditions, and demographics.

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 this market. 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 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

The development of the world economy had an only negligible impact on our industry. On the whole, the health care sector, both in mature and growth markets, developed positively in 2013, with a continued increasing demand for health services. Strong demand for our products and services enabled us to grow with its respective markets or even outpace their growth.

Significant factors affecting operating performance

In 2013, the Fresenius Group's positive business development was again driven by the very good sales growth in all business segments. Acquisitions further strengthened organic sales growth. In the United States, budget cuts ("sequestration") had a negative effect on reimbursement rates for dialysis treatments.

The Management Board's assessment of the business results

The Management Board is of the opinion that the Fresenius Group's performance in 2013 was excellent – with sales growth across all business segments. Fresenius Medical Care achieved organic sales growth of 5%. Net income remained nearly unchanged due to lower reimbursement rates for Medicare dialysis patients based on budget cuts in the United States (sequestration). Fresenius Kabi benefitted from growing global demand. Supply constraints at competitors in the United States again led to a better than expected development in this region. Significant price cuts in China and restrictions in the use of blood volume substitutes had an adverse effect. Organic sales growth was 5%. EBIT was on previous year's level due to remediation costs following inspections of the U.S. Food and Drug Administration. Fresenius Helios achieved solid organic sales growth of 3% and clearly improved its earnings. Fresenius Vamed successfully completed the year with sales of more than €1 billion for the first time and increased earnings.

Results of operations, financial position, assets and liabilities

Results of operations

Net income of Fresenius SE & Co. KGaA in the fiscal year 2013 was €433 million (2012: €143 million). The increase of the net income mainly results from higher income from participations and transfers of profits. Moreover, net income in 2012 has been significantly affected by financing costs, mainly the costs for the financing commitment related to the takeover offer to the shareholders of Rhön-Klinikum AG, which were shown in the profit and loss statement under "other financial result" in the amount of €34.5 million. Furthermore, the financial result of 2012 was impacted by costs for the renegotiations of the Senior Credit Agreement 2008, and the capital increase in May 2012, which are included in other operating expenses.

All the following companies have profit and loss transfer agreements with Fresenius SE & Co. KGaA: Fresenius Kabi AG, Fresenius ProServe GmbH, Fresenius Biotech Beteiligungs GmbH, Fresenius Versicherungsvermittlungs GmbH and Hygieneplan GmbH.

The profit and loss transfer agreement with Fresenius Kabi AG yielded earnings of €149 million (2012: €132 million).

Fresenius ProServe GmbH contributed with earnings of €263 million (2012: €139 million) to the net income from participations.

Fresenius Biotech Beteiligungs GmbH contributed with earnings of €9 million (2012: loss of €53 million) to the net income. The loss of the previous year resulted from research and development activities done by its subsidiary Fresenius Biotech GmbH. The sale of Fresenius Biotech GmbH to the Fuhrer family, the owners Neopharm, Israel's second-largest pharmaceutical company, lead to a positive contribution to the net income in 2013.

Other significant income from participations came from a €71 million Fresenius Medical Care AG & Co. KGaA dividend (2012: €65 million) and the dividend payment in the amount of €69 million (2012: €72 million) of the GIF (Luxemburg) Société d'Investissement à Capital Variable-SIF. Due to the latter a write-off on shares of the company in an equal amount was made, which is shown in write-offs of financial assets and marketable securities.

In addition to dividend payments and earnings from profit and loss transfer agreements, Fresenius SE & Co. KGaA also receives income from rent and by providing services which is shown in other operating income. This item also includes €98 million of foreign currency gains while €96 million of foreign currency losses are included in other operating expenses.

The write-offs of financial assets and marketable securities mainly include depreciation on the shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of €69 million (2012: €72 million) due to dividend payment. The dividend payment of an equal amount was reported in the income from participations.

In 2012, other financial result comprised the financing costs, mainly the costs for the financing commitment, related to the takeover offer to the shareholders of Rhön-Klinikum AG.

The General Partner and Supervisory Board of Fresenius SE & Co. KGaA will propose a dividend increase to the Annual General Meeting. For 2013, a dividend of €1.25 per ordinary share is proposed. This is an increase of 13.6%. The total dividend distribution will increase by 14.6% to €224.6 million (2012: €196.0 million).

Cash flow statement

	2013	2012
	million €	million €
Net Income	433	143
Depreciation and amortization of non-current assets and financial assets	84	77
Increase in pension liabilities	3	4
Cash flow	**520**	**224**
Decrease/Increase in accruals for income taxes and other accrued expenses	-50	32
Increase in trade accounts payable	1	2
Increase/Decrease in other operating assets and liabilities	8	24
Decrease / Increase in working capital	**-41**	**58**
Net Cash provided by operating activities	**479**	**282**
Payments for purchasing shares of subsidiaries, equity contributions to subsidiaries and investments in financial assets	-144	-1,005
Proceeds from sale of shares in subsidiaries	102	0
Payments for investments in intangible assets and property plant and equipment	-2	-3
Net Cash used in investing activities	**-44**	**-1,008**
Dividends paid	-196	-155
Proceeds from bank loans	2.307	400
Repayment of bank loans	-196	-10
Change in financing activities with related parties	-2,413	-537
Proceeds from capital increase	0	1,014
Proceeds from exercise of stock options	68	46
Net Cash used in / provided by financing activities	**-430**	**758**
Change of cash and cash equivalents	**5**	**32**
Cash and cash equivalents at the beginning of the year	54	22
Cash and cash equivalents at the end of the year	59	54

The following paragraphs "financial situation" and "investments, divestments and acquisitions" describe material positions of the cash flow statements in more detail.

Fresenius believes that its existing credit facilities, as well as the operating cash flows, income from transfer agreements and additional sources of short-term funding, are sufficient to meet the company's foreseeable liquidity needs. Single refinancing operations were initiated in 2013 and will continue on a major scale in 2014.

As of December 31, 2013, Fresenius SE & Co. KGaA complied with the covenants under all the credit agreements.

<u>Financial position</u>

Total assets of Fresenius SE & Co. KGaA increased by €2,779 million up to €9,952 million (2012: €7,173 million).

This increase is mainly a result of Fresenius SE & Co. KGaA issuing loans to several companies of the Fresenius Group. With these loans the companies financed advances made in the amount of €2,178 million under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG. These intercompany loans were refinanced by Fresenius SE & Co. KGaA using several financial instruments.

On the asset side, mainly receivables from related parties increased from €1,644 million to €4,399 million. This increase is the result of the loans described above as well as of issuing loans to Fresenius Kabi AG to finance an acquisition for the business segment Fresenius Kabi.

On the liability side, bank debt increased from €596 million to €2,707 million mainly due to the finalization of the Rhön transaction closed on February 27, 2014. The funding of issued intercompany loans was provided by using the Commercial-Paper-Program in the amount of €500 million and the Bridge Financing Facility of €1,500 million as well as temporary credit lines.

Moreover, the liabilities to related parties increased from 1,520 million to 1,930 million, mainly resulting from the following business transactions:

- In January 2013, Fresenius Finance B.V. issued Senior Notes in the amount of €500 million and those proceeds were passed on to Fresenius SE & Co. KGaA as a loan.

- In opposite direction repayment of loans in an amount of €359 million to Fresenius Finance B.V. were used to settle, together with repaid loans of other subsidiaries, the early redemption of Senior Notes in January 2013 with a nominal value of €650 million.

- A new Euro Loan Facility (Loan A) of the Credit Agreement 2013 in the amount of €637 million was borrowed by Fresenius Finance II B.V. and passed on to Fresenius SE & Co. KGaA in an amount of €311 million.

The equity ratio decreased from 68.0% to 52.0%.

Investments, divestments and acquisitions

Total investments in property, plant and equipment and intangible assets were €2 million in 2013.

Changes in the financial assets in the fiscal year 2013 are as follows:

In January 2013, Fresenius SE & Co. KGaA sold shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of €36 million. In September 2013, Fresenius SE & Co. KGaA purchased shares of this company in the amount of €136 million. In October 2013, a dividend payment of €69.2 million took place. Due to this dividend payment a write-off on the company's shares in an equal amount was made. In December 2013, Fresenius SE & Co. KGaA sold further shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF of €66 million. On December 31, 2013, the carrying amount of the shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF is €10 million. The company invests its assets completely and exclusively in German federal saving bonds (Bundeswertpapiere), European Government Securities and shares in funds.

Furthermore, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius Biotech Beteiligungs GmbH by €13.2 million and the additional paid-in capital of Fresenius US Finance I, Inc. by US$10.7 million (€8.1 million).

The additions of loans to related parties mainly affect a new loan to Fresenius US Finance I, Inc. of US$481.47 million (€369.4 million). This loan has a fair value of €349.1 million at actual exchange rates on December 31, 2013. As the decline is expected not to be permanent, a write-off in the amount of €20.3 million on the fair value was not required.

Subsequent events

On February 20, 2014, Fresenius Helios has received antitrust approval to acquire 40 hospitals and 13 outpatient facilities from Rhön-Klinikum AG. The majority of the transaction was closed on February 27, 2014. For two hospitals (Dr. Horst Schmidt Kliniken and Salzgitter), the approval of municipal owners or current minority shareholders is still pending. The transaction provides Fresenius Helios with the opportunity to create a nationwide hospital network.

On January 27, 2014, Fresenius had announced that Fresenius Helios meets the conditions set by the German antitrust authority. The German antitrust authority required that three Rhön-Klinikum hospitals – in Boizenburg, Cuxhaven and Waltershausen-Friedrichroda – be excluded from the acquisition due to their geographical proximity to existing HELIOS facilities. Based on the authority's market assessment for the Leipzig region, HELIOS sold two hospitals in Borna and Zwenkau, which are close to two hospitals in Leipzig that Fresenius Helios is acquiring from Rhön-Klinikum. Annual sales of these five hospitals are approximately €160 million.

In January 2014, Fresenius successfully placed €750 million of senior unsecured notes. 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 due 2021 has a coupon of 3.00% and was issued at a price of 98.751%. In January 2014, Fresenius also successfully placed €300 million of senior unsecured notes with a maturity of 10 years. The notes have a coupon of 4.00% and were issued at par. In February 2014, the bond was increased by a nominal amount of €150 million at a price of 102%, resulting in a yield to maturity of 3.758%. In February 2014, Fresenius placed US$300 million of senior unsecured notes with a maturity of 7 years. The notes have a coupon of 4.25% and were issued at par.

The net proceeds of the senior notes issued in January and February 2014 totaling €1,410 million were primarily used to refinance the drawing under the Bridge Financing Facility, which was entered into for the acquisition of hospitals of Rhön-Klinikum AG.

On February 27, 2014, the bridge financing facility was voluntary cancelled before maturity and the remaining outstanding amount of €90 million was repaid.

Besides the items mentioned above, there were no significant changes in the Fresenius Group's operating environment following the close of fiscal year 2013. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred after the close of the 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. Operating performance in the first weeks of 2014 has been in line with our expectations.

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 28ff.

General and mid-term outlook

The outlook for the Fresenius Group for the coming years continues to be positive. We are continuously striving to optimize our costs, to adjust our capacities to be able to treat patients and supply customers reliably, and to improve our product mix. We expect these efforts to improve 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 sees very good opportunities to benefit from the growing health care needs arising from aging populations 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 successively introduce further products from our portfolio to these markets.

- 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-inclass quality, reliability, and convenience of our products and therapies are key factors here. The development of wearable artificial kidneys is conceivable at Fresenius Medical Care. At Fresenius Kabi, we are working on among other things, the development of new generics with the aim of bringing them to the market when the originator drugs go off-patent.

- 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, which has the world's biggest population, 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 products and services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. With the acquisition of hospitals from Rhön-Klinikum AG, Fresenius Helios has a nationwide hospital network. With this platform, Fresenius Helios aims to develop innovative, integrated care offerings. 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. 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. We see developments in this regard in China and India, among other countries.

- **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 midsized acquisitions that extend our product portfolio and strengthen our regional presence.

We are also exploiting any **opportunities for tapping potential** within our operations for cost management and efficiency enhancement measures. These include plans for cost-efficient production and a further optimized procurement process. We are increasingly globalizing our sourcing processes in order to realize further synergies.

The outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2014 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.

Fresenius Kabi plans to introduce products from its program in the United States as well as to further roll out its product portfolio, especially in the fast-growing markets Asia-Pacific and Latin America.

With the extended hospital network in Germany, **Fresenius Helios** is now able to develop innovative, integrated care offerings. In addition, the company assumes that there will be continued opportunities to acquire hospitals in Germany.

In the developed countries, **Fresenius Vamed** is expecting to grow in the life cycle and PPP project areas, both with regard to the project and the services business. In the emerging economies, the company intends to further consolidate 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 independent of economic cycles to a great extent. 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 increases. 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.

Source: Company research; German Bundestag, Research Papers, Health Care Reform in the USA, June 2010; Website of the White House (www.whitehouse.gov)

Basic health insurance is to be compulsory in the United States from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance. The reform allows for health insurance coverage to be phased in for the approximately 46 million people – about 15% of the population – who are not insured.

Nonetheless, industry observers believe that, despite all challenges, the sector will also see a comparatively solid financial performance in the foreseeable future.

Prevention, treatment quality, and the improvement of patient benefits will play an increasingly greater role in health care.

<u>The dialysis market</u>

We expect the worldwide number of dialysis patients to rise by approximately 6% in 2014, 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 2% to 4%. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more.

In addition, demographic 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 a rising standard of living, especially in the emerging countries.

We expect patient numbers to continue to rise in the coming years in Asia, Latin America, Eastern Europe, the Middle East, and Africa. This opens up strong potential for the entire spectrum of dialysis services and products, as more than 80% of the world’s population lives in these regions.

We estimate that the volume of the global dialysis market could rise by about 4% annually – assuming unchanged currency relations. Accordingly, the total market could amount to approximately US$78 billion by 2014.

<u>The market for infusion therapies and clinical nutrition, generic IV drugs, medical devices, and transfusion technology</u>

The market for **infusion therapies** in Europe is expected to grow by about 1 to 2% in the coming years. Growth of about 3% is expected for the **clinical nutrition** market in Europe. 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% and more in these regions.

In view of the financial challenges in health care and in order to ensure high-quality care, we believe that the more cost-effective generics drugs will be utilized even more than at present. With **generic IV drugs** the growth dynamic will continue to be driven by original drugs going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Europe and the United States to grow by about 3 to 5% in 2014.

The worldwide market for **medical devices** for infusion therapy, intravenously administered drugs, and clinical nutrition is expected to grow in 2014 by about 3%.

The worldwide market for **transfusion technology** is projected to grow between 1 and 4%, depending on the segment.

The German hospital market

From 2014 onwards, the so-called **change in value** is the relevant figure in the annual assessment of the reimbursement rates. Reimbursement is determined by the rate of change or, if higher, the cost-orientation figure. The rate of change reflects how the assessable income of all statutorily insured has developed. It is announced by the German Federal Ministry of Health. The orientation figure, which is published by the German Federal Statistical Office, represents the average percentage change in hospital costs per year.

In 2014, the rate of change is applied, since, at 2.81%, it is higher than the orientation figure of 2.02%. The increase in the reimbursement rates is the highest since the DRG system was introduced in 2003.

With regard to the reimbursement of additional admissions, we do not expect significant changes in 2014.

In 2013, the Bundestag and the Bundesrat decided to provide financial support to hospitals in Germany. A total of €1.1 billion has been allocated for 2013 and 2014.

Even considering the revenue increases, it will probably not be possible to cover all the expected cost increases at the hospitals – especially with regard to personnel costs as a result of wage tariff increases. Hospitals will continue to face cost pressure and the need for further savings in their operations.

Given their growing **investment needs** but declining government support, hospitals are under growing pressure to rigorously tap the potential for rationalization. Financing investments is a challenge especially for public hospitals. The constrained financial situation of local governments reduces their ability to cover the hospitals' operating losses and finance investments. The financial scope for supporting loss-making hospitals and investing in public health care facilities remains limited.

Therefore, the economic situation at the hospitals continues to be difficult: According to the Krankenhaus-Barometer 2013 survey by the German Hospital Institute (DKI), only 22% of hospitals expect business to improve and almost 40% expect the situation to worsen in 2014.

It is generally expected that the proportion of private hospitals will rise at the expense of public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They also have the potential to secure cost advantages in procurement. We therefore anticipate that privatization and consolidation will continue in the German hospital market.

Other crucial factors for a hospital's success are not only cost-efficient processes, a well-structured medical offering, and well-trained staff, but also excellent medical quality. HELIOS is convinced that systematic quality management and the documentation of medical outcomes should not just serve as marketing instruments, but should be an element of hospital management, and thus part of the reimbursement. In the long run, initiatives could be introduced that provide for quality-based reimbursement (pay for performance) and that allow hospitals the option of concluding selective contracts with health insurers. With its strict focus on quality and transparency, HELIOS would be well prepared for such a future development.

A new flat-rate compensation system (PEPP-Entgeltsystem 2013) was introduced in 2013 for **psychiatric** and **psychosomatic** facilities. The new compensation catalogue is broken down into many more categories than the present remuneration system. The aim is to improve transparency concerning the services provided at psychiatric and psychosomatic facilities. The system provides for a 5-year transition phase from 2017 through 2021, and has no effects on the budget of HELIOS through the end of 2016. Psychiatric and psychosomatic services only account for a small share of the services provided by HELIOS.

Experts assume the importance of **post-acute care** will rise due to demographic trends, longer working lives, and the growing prevalence of chronic diseases. As a result of growth in acute care admissions and continuous improvements in the internal referral management of HELIOS, we expect to be able to leverage potential synergies from the combination of acute care and post-acute care, thereby increasing our number of post-acute care admissions.

<u>The market for projects and services for hospitals and other health care facilities</u>

Owing to demographic trends, in industrialized countries growing demand for high-quality, efficient medical care – and thus for projects and services for hospitals and other health care facilities – is expected to continue. 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 nonmedical services, which are outsourced from public facilities to private service providers.

In the emerging countries, there is growing demand above all for infrastructure development, but also for efficient, needs-oriented medical care. The provision of primary health care is now very largely in place. Therefore, in many markets, the focus now is on building up secondary care, developing tertiary health care structures in the form of centers of excellence, and creating training and research structures.

All in all, we expect our market to continue growing in 2014. In markets with established health care systems, we expect solid growth; in emerging markets we anticipate an overall dynamic development.

Economic outlook of Fresenius SE & Co. KGaA for the year 2014

For the fiscal year 2014 the company expects a moderate positive contribution to earnings from dividends and profit and loss transfers and as a result slightly increased retained earnings.

Dividend

The dividend increases provided by Fresenius in the last 20 years show impressive continuity. Our dividend policy aims to align dividend with earnings per share growth (before special items) and thus broadly maintains a pay-out 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

Through the complexity and the dynamics of its business, the Fresenius Group is exposed to a number of risks. 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, further minimizes 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 22.

Risk management

The risk management is a continuous process as well. Identifying, controlling, and managing risks are key tools of solid corporate governance. The **Fresenius risk management system** is closely linked to the corporate strategy.

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 without delay any relevant changes in the risk profile to the Management Board.

- Markets are kept under constant observation and close contacts 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 them 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. The 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.

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 fourtier reporting process** especially promotes intensive discussion and ensures controls 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 in the Supervisory Board's Audit Committee.

Control mechanisms, such as automated and manual reconciliation procedures, are further precautions 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 determined at the head office. These are regularly adjusted to 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

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2014, 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.

Risks in the general operating framework

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. This applies especially to countries with budget problems as a result of the sovereign debt crisis, in particular with regard to our accounts receivables.

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 as well as discussions about ending dual financing in the hospital sector. 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 continually monitor legislative changes, 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's injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations (GPOs)** and distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. Fresenius Kabi currently derives a large percentage of its revenue through a small number of GPOs, and expects to continue to do so in the future. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. Fresenius Kabi has purchasing agreements with the major GPOs. To maintain these business relationships, Fresenius Kabi believes it needs to be a reliable supplier, offer a comprehensive 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 Fresenius Kabi's GPO agreements can be terminated at short or mid-term notice. The main customers in the area of transfusion technology are plasma companies and blood centers.

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.

<u>Operating risks</u>

Our business and operations around the world is exposed to a number of **risks** and to extensive **regulation**, which include, inter alia:

- the quality, safety, and efficacy of medical and pharmaceutical products, supplies, and therapies;
- the operation of hospitals, laboratories, and manufacturing facilities;
- 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, complete or partial 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 and approved by the FDA and other public authorities. If deficiencies are detected and complaints are filed, the Company is required to address these issues immediately, as during the inspections of our U.S. production facilities in Grand Island and Maricao 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 delay in new product approval. 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 a new production site 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, semi-finished 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, through our quality management systems we are constantly striving to improve the standard of patient treatment.

Further risks arise from increasing **pressure on our product prices**. 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 adversely affect sales and profitability.

Growing **competition** could materially adversely affect the future pricing and sale of our products and services. 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 the sale and distribution of drugs by Fresenius Medical Care, because in some cases drugs have minimum annual royalty payments.

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 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), and financial measures, such as checking creditworthiness, prepayments, letters of credit, and secured credits.

Our operations are subject to strict governmental regulatory demands and controls. We must comply with these rules and regulations, which 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 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. In 2013, approximately 32% of Fresenius Medical Care's sales were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid.

Effective January 1, 2011, Medicare implemented a new end stage renal disease (ESRD) **prospective payment system** ("ESRD PPS") that expanded the scope of the products and services covered by the bundled rate and resulted in lower reimbursement per treatment than under the reimbursement system in place until December 31, 2010. 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 healthcare items and services less a productivity adjustment. The centers for Medicare and Medicaid Services ("CMS") increased ESRD PPS base rates by 2.8% for 2014.

The ESRD PPS's quality incentive program ("QIP") began affecting payments for dialysis services in 2012. Dialysis facilities that fail to achieve the established quality standards have payments for a particular year reduced by up to 2% based on a year's performance. In the November 2011 final rule, CMS established the quality measures for the payment year 2013, which focus on anemia management and dialysis adequacy for the payment year 2013. For the 2014 payment year, CMS has adopted four additional measures to determine whether dialysis patients are receiving high quality care. The new measures include (i) prevalence of catheter and A/V fistula use; (ii) reporting of infections to the Centers for Disease Control and Prevention; (iii) administration of patient satisfaction surveys; and (iv) monthly monitoring of phosphorus and calcium levels. For the years 2015 and 2106 additional quality measures will be established. A material failure by the Company to achieve the minimum client quality standards under the QIP could materially and adversely affect its business, financial condition and results of operations.

The American Taxpayer Relief Act of 2012 ("American Taxpayer Relief Act"), which was enacted on January 3, 2013, 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. On November 22, 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 ($ 29.93 reduction) over a period between three and four years (2014-2017), whereat material deviations between the ESRD PPS payment rates for 2013 and 2014 are not expected.

The Company 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, the Company achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in its clinics.

On February 4, 2013, CMS announced plans to test a new Comprehensive End-Stage Renal Disease (ESRD) Care Model and issued a solicitation for applications. As currently proposed, CMS will work with up to 15 healthcare provider groups, known as ESRD

Seamless Care Organizations (“ESCOs”), to test a new system of payment and care delivery that seeks to deliver better health outcomes for ESRD patients while 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. Applications must be approved by CMS to participate in the program. In August 2013, FME submitted an application for an ESCO.

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 not achieved, countermeasures can be initiated.

Risks from the integration of acquisitions

The **acquisition** and **integration** of companies carries risks that can adversely affect assets and liabilities, our 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 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 thereby seek their commitment to Fresenius. Risks in personnel marketing are not considered to be significant because of all these measures.

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 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 – and 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, 2013, approximately 61% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 39%, or €4,935 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1.5% impact on Group net income. For the determination of the interest rate risk the senior notes issued in January and February 2014 are included.

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 €65 million on Group sales and about €3 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 twelve months, less any hedges, form the basis for the analysis of the currency risk. As of December 31, 2013, the Fresenius Group's cash flow at risk was €56 million. Hence, with a probability of 95% a potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months will not be higher than €56 million.

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.

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. In 2013, we again worked on our receivables, taking certain measures such as factoring or selling through product distributors.

As a global corporation, Fresenius is subject to numerous **tax codes and regulations**. 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.

Fresenius' debt was €12.804 million as of December 31, 2013. The **debt** could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius in 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. Furthermore, our financing agreements contain covenants requiring us to comply with certain financial figures and additional financial measures. Should we not comply with the covenants, this could lead to an early redemption of the debt.

Additional information on conditions and maturities can be found in the Note 17 of the Notes.

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 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.

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 knowhow. 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 with effect on the 1-year forecast period

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

Probability \ Potential effects	low	medium	high
high	Currencies and interest rates		
medium		Regulatory environment Quality Reimbursement rates and prices	
low	Procurement Litigations Taxes		

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 to be able to take suitable counteraction.

Bad Homburg v.d.H., February 27, 2014

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 2013 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 2013, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Karl Schneider.

In 2012, the Supervisory Board of Fresenius Management SE adopted adjustments to the Management Board compensation system and introduced a combination plan (so-called LTIP 2013), consisting of the 2013 Stock Option Plan and the 2013 Phantom Stock Plan. On May 17, 2013, the Annual General Meeting approved of the changed compensation system with a majority of 96.39% of the votes cast.

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 2013:

- 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)

In addition, there are pension commitments for the seven members of the Management Board.

The design of the individual components is based on the following criteria:

The fixed compensation was paid in 12 monthly installments in the fiscal year 2013. Mr. Rice Powell was paid a part of his fixed compensation from Fresenius Medical Care North America in 24 monthly 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, as well as contributions to pension and health insurance.

The performance-based compensation will also be granted for the fiscal year 2013 as a short-term cash component (one-year variable compensation) and as compensation component with long-term incentive effects (stock options, share-based compensation with cash settlement (phantom stocks), 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 non-controlling interest). For Mr. Henriksson and Dr. De Meo, circa 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 non-controlling interest) for which the respective member of the Management Board is responsible. Circa 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 a discretionary bonus for extraordinary performance.

For the fiscal years 2013 and 2012, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-based compensation				Performance-based compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	2013	2012	2013	2012	2013	2012	2013	2012
Dr. Ulf M. Schneider	**990**	990	**64**	51	**1,402**	1,150	**2,456**	2,191
Rainer Baule (up to December 31, 2012)	**0**	550	**0**	26	**0**	801	**0**	1,377
Dr. Francesco De Meo	**550**	550	**19**	19	**998**	700	**1,567**	1,269
Dr. Jürgen Götz	**415**	415	**34**	34	**690**	600	**1,139**	1,049
Mats Henriksson (since January 1, 2013)	**550**	0	**217**	0	**956**	0	**1,723**	0
Dr. Ben Lipps[1] (up to December 31, 2012)	**0**	973	**0**	302	**0**	1,438	**0**	2,713
Rice Powell[1] (since January 1, 2013)	**941**	0	**169**	0	**373**	0	**1,483**	0
Stephan Sturm	**550**	550	**40**	89	**921**	751	**1,511**	1,390
Dr. Ernst Wastler	**470**	470	**35**	34	**660**	587	**1,165**	1,091
Total	**4,466**	4,498	**578**	555	**6,000**	6,027	**11,044**	11,080

[1] Mr. Rice Powell and Dr. Ben Lipps received their compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held around 31% of the total subscribed capital. As members of the Management Board of Fresenius Management SE, their 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.

n the fiscal year 2013, the one-year variable compensation, excluding the payment to Mr. Rice Powell, amounts to €5,627 thousand. This equals 97% of the total one-year variable compensation of €5,830 thousand. The remaining part in an amount of €203 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

The maximum attainable and the minimum one-year variable compensations are presented as follows:

	2013	
€ in thousands	Minimum	Maximum
Dr. Ulf M. Schneider	1,200	1,750
Dr. Francesco De Meo	750	1,250
Dr. Jürgen Götz	250	750
Mats Henriksson	750	1,250
Rice Powell	212	1,864
Stephan Sturm	850	1,150
Dr. Ernst Wastler	350	750

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 decisive (i. e. adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) 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 by 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 financial year 2013, 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 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 eight percent 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 eight percent, 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 eight percent 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 eight percent, 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 33 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 fiscal year 2013. 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 2013 and 2012, 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 stated values of the stock options granted to members of the Management Board in the fiscal year 2013 correspond to their fair value at the time of grant, namely a value of €27.24 (2012: €21.19) per stock option of Fresenius SE & Co. KGaA and €8.92 (2012: €12.68) per stock option of Fresenius Medical Care AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €99.29 (2012: €78.33).

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed payment of the one-year variable compensation		Share-based compensation with cash settlement (phantom stocks[2])		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Dr. Ulf M. Schneider	**30,000**	56,760	**817**	1,203	**0**	0	**864**	100	**1,681**	1,303
Rainer Baule (up to Dec. 31, 2012)	**0**	28,380	**0**	601	**0**	99	**0**	100	**0**	800
Dr. Francesco De Meo	**15,000**	28,380	**409**	601	**108**	0	**482**	100	**999**	701
Dr. Jürgen Götz	**15,000**	28,380	**409**	601	**0**	0	**482**	100	**891**	701
Mats Henriksson (since Jan. 1, 2013)	**15,000**	0	**409**	0	**65**	0	**482**	0	**956**	0
Dr. Ben Lipps (up to Dec. 31, 2012)	**0**	74,700	**0**	947	**0**	0	**0**	768	**0**	1,715
Rice Powell (since Jan. 1, 2013)	**74,700**	0	**666**	0	**0**	0	**358**	0	**1,024**	0
Stephan Sturm	**15,000**	28,380	**409**	601	**30**	49	**482**	100	**921**	750
Dr. Ernst Wastler	**15,000**	28,380	**409**	601	**0**	0	**482**	100	**891**	701
Total	**179,700**	273,360	**3,528**	5,155	**203**	148	**3,632**	1,368	**7,363**	6,671

[1] Stock options that were granted in 2013 and 2012 under the Fresenius SE & Co. KGaA stock option plan. Mr. Rice Powell and Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.
[2] The value for 2013 includes all phantom stocks including the previous performance shares. The value for 2012 refers to performance shares.

At the end of the fiscal year 2013, the members of the Management Board held a total of 820,158 (2012: 1,072,400) stock options and convertible bonds (together referred to as stock options) of Fresenius SE & Co. KGaA and 361,050 (2012: 348,600) of Fresenius Medical Care AG & Co. KGaA.

he development and the status of the stock options of the Management Board in the fiscal year 2013 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, 2013								
number	315,400	166,740	144,060	57,400	336,150	224,460	164,340	**1,072,400**
average exercise price in €	57.61	57.08	58.78	59.96	42.80	51.19	56.41	**56.28**
Options granted during fiscal year								
number	30,000	15,000	15,000	15,000	74,700	15,000	15,000	**105,000**
average exercise price in €	99.29	99.29	99.29	99.29	49.76	99.29	99.29	**99.29**
Options exercised during fiscal year								
number	49,660	68,122	87,300	13,800	49,800	69,660	68,700	**357,242**
average exercise price in €	47.90	43.73	48.36	33.81	33.91	38.83	42.27	**43.82**
average stock price in €	103.25	94.19	98.81	96.91	51.09	98.73	99.74	**98.64**
Options outstanding on December 31, 2013								
number	295,740	113,618	71,760	58,600	361,050	169,800	110,640	**820,158**
average exercise price in €	63.47	70.65	79.92	76.18	45.47	60.51	71.01	**67.21**
average remaining life in years	4.4	4.8	5.6	5.4	4.8	4.1	4.9	**4.6**
range of exercise prices in €	33.81 to 99.29	53.48 to 99.29	71.28 to 99.29	53.48 to 99.29	31.97 to 57.30	33.81 to 99.29	53.48 to 99.29	**33.81 to 99.29**
Exercisable options on December 31, 2013								
number	152,220	41,858	0	13,800	174,300	98,040	38,880	**344,798**
average exercise price in €	47.95	54.75		53.48	37.57	46.30	54.55	**49.27**

[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 2013 and 2012:

€ in thousands	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
	2013	2012	**2013**	2012	**2013**	2012
Dr. Ulf M. Schneider	**2,456**	2,191	**1,681**	1,303	**4,137**	3,494
Rainer Baule (up to December 31, 2012)	**0**	1,377	**0**	800	**0**	2,177
Dr. Francesco De Meo	**1,567**	1,269	**999**	701	**2,566**	1,970
Dr. Jürgen Götz	**1,139**	1,049	**891**	701	**2,030**	1,750
Mats Henriksson (since January 1, 2013)	**1,723**	0	**956**	0	**2,679**	0
Dr. Ben Lipps (up to December 31, 2012)	**0**	2,713	**0**	1,715	**0**	4,428
Rice Powell (since January 1, 2013)	**1,483**	0	**1,024**	0	**2,507**	0
Stephan Sturm	**1,511**	1,390	**921**	750	**2,432**	2,140
Dr. Ernst Wastler	**1,165**	1,091	**891**	701	**2,056**	1,792
Total	**11,044**	11,080	**7,363**	6,671	**18,407**	17,751

The stock options and the entitlement to a share-based compensation (phantom stocks) can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2013 and 2012 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

€ in thousands	Stock options		Share-based compensation with cash settlement (phantom stocks [1])		Total expenses for share-based compensation	
	2013	2012	**2013**	2012	**2013**	2012
Dr. Ulf M. Schneider	**902**	877	**94**	42	**996**	919
Rainer Baule (up to December 31, 2012)	**0**	439	**0**	42	**0**	481
Dr. Francesco De Meo	**451**	439	**86**	42	**537**	481
Dr. Jürgen Götz	**451**	439	**86**	42	**537**	481
Mats Henriksson (since January 1, 2013)	**239**	0	**86**	0	**325**	0
Dr. Ben Lipps (up to December 31, 2012)	**0**	2,136	**0**	1,681	**0**	3,817
Rice Powell (since January 1, 2013)	**325**	0	**441**	0	**766**	0
Stephan Sturm	**451**	439	**86**	42	**537**	481
Dr. Ernst Wastler	**451**	439	**86**	42	**537**	481
Total	**3,270**	5,208	**965**	1,933	**4,235**	7,141

[1] The value for 2013 includes all phantom stocks including the previous performance shares. The value for 2012 refers to performance shares.

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. 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 financial year 2013, 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 €15,963 thousand as of December 31, 2013 (2012: €12,912 thousand). The additions to pension liability in the fiscal year 2013 amounted to €3,277 thousand (2012: €4,234 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2013	Additions	**As of December 31, 2013**
Dr. Ulf M. Schneider	2,199	613	**2,812**
Dr. Francesco De Meo	868	327	**1,195**
Dr. Jürgen Götz	825	265	**1,090**
Mats Henriksson	1,127	625	**1,752**
Rice Powell	3,826	667	**4,493**
Stephan Sturm	1,265	375	**1,640**
Dr. Ernst Wastler	2,576	405	**2,981**
Total	12,686	3,277	**15,963**

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 increase with every full year of service as 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).

30% of the gross amount of any post-retirement income from an occupation of the Management Board member is offset against the pension. Furthermore, 100% of any amounts accruing to Management Board members or their surviving dependents from the Management Board member's vested rights in other company pension plans, also from former employment with other companies, is also set off to the extent permissible under BetrAVG.

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, own legitimate children, respectively, in the individual case, own children of the deceased Management Board member's wife who have been adopted by the deceased Management Board member 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 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 widow's and orphan's 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 annual basic 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 during which the death occurred, at maximum, however, until the expiry of the respective employment agreement.

Furthermore, instead of a pension provision, it was individually contractually agreed with Dr. Ben Lipps, who served as Management Board member until December 31, 2012, that upon termination of the employment relationship entered into by him and Fresenius Medical Care Management AG, he may provide consultancy services to Fresenius Medical Care for a period of 10 years. Accordingly, Fresenius Medical Care Management AG entered into a consultancy agreement with Dr. Ben Lipps for the period from January 1, 2013 until December 31, 2022, according to which Dr. Lipps will provide consultancy services in specific areas and within a certain timeframe as well as in compliance with a non-competition clause. The compensation paid by Fresenius Medical Care AG for such services amounts to €550 thousand for the previous financial year (including reimbursement of outlay, temporary reimbursement for an apartment as well as temporary provision with a company vehicle). The present value of this commitment amounts to €3,533 thousand as at December 31 of the previous financial year.

During the financial year 2013, 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 claim that may be asserted against them due to 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 connection after termination of the service on the Management Board.

Based on pension commitments to former members of the Management Board, €1,064 thousand were paid in the fiscal year 2013 (2012: €778 thousand). The benefit obligation for these persons amounted to €17,389 thousand (2012: €11,310 thousand).

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.

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 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. 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. 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 years 2013 and 2012, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE, 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	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Dr. Gerd Krick	**13**	13	**13**	13	**10**	10	**20**	20	**158**	138	**158**	138	**372**	332
Dr. Dieter Schenk	**0**	0	**19**	19	**0**	0	**10**	10	**0**	0	**237**	208	**266**	237
Niko Stumpfögger	**19**	19	**0**	0	**0**	0	**0**	0	**237**	208	**0**	0	**256**	227
Prof. Dr. med. D. Michael Albrecht	**13**	13	**0**	0	**0**	0	**0**	0	**158**	138	**0**	0	**171**	151
Prof. Dr. h. c. Roland Berger	**7**	7	**6**	6	**20**	20	**0**	0	**79**	69	**79**	69	**191**	171
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**158**	138	**0**	0	**171**	151
Konrad Kölbl	**13**	13	**0**	0	**10**	10	**0**	0	**158**	138	**0**	0	**181**	161
Klaus-Peter Müller	**7**	7	**6**	6	**0**	0	**0**	0	**79**	69	**79**	69	**171**	151
Dieter Reuß	**13**	13	**0**	0	**0**	0	**0**	0	**158**	138	**0**	0	**171**	151
Gerhard Roggemann	**13**	13	**0**	0	**10**	10	**0**	0	**158**	138	**0**	0	**181**	161
Dr. Gerhard Rupprecht	**13**	13	**6**	6	**0**	0	**0**	0	**158**	138	**79**	69	**256**	226
Dr. Karl Schneider	**0**	0	**13**	13	**0**	0	**10**	10	**0**	0	**158**	138	**181**	161
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**158**	138	**0**	0	**171**	151
Rainer Stein	**13**	13	**0**	0	**10**	10	**0**	0	**158**	138	**0**	0	**181**	161
Total	**150**	150	**63**	63	**60**	60	**40**	40	**1,817**	1,588	**790**	691	**2,920**	2,592

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded 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 2014. 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.

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
Short-term unsecured promissory notes 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.

Kommanditgesellschaft auf Aktien (KGaA)
A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or Komplementäraktionär), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

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 accepted on the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's, or Fitch based on a company analysis.

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 75 and 76 in 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 75 and 76 in 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.

Scope of Inventory (SOI)
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.

REPORT OF THE SUPERVISORY BOARD

In 2013, 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 2013 – in March, May, October, and December. In addition, the Supervisory Board had an extraordinary meeting in September in which the members of the Supervisory Board were informed about the planned acquisition of hospitals from Rhön-Klinikum Aktiengesellschaft. 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 a few cases, it passed resolutions by written proceeding in lieu of a meeting. 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 at least half of the regular Supervisory Board Meetings in 2013.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2013, 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. One main consulting focus was on acquisitions, especially the acquisition of hospitals from Rhön-Klinikum Aktiengesellschaft. The Supervisory Board discussed in detail the 2014 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 in the U.S. market. 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, 2013.

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. He was also a member of the supervisory boards of the University Hospitals in Magdeburg and Rostock. 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. In 2013, the Fresenius Group paid €1.4 million to Commerzbank AG for financing commitments, in connection with Senior Notes issuances and the share conversion at Fresenius Medical Care. Dr. Gerhard Rupprecht is a member of the Supervisory Board of our Company and of Fresenius Management SE, as well as a member of the supervisory board of Allianz France SA. In 2013, the Fresenius Group paid €5.3 million for insurance premiums to Allianz under customary conditions.

There are no direct consultancy or other service relationships between the Company and any given member of the Supervisory Board. In 2013, the Fresenius Group had consultancy contracts with the management consultancy firm Roland Berger Strategy Consultants GmbH, an affiliated company of the management consultancy firm Roland Berger Strategy Consultants Holding GmbH. Prof. Dr. h. c. Roland Berger is a member of the Supervisory Board of Fresenius Management SE and a member of the Supervisory Board of our Company. Prof. Dr. h. c. Berger is at the same time a partner in Roland Berger Strategy Consultants Holding GmbH. The Fresenius Group paid approximately €2.9 million (2012: €0.6 million) to Roland Berger Strategy Consultants GmbH for services rendered in 2013. The Supervisory Board closely examined this mandate and approved it. Prof. Dr. h. c. Berger abstained from voting. The respective approval was made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

Furthermore, 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 2013, the Fresenius Group paid or processed for payment in December about €1.5 million to the law firm Noerr (2012: €1.8 million). This corresponds to 1% of the total amount paid by the Fresenius Group for services and legal advice in 2013 (2012: 2%). Not included in the amount paid or processed for payment are such payments made in 2013 that had already been processed for payment in 2012, and have therefore already been reported for the

2012 fiscal year. Thereof, about €0.5 million were 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 a 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 Euro. VAT was paid also.

For more information on corporate governance at Fresenius, please refer to the Corporate Governance Declaration and Report on pages 11 to 31 of the Annual Report. Fresenius has disclosed the information on related parties in its quarterly reports and on pages 174 and 175 of the Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings and four conference calls in 2013. 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 2012 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 on 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 2013. The Supervisory Board's proposal to the Annual General Meeting in 2013 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 2013 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.

The Company's Nomination Committee did not meet in 2013.

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 2013 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 15, 16, and 193 of the Annual Report.

PERSONNEL

In 2012, there were no changes in the composition of the Supervisory Board of Fresenius SE & Co. KGaA and 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 2013 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 17, 2013, 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 13 and 14, 2014, 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 14, 2014, 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 2013 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 14, 2014

The Supervisory Board

Dr. Gerd Krick
Chairman

Fresenius SE & Co. KGaA

Bad Homburg v.d.H.

2012

- Financial Statements
- Management Report
- Report of the Supervisory Board

- Convenience Translation -
The German version of these Financial Statements is legally binding

Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

Balance Sheet as of December 31, 2012

A s s e t s

	Note	Dec 31, 2012		Dec 31, 2011	
		kEUR	kEUR	kEUR	kEUR
A. Fixed assets	(4)				
I. Intangible assets			508		616
II. Tangible assets			61,575		63,256
III. Financial assets			5,357,426		4,427,259
			5,419,509		4,491,131
B. Current assets					
I. Accounts receivable and other assets					
1. Accounts receivable due from related parties	(5)	1,643,969		752,486	
2. Other assets	(5)	53,698	1,697,667	72,404	824,890
II. Cash and cash equivalents	(6)		54,238		21,510
			1,751,905		846,400
C. Deferred expense	(7)		1,116		1,223
			7,172,530		5,338,754

Liabilities and shareholders' equity

	Note	Dec 31, 2012	Dec 31, 2011
		kEUR	kEUR
A. Shareholders' equity			
I. Subscribed capital	(8, 9, 10, 11, 12)		
Ordinary shares			
(authorized capital I kEUR 26,520; prev. yr. kEUR 40,320)			
(conditional capital I kEUR 858; prev. yr. kEUR 888)			
(conditional capital II kEUR 2,497; prev. yr. kEUR 2,977)			
(conditional capital III kEUR 5,383; prev. yr. kEUR 6,025)			
(conditional capital IV kEUR 16,324; prev. yr. kEUR 0)		178,188	163,237
II. Capital reserves	(13)	2,944,992	1,899,796
III. Other reserves	(14)	1,555,495	1,308,995
IV. Retained earnings	(15)	196,036	454,816
		4,874,711	3,826,844
B. Special reserve for investment government grants	(16)	12	13
C. Accruals	(17)		
1. Pensions and similar obligations		36,772	33,033
2. Accruals for income taxes		42,150	37,680
3. Other Accruals		82,472	54,199
		161,394	124,912
D. Liabilities	(18)		
1. Convertible Bonds		194	324
2. Bank loans		596,002	206,285
3. Trade accounts payable		5,204	3,207
4. Liabilities to affiliated companies		1,520,333	1,168,489
5. Other liabilities		14,680	8,680
		2,136,413	1,386,985
		7,172,530	5,338,754

Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

Profit and Loss Statement
January 1 to December 31, 2012

	Note	2012	2011
		kEUR	kEUR
1. Income from participations	(21)	369.701	348.923
2. Other operating income	(22)	128.283	110.198
3. Personnel expenses	(23)	-26.079	-22.721
4. Depreciation and amortization on intangible assets and on property, plant and equipment	(24)	-4.414	-4.298
5. Other operating expenses	(25)	-172.571	-103.383
6. Net Interest	(27)	-20.928	-22.427
7. Write-offs of financial assets and marketable securities	(28)	-74.133	0
8. Other financial result	(29)	-34.519	628.275
9. Profit from ordinary operations		165.340	934.567
10. Income taxes	(30)	-22.048	-24.619
11. Other taxes		-497	-433
12. Net Income		142.795	909.515
13. Retained earnings brought forward		41	51
14. Decrease/Increase of other reserves		53.200	-454.750
15. Retained earnings		196.036	454.816

Notes Fresenius SE & Co. KGaA

(1) Structure

The Fresenius Group is as of December 31, 2012, divided into four legally independent business segments:

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

Fresenius SE & Co. KGaA owns the stakes in the management companies and functions as an operating holding.

The reporting currency of Fresenius SE & Co. KGaA is the euro. In order to make the presentation clearer, amounts are shown in € thousand. Amounts which are lower than € 1,000.00 after they have been rounded are marked with „-“.

The list of investments of Fresenius SE & Co. KGaA, registered in Bad Homburg v.d.H., will be shown in the enclosure to the Notes.

(2) Change of Fresenius SE’s legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien) and conversion of the preference shares into ordinary shares

On May 12, 2010, Fresenius SE’s Annual General Meeting approved the change of Fresenius SE’s legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) with the name Fresenius SE & Co. KGaA in combination with the conversion of all non-voting preference shares into voting ordinary shares. The change of legal form as well as the conversion of shares was also approved by the preference shareholders through a special resolution.

Upon registration with the commercial register of the local court in Bad Homburg v.d.H., the change of legal form into Fresenius SE & Co. KGaA became effective on January 28, 2011. According to the resolution passed, the holders of preference shares received one ordinary share of Fresenius SE & Co. KGaA for each preference share held in Fresenius SE; the ordinary shareholders received one ordinary share of Fresenius SE & Co. KGaA for each ordinary share held in Fresenius SE. The notional proportion of each non-par value share in the subscribed capital as well as the subscribed capital itself remained unchanged.

(3) Accounting principles and standards of valuation

Acquired **intangible assets** are valued at purchase cost less regular amortization. The useful life is normally between 2 and 5 years, for personal computer auxiliary programs the useful life is 2 years, and for know-how up to 5 years.

The value of **investments in property, plant and equipment** is stated at the cost of the assets less regular linear or degressive depreciation.

The following useful lives were used for calculating depreciation:

Office and factory buildings	10 - 40 years
Technical equipment and machinery	5 - 10 years
Other fixtures and fittings, tools and equipment	3 - 10 years.

Low value fixed assets with purchase or manufacturing cost of up to € 150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than € 150.00 and less than € 1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Extraordinary depreciation is carried out, provided that the carrying book value is other than temporarily impaired.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

Securities are valued at purchase price or the lower market value.

No **deferred tax** is to be recognized for temporary differences in valuations in the tax and financial reporting balance sheets as long as the net difference would result in an asset.

Subscribed capital is accounted for at its nominal amount.

The **special reserve with equity portion** that was built according to Section 247 (3) HGB in the previous years can be retained according to the option in Art. 67 (3) sentence 1 EGHGB.

The **pension obligation** is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted depending on age by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 5.06%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2012).

Pursuant to Section 253 (1) sentence 3 HGB (security-based pension obligations), the value of the provisions for the employee financed life work time account (Demografiefonds) is based on the performance of the asset value of the corresponding plan reinsurance.

The asset values used to offset the provisions are calculated at their fair values.

Tax accruals and other accruals are built for recognizable risks and uncertain liabilities at the amounts to be paid and calculated on the basis of a reasonable commercial assessment. Long term accruals are accounted for taking into account future price and cost increases and are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Foreign currency items are translated with the foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB.

Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

Derivative financial instruments are contracted for hedging purposes only. Both interest rate and foreign currency derivatives are contracted for hedging.

Besides hedging instruments for Cashpool balances and loans in foreign currencies that Group Companies have borrowed from Fresenius SE & Co. KGaA or that Fresenius SE & Co. KGaA has borrowed from Group Companies or banks, Fresenius SE & Co. KGaA acquires hedging instruments from banks, that are mirrored by agreements between Fresenius SE & Co. KGaA and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together so that effects of the hedge are only recognized in earnings when the underlying transaction takes place.

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

Notes on balance sheet

(4) Fixed assets

The following is a breakdown of fixed assets and their development:

	Acquisition and manufacturing costs				
	As of Jan. 01, 2012	Additions	Disposals	Reclassi-fications	As of Dec. 31, 2012
in thousand €					
Intangible Assets					
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	1,027	61	0	0	1,088
	1,027	61	0	0	1,088
Tangible Assets					
Land, leasehold and buildings including buildings on third party property	111,921	954	0	0	112,875
Plant and machinery	467	0	0	0	467
Other fixtures and fittings, tools and equipment	10,862	1,610	354	747	12,865
Payments on account and tangible assets in course of construction	828	0	0	-747	81
	124,078	2,564	354	0	126,288
Financial assets					
Shares in related parties	3,529,702	881,415	0	74,314	4,485,431
Loans to related parties	897,745	0	2,883	0	894,862
Security investments	0	123,840	0	-74,314	49,526
	4,427,447	1,005,255	2,883	0	5,429,819
Non-current Assets	4,552,552	1,007,880	3,237	0	5,557,195

in thousand €	Depreciation					Carrying amount	
	Cumulated depreciation as of Jan. 01, 2012	Additions	Transfers related parties	Disposals	Cumulated depreciation as of Dec. 31, 2012	Dec. 31, 2012	Dec. 31, 2011
Intangible Assets							
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	411	169	0	0	580	508	616
	411	169	0	0	580	508	616
Tangible Assets							
Land, leasehold and buildings including buildings on third party property	52,089	2,920	0	0	55,009	57,866	59,832
Plant and machinery	347	29	0	0	376	91	120
Other fixtures and fittings, tools and equipment	8,386	1,296	0	354	9,328	3,537	2,476
Payments on account and tangible assets in course of construction	0	0	0	0	0	81	828
	60,822	4,245	0	354	64,713	61,575	63,256
Financial assets							
Shares in related parties	188	72,205	0	0	72,393	4,413,038	3,529,514
Loans to related parties	0	0	0	0	0	894,862	897,745
Security investments	0	0	0	0	0	49,526	0
	188	72,205	0	0	72,393	5,357,426	4,427,259
Non-current Assets	61,421	76,619	0	354	137,686	5,419,509	4,491,131

Financial assets

As of December 31, 2012, Fresenius SE & Co. KGaA owns stakes in the following domestic management companies for business segments:

- Fresenius Medical Care AG & Co. KGaA, Hof an der Saale
- Fresenius Kabi AG, Bad Homburg v.d.H.
- Fresenius ProServe GmbH, Bad Homburg v.d.H.

The percentage of Fresenius Medical Care AG & Co. KGaA´s (“FMC-AG & Co. KGaA”) total subscribed capital (ordinary and preference shares) held by Fresenius SE & Co. KGaA at the end of fiscal year 2012 was 30.77% (previous year 30.34%). In January and February 2012, Fresenius SE & Co. KGaA purchased 2,100,004 ordinary shares of FMC-AG & Co KGaA in the amount of € 113.7 million. Therefore, the participation in FMC-AG & Co. KGaA increased to 30.77% of the total subscribed capital.

On December 31, 2012, Fresenius SE & Co. KGaA continued to hold all of the subscribed capital of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) and Fresenius Helios as well as Fresenius Vamed (Fresenius ProServe GmbH).

Fresenius SE & Co. KGaA holds 100% in Fresenius Biotech Beteiligungs GmbH.

In addition, Fresenius SE & Co. KGaA holds all of the stakes of the following domestic property management and service companies as well as foreign finance companies:

- Fresenius Immobilien-Verwaltungs-GmbH
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Friedberg KG
- Hygieneplan GmbH
- Fresenius Versicherungsvermittlungs GmbH
- Fresenius Medical Care Management AG
- Fresenius Finance B.V.
- Fresenius Finance II B.V.
- Fresenius Finance I S.A.
- Fresenius US Finance I, Inc.
- Fresenius US Finance II, Inc.
- GIF (Luxembourg) Société d’Investissement à Capital Variable-SIF

All of the subscribed capital of Fresenius Netcare GmbH is indirectly held via Fresenius Versicherungsvermittlungs GmbH.

In 2012, Fresenius Finance II B.V. was founded as a wholly owned subsidiary.

On April 26, 2012, Fresenius announced its intention to make a voluntary public takeover offer to RHÖN-KLINIKUM AG shareholders of € 22.50 per share in cash. The total purchase price for all outstanding shares in the company was approximately € 3.1 billion. The takeover offer was contingent upon a minimum acceptance threshold of 90% and one share of RHÖN-KLINIKUM AG’s share capital at the end of the offer period, amongst others, and on antitrust approval. At the end of the offer period, 84.3% of RHÖN-KLINIKUM AG shares had been tendered. The minimum acceptance threshold of more than 90% was not met. Consequently, the takeover offer was not consummated. Relating to the takeover offer to the shareholders of RHÖN-KLINIKUM AG, until September 5, 2012, Fresenius acquired 6.9 million shares of RHÖN-KLINIKUM AG, which are shown as security investments in the amount of € 123.8 million. This is equivalent to 5.0% of the subscribed capital of RHÖN-KLINIKUM AG. In the further course of the fiscal year 2012, Fresenius SE & Co. KGaA contributed 4.1 million of those shares in the amount of € 74.3 million in the additional paid-in capital of Fresenius ProServe GmbH. The shares of RHÖN-KLINIKUM AG remaining within Fresenius SE & Co. KGaA are recognized at a carrying amount of € 49.5 million and a fair value in the amount of € 42.3 million which is based on the share price. As the decline in share price is interpreted as temporary, a write-off on the fair value is not required.

Furthermore, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius ProServe GmbH by the contribution of intercompany loans in the amount of € 457 million.

In October 2012, Fresenius SE & Co. KGaA purchased shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of € 120 million. The company invests its assets completely and exclusively in German federal saving bonds (Bundeswertpapiere). In November 2012, a dividend payment of € 72.0 million took place. Due to this dividend payment a write-off on the shares of the GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of € 72.2 million was made.

Moreover, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius Kabi AG and Fresenius US Finance I, Inc. by € 169.0 million and US$ 26.0 million (€ 20.0 million), respectively, as well as the common stock of Fresenius Medical Care Management AG by € 1.5 million.

(5) Accounts receivable and other assets

	Dec. 31, 2012	Dec. 31, 2011
in thousand €		
Accounts receivable from related parties	1,643,969	752,486
(amount with a remaining term of more than one year)	(27,315)	(29,735)
Other assets	53,698	72,404
(amount with a remaining term of more than one year)	-	-
	1,697,667	824,890

The Accounts receivable from related parties are composed of loans and finance-related accounts of € 1,643,631 thousand (previous year € 751,846 thousand) and trade accounts receivable of € 338 thousand (previous year € 640 thousand).

Other assets mainly contain claims for tax credits which relate to the tax calculation for the years 2006 to 2012 (€ 28,908 thousand) as well as trade tax reimbursement claims along with interest (€ 6,737 thousand), and derivatives (€ 17,265 thousand). The trade tax claims relate to the period subject to a finalized tax audit of FMC-AG & Co. KGaA for the years 1997 to 2001 and are the result of a settlement agreement from January 2011 between FMC-AG & Co. KGaA and the tax authority. Given that FMC-AG & Co. KGaA is entitled to substantially all tax refunds due to trade tax consolidation at that time, a liability in favor of FMC-AG & Co. KGaA of € 4,721 thousand has been recorded. Also included are social security related receivables of € 1 thousand (previous year € 1 thousand).

(6) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks of € 54,238 thousand (previous year € 21,510 thousand).

(7) Deferred expense

Deferred expense of € 1,116 thousand (previous year € 1,223 thousand) mainly concerns the prepayment of the Directors&Officers-Insurance (D&O-Insurance) for top managers.

(8) Subscribed capital

On May 15, 2012, Fresenius SE & Co. KGaA successfully completed a capital increase upon registration with the commercial register. In connection with the capital increase, 13.8 million new ordinary shares were issued at a price of € 73.50. The transaction generated gross proceeds of € 1,014.3 million and increased the subscribed capital by € 13.8 million. The new shares have full dividend entitlement for the fiscal year 2012. During the fiscal year 2012, 1,150,924 stock options were exercised.

Consequently, as of December 31, 2012, the subscribed capital of Fresenius SE & Co. KGaA consisted of 178,188,260 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is € 1.00 per share.

The subscribed capital developed as follows:

	2012	2011
in thousand €		
As of January 1	163,237	162,450
Increase due to issuance of bearer ordinary shares	13,800	0
Increase due to exercise of stock options	1,151	787
As of December 31	178,188	163,237

(9) Own shares

Fresenius SE & Co. KGaA purchased own ordinary shares during the year for distribution to employees entitled to the profit-sharing program.

The agreement reached between the Works Council and the Management Board in February 2012 is the basis for distributing the shares. The agreement awards € 2,036.25 of profit-sharing to each full-time employee for 2011 as well as the employer contribution for social security payments. About two-thirds of the profit-sharing payment is settled in shares and employees are given a choice of cash or additional shares for the remaining third. Employees that opt for additional shares are awarded one additional share. The price determination for the shares and bonus shares in the profit-sharing program was made on June 11, 2012.

To be eligible for the program, employees must have had three years of continuous employment at Fresenius SE & Co. KGaA on December 31, 2011, its direct affiliated companies or affiliated companies of Fresenius Kabi and certain other affiliated companies as identified in the Works Council agreement. At that time, eligible employees must have not been under notice or in an executive position, as defined by Fresenius. Intercompany transfers are counted in full.

The following ordinary shares were purchased and distributed or re-sold as part of the Fresenius SE & Co. KGaA profit-sharing program for 2011.

	Date	Number	Price in € per share
Purchase	May 25, 2012	594	74.95
Purchase	May 30, 2012	5,000	75.90
Purchase	June 1, 2012	5,000	75.30
Purchase	June 1, 2012	18,806	74.50
Disbursement	June 11, 2012	28,729	77.80
Sale	June 21, 2012	500	82.52
Purchase	Aug. 27, 2012	14	84.62
Disbursement	Aug. 29, 2012	14	77.80
Sale	Sept. 18, 2012	171	86.24

Purchased shares with a nominal value of € 29,414.00 and committed shares with a nominal value of € 28,743.00 represented 0.0165% and 0.0161% of the subscribed capital, respectively.

The proceeds from the sales on June 21, 2012 and September 18, 2012 have increased corporate funding.

As of December 31, 2012, no own shares were held.

(10) Notification by shareholders

The following table shows the notifications disclosed in 2012 in accordance with Section 26 (1) of the German Securities Trading Act (WpHG). They reflect the corresponding level of investments held in Fresenius SE & Co. KGaA.:

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attribution pursuant to Section 22 WpHG	Percentage of voting rights	Number of voting rights
BlackRock, Inc., New York, USA[1]	April 25, 2012	Falling below 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	4.88	7,974,870
BlackRock, Inc., New York, USA[2]	May 4, 2012	Exceeding 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	5.36	8,756,380
Deutsche Bank AG, Frankfurt am Main Germany	May 15, 2012	Exceeding 3% and 5%		6.34	11,228,068
			thereof pursuant to Sections 21 and 22	5.79	10,250,631
			thereof pursuant to Section 25	0.17	300,000
			thereof pursuant to Section 25a	0.38	677,437
Deutsche Bank AG, Frankfurt am Main Germany	May 16, 2012	Falling below 3% and 5%		0.45	793,326
			thereof pursuant to Sections 21 and22	0.00	0
			thereof pursuant to Section 25	0.00	0
			thereof pursuant to Section 25a	0.45	793,326
BlackRock Advisors Holdings, Inc., New York, USA	July 23, 2012	Exceeding 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	5.05	8,954,443
BlackRock Advisors Holdings, Inc., New York, USA	August 28, 2012	Falling below 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	4.98	8,847,524
The Capital Group Companies, Inc., Los Angeles, USA[3]	November 2, 2012	Exceeding 3%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2 and 3	3.12	5,557,985
BlackRock Group Limited, London, Great Britain	November 9, 2012	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	2.91	5,185,231

[1] Attribution of voting rights via: BlackRock International Holdings, Inc., BR Jersey International Holdings LP, BlackRock Group Limited

[2] Attribution of voting rights via: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings LP, Blackrock Group Limited

[3] Attribution of voting rights via: Capital Research and Management Company

The Else Kröner-Fresenius-Stiftung as major shareholder informed Fresenius SE & Co. KGaA on December 19, 2012, that it holds 48,231,698 ordinary shares of Fresenius SE & Co. KGaA representing 27.07% of the subscribed capital on December 31, 2012.

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations – Fresenius Share / ADR – Shareholder Structure.

(11) Authorised capital

By resolution of the Annual General Meeting on May 13, 2011, the previous Authorized Capitals I to V were revoked and a new Authorized Capital I was created.

In accordance with the new provision in the articles of association of Fresenius SE & Co. KGaA, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 12, 2016, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to € 40,320,000 through a single issue 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, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization. In the case of a contribution 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 the general partner 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, neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization.

The changes to the Authorized Capital became effective upon registration of the amendments to the articles of association with the commercial register on July 11, 2011.

The Authorized Capital I has developed as follows:

	2012	2011
in thousand €		
As of January 1	40,320	0
Increase due to resolution of the Annual General Meeting	0	40,320
Decrease due to issuance of bearer ordinary shares	-13,800	0
As of December 31	26,520	40,320

(12) Conditional Capital

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE & Co. KGaA is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with previously issued stock options or convertible bonds, as the case may be, for bearer ordinary shares under the stock option plans of 1998, 2003 and 2008.

By resolution on May 11, 2012, the Annual General Meeting of Fresenius SE & Co. KGaA authorized the general partner, with the approval of the Supervisory Board, until May 10, 2017, 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 € 16,323,734 through issuing of up to 16,323,734 new bearer ordinary shares (Conditional Capital IV). The change of Fresenius SE & Co. KGaA's articles of association with regard to the Conditional Capital IV became effective upon registration with the commercial register on July 4, 2012. 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 (Conditional Capital IV). The new bearer ordinary shares shall participate in the profits from the start of the fiscal year in which they are issued.

The Conditional Capital I for the Fresenius AG Stock Option Plan 1998 has developed as follows:

	Ordinary shares
in €	
As of January 1, 2012	888,428
Decrease due to exercise of stock options	-30,458
As of December 31, 2012	857,970

The Conditional Capital II for the Fresenius AG Stock Option Plan 2003 has developed as follows:

	Ordinary shares
in €	
As of January 1, 2012	2,976,630
Decrease due to exercise of stock options	-479,376
As of December 31, 2012	2,497,254

The Conditional Capital III for the Fresenius SE Stock Option Plan 2008 has developed as follows:

	Ordinary shares
in €	
As of January 1, 2012	6,024,524
Decrease due to exercise of stock options	-641,090
As of December 31, 2012	5,383,434

The Conditional Capital IV, approved May 11, 2012, has developed as follows:

	Ordinary shares
in €	
As of January 1, 2012	0
Increase due to resolution of the Annual General Meeting	16,323,734
As of December 31, 2012	16,323,734

Fresenius SE & Co. KGaA stock option plans

Description of the Fresenius SE & Co. KGaA stock option plans in place

As of December 31, 2012, Fresenius SE & Co. KGaA had two stock option plans in place: the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds and the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). On June 30, 2012, the term of the options granted under the Fresenius AG Stock Option Plan 1998 expired. In 2012, stock options were solely granted under the 2008 Plan.

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. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was amended and completely adapted to ordinary shares. Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to exclusively obtain 6.2 million ordinary shares (originally 3.1 million ordinary shares and 3.1 million preference shares). Up to 1.2 million options are designated for members of the Management Board of Fresenius Management SE (originally Management Board of Fresenius SE), up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for executive employees of Fresenius SE & Co. KGaA (originally of Fresenius SE) and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius Management SE’s Management Board, the Supervisory Board of Fresenius Management SE now holds the sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius Management SE now has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE & Co. KGaA’s (originally Fresenius SE's) ordinary shares (originally ordinary and preference shares) on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price during the 30 calendar days immediately prior to the grant date, if this is higher. 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 for 2008 to 2012 were met. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods. Former options for preference shares are now exclusively options for ordinary shares.

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 options have been granted since 2008. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was also amended and completely adapted to ordinary shares. Under the 2003 Plan, eligible employees have the right to acquire ordinary shares (originally ordinary and preference shares) of Fresenius SE & Co. KGaA (originally of Fresenius AG or of Fresenius SE, respectively). 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. Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary shares (originally ordinary or preference shares, respectively) upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: $^{1}/_{3}$ of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares (originally three ordinary shares or three preference shares, respectively) is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of the ordinary shares (originally ordinary shares or preference shares, respectively) during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee was 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split in 2007 entitles to subscribe one ordinary share (originally one ordinary or one preference share, respectively), subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary share (originally one ordinary or one preference share, respectively), conversion after the share split entitles to three ordinary shares (originally three ordinary or three preference shares, respectively). In addition, due to the elimination of the preference shares, after the change of legal form, the success target of the 2003 Plan had to be adjusted to the effect that it is deemed to be achieved if and when the aggregate of the following price increases amounts to at least 25%: (1) increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day when the change of legal form took effect and (2) increase of the stock exchange price of ordinary shares since the change of legal form took effect.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees had the right to acquire ordinary and preference shares of Fresenius SE. After the change of legal form and the conversion of all preference shares into ordinary shares, the options exclusively granted the right to acquire ordinary shares of Fresenius SE & Co. KGaA. Options granted under this plan had a 10-year term which expired on June 30, 2012.

Transactions during 2012

In 2012, Fresenius SE & Co. KGaA awarded 1,206,145 stock options under the 2008 Plan, including 198,660 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of € 78.54, a weighted-average fair value of € 21.18 each and a total fair value of € 26 million, which will be amortized over the three-year vesting period. During the fiscal year 2012, Fresenius SE & Co. KGaA received cash of € 46 million from the exercise of 1,150,924 stock options. The average stock price of the ordinary share at the exercise date was € 84.06. The intrinsic value of options exercised in 2012 was € 48 million. 929,147 convertible bonds were outstanding and exercisable under the 2003 Plan at December 31, 2012. The members of the Fresenius Management SE Management Board held 220,360 convertible bonds. At December 31, 2012, out of 4,455,605 outstanding stock options issued under the 2008 Plan, 1,132,182 were exercisable and 931,380 were held by the members of the Fresenius Management SE Management Board.

Stock option transactions are summarized as follows:

	Ordinary shares
	number
Number as of December 31, 2011	5,494,127
plus new issues	1,206,145
less forfeited options	-164,596
less exercises	-1,150,924
Number as of December 31, 2012	5,384,752

(13) Capital reserves

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

The capital reserves have developed during the fiscal year as follows:

	2012	2011
in thousand €		
As of January 1	1,899,796	1,869,988
Increase due to issuance of bearer ordinary shares	1,000,500	0
Increase due to exercise of stock options	44,696	29,808
As of December 31	2,944,992	1,899,796

The capital reserve of 10% of the subscribed capital conforms with the legal reserve as in section 150 (1) and (2) of the German Stock Corporation Act (AktG).

(14) Other reserves

Other reserves developed as follows:

	2012	2011
in thousand €		
As of January 1	1,308,995	854,245
Additions to other reserves from net income of the period	0	454,750
Additions to other reserves by the Annual General Meeting from retained earnings	299,700	0
Deduction of other reserves	-53,200	0
As of December 31	1,555,495	1,308,995

According to the restrictions in Section 268 (8) HGB, € 54.3 thousand shall not be distributed. This amount relates exclusively to the fair value of the securities held to cover partial retirement agreement obligations in case of insolvency. Given that the amount of capital and other reserves is sensibly higher than retained earnings, there is no distribution restriction for this amount.

(15) Retained earnings

Accumulated profits from the prior year of € 40.8 thousand are included in retained earnings in accordance with the decision taken at the Annual General Meeting on May 11, 2012.

(16) Special reserve for investment government grants

Special reserves primarily comprise government investment grants and subsidies according to sections 1, 4 and 4b of the German Investment Subsidy Code (InvZulG). Dissolution of grants and subsidies is spread over the useful life of the subsidized assets. The yearly dissolution (€ 1 thousand) is included in the profit and loss statement under “Other operating income”.

(17) Accrued expenses

The pension obligation has been determined according to the method described under Note (3) “Accounting principles and standards of valuation”. Included in this item is an obligation of € 8,343 thousand in favor of Fresenius management SE for pension obligations related to its Management Board members.

In accordance with legal regulations the employee credit balances of partial retirement agreements are secured against insolvency. To fulfill this purpose the company buys shares of a money-market-similar investment fund in the amount of the cumulated credit balances. The securitization is done via pledging the investment fund shares to a trustee, hence the securities have the sole purpose of fulfilling the obligations derived from the partial retirement agreements and are not available to other creditors. They have been netted with their matching obligations following Section 246 (2) sentence 2 HGB. The fair value of these securities has been derived from the stock exchange price at the balance sheet date.

	Dec 31, 2012
in thousand €	
Amount to be paid for partial retirement agreements	1,927
Fair value of matching securities	1,458
Funded status (surplus of obligations over assets)	469
Acquisition cost of securities	1,403

In the statement of income, net interest includes € 13 thousand of netted expense and income from the valuation of the securities and the provision.

On the basis of a Works Council Agreement from 2009 and starting on January 1, 2010, employees can participate in a demography fund (Demografiefonds) by contributing part of their compensation or working time to an account run by Fresenius SE & Co. KGaA in exchange of time-off in the future. The credit balances of the employees are invested in an insurance product via a trust agreement so that Fresenius SE & Co. KGaA and its creditors do not have access to the funds. This construction is a security-based pension obligation in the sense of Section 253 (1) sentence 3 HGB. The amount provisioned for the time balances of the employees corresponds to the fair value of the insurance product. The fair value results from the forecasted actuarial reserves of the insurance company plus the present profit sharing on the surplus.

	Dec 31, 2012
in thousand €	
Amount to be paid for obligations from the demography fund	479
Fair value of matching insurance	479
Funded status (surplus of assets over obligations)	0
Acquisition cost of insurance	458

The statement of income includes € 14 thousand of netted expense and income, respectively, from the valuation of the insurance product and the provision.

Accruals for income taxes include estimated amounts of outstanding tax payments from prior years.

Other accruals are primarily established to cover contingent losses from interest rate swaps, personnel costs as well as outstanding invoice liabilities.

(18) Liabilities

	Dec 31, 2012				Dec 31, 2011	
		thereof with a remaining term of				Thereof with a remaining term of up to 1 year
	Total	up to 1 year	1 year to 5 years	over 5 years	Total	
in thousand €						
Convertible bonds	194	194	0	0	324	324
Bank loans	596,002	196,002	285,000	115,000	206,285	10,285
(thereof secured)	(596,000)	(196,000)	(285,000)	(115,000)	(196,000)	(0)
Trade accounts payable	5,204	5,204	0	0	3,207	3,207
Accounts payable to related parties	1,520,333	488,056	532,277	500,000	1,168,489	627,307
Other liabilities	14,680	14,680	0	0	8,680	8,680
	2,136,413	704,136	817,277	615,000	1,386,985	649,803
(thereof secured)	(596,000)	(196,000)	(285,000)	(115,000)	(196,000)	(0)

Convertible bonds

Liabilities result from the issuance of convertible bonds worth € 194 thousand as part of the Fresenius AG 2003 Stock Option Plan.

Bank loans

European Investment Bank Agreement

Fresenius SE & Co. KGaA has access to a revolving credit facility from the European Investment Bank (EIB) of € 96 million until June 2013. As of December 31, 2012, this credit facility was used in an amount of € 96 million.

Fresenius SE & Co. KGaA has access to a further revolving credit facility from the EIB of € 100 million until September 2013. As of December 31, 2012, this credit facility was used in an amount of € 100 million.

The EIB is the not-for-profit long-term lending institution of the European Union and loans funds at favorable rates for the purpose of specific capital investment and research and development project. The above mentioned loans bear variable interest rates which are based on EURIBOR or LIBOR plus applicable margin. These interest rates change quarterly. The drawing of € 96 million under the credit facility is secured by bank guarantees. The drawing of € 100 million under the credit facility is guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Euro Notes

On April 2, 2012, Fresenius SE & Co. KGaA issued Euro Notes in an amount of € 400 million. Proceeds were used to refinance the tranches of the Euro Notes of Fresenius Finance B.V. which were due in April and July 2012 and for general corporate purposes. The new Euro Notes are guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Liabilities to affiliated companies

Liabilities to affiliated companies comprise loans and financing accounts with affiliated companies in an amount of € 1,520,251 thousand (previous year € 1,167,259 thousand) and trade accounts payable amounting to € 82 thousand (previous year € 1,230 thousand).

Included in this item are liabilities of € 3,617 thousand (previous year € 2,427 thousand) in favor of the general partner Fresenius Management SE. Moreover liabilities of € 12,335 thousand (previous year € 10,022 thousand) in favor of Fresenius Management SE are included in pension liability and other liabilities.

Other liabilities

Other liabilities include primarily tax liabilities, interest liabilities as well as payroll liabilities.

Tax liabilities amount to € 1,971 thousand (previous year € 1,154 thousand).

(19) Contingent Liabilities

	2012	2011
in thousand €		
Contingencies from indemnity agreements and guarantees	4,371,146	4,393,192
(thereof amount in favor of and from affiliated companies)	(4,371,146)	(4,393,192)

Fresenius SE & Co. KGaA has committed itself to exempt on certain preconditions various members of the managing boards of foreign affiliates from claims, in case such claims were made due to their function as members of the managing board of the affiliates concerned, and these claims were based on the law of the respective country.

Fresenius SE & Co. KGaA committed itself, to the extent legally admissible, to indemnify the members of the Management Board against claims against them arising from their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a ‘Directors&Officers’ insurance with an excess, in compliance with stock corporation requirements. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

Fresenius SE & Co. KGaA guarantees the main liabilities of its wholly-owned subsidiaries Fresenius Finance B.V. and Fresenius US Finance II, Inc. – both wholly-owned subsidiaries of Fresenius SE & Co. KGaA. The following table shows these liabilities of the two companies as of December 31, 2012:

Issuer	Nominal Value	Maturity Date	Interest Rate
Euro Notes			
Fresenius Finance B.V. 2007/2014	€ 38 million	July 2, 14	5.75%
Fresenius Finance B.V. 2007/2014	€ 62 million	July 2, 14	variable
Fresenius Finance B.V. 2008/2014	€ 112 million	Apr. 2, 14	5.98%
Fresenius Finance B.V. 2008/2014	€ 88 million	Apr. 2, 14	variable
Senior Notes			
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan. 31, 13	5.00%
Fresenius Finance B.V. 2006/2016	€ 650 million	Jan. 31, 16	5.50%
Fresenius Finance B.V. 2012/2019	€ 500 million	April 15, 19	4.25%
Fresenius US Finance II, Inc. 2009/2015	€ 275 million	July 15, 15	8.75%
Fresenius US Finance II, Inc. 2009/2015	US$ 500 million	July 15, 15	9.00%

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA.

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. Since January 31, 2011, the Senior Notes of Fresenius Finance B.V. maturing in 2016 were redeemable at the option of the issuer at prices that have already been fixed at the date of issuance in the indentures. In February 2013, these Senior Notes were repaid completely before maturity at a price of 100.916%. All other 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, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective 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, 2012, the Fresenius Group was in compliance with all of its covenants.

On August 20, 2008, in connection with the acquisition of APP Pharmaceuticals, Inc. (since 2012: Fresenius Kabi USA, Inc.), the Fresenius Group entered into a syndicated credit agreement (2008 Senior Credit Agreement) in an original amount of US$ 2.45 billion. The 2008 Senior Credit Agreement will be replaced by the 2013 Credit Agreement in June 2013.

Since entering into the 2008 Senior Credit Agreement, amendments and voluntary prepayments have been made which have resulted in a change of the total amount available under this facility. In March 2011, after negotiations with the lenders, Fresenius SE & Co. KGaA improved the conditions of the 2008 Senior Credit Agreement. The amendments led to a reduction of the interest rate of Term Loan D (previously: Term Loan C). Since then, the interest rate is a rate equal to the money market interest rate (LIBOR and EURIBOR) with a minimum of 1.00% and a current margin of 2.50%.

As of December 31, 2012, the 2008 Senior Credit Agreement consisted of:

- Revolving credit facilities in the aggregate principal amount of US$ 550 million (of which US$ 150 million is available to Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC) and US$ 400 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly owned subsidiary of Fresenius SE & Co. KGaA).

- Term loan facilities (Term Loan A) in the aggregate principal amount of US$ 374.6 million (of which equal shares are available to Fresenius US Finance I, Inc., a wholly owned subsidiary of Fresenius SE & Co. KGaA, and to Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC)).

- Term loan facilities (Term Loan D) in the aggregate principal amount of US$ 959.3 million and € 158.5 million (of which US$ 565.1 million and € 158.5 million are available to Fresenius US Finance I, Inc. and US$ 394.2 million is available to Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC)).

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH and Fresenius Kabi AG.

Moreover Fresenius SE & Co. KGaA together with Kabi AG guarantee a loan of € 24.1 million from Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG entered into in 2010 and that has a value of € 20.8 million on December 31, 2012.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Mandatory Exchangeable Bonds

Fair value measurements of the liabilities for the MEB on-lent from Fresenius Finance B.V. and from the maturity of the MEB performed until August 14, 2011, resulted in a netted accounting income of € 628.3 million that was shown in the profit and loss statement of the year 2011 under "Other financial result".

(20) Other financial commitments

	2012	2011
in thousand €		
Commitments from building leases, and leasing commitments		
due 2013 (prior year: 2012)	5,539	3,715
due 2014-2017 (prior year 2013-2016)	11,641	9,897
due after 2017 (prior year: after 2016)	-	-
	17,180	13,612
Commitments from ongoing capital expenditures	155	333
(thereof amount to affiliated companies)	(-)	(-)
Other Commitments	16,257	16,930
(thereof amount to affiliated companies)	(16,257)	(16,930)
	33,592	30,875

Other financial commitments comprise liabilities for joint commitments from the transfer of pension obligations to operating divisions of the business segments and future payment-obligations from subsidiaries resulting from acquisitions.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Notes on the profit and loss statement

(21) Income from participations

	2012	2011
in thousand €		
Income from profit transfer agreements	275,295	299,019
Income from participations	147,512	79,558
(thereof amount from affiliated companies)	(147,512)	(79,558)
Expenses from loss transfer agreements	-53,106	-29,654
	369,701	348,923

(22) Other operating income

Other operating income of € 128,283 thousand in total (previous year € 110,198 thousand) is comprised primarily of cost transfers to group companies of € 57,938 thousand (previous year € 53,850 thousand), service contracts with other subsidiaries, sales of property, plant and equipment from other accounting periods of € 72 thousand (previous year € 357 thousand), as well as other income from other accounting periods mainly income from the dissolution of short-term accruals in the amount of € 7,233 thousand (previous year € 2,174 thousand) and from foreign currency gains of € 62,383 thousand (previous year € 53,458 thousand). The main reason for the increase in other operating income is an increase in foreign currency gains and in the dissolution of accruals.

The total income from other accounting periods was € 10,389 thousand in the fiscal year (previous year € 2,323 thousand).

(23) Personnel expenses

	2012	2011
in thousand €		
Salaries and wages	21,401	19,214
Social security and costs of retirement pensions and social assistance	4,678	3,507
(thereof amount of retirement pensions)	(1,596)	(736)
	26,079	22,721

The annual average number of employees of Fresenius SE & Co. KGaA by function is divided into the following groups:

	2012	2011
Wage earners	18	17
Salaried employees	240	225
Apprentices	122	112
	380	354

(24) Depreciation and amortization of intangible assets and property, plant and equipment

Depreciation of intangible assets and property, plant and equipment of € 4,414 thousand (previous year € 4,298 thousand) is regular depreciation.

(25) Other operating expenses

Other operating expenses of € 172,571 thousand in total (previous year € 103,383 thousand) were primarily foreign currency losses of € 64,847 thousand (previous year € 52,376 thousand). Also included are IT-related expenses, insurance premiums and consulting expenses, as well as the costs of Fresenius Management SE for the compensation of its Management Board that is passed on.

Total expenses from other accounting periods were € 984 thousand in the fiscal year (previous year € 300 thousand).

In 2012 and 2011, fees for the auditor were expensed as follows:

	2012	2011
in thousand €		
Audit fees	452	422
Audit related fees	1,688	35
Other fees	14	24
	2,154	481

(26) Earnings before interest and taxes (EBIT)

	2012	2011
in thousand €		
Profit on ordinary activities	165,340	934,567
Net interest	20,928	22,427
Write-offs on financial assets and marketable securities	74,133	0
Other financial result	34,519	-628,275
Other taxes	-497	-433
EBIT	**294,423**	**328,286**

(27) Net interest

	2012	2011
in thousand €		
Interest income from long-term loans	64,146	55,059
(thereof amount from affiliated companies)	(64,045)	(55,059)
Other interest and similar income	54,884	49,981
(thereof amount from affiliated companies)	(39,807)	(40,204)
Interest and similar expenses	-138,284	-125,875
(thereof amount from affiliated companies)	(-63,573)	(-76,017)
Expense from interest accrued for provisions	-1,674	-1,592
	-20,928	-22,427

In 2011 interest and similar expenses include compensation payment in an amount of € 19,412 thousand in connection with the Mandatory Exchangeable Bond on-lent from Fresenius Finance B.V.

(28) Write-offs of financial assets and marketable securities

The item mainly includes write-offs on the shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of € 72.2 million due to dividend payment. The dividend payment of € 72.0 million was reported in the income from participations.

(29) Other financial result

In 2012, the item other financial result comprises the financing costs, mainly the costs for the financing commitment, related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG.

In 2011 the item included accounting income of € 628.3 million that results from the fair value measurements done until August 14, 2011 related to the liabilities for the on-lent MEB from Fresenius Finance B.V. and for the maturity of the MEB.

(30) Income Taxes

Income taxes in the amount of € 22,048 thousand (previous year € 24,619 thousand) resulted from current tax expense of € 19,041 thousand (previous year € 19,737 thousand) as well as taxes from other accounting periods in the amount of € 3,007 thousand (previous year € 4,882 thousand).

The deferred tax for the Tax Group is calculated with a tax rate of 29.5%, which is the tax rate expected to be applicable at the time the temporary differences reverse. Deferred tax liabilities arise from differences in the valuation of accounts receivables and from other assets not recognized for tax purposes. Differences in the valuation of pensions and other provisions generate deferred tax assets that exceed the amount of deferred tax liabilities. Moreover, as of December 31, 2012, Fresenius SE & Co. KGaA has further deferred tax assets that arise from operating losses that can be carried forward for an unlimited period. The Company makes use of the option to not recognize a net deferred asset.

(31) Derivatives

Fresenius SE & Co. KGaA uses derivative financial instruments, normally micro-hedges, to hedge against existing or highly probable future interest and currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. Fresenius SE & Co. KGaA has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Fresenius SE & Co. KGaA uses derivative financial instruments to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates and interest rates. The high effectiveness of the derivative financial instruments leads to the expectation that, in general, the underlying transaction and the corresponding derivative will offset each other.

Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius SE & Co. KGaA entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had mainly US$ and € currency derivatives with a nominal value of € 1,147,859 thousand and fair value of € 18,426 thousand with a maximum maturity of 12 months.

For foreign exchange forward contracts contracted with banks that were closed to hedge the foreign exchange risk of Fresenius SE & Co. KGaA Group companies' and that were passed down to the affected Group companies via Group internal transactions, hedges were built for the forward contracts and the underlying transactions with an offsetting fair value. The Company does not revaluate these hedges for financial reporting purposes until maturity (Einfrierungsmethode). The positive net fair value of internal and external hedges was € 72 thousand. As of December 31, 2012, the notional amount of these transactions totalled € 25,516 thousand. A provision for contingent losses has not been built within "Other provisions". The offsetting cash flows will level after 12 months the latest.

Further hedges were built for loans in foreign currencies that Group Companies have borrowed from the Company or that the Company has borrowed from Group Companies, and their offsetting foreign exchange forward contracts closed for hedging purposes. The loan receivables and payment obligations hedged against currency risk had a net book value of € 1,041,693 thousand (asset). External foreign currency hedging contracts for the individual loans receivables and payment obligations had a positive net fair value of € 17,265 thousand. The changes in value of both the loan receivables and payment obligations and the foreign currency hedging contracts have been recognized as income (Durchbuchungsmethode). The offsetting cash flows will nearly level after 12 months the latest.

The rest of the currency derivative contracts can have positive and negative fair values. Positive fair values of € 1,205 thousand were not recognized for financial reporting purposes. Negative fair values amounting to € 116 thousand were recognized as contingent losses.

Interest rate risk

The Company entered into interest rate swap transactions with banks with a nominal value of € 1,459,004 thousand and a negative fair value on the balance sheet date of € 69,312 thousand. These transactions are mainly offset by interest rate swaps with the same nominal value and a positive fair value of € 24,284 thousand, through hedging transactions with affiliated companies. These transactions build a hedge that is not revaluated for financial reporting purposes until maturity (Einfrierungsmethode). External transactions with a nominal value of € 161,437 thousand and a negative fair value of € 6,046 thousand on the balance sheet date were not offset by internal transactions and a provision for contingent losses was built for the negative fair value.

In 2011 further interest rate swaps were closed with banks to achieve pre-established interest rate benchmarks for future debt issuance. In January 2013, these swaps became effective and were not offset by internal transactions. The interest rate swaps have a nominal value of € 400,000 thousand and a negative fair value of € 38,982 thousand on the balance sheet date. A provision for contingent losses has been built for the amount of the fair value because the debt issuance takes place in another affiliate of the Group. The stated fair values do not include accrued interest.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

- The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account.
- To determine the market 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 balance sheet. 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.

- The 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 balance sheet.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method and the Dollar Offset-Method for foreign exchange forward contracts and with the Dollar Offset-Method for interest rate swaps.

(32) Compensation of the Management Board and 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 exhibit Compensation Report), which is part of the Management Report.

The Management Board's compensation is, as a whole, performance-oriented and was composed of three elements in 2012: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), components with long-term incentive effects (stock options, postponed bonus payments and a share-based compensation with cash settlement (performance shares)).

The cash compensation paid to the Management Board for the performance of its responsibilities was € 11,080 thousand (2011: € 10,135 thousand). Thereof, € 4,498 thousand (2011: € 4,062 thousand) is not performance-related and € 6,027 thousand (2011: € 5,539 thousand) is performance related. The amount of the performance-related 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 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 74,700 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based payment with cash settlement in an amount of € 1,368 thousand.

The payment of a part of the performance-related compensation in an amount of € 148 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to Fresenius SE & Co. KGaA of the years 2013 and 2014.

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was € 2,592 thousand in 2012 (2011: € 2,227 thousand). Of this amount, € 213 thousand was fixed compensation (2011: € 210 thousand), € 100 thousand was compensation for committees services (2011: € 89 thousand), and € 2,279 thousand was variable compensation (2011: € 1,928 thousand).

In 2012, to former members of the Management Board, € 778 thousand (2011: € 776 thousand) was paid. The pension obligation for these persons amounted to € 11,310 thousand in 2012 (2011: € 10,513 thousand).

In the fiscal years 2012 and 2011, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

The members of the Management Board and Supervisory Board of Fresenius Management SE are displayed in the exhibit to the Notes.

(33) 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 under Who we are – Corporate Governance – Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations – Corporate Governance – Declaration of Compliance, respectively.

(34) Consolidated Financial Statements

As parent company Fresenius SE & Co. KGaA prepares and publishes consolidated financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a of the German Commercial Code (HGB) for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.H. prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

(35) 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 2012 of Fresenius SE & Co. KGaA be distributed as follows:

Payment of a dividend of € 1.10 per ordinary share on the 178,188,260 ordinary shares entitled to dividend	€ 196,007,086.00
Balance to be carried forward	€ 28,913.39
Retained earnings	€ 196,035,999.39

(36) Responsibility Statement

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

Bad Homburg v.d.H., February 26, 2013

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

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

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

Dresden

Medical Director and Spokesman of the Management Board of the Universitätsklinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg
Universitätsklinikum Rostock

Prof. Dr. h. c. Roland Berger

Munich

Management Consultant

Offices
Supervisory Board
Fresenius Management SE
Prime Office REIT-AG (Chairman)
Schuler AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
3W Power S.A., Luxembourg (until Jan. 12, 2012; Chairman)
Fiat S.p.A., Italy (until Apr. 4, 2012)
Geox S.p.A., Italy (since Nov. 8, 2012)
Impregilo S.p.A., Italy (Jun. 11, 2012 until Jul. 17, 2012)
Italy 1 Investment S.A., Luxembourg (until Mar. 6, 2012; Deputy Chairman)
RCS Mediagroup S.p.A., Italy (Vice President)

Dario Anselmo Ilossi

Rome, Italy

Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Konrad Kölbl

Hof am Laithagebirge, Austria

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

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fresenius Management SE
Linde AG

Administrative Board
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

Weilrod

Full-time Works Council Member

Chairman of the Joint Works Council of Fresenius SE & Co. KGaA / Bad Homburg site

Member of the General Works Council of Fresenius SE & Co. KGaA

Gerhard Roggemann

Hanover

Canaccord Genuity Ltd., London (formerly: Hawkpoint Partners Ltd., London)
Vice Chairman Investment Banking

Offices
Supervisory Board
Deutsche Beteiligungs AG
Deutsche Börse AG (Deputy Chairman)
GP Günter Papenburg AG (Chairman)

Board of Directors
Friends Life Group plc, Great Britain
Resolution Ltd., Guernsey

Dr. Gerhard Rupprecht

Gerlingen

Former Member of the Management Board of Allianz SE

Deputy Chairman

Offices
Supervisory Board
Euler Hermes Deutschland AG
Fresenius Management SE
Heidelberger Druckmaschinen AG

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Stefan Schubert

Limburg-Staffel

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

Rainer Stein

Berlin

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

Niko Stumpfögger

Zeuthen

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 (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
Dr. Gerhard Rupprecht

Joint Committee [1]

Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Dr. Gerhard Rupprecht
Dr. Karl Schneider

Committee "Capital Increase" [2]

Dr. Gerd Krick
Dr. Gerhard Rupprecht
Rainer Stein
Niko Stumpfögger

[1] The committee consists equally of two members each of the Supervisory Board of Fresenius SE & Co. KGaA and of Fresenius Management SE.
[2] The project-related committee, related to the capital increase, was formed and ceased its work in the reporting period.

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider

Königstein

Chairman

Corporate Offices

Supervisory Board
FPS Beteiligungs AG (since Apr. 25, 2012; Chairman)
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Medical Care Groupe France S.A.S., France (Chairman)
Fresenius Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (Chairman)

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

Rainer Baule (until Dec. 31, 2012)

Überlingen

Business Segment Fresenius Kabi

Corporate Offices

Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands (until Nov. 14, 2012; Chairman)
Fresenius Kabi Austria GmbH, Austria (until Dec. 31, 2012; Chairman)
Fresenius Kabi España S.A.U., Spain (until Dec. 31, 2012)
Labesfal – Laboratórios Almiro, S.A., Portugal (until Dec. 31, 2012)

Administrative Board
Fresenius Kabi Groupe France S.A., France (until Dec. 31, 2012; Chairman)
Fresenius Kabi Italia S.p.A., Italy (until Jun. 27, 2012; Chairman)

Board of Directors
FHC (Holdings) Ltd., Great Britain (until Dec. 31, 2012)
Fresenius Kabi Asia Pacific Ltd., Hong Kong (until March 1, 2012)
Fresenius Kabi Oncology Plc., Great Britain (until Dec. 31, 2012)
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (until Dec. 31, 2012)
Fresenius Kabi (Singapore) Pte Ltd., Singapore (until Dec. 31, 2012)
Fresenius Kabi USA, Inc., USA (formerly APP Pharmaceuticals, Inc.; until Dec. 31, 2012)

Offices

Advisory Board
Vorwerk & Co. KG (Chairman since Jan. 1, 2013)

Dr. Francesco De Meo

Petersberg

Business Segment Fresenius Helios

Corporate Offices

Supervisory Board
Damp Holding GmbH (Mar. 22, 2012 until Feb. 9, 2013; Chairman since Apr. 4, 2012)
HELIOS Beteiligungs AG (since Apr. 20, 2012; Chairman since Apr. 25, 2012)
HELIOS Kliniken Leipziger Land GmbH (until Jan. 20, 2012; Chairman)
HELIOS Kliniken Mansfeld-Südharz GmbH (Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Klinikum Erfurt GmbH (until Jan. 20, 2012; Chairman)

Dr. Jürgen Götz

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices

Supervisory Board
FPS Beteiligungs AG (since Apr. 25, 2012; Deputy Chairman)
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Mats Henriksson (since Jan. 1, 2013)

Bad Homburg v. d .H.

Business Segment Fresenius Kabi

Corporate Offices

Supervisory Board
Fresenius Kabi Austria GmbH, Austria (since Jan. 1, 2013; Chairman)
Fresenius Kabi España S.A.U., Spain (since Dec. 31, 2012)
Fresenius Kabi Japan K.K., Japan
Labesfal – Laboratórios Almiro, S.A., Portugal (since Jan. 1, 2013)

Administrative Board
Fresenius Kabi Groupe France S.A., France (since Jan. 1, 2013; Chairman)
Fresenius Kabi Italia S.p.A., Italy (since Jun. 27, 2012; Chairman)

Board of Directors
Beijing Fresenius Kabi Pharmaceutical Co., Ltd., China
Fenwal, Inc., USA (since Dec. 13, 2012)
Fenwal Holdings, Inc., USA (since Dec. 13, 2012)
FHC (Holdings) Ltd., Great Britain (since Jan. 1, 2013)
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Ltd., India
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (since Jan. 1, 2013)
Fresenius Kabi (Singapore) Pte Ltd., Singapore
Fresenius Kabi USA, Inc., USA (since Jan. 1, 2013)
Sino-Swed Pharmaceutical Corp., Ltd., China

Dr. Ben Lipps (until Dec. 31, 2012)

Boston, Massachusetts (USA)

Business Segment

Fresenius Medical Care

Corporate Offices

Management Board
Fresenius Medical Care Management AG (until Dec. 31, 2012; Chairman)

Administrative Board
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman until Dec. 31, 2012)

Rice Powell (since Jan. 1, 2013)

Andover, Massachusetts (USA)

Business Segment

Fresenius Medical Care

Corporate Offices

Management Board
Fresenius Medical Care Management AG (Chairman since Jan. 1, 2013)

Administrative Board
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Deputy Chairman)

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman since Jan. 1, 2013)

Stephan Sturm

Hofheim am Taunus

Chief Financial Officer

Corporate Offices

Supervisory Board
FPS Beteiligungs AG (since Apr. 25, 2012)
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A.U., Spain
HELIOS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH

Administrative Board
Fresenius Kabi Groupe France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler

Linz, Austria

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

Königstein

Chairman

Prof. Dr. h. c. Roland Berger

Munich

Klaus-Peter Müller

Bad Homburg v. d. H.

Dr. Gerhard Rupprecht

Gerlingen

Dr. Dieter Schenk

Munich

Lawyer and Tax Consultant

Deputy Chairman

Offices

Supervisory Board

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)

Administrative Board

Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Administrative Board

Else Kröner-Fresenius-Stiftung (Deputy Chairman)

Management Report for Fresenius SE & Co. KGaA

Fresenius SE & Co. KGaA acts as an operating holding that holds the shares of the Fresenius Group management companies. Fresenius SE Co. KGaA collects income from service contracts, and in a higher amount, income from participations. The income from investments and with it, the result of operations, financial position and the assets and liabilities are highly dependent on the performance of the whole Group. Therefore the business development of the group is described in the following paragraphs.

Operations and business environment

Group structure and business

Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities.

Fresenius has the legal form of an SE & Co. KGaA (a partnership limited by shares).

The operating business comprises the **business segments**, all of which are legally independent entities managed by the operating parent company **Fresenius SE & Co. KGaA.** This Group structure has not changed in the reporting period.

- Fresenius Medical Care is the world's leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2012, Fresenius Medical Care treated 257,916 patients at 3,160 dialysis clinics.

- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition for critically and chronically ill people in hospitals and outpatient care. The company is also a leading supplier of medical devices and products in the area of transfusion technology.

- Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS Kliniken Group operates 72 proprietary clinics. HELIOS has a total of more than 23,000 beds.

- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

- The segment Corporate/Other comprises the holding activities of Fresenius SE & Co. KGaA, the IT service provider Fresenius Netcare, which operates mainly for Group companies, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. In December 2012, Fresenius decided to focus on its four established business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios, and Fresenius Vamed. The Fresenius Biotech subsidiary will be discontinued. Fresenius is currently assessing the option of continuing the immunosuppressive drug ATG-Fresenius S within the Group, but will divest the trifunctional antibody Removab business.

- Corporate/Other also includes the consolidation measures conducted among the business segments.

The Fresenius Group operates internationally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains 90 production sites around the globe. 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. This international production network allows us to meet the high logistical and regulatory requirements, to optimize transportation costs and to largely offset currency exposure.

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 the 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 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 Annual General Meeting. 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 in the exhibit to the Notes. The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on our website www.fresenius.com, see Who we are – Corporate Governance.

The description of both the **compensation structure** 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 (see exhibit Compensation Report). The Compensation Report is part of the Group's Management Report.

Key products and services

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis, and provides dialysis care at its own dialysis clinics in more than 40 countries. Dialyzers, dialysis machines, and renal pharmaceuticals are among the most important product lines in the dialysis products business. These products are sold to Group clinics as well as to external dialysis care providers in more than 120 countries. In the United States, the company also performs clinical laboratory tests. **Fresenius Kabi** is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of IV drugs. Fresenius Kabi's portfolio consists of more than 100 product families. The company sells its products mainly to hospitals in over 160 countries. **Fresenius Helios** treats more than 2.7 million patients, thereof about 750,000 inpatients each year at its hospitals. **Fresenius Vamed** provides engineering and services for hospitals and other health care facilities internationally.

Important markets and competitive position

Fresenius operates in about 80 countries through its subsidiaries. The **main markets** are North America and Europe. Fresenius generates 42% of its sales in North America and 40% in Europe.

Fresenius Medical Care is the worldwide leader in dialysis. The company holds the leading position in dialysis care as it serves about 11% of all dialysis patients, and operates the largest number of dialysis clinics. In dialysis products, Fresenius Medical Care is also the leading supplier, with a market share of about 33%. **Fresenius Kabi** holds leading market positions in Europe and has strong positions 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 one of the top three private hospital operators in Germany. **Fresenius Vamed** is one of the world's leading companies specializing in engineering and services for hospitals and other health care facilities.

Legal and economic factors

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. Our markets are expanding, mainly for three reasons:

- **demographic trends**,
- **demand for innovative therapies** in the industrialized countries, and
- increasing **availability of high-quality health care** in the developing and newly industrializing countries.

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

There were no legal aspects that significantly affected business performance in 2012.

On the whole, the legal and economic factors for the Fresenius Group were largely unchanged, so the Group's operating business was not materially affected.

Capital, shareholders, articles of association

The subscribed capital of Fresenius SE & Co. KGaA amounts to 178,188,260 ordinary shares as of December 31, 2012 (December 31, 2011: 163,237,336). 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).

On May 15, 2012, Fresenius SE & Co. KGaA successfully completed a capital increase upon registration with the commercial register by partially utilizing the **Authorized Capital I**. In connection with the capital increase, 13.8 million new ordinary shares were issued at a price of € 73.50. The new shares have full dividend entitlement for the fiscal year 2012.

Adjusted for the capital increase, 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 € 26,520,000.00 until May 12, 2016 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**, adjusted for stock options that have been exercised in the meantime:

- The subscribed capital is conditionally increased by up to € 857,970.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights. The term of the stock options granted under the 1998 Stock Option Plan expired on June 30, 2012.

- The subscribed capital is conditionally increased by up to € 2,497,254.00 through the issuance of new bearer ordinary shares (Conditional Capital II). 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 € 5,383,434.00 through the issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights have been or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, whereby the granting of subscription rights to the Management Board of the general partner, and their settlement, shall be solely and exclusively the responsibility of its Supervisory Board.

By resolution on May 11, 2012, the Annual General Meeting of Fresenius SE & Co. KGaA authorized the general partner, with the approval of the Supervisory Board, until May 10, 2017, 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 € 16,323,734.00 through issuance of up to 16,323,734 new bearer ordinary shares **(Conditional Capital IV)**. The Conditional Capital IV became effective upon registration with the commercial register on July 4, 2012. 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.

On May 11, 2012, the Annual General Meeting authorized the Company to purchase and use its **own shares** up to a maximum amount of 10% of the capital stock. As of December 31, 2012, the Company had not utilized this authorization.

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed in Note 10 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company on December 19, 2012, that it held 48,231,698 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 27.07% as of December 31, 2012.

Amendments to the articles of association are made in accordance with Section 278 (3), 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 of 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 which 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 embodying change of control provisions. These provisions are customary change of control clauses that grant creditors the right of premature call in the event of a change of control. However, the right of premature call usually only becomes effective if the change of control is followed by a downgrading of the Company's rating.

Strategy and goals

Our goal is to build Fresenius into a leading global provider of products and therapies for critically and chronically ill people. We are concentrating our business segments on a few health care areas. Thanks to this clear focus, we have developed unique competencies. We are following our longterm strategies consistently and are seizing our opportunities. Our aim is to:

- provide best-in-class treatment
- grow with new products and services
- expand in growth markets
- increase our profitability on a sustainable basis

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

- **expand our market position**: Fresenius' goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and to grow its market share. Fresenius Medical Care is the largest dialysis company in the world, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. 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 through APP Pharmaceuticals. To strengthen its position, Fresenius Kabi plans to roll out more products from its portfolio to the growth markets. Market share is also 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. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.

- **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company's market position and to diversify its business geographically.

- **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 are convinced that we can leverage our competence in research and development in our operations 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 the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed's goal is to realize further projects in integrated health care services and to support patient-oriented health care systems more efficiently.

- **enhance profitability**: our goal is to continue 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 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. It was 2.6 as of December 31, 2012. At the end of 2013, we expect Group leverage to be at the lower end of the 2.5 to 3.0 target range.

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

Overall business development

Economic Environment

The worldwide financial and economic crisis continued to generate a great deal of uncertainty in 2012. Although fiscal and monetary measures helped the global economy to recover, it lost momentum once the stimulus programs expired.

Especially in the Eurozone and in the United States, austerity measures aimed at reducing debt ratios and a high level of private-sector debt slowed down growth in the industrial countries in 2012. This lowered demand and consequently the trade surplus of the emerging economies. However, compared to the industrial countries, emerging countries benefited from a robust increase in private consumption and investment activity. Their lower levels of public debt meant that the need for austerity measures appeared much less urgent. Once again, the emerging countries and the United States especially contrib-

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Sources: German Council of Economic Experts, Annual Report 2012/2013, November 2012; bank research uted to stabilizing the global economy, albeit to a lesser degree than in the previous year. Global GDP grew by 2.9% in 2012 (2011: 3.8%).

Europe

Austerity measures in the private and public sector, together with uncertainty over the development of the financial crisis, continued to strain the Eurozone economy in 2012. Measures to calm down the markets only had a short-lived effect. They included long-term refinancing transactions and the announcement by the European Central Bank (ECB) of its readiness to purchase government bonds, as well as the establishment of a permanent bailout fund and an agreement on a European fiscal pact. Markets lost confidence in the euro. However, by year-end the euro recovered from its all-year low against the U.S. dollar in summer. At the same time, demand for imports declined. This had a positive effect on the trade balance, but could not fully make up for the drop in domestic demand. In an effort to stimulate it, the ECB continued its expansive monetary policy and lowered its prime rate in July 2012 from 1.0% to 0.75%. Overall, the Eurozone GDP dropped by 0.5% in 2012 (2011: +1.4%).

The development in each of the Eurozone countries was, however, very heterogenous. States like Greece, Portugal, and Ireland, as well as the Spanish banking system have drawn on bailout packages. Italy appears to be threatened by the loss of investors' confidence. In all of these countries, the establishment of ambitious consolidation plans led to a lasting negative effect on growth. These so-called **peripheral countries** were hit by recession, with GDP in Greece dropping by as much as 6.5%. The **Irish and the French economies** nearly stagnated. There were only a few countries, including Germany and Austria, that managed to avoid this downward spiral, but even here the economies lost steam.

The unemployment rate in the Eurozone worsened in 2012, climbing to a record of nearly 12%. Austria, the Netherlands, and Germany had the lowest unemployment rates. Spain and Greece once again had the highest rates at around 25%.

Unable to escape the effects of the euro crisis and the weaker global economy, economic performance in **Germany** slowed down over the course of the year. Although disposable income was higher, private consumption increased only moderately. Even though overall conditions were good, investment activity was only modest. Nevertheless, Germany was able to more than make up for falling exports to Eurozone countries by increased trading volumes with other countries. The interim weakness of the euro also helped. Germany's exports and the stable labor market were thus the main factors that enabled its GDP to grow by 0.7% (2011: 3.0%).

A number of emerging economies in **Central and Eastern Europe**, including Poland, Estonia, and Slovakia, also succeeded in escaping the general downward trend in Europe. But GDP was down in Hungary and the Czech Republic. Overall the region only grew modestly.

United States

Compared to other industrial countries, U.S. economic performance was robust in 2012. GDP was up 2.2% (2011: 1.8%). Both private-sector spending and the deferral of austerity measures provided support to the economy. But low European demand hit exports. The euro crisis and the risk of falling off a "fiscal cliff" – if the political parties failed to agree on budget – measures aggravated the uncertainty and this affected willingness to invest.

The real estate market recovered slightly, but the improvement in the labor market was sluggish. Although the unemployment rate dropped to around 8%, the number of employed people is still significantly lower than before the crisis began in January 2008. The number of long-term unemployed fell only slightly relative to the beginning of the year.

The U.S. Federal Reserve System (Fed) continued its monetary easing, extending already in December 2012 its third quantitative easing program launched in September 2012. The Fed announced that it would buy long-term treasuries and mortgage-backed securities with a monthly volume of US$85 billion until either the unemployment rate fell below 6.5% or inflation rose above 2.5%. This was supposed to increase liquidity and sustain long-term interest rates at a low level, stimulating economic growth.

Asia

In 2012, Asia once again showed the strongest growth in the world: GDP increased in Asia (excluding Japan) by 5.9% (2011: 7.3%). Asia's emerging economies, particularly China, benefited from their debt ratios being lower than in the industrial countries, which meant less need for austerity measures.

After 2 years of decelerated growth, experts estimate that **China's** economy has bottomed. But Europe's weak economy will continue to put a strain on China's exports. Private and public sector consumption only partly made up for this. China introduced fiscal measures to stimulate the economy, such as lowering its prime and minimum reserve rates. It also approved an extensive infrastructure program. China's GDP grew by 7.7% in 2012 (2011: 9.3%).

Growth in **India's** economy slowed down. Besides the weak global economy, key reasons were infrastructure deficits and overdue economic reforms. In fall 2012, the Indian government approved a number of measures to boost the economy. These included allowing more foreign investments, for example in the food sector. GDP growth fell to 4.6% (2011: 7.9%).

In the first quarter of 2012, **Japan's** economy continued to benefit from the fiscal aid given to provinces affected by the earthquake in March 2011. After that, the economy weakened again. The yen was less overvalued but conditions remained critical for Japan's exports, which were held back by the sluggish economies of the industrial countries and the conflict with China over a group of islands. An expansive fiscal policy pushed up public debt, which was already very high. To counter this, the government decided in the summer of 2012 to raise VAT in stages. Japan's GDP was up 2.1% for the year (2011: -0.5%).

Other Asian countries also suffered from the slowdown in U.S. and European growth in 2012. GDP nevertheless grew by a robust 3.8% (2011: 4.3%) on the strength of a high level of employment and healthy private and public sector consumption.

Latin America

Most Latin American countries recorded solid growth in 2012. The region's GDP was up 2.7% (2011: 4.3%). Chile, Columbia, Peru, and Venezuela saw above-average growth.

Brazil was hurt by low investment activity in 2012 as a result of ongoing infrastructure problems and comparatively high interest rates. The government initiated extensive measures to stimulate the economy, including lowering the prime rate to the lowest level in recent history. In addition, it approved a stimulus package amounting to approximately 3% of GDP to modernize the road and rail networks. But the stimulatory effects of these measures are likely to affect only the coming years' growth. GDP increased by 0.9% in 2012 (2011: 2.7%).

After 2 strong years of expansion, **Argentina's** growth dropped significantly to 1.0% in 2012 (2011: 7.0%) caused by a lack of consumer confidence and a deteriorated business climate. Furthermore, markets were uncertain about Argentina repaying its government bonds.

Mexico benefited from the robust economic performance of the United States, and its GDP growth of 3.9% was virtually the same as in the previous year.

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
- growing number of chronically ill or multimorbid patients
- stronger demand for innovative products and therapies
- advances in medical technology
- 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 9.5% of GDP in the OECD countries in 2010, with an average of US$ 3,268 spent per capita. The United States had the highest per capita spending (US$ 8,233), as in previous years, followed by Norway (US$ 5,388) and Switzerland (US$ 5,270). Germany ranked ninth among the OECD countries with per capita spending of US$ 4,338.

In the wake of the global economic and financial crisis, growth rates for spending on health care in a large number of OECD countries slowed down significantly or, in some

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Sources: OECD Health Data 2012; Bank research; German Bundestag, Research Papers, Health Care Reform in the USA, June 2010; Webpage of the White House (www.whitehouse.gov) cases, even went into negative territory. Spending in Germany, however, increased by 2.6% in real terms between 2009 and 2010.

The public sector is the main source of **health funding** in all OECD countries, except Chile, the United States, and Mexico, where public spending was below 50% in 2010. In Germany, 76.8% of health spending was funded by public sources in 2010, above the average of 72.7% in the OECD countries, but below the over 80% public share in the Czech Republic, Japan (2009), the Netherlands, New Zealand, as well as in several Nordic countries, such as Denmark, Sweden, and Norway.

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 2010, average life expectancy in the OECD countries was 79.8 years. Japan has the highest life expectancy of all OECD countries with 83 years, followed by Switzerland and Spain. In Germany, life expectancy stood at 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 pressures arising from medical advances and demographic change. Market-based elements are increasingly being introduced into the health care system to create incentives for cost- and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards and optimized medical processes. In addition, ever greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

In June 2012, the **United States'** Supreme Court upheld the health care reform, which the government had already passed in 2010. Several lawsuits have been filed in federal courts challenging its constitutionality. The reform allows for a health insurance coverage to be phased in for the roughly 46 million people – about 15% of the population – who are not insured. Basic health insurance is to be compulsory from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance.

Our most important markets developed as follows:

<u>The dialysis market</u>

For 2012, the volume of the global dialysis market was approximately US$ 75 billion, equivalent to growth of 2% compared to the previous year in constant currency (4% in constant currency). The market for dialysis care (including renal pharmaceuticals) accounted for approximately US$ 62 billion in sales and the market for dialysis products for about US$ 13 billion.

The number of dialysis patients worldwide increased by about 7% to around 2.3 million.

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 1,000 in the countries of the European Union. Prevalence is very high in Taiwan, Japan, and the United States, being well over 2,000 in some cases.

The significant divergence in prevalence rates is due, on the one hand, to differences in age demographics, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition 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.

In the United States, Japan, and Western and Central Europe, Fresenius Medical Care recorded below-average growth in the number of patients in 2012. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, growth was above average – an indication that access to dialysis treatment in these countries is still limited but is gradually improving.

In addition to easier access to dialysis resulting in better recording of patient numbers, however, other factors also contribute to a rise in global prevalence, for example the spreading incidence of illnesses that cause renal damage such as diabetes and high blood pressure, as well as the general aging of the global population due to medical advances.

Dialysis care

Of the around 2.3 million patients receiving regular dialysis treatment in 2012, about 89% are treated with hemodialysis, while about 11% choose peritoneal dialysis. The majority of the patients are treated in dialysis clinics. There are about 33,400 dialysis clinics worldwide with an average of 70 patients per clinic.

The organization of the clinics varies significantly, depending on whether the health systems in the individual countries are state-run or private: in the United States, most of the approximately 5,900 dialysis clinics are run privately, and only about 1% are publicly operated. By contrast, about 57% of the approximately 5,400 dialysis clinics in the European Union are publicly owned. In Japan, private nephrologists play a key role, treating about 80% of dialysis patients in their facilities.

In the **United States**, the market for dialysis care is already highly consolidated. Taken together, Fresenius Medical Care and the second-largest provider of dialysis care – DaVita – treat over 70% of all U.S. dialysis patients. In 2012, Fresenius Medical Care maintained its market-leading position of approximately 37%.

Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals. Fresenius Medical Care operates 1,078 dialysis clinics in 40 countries and treats more than 93,000 patients. Together, these represent by far the largest and most international network of dialysis clinics.

In 2012, the number of **peritoneal dialysis patients** worldwide was about 250,000. Fresenius Medical Care has a market share of about 20% according to sales. Fresenius Medical Care is the global No. 2 in this market after Baxter. In the United States, our market share was 42%.

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. 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. In 2012, CMS reimbursements accounted for about 32% of Fresenius Medical Care's revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

Dialysis products

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, concentrates and dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis products with a market share of about 33%, followed by Baxter with 19% and Gambro with 13%. These top three manufacturers serve about 65% of the market demand. Each of the other competitors, mainly from Japan, has a single-digit percentage market share.

Dialyzers are the largest product group in the dialysis market, with a worldwide sales volume of around 222 million units in 2012. Approximately 100 million, or almost half, were produced by Fresenius Medical Care.

Of the more than 77,000 **hemodialysis machines** that were sold onto the market in 2012, about 55% were from Fresenius Medical Care. In the United States more than 90% of the dialysis machines sold there were made by Fresenius Medical Care. In 2012, China was our second-largest market, where we delivered more than 5,000 new hemodialysis machines. Around half of all hemodialysis machines currently in use in China were produced by Fresenius Medical Care.

The market for infusion therapy and clinical nutrition, intravenously administered drugs, medical devices, and transfusion technology

General cost pressure in Europe has increased the importance of high-quality, cost-effective health care. This especially holds true in the market for infusion therapy and clinical nutrition. Studies show that, in cases of health or age-induced nutritional deficiencies, the administration of food supplements can reduce hospital costs by an average of € 1,000 per patient through shorter stays and less nursing care.

Estimates to the European Union situation indicate that as many as 20 million individuals are at risk for malnutrition. 10% of the population over 65 years and 20% of those aged 75 to 80 years and living at home are malnourished. Annual malnutrition-related costs in the European Union are calculated to be around € 120 billion.

In Europe, the total market for **infusion therapy** is growing at a low single-digit rate. The total market for **clinical nutrition** is growing at a mid-single-digit rate. Growth rates are in the high single- to double-digits in the emerging markets of Asia-Pacific, Latin America, and Africa.

Based on its own estimates, Fresenius Kabi considers its potential relevant market for infusion therapy to be about € 5 billion and for clinical nutrition to be about € 6 billion.

Sources: German Society for Nutritional Medicine (DGEM) 2009; Ljungqvist O., Clinical Nutrition 2010, 29:149-159; Company research, market data refer to Fresenius Kabi's potential relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among others; IMS

We also expect the demand for **generics** to continue growing. From a health economic standpoint, generic drugs are more advantageous than original drugs because of their significantly lower price and they already make a vital contribution to health care today. In our view, and judged from today's vantage point, the focus is mainly on the pricing of patented drugs and the prescription drugs segment in the pharmacy market.

The market for **IV generics** is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. In Europe and the United States, the market for IV generics is growing at a mid-single-digit rate. We expect the U.S. market for IV drugs that go off-patent from 2013 to 2022 to amount to approximately US$ 18 billion on a cumulative basis. These figures are based on the sales of the original drugs in 2011 and do not take account of the usual price erosions for generics. We therefore see considerable growth potential for generic drugs.

Based on its own estimates, Fresenius Kabi considers its potential relevant market for intravenously administered generics to be around € 10 billion.

The market for **medical devices** for infusion therapy, IV drugs, and clinical nutrition is worldwide growing at mid-single-digit rates. Here, the main growth drivers are technical innovations that focus on application safety and therapy efficiency.

Fresenius Kabi considers its potential relevant market for medical devices (excluding Japan) to be worth about € 2.3 billion, based on its own estimates.

The worldwide market for **transfusion technology** is growing at mid-single-digit rates. The main growth driver is the increasing demand for products and devices that perform blood collection and processing.

Based on our own estimates, the potential relevant market for transfusion technology (excluding Japan) is worth about € 2 billion.

<u>The German hospital market</u>

The total volume for hospital treatment in Germany was about € 81 billion[1] in 2011. Personnel costs account for about 61% of hospital costs, and material costs for 39%. Personnel and material costs rose by approximately 4% each.

The number of hospitals in 2011 was 2,045 (2010: 2,064). The **number of beds** fell slightly to 502,029 (2010: 502,749). Over the last five years, the number of beds has declined at an average annual rate of 0.2%. Nonetheless, with 6.14 beds per 1,000 population, Germany is still well above the OECD average of 3.4 (2010). The **average stay** of a patient in an acute care clinic in Germany fell slightly over the same period and was 7.7 days in 2011 (2010: 7.9 days). On the other hand, the number of **inpatient admissions** has increased. This is largely due to changing demographics. In 2011, the

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Sources: German Federal Statistics Office (preliminary results for the hospital costs analysis 2011); German Hospital Institute (DKI), Krankenhaus Barometer 2012; OECD Health Data 2012; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2012

[1] Total costs, gross of the German hospitals less academic research and teaching

number of admissions increased by about 310,000 to about 18.3 million. This is equivalent to 224 admissions per 1,000 population (2010: 221). In the years 2007 to 2011, the number of admissions in Germany has risen at an average annual rate of 1.7%. The average costs per admission have increased by 3.0% on average over the five years leading up to 2011.

According to a survey by the German Hospital Institute (DKI), the **economic situation** at many hospitals in Germany worsened during 2011: 55% of the hospitals earned a surplus, 14% achieved break even, and every third hospital (31%) made a loss.

Many hospitals are facing a difficult economic and financial situation as well as 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 in the past due to budget constraints. Moreover, investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the investment gap at German hospitals is about € 30 billion.

According to the German Federal Statistics Office, the **privatization trend** in the German hospital market continued in 2011, with the share of private hospital beds rising to 17.3% (2010: 16.9%). However, with a share of 48.4%, the bulk of the hospital beds continued to be in the public sector (2010: 48.6%).

According to our research, about € 660 million in hospital transaction revenues were acquired in 2012.

Quality is increasingly becoming a key competitive factor for the hospital market. Transparency and comparability of the treatments for the patients and their doctors will play an ever more decisive role.

In 2011, the **post-acute care market** in Germany comprised a total of 1,233 clinics, almost the same as the year before. The number of beds was 170,544 (2010: 171,724). 55.2% (2010: 56.1%) of the clinics were private clinics. The share of independent non-profit clinics and public clinics increased to 26.0% and 18.9% (2010: 25.9% and 17.9%). Private clinics accounted for 66.4% of the total number of post-acute care beds (2010: 67.0%). Independent non-profit clinics and public clinics accounted for 15.7% (2010: 15.8%) and 18.0% (2010: 17.2%), respectively. The total number of admissions in Germany decreased by about 48,700 admissions to 1.93 million. The average length of stay remained unchanged at 25.4 days.

The market for engineering and services for hospitals and other health care facilities

The market for engineering and services for hospitals and other health care facilities is very country-specific and depends to a large extent on factors such as public health care policies, government regulation, levels of privatization, economic conditions, and demographics.

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.

The Management Board's assessment of the effect of general economic developments and those in the health care sector for Fresenius

The development of the world economy had an only negligible impact on our industry. On the whole, the health care sector, both in mature and growth markets, developed positively for Fresenius in 2012, with a continued increasing demand for health services. Strong demand for its products and services enabled Fresenius to grow with its respective markets or even outpace their growth.

Significant factors affecting operating performance

In 2012, the Fresenius Group's positive development was again driven to a large extent by the very good operating development in all business segments. Acquisitions, mainly at Fresenius Medical Care and Fresenius Helios, further strengthened organic growth. Fresenius Kabi has successfully closed the acquisition of Fenwal Holdings, Inc. The company was consolidated as of December 2012.

The Management Board's assessment of business results

The Management Board is of the opinion that the Fresenius Group's performance in 2012 was excellent – with sales and earnings improvements across all business segments. Fresenius Medical Care sustained its positive performance trend with organic sales growth of 5% and a further increase in earnings. Fresenius Kabi again outperformed the market. The company profited from continued strong global demand for its established product portfolio as well as the launch of new products, and continued supply constraints at competitors in the United States. This was reflected in excellent organic growth of 9% and a strong increase in earnings. Fresenius Helios also achieved excellent organic growth of 5% and further improved its earnings. Fresenius Vamed achieved strong organic sales growth of 5% and again increased earnings. Order intake, which is an important indicator for the project business, increased by 9% compared to the previous year.

Results of operations, financial position, assets and liabilities

Results of operations

Net income of Fresenius SE & Co. KGaA in the fiscal year 2012 was € 143 million (2011: € 910 million). The deduction of the net income mainly results from the maturity of the Mandatory Exchangeable Bonds in 2011. Therefore, the financial result of 2011 included a one-time netted accounting income of € 628.3 million. Moreover, net income in 2012 has been significantly affected by financing costs, mainly the costs for the financing commitment related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG, which are shown in the profit and loss statement under "other financial result" in the amount of € 34.5 million. Furthermore, the financial result of 2012 was impacted by costs for the renegotiations of the Senior Credit Agreement 2008, and the capital increase in May 2012, which are included in other operating expenses. Besides this effect, net income mainly resulted, as in the previous year, from income from participations and profit transfer agreements.

All the following companies have profit and loss transfer agreements with Fresenius SE & Co. KGaA: Fresenius Kabi AG, Fresenius ProServe GmbH, Fresenius Biotech Beteiligungs GmbH, Fresenius Versicherungsvermittlungs GmbH and Hygieneplan GmbH.

The profit and loss transfer agreement with Fresenius Kabi AG yielded earnings of € 132 million (2011: € 146 million).

Fresenius ProServe GmbH contributed with earnings of € 139 million (2011: € 152 million) to the net income from participations.

Fresenius Biotech Beteiligungs GmbH contributed with a loss of € 53 million (2011: € 30 million) to the net income from participations, which results from research and development activities done by its subsidiary Fresenius Biotech GmbH. The increase of loss is mainly caused by extraordinary write-offs in the fiscal year 2012.

Other significant income from participations came from a € 65 million Fresenius Medical Care AG & Co. KGaA dividend (2011: € 69 million) and the dividend payment in the amount of € 72 million of the GIF (Luxemburg) Société d'Investissement à Capital Variable-SIF. Due to the latter a write-off on shares of the company in the amount of € 72 million was made, which is shown in write-offs of financial assets and marketable securities.

In addition to dividend payments and earnings from profit and loss transfer agreements, Fresenius SE & Co. KGaA also receives income from rent and by providing services which is shown in other operating income. This item also includes € 62 million of foreign currency gains while € 65 million of foreign currency losses are included in other operating expenses.

The write-offs of financial assets and marketable securities mainly include depreciation on the shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of € 72 million due to dividend payment. The dividend payment of € 72 million was reported in the income from participations.

In 2012, other financial result comprises the financing costs, mainly the costs for the financing commitment, related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG. In 2011, other financial result included the expense from market valuation of the liability in connection with the on-lent Mandatory Exchangeable Bond as well as the accounting profit from settling the liability.

The General Partner and Supervisory Board of Fresenius SE & Co. KGaA will propose a dividend increase to the Annual General Meeting. For 2012, a dividend of € 1.10 per ordinary share is proposed. This is an increase of 15.8%. The total dividend distribution will increase by 26.4% to € 196.0 million (2011: € 155.1 million).

Cash flow statement

	2012	2011
	million €	million €
Net Income	143	910
Depreciation and amortization of non-current assets	77	4
Mandatory Exchangeable Bonds	0	-739
Increase in pension liabilities	4	2
Cash flow	**224**	**177**
Increase in accruals for income taxes and other accrued expenses	32	34
Increase in trade accounts payable	2	0
Decrease/Increase in other operating assets and liabilities	24	-9
Increase in working capital	**58**	**25**
Net Cash provided by operating activities	**282**	**202**
Payments for purchasing shares of subsidiaries, equity contributions to subsidiaries and investments in financial assets	-1,005	-153
Payments for investments in intangible assets and property plant and equipment	-3	-1
Net Cash used in investing activities	**-1,008**	**-154**
Dividends paid	-155	-140
Proceeds from bank loans	400	10
Repayment of bank loans	-10	0
Change in financing activities with related parties	-537	-118
Proceeds from capital increase	1,014	0
Proceeds from exercise of stock options	46	31
Net Cash provided by / used in financing activities	**758**	**-217**
Change of cash and cash equivalents	**32**	**-169**
Cash and cash equivalents at the beginning of the year	22	191
Cash and cash equivalents at the end of the year	54	22

The following paragraphs "financial situation" and "investments and acquisitions" describe material positions of the cash flow statements in more detail.

Fresenius believes that its existing credit facilities, as well as the operating cash flows, income from transfer agreements and additional sources of short-term funding, are sufficient to meet the company's foreseeable liquidity needs. Single refinancing operations were initiated in 2012 and will continue on a major scale in 2013.

As of December 31, 2012, Fresenius SE & Co. KGaA complied with the covenants under all the credit agreements.

Financial situation

Total assets of Fresenius SE & Co. KGaA increased by € 1,834 million up to € 7,173 million (2011: € 5,339 million).

On the asset side mainly the financial assets increased from € 4,427 million to € 5,357 million due to operations described in the following paragraph "investments and acquisitions".

Furthermore, Fresenius Finance I, Inc. as well as Fresenius Kabi AG received loans to finance an acquisition for the business segment Fresenius Kabi, which increases the receivables from affiliated companies from € 752 million to € 1,644 million.

On the liability side the equity raised from € 3,827 million to € 4,875 million, mainly due to the capital increase performed in May 2012.

Bank debt increased by € 390 million to € 596 million mainly resulting from Euro Notes issued by Fresenius SE & Co. KGaA in an amount of € 400 million in April 2012.

Moreover, the liabilities to Fresenius Finance B.V. increased by € 300 million due to the following business transactions:

- In March 2012, Fresenius Finance B.V. issued Senior Notes in the amount of € 500 million and those proceeds were passed on to Fresenius SE & Co. KGaA as a loan.
- In opposite direction repayment of loans in an amount of € 200 million to Fresenius Finance B.V. were used to settle tranches of Euro Notes issued by Fresenius Finance B.V. which were due in April 2012.

This caused the major part of the growth of the liabilities to affiliated companies from € 1,168 million to € 1,520 million.

The equity ratio decreased from 71.7% to 68.0%.

Investments and acquisitions

Total investments in property, plant and equipment and intangible assets were € 3 million in 2012.

Changes in the financial assets in the fiscal year 2012 are as follows:

In January and February 2012, Fresenius SE & Co. KGaA purchased 2,100,004 ordinary shares of FMC-AG & Co. KGaA at a purchase price in the amount of € 113.7 million.

In connection with the takeover offer to the shareholders of RHÖN-KLINIKUM AG Fresenius SE & Co. KGaA acquired 6.9 million shares of RHÖN-KLINIKUM AG, which are shown as security investments initially in the amount of € 123.8 million. In the further course of the fiscal year 2012, Fresenius SE & Co. KGaA contributed 4.1 million of those shares in the amount of € 74.3 million in the additional paid-in capital of Fresenius ProServe GmbH.

Furthermore, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius ProServe GmbH by the contribution of intercompany loans in the amount of € 457 million.

In October 2012, Fresenius SE & Co. KGaA purchased shares of GIF (Luxembourg) Société d'Investissement à Capital Variable-SIF in the amount of € 120 million. In the further course of 2012, a write-off of € 72 million on those shares was made due to dividend payment.

Moreover, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius Kabi AG and Fresenius US Finance I, Inc. by € 169.0 million and US$ 26.0 million (€ 20.0 million), respectively, as well as the common stock of Fresenius Medical Care Management AG by € 1.5 million.

Human resources

Fresenius SE & Co. KGaA had 404 employees on December 31, 2012 (December 31, 2011: 369). Apart from an increase in the number of apprentices, the higher number of employees is due to the growing operations of the Fresenius Group that requires increasing personnel in the central functions within Fresenius SE Co. KGaA.

<u>Profit-sharing</u>

The high expectations we place on our employees require equivalent compensation. To identify with the Company, employees must take part in its successes and understand the opportunities and risks of entrepreneurial thinking. Fresenius uses the following models:

- Profit-sharing for our employees in Germany
- Stock option plans

These programs support the entrepreneurial focus of our employees to continually increase the value of the company and safeguard the interests of our shareholders.

<u>Training</u>

We can only stay ahead of the competition if our employees have the best possible training.

University graduates go through all business areas relevant to their future position in an 18-month "Graduate Development Program" to learn on the job and get a cross-divisional overview. Executive programs and leadership seminars are also a fixed component of our management training.

<u>Miscellaneous</u>

In 2009 a Works Council Agreement that introduced life work time accounts starting on 2010 was concluded to supplement the work time models in place. Under this scheme, employees can also credit their own contributions, such as holiday leave or parts of their compensation, into a life work time account in addition to their collectively bargained employment benefits. These accumulated credit balances can then be drawn on later flexibly for sabbaticals for higher education, further training measures, or for phased early retirement.

There were no further significant changes to compensation or employment agreements during the reporting period.

Research and development

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 products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2012, we again successfully continued numerous projects and a number of new products were launched.

Research and development **expenses** were € 305 million (2011: € 267 million). We therefore invested about 4.4% of our product sales in R & D (2011: 4.3%). In 2012, Fresenius Medical Care increased its R & D spending by 9% and Fresenius Kabi by 20%. In the segment Corporate/Other, € 24 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the € 25 million spent in 2011.

As of December 31, 2012, there were 1,903 employees in research and development in the Group (2011: 1,592). Of that number, 550 were employed at Fresenius Medical Care (2011: 543), 1,305 at Fresenius Kabi (2011: 985), and 48 at Fresenius Biotech (2011: 64).

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.

Responsibility, environmental management, sustainability

We orient our activities within the Fresenius Group to longterm goals, and thus ensure that our work is aligned to the needs of patients, 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 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 is an important benchmark for **environmental management** in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site’s impact on the environment, for instance with respect to emissions and waste. This international standard is implemented at our various production plants and most of our dialysis clinics. 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 is an active member of the REACH Working Group of the German Federal Association of the Medical Device Industry (Bundesverband Medizintechnologie or BVMed). In the few cases where Fresenius Kabi produces within the EU or imports products into the European market, all the relevant substances are pre-registered in compliance with the REACH regulation.

Opportunities and risk report

Through the complexity and the dynamics of its business, the Fresenius Group is exposed to a number of risks. 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 life-saving products and services for the severely and chronically ill, we are relatively independent of economic cycles. The diversification through our four business segments, which operate in different segments of the health care market, further minimizes the Group’s risk profile. Our experience in the development and manufacture of products, as well as in our markets, serves 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 various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 34.

Risk management

Like opportunities management, risk management is 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. Its main element is our control system, with which we can identify significant risks at an early stage and counteract them individually.

Responsibilities for the processes and monitoring risks in the individual 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 without delay any relevant changes in the risk profile to the Management Board.
- Markets are kept under constant observation and close contacts 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 individual 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.

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 our risk management system to allow prompt reaction to changes in the markets. This system has thus far proved effective. The control system is also regularly reviewed by the Management Board and the internal auditing department. The 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 control system as it pertains to accounting 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 and evaluating 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.

Internal financial reporting controls

Numerous measures and internal controls assure 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 rules. Our **four-tier reporting process** especially promotes intensive discussion and ensures controls 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 in the Supervisory Board's Audit Committee.

Control mechanisms, such as automated and manual reconciliation procedures, are further precautions 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 determined at the head office. These are regularly adjusted to changes made to the accounting regulations. The consolidation proposals are supported by the IT system. In this context, please refer 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 rules 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.

The Fresenius Medical Care business segment is additionally 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

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2013, we largely expect overall economic growth to continue. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We also expect demand for our lifesaving and life-sustaining products and services to continue to grow.

Risks in the general operating framework

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. This applies especially to countries with budget problems as a result of the sovereign debt, in particular with regard to our accounts receivables.

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 by 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 e. g. changes in the reimbursement system 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 in the United States, it would significantly reduce the revenues for 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 further legislative developments of the DRG system as well as discussions about ending dual financing in the hospital sector. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the Fresenius Helios business segment that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only continually monitor legislative changes, but also work together with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

In the United States, almost all injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations** (GPOs) and distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. Fresenius Kabi currently derives, and expects to continue to derive, a large percentage of its revenue through a small number of GPOs. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. Fresenius Kabi has purchasing agreements with the major GPOs. To maintain these business relationships, Fresenius Kabi believes it needs to be a reliable supplier, offer a comprehensive 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 bid process for products is highly competitive. Most of Fresenius Kabi's GPO agreements can be terminated at short or medium-term notice.

In addition, **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

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 and approved by the FDA and other public authorities. If deficiencies are detected and complaints are filed, the Company is required to address these issues immediately, as for example during the inspections of our U.S. production facility in Grand Island or our production facility in Kalyani, India.

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 delay in new product approval. 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 a new production site or the introduction of new technologies, are countered through careful planning, regular analysis, and continual progress reviews. We counter the risk of poor-quality purchased raw materials, semi-finished 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; in addition there are operational risks, for example the need for strict hygiene and sterile conditions. We counteract these risks with strict operating procedures, continuous personnel training, and patient-oriented working procedures. Furthermore, through our quality management systems we are constantly striving to improve the standard of patient treatment.

Further risks arise from increasing **pressure on our product prices** and from potential price increases on the procurement side. Under the Medicare bundled reimbursement system payment for Erythropoietin stimulating agents (ESA) is generally included in the bundled rate. Previously, it was reimbursed separately. An interruption of supply of ESAs, material increases in the utilization of ESA or acquisition costs for ESAs could materially adversely affect sales and profitability.

Growing **competition** could materially adversely affect the future pricing and sale of our products and services. The introduction of new products and services by competitors could render one or more of our products and services less competitive or even obsolete. This could particularly adversely affect renal pharmaceuticals of Fresenius Medical Care. Through the end of 2013, the Company is obligated to make certain minimum annual royalty payments under certain of our pharmaceutical product license agreements, regardless of our annual sales of the licensed products. Thereafter, Fresenius Medical Care is required to determine their minimum purchase requirements for the subsequent year on a yearly basis.

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.

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 associated with the **engineering and hospital services 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), and financial measures, such as checking creditworthiness, prepayments, letters of credit, and secured credits.

Our operations are subject to strict governmental regulatory demands and controls. We have to comply with these rules and regulations monitoring 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**, the Management Board member for Legal Affairs, Compliance, and Human Resources, who is accountable for establishing and implementing guidelines and procedures. A compliance officer has been appointed in each business segment. He 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.

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. 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 not achieved, countermeasures can be initiated.

Risks from the integration of acquisitions

The **acquisition** and **integration** of companies carries risks that can adversely affect Fresenius' assets and liabilities, our financial position, and results of operations. 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 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.

Acquired by Fresenius in 2008, APP Pharmaceuticals (now Fresenius Kabi USA) has agreed to indemnify Abraxis BioScience, Inc., which split from it in 2007, from and after the spin-off with respect to all liabilities of the preseparation company related to Fresenius Kabi USA's business. At the same time, Abraxis BioScience agreed to indemnify Fresenius Kabi USA from and after the spin-off with respect to all liabilities of the preseparation company not related to Fresenius Kabi USA's business. The extent to which Abraxis Bio- Science will be able to satisfy these potential claims in future cannot be predicted.

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 shortage 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 thereby seek their commitment to Fresenius. Risks in personnel marketing are not considered to be significant because of all these measures.

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 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 of high rating.

The Fresenius Group's **currency 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 – and 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, 2012, approximately 69% of the Fresenius Group's debt was protected against increases in interest rates either by fixed rate financing arrangements or by interest rate hedges. Only 31%, or € 3,414 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

As an international 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 € 65 million on Group sales and about € 3 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 basis for the analysis of the currency risk are the foreign currency cash flows that are reasonably expected to arise within the following twelve months, less any hedges. As of December 31, 2012, the Fresenius Group's cash flow at risk amounted to € 43 million. Hence, with a probability of 95% a potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months will not be higher than € 43 million.

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.

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. We worked on our accounts receivable, taking certain measures such as factoring or selling through product distributors.

As a global corporation, Fresenius is subject to numerous tax codes and regulations. 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.

Fresenius' debt was € 11,028 million as of December 31, 2012. The **debt** could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius in case of an ongoing general financial market crisis. We reduce these risks through a high proportion of medium- and long-term funding with a balanced maturity profile. Furthermore, our financing agreements contain covenants requiring us to comply with certain financial figures and additional financial measures. Should we not comply with the covenants, this could lead to an early redemption of the debt.

Additional information on conditions and maturities can be found in Note 18 of the Notes.

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. In 2012, approximately 32% of Fresenius Medical Care's sales were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid. As of January 1, 2011, a **new reimbursement system based on a bundled rate** for dialysis patients covered by the public health care program (Medicare) was introduced. Beginning in 2012, the payment amount will be subject to annual inflation update based on increases in the costs of a "market basket" of certain health care items and services less a productivity adjustment. The adjustment for the year 2013 is 2.3%.

Pursuant to the American Taxpayer Relief Act, automatic across-the-board spending cuts are scheduled to go into effect on March 1, 2013, unless the law is further changed. Medicare payments to providers and suppliers would be subject to these reductions, but these reductions would be capped at 2% annually. The Medicare reimbursement reduction would be independent of annual inflation update mechanisms.

The American Taxpayer Relief Act also directed Centers of Medicare and Medicaid Services (CMS) to reduce the bundled rate, effective January 1, 2014, to account for changes in the utilization of certain drugs and biologicals that are included in the bundled rate. In making such reduction, the law requires CMS to use the most recently available pricing data for such drugs and biologicals. CMS is expected to release a proposed rule incorporating such calculations in spring or early summer 2013, with a final rule to follow later in the year.

Furthermore drugs with only an oral form are expected to be reimbursed under the bundled rate 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.

Furthermore, the payment amount includes a quality incentive program. Full payment of the Medicare bundled rate to a dialysis facility is contingent upon the dialysis facility's achievement of certain minimum performance criteria. A material failure by the Company to achieve the minimum clinical quality standards could lead to lower revenue and operating profit.

Any significant decreases in Medicare reimbursement rates could have material adverse effects on our provider business in the U.S. and, because the demand for products is affected by Medicare reimbursement, on our U.S. products business.

In 2013, a medical device excise tax of 2.3% will be introduced in the U.S. and adversely impact Fresenius' product business.

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

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 claims for damages and costs for legal defense, regardless of whether a claim for damages is actually justified. Legal disputes can also result in 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 and patent infringement suits.

In 2003, an agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent U.S. Bankruptcy Court. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court for the District of Delaware on January 31, 2012. Multiple parties have appealed to the Third Circuit Court of Appeals and the plan of reorganization will not be implemented until these appeals are finally resolved.

RCG could face possible indemnification claims from former members of the Board of Directors. They are defendants in a class action in which they are being sued for damages by former shareholders of the company. Subject to the approval of the Nashville Chancery Court, the plaintiff has agreed to dismiss the Complaint with prejudice against the plaintiff and all other class members in exchange for a payment that is not material to the Company.

The Fresenius Group is also involved in various legal issues resulting from business operations and, 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.

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 national and global 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 to be able to take suitable counteraction.

Corporate rating

Fresenius' credit quality is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Fitch continues to rate Fresenius SE & Co. KGaA with BB+ and a stable outlook, while Moody's rates the Company with Ba1 and a stable outlook. In February 2012, Standard & Poor's improved Fresenius SE & Co. KGaA's rating and assessed us with BB + and a stable outlook.

Subsequent events

On January 7, 2013, Fresenius announced that it will exercise the call option for the 5.5% Senior Notes issued in 2006 and due 2016. The notes with an aggregate principal amount of € 650 million were fully redeemed on February 7, 2013 at a price of

100.916% plus accrued and unpaid interest. The redemption was financed initially by utilizing existing credit lines – and from the end of June 2013 – by drawings under the Senior Secured Credit Agreement arranged in December 2012.

On January 24, 2013, Fresenius successfully issued € 500 million of senior unsecured notes. The notes have a maturity of 7 years and were issued at par. The net proceeds have been used to refinance the € 500 million Senior Notes due January 2013.

There were no significant changes in the Fresenius Group's operating environment following the close of fiscal year 2012. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred after the close of the year.

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 23ff.

General and mid-term outlook

The outlook for the Fresenius Group for the coming years continues to be positive. We are continuously striving to optimize our costs, to adjust our capacities to be able to treat patients and supply customers reliably, and to improve our product mix. We expect these efforts to improve our earnings. 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 sees very good opportunities to benefit from the considerable health care needs arising from aging populations and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average and sustained growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Appropriate reimbursement structures and efficient health care systems will evolve over time in these countries as economic conditions improve. We will strengthen our local business activities in these regions and successively introduce further products from our portfolio to these markets.

- 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 convenience of our products and therapies are key factors here. Although the research is still in its infancy, the development of wearable artificial kidneys is conceivable at Fresenius Medical Care in the long term. At Fresenius Kabi we are working on the development of new generics with the aim of bringing them to the market when the originator drugs go off-patent.

- 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, which has the world's biggest population, offers excellent growth opportunities over the long term, not only in clinical nutrition and infusion therapies for Fresenius Kabi, which already holds a leading market position in China, but also for Fresenius Medical Care in dialysis.

  We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce products from the existing portfolio to the U.S. market.

- The **broadening of our products and services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. 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. 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 China, Fresenius Medical Care again strongly expanded its product business and alliances with hospitals in the area of dialysis services in 2012, and plans to continue this in the coming years. An own dialysis clinic was opened within a pilot project in mid-2012. In India, Fresenius Medical Care intends to open 30 own dialysis clinics by 2015. The increasing importance of the Chinese and Indian markets, with dialysis patient numbers rising by considerably more than 10% annually, should accelerate growth in the region as a whole.

- **Selective acquisitions**: besides retaining organic growth as the basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

We are also exploiting any **opportunities for tapping potential** within our operations for cost management and efficiency enhancement measures. These include plans for a further optimized procurement process and cost-efficient production. We are increasingly globalizing our sourcing processes in order to realize further synergies.

Acquisitions, primarily the acquisition of APP Pharmaceuticals, led to appreciably higher Group debt with a corresponding impact on net interest in 2008. Meanwhile, we strongly improved the Group's leverage ratios. As of December 31, 2012, the net debt/EBITDA ratio was 2.6. At the end of 2013, we expect Group leverage to be at the lower end of the 2.5 to 3.0 target range.

This outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2012 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

As an international company, we offer our products and services in more than 170 countries. 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.

In the United States, since **Fresenius Medical Care** and the second-largest provider of dialysis care, DaVita, treat more than 70% of the U.S. dialysis patients. Therefore, acquisitions – also with regard to potential antitrust restrictions – are likely to be small. Other new markets will also open up as Fresenius Medical Care successively rolls out its existing product and services portfolio, especially in emerging countries such as China and India.

Fresenius Kabi plans to introduce products from its program in the United States as well as to further roll out its product portfolio into other countries.

Fresenius Helios assumes that there will be continued opportunities to acquire hospitals in Germany.

In the developed countries, **Fresenius Vamed** is expecting to grow in the life cycle and PPP project areas, both with regard to the project and the services business. In the emerging economies, the company intends to further consolidate its market position in the project and services business with follow-up orders, as well as to enter new target markets.

Economic outlook

The ongoing austerity measures in the industrial countries will continue to put a strain the global economy in 2013. Besides the financial and economic crisis in the Eurozone, U.S. fiscal policies will be a major factor affecting the global development. Most of the emerging countries still have some leeway in their fiscal and monetary policies. This would allow them to compensate for a downturn in the industrial countries and to provide positive impulses to their exports. Based on actual forecasts, global GDP will increase by 3.1% in 2013.

The two most important regions for Fresenius are the United States and Europe, which, respectively, contributed 42% and 40% of total sales in 2012, followed by Asia-Pacific (10%), Latin America (6%) and Africa (2%).

Sources: German Council of Economic Experts, Annual Report 2011/2012, November 2012; bank research

Europe

The European Central Bank (ECB) announced that it would intervene under specific conditions and buy government bonds of the peripheral countries. Issuing this signal and establishing European banking supervision under the aegis of the ECB were intended to reinforce investors' confidence in the monetary union and to calm the situation down. To support lending, the ECB might lower its prime rate again from its current level of 0.75% to 0.5%. However, experts believe that today's hesitant investment activity is not likely to change. This will exert a drag on GDP growth, especially in the first half of 2013. The economy will also be affected by the ongoing need to consolidate national budgets. The general prognosis is for a decrease of 0.3% in Eurozone GDP in 2013.

The **peripheral countries** comprising Greece, Portugal, Italy, and Spain are not likely to overcome their recessions before 2014. Their high level of indebtedness, efforts to consolidate their budgets, and an unfavorable situation on their labor markets should continue to affect the economies in 2013 and cause another, albeit smaller, decrease in GDP.

Many experts view the situation in **France** as critical, especially as it is the second-largest lender to the EU's bailout fund after Germany. GDP is anticipated to fall by 0.3% in 2013.

The **German** economy is not likely to improve much in 2013. Increasing household income might push up private consumption, but foreign trade will hardly contribute to growth. The economy as a whole is expected to grow by only 0.3%.

United States

On January 1, 2013, members of the U.S. Congress agreed on a compromise over the budget, thus averting a fall over the fiscal cliff. Taxes were only raised on very high earners and wealthy Americans, and spending cuts were initially deferred for two months. The budget dispute is therefore scheduled to flare up again at latest by the end of February, with a debate over a possible raising of the debt ceiling.

The real estate market in the United States appears to be recovering and might support growth. But it remains to be seen if the situation on the labor market will stabilize.

Even if some of the more than US$ 500 billion in austerity measures planned for 2013 are deferred, GDP growth is likely to be lower than in 2012 and estimated at 1.7%.

Asia

In 2013, Asia will again be the region recording the highest growth, with the two-largest economies – China and India – leading the field. But it remains questionable whether the double-digit, pre-crisis growth rates will be seen again.

It is expected that the new government in **China** will introduce measures to accelerate the momentum of the economy. Experts predict a moderate increase in China's growth rate from 7.7% in 2012 to 8.2% in 2013.

In **India**, a robust domestic demand in 2013, combined with the measures introduced in the fall of 2012, should increase GDP by 6.8%.

Prospects for 2013 in **Japan** look gloomy. The country’s high level of public debt, the political uncertainty there, the difficult conditions for exports, and low levels of consumption and investment demand will all be a lasting drag on the economy. GDP is therefore expected to grow by only 1.2%.

The other Asian countries are likely to benefit from increasing exports and high employment levels, resulting in GDP growth of about 4.0%.

Latin America

Experts expect the Latin American economy to revive in 2013, leading to GDP growth of 3.5%. This will mainly be driven by the region’s largest economy, Brazil. However, growth in smaller Latin American countries, like Chile, Colombia, and Peru, which has been above average, may slow down slightly.

Brazil’s loose monetary and fiscal policies should stimulate both private- and public-sector consumption as well as investment activity in 2013. Given these factors, GDP is expected to grow by 3.3%.

Argentina should benefit from the robust development of its important trading partner, Brazil, and is projected to increase its GDP by 2.5%.

Mexico’s structural reforms and robust domestic demand should stabilize its growth with a GDP increase of 3.5%, which is being slightly below the prior year´s rate.

Health sector and markets

The health care sector continues to be one of the world’s largest industries and is considered to be independent of economic cycles to a great extent. 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.

However, 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. Due to the global financial and budget deficit crisis, some countries, such as Greece, are experiencing significant financing problems in the health care sector. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.

Nonetheless, industry observers believe that, despite all challenges, the sector will also see a comparatively solid financial performance in the foreseeable future. Favorable demographic trends, medical advances, and the large number of diseases that are still difficult to cure or are incurable should remain growth drivers.

In addition, the need to increase the availability of basic health care and the growing demand for high-quality medical treatment in the emerging countries should also continue to generate steady growth rates. As per capita income increases, individuals increasingly have to cope with the illnesses associated with lifestyle diseases, such as high blood pressure, diabetes, and cancer – all symptoms of a modern way of life.

Source: International Monetary Fund (IMF) 2012

Furthermore, prevention, treatment quality, and the improvement of patient benefits will play an increasingly greater role in health care.

The dialysis market

We expect the worldwide number of dialysis patients to rise by approximately 6% p. a. in 2013, 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 2% to 4%. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue to rise in the coming years in Asia, Latin America, Eastern Europe, the Middle East, and Africa.

This opens up strong potential for the entire spectrum of dialysis services and products, as more than 80% of the world's population lives in these regions.

In addition, demographic 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 a rising standard of living, especially in the emerging countries.

We estimate that the volume of the global dialysis market, which was about US$ 75 billion in 2012, could rise by about 4% annually – assuming unchanged currency relations. Accordingly, the total market could amount to approximately US$ 78 billion by 2013.

In January 2011, the United States, our largest sales market, introduced a new bundled reimbursement system for the dialysis treatment of public health care patients. All products and services that used to be reimbursed according to the composite rate are now reimbursed in a flat fee. This includes services such as the administration of certain drugs and diagnostic laboratory tests that were reimbursed separately in the old system. The bundled reimbursement rate is adapted to patients' characteristics, such as age and weight, while considering adjustments for patients who require exceptional medical care that results in higher costs. Other special features of this new reimbursement system include adherence to certain quality parameters, such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones.

Beginning in 2012, the payment amount is subject to an annual inflation adjustment. For 2013, the rate increase will be 2.3%.

Pursuant to the "American Taxpayer Relief Act of 2012", automatic across-the-board spending cuts are scheduled to go into effect on March 1, 2013, unless the law is further changed. Medicare payments to providers and suppliers would be subject to these reductions, but these reductions would be capped at 2% annually. The Medicare reimbursement reduction would be independent of annual inflation update mechanisms.

In 2013, a medical device excise tax of 2.3% will be introduced and adversely impact Fresenius' product business earnings and cash flows.

Sources: Company research

An adjustment of the bundled rate to account for changes in the utilization of certain drugs and biologicals could apply as of 2014. In addition, drugs with only an oral form may be reimbursed with an adjusted payment amount starting in 2016.

Further information is provided on page 31f. of the Management Report.

The market for infusion therapies and clinical nutrition, generic IV drugs, medical devices, and transfusion technology

The market for **infusion therapies** in Europe is expected to grow at a low single-digit rate in the coming years. Growth at a mid-single-digit rate is expected for the **clinical nutrition** market in Europe. 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. In these regions we expect growth at high single to double-digit rates.

In view of the financial challenges in health care and in order to ensure high-quality care, we believe that the more cost-effective generics drugs will be utilized even more than now. With **generic IV drugs** the growth dynamic will continue to be driven by original drugs going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Europe and the United States to grow at mid-single- digit rates in 2013.

The worldwide market for **medical devices** for infusion therapy, intravenously administered drugs, and clinical nutrition is expected to grow in 2013 at mid-single-digit rates.

The market for **transfusion technology** is projected to grow 4% to 6% annually.

The German hospital market

With regard to hospital funding in Germany, 2013 is the first year in which the price increase for hospital services is based on the so-called orientation figure. This figure represents the average percentage change in hospital costs per year and replaces the former rate of change, which expressed the change in the income assessable for contributions received by all those paying statutory health insurance. The orientation figure is 2.0% for 2013, and therefore slightly higher than the rate of change applied in previous years (2012: 1.48%).

With regard to the reimbursement of additional admissions, we do not expect significant changes in 2013, despite legislative changes.

Even considering the revenue increases, it will probably not be possible to cover all the expected cost increases at the hospitals – especially with regard to personnel costs as a result of wage tariff increases. Hospitals will continue to face cost pressure and the need for further savings in their operations.

In Germany as from the beginning of 2010, inpatient acute care services are reimbursed only on the basis of the standardized base rates of the individual federal states (DRG

Sources: German Federal Statistics Office system). The different base rates from state to state are being successively harmonized over a period of five years from 2010 onwards, toward a standardized, nationwide base rate corridor. However, because of the positive development in the number of admissions and the now completed convergence phase, we do not expect any major changes in the reimbursement of our services.

Given their growing **investment needs** but declining government support, hospitals are under growing pressure to rigorously tap the potential for rationalization. Financing investments is especially a challenge for public hospitals. The financial situation of local governments will remain constrained, reducing their ability to cover their hospitals' operating losses and finance investments. This will further limit the financial scope for supporting loss-making hospitals and investment in public health care facilities.

It is generally expected that the proportion of private hospitals will rise at the expense of public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They also have the potential to secure cost advantages in procurement. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures. We therefore anticipate that privatization and consolidation will continue in the German hospital market in 2013.

The economic situation at the hospitals remains difficult: according to the "Krankenhaus-Barometer 2012" survey by the German Hospital Institute (DKI), only 22% of hospitals expect business to improve and almost 40% expect the situation to worsen in 2013.

Another future challenge for hospitals will be **personnel shortages** due to, among other things, restrictive regulations on working hours and a higher demand for specialized staff in some areas. Retaining qualified staff over the long term and training them are seen as important success factors for a hospital.

Other crucial factors for a hospital's success are not only cost-efficient processes, a well-structured medical offering, and well-trained staff, but also excellent medical quality. HELIOS is convinced that systematic quality management and the documentation of medical outcomes should not just serve as marketing instruments, but should be an element of hospital management, and thus part of the reimbursement. In the long run, initiatives could be introduced that provide for quality-based reimbursement (pay-for-performance) and that allow hospitals the option of concluding selective contracts with health insurers. With its strict focus on quality and transparency, HELIOS would be well prepared for such a future development. A new flat-rate compensation system (PEPP-Entgeltsystem 2013) is to be introduced in 2013 for psychiatric and psychosomatic facilities. The new compensation catalogue is broken down into many more categories than the present remuneration system. The aim is to improve transparency concerning the services provided at psychiatric and psychosomatic facilities. After a four-year introductory phase from 2013 through 2016, the system provides for a five-year transition phase from 2017 through 2021. In 2013 and 2014, psychiatric and psychosomatic facilities will be free to choose whether they wish to use the new compensation system. Its application does not become compulsory for all such facilities until 2015 and has no effects on HELIOS's budget through the end of 2016. Psychiatric and psychosomatic services only account for a small share of the services provided by HELIOS.

Experts assume the importance of post-acute care will rise due to demographic trends, longer working lives, and the growing prevalence of chronic diseases. As a result of growth in acute care admissions and continuous improvements in HELIOS' internal referral management, we expect to be able to leverage potential synergies from the combination of acute care and post-acute care, thereby increasing our number of post-acute care admissions.

The market for engineering and services for hospitals and other health care facilities

In industrialized countries, owing to demographic trends, growing demand for high-quality, efficient medical care – and thus for engineering and services for hospitals and other health care facilities – is expected to continue. 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 countries, there is growing demand above all for infrastructure development, but also for efficient, needs-oriented medical care. The provision of primary health care is now very largely in place. In many markets, the focus now is therefore on building up secondary care, developing tertiary health care structures in the form of "centers of excellence", and creating training and research structures.

All in all, we expect the market for engineering and services for hospitals and other health care facilities to continue growing in 2013. In markets with established health care systems, we expect solid growth; in emerging markets we anticipate an overall dynamic development.

Economic outlook of Fresenius SE & Co. KGaA for the year 2013

For the fiscal year 2013 the company expects again a clear positive contribution to earnings from dividends and profit and loss transfer agreements.

Dividend

The dividend increases provided by Fresenius in the last 19 years show impressive continuity. For many years, around half of the percentage increase in Group net income was paid out as a percentage increase in dividends. Our new dividend policy is intended to reflect Fresenius' sustainable earnings and financial strength even more strongly, and will align dividend increases with the percentage increase in net income (before special items). Based on our positive earnings expectations, we also want to set an earnings-based dividend for fiscal year 2013.

Bad Homburg v.d.H., February 26, 2013

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 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 2012, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Karl Schneider.

The Management Board compensation system was reviewed by an independent external compensation expert in the fiscal year 2010 and later submitted to the Annual General Meeting of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) for approval. On May 12, 2010, the Annual General Meeting approved of the Management Board compensation system with a majority of 99.51% of the votes cast. In 2011, it was complemented by a share-based compensation with cash settlement (performance shares) in order to strengthen the component with long-term incentive effects. The amended Management Board compensation system was reviewed by an independent external compensation expert and was approved by the Annual General Meeting on May 11, 2012 with a majority of 97,0 % of the votes cast.

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 the 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 2012:

- non-performance-based compensation (base salary)
- performance-based compensation (variable bonus)
- components with long-term incentive effects (stock options, postponed bonus payments and share-based compensation with cash settlement (performance shares))

In addition, there are pension commitments for the seven members of the Management Board based on their respective service agreements.

The design of the individual components is based on the following criteria:

The non-performance-based compensation was paid in monthly installments as base salary in the fiscal year 2012. 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 as well as contributions to pension and health insurance.

The performance-based compensation will also be granted for the fiscal year 2012 as a short-term cash component (annual bonus) and as a longer-term compensation component (stock options, postponed bonus payments, share-based compensation with cash settlement (performance shares)). The amount of the bonus 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 variable bonus is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the net income attributable to Fresenius SE & Co. KGaA as well as 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. Half of the amount of the variable bonus of Dr. Wastler in each case 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. Dr. Lipps receives his compensation exclusively from

Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

For the fiscal years 2012 and 2011, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**990**	900	**51**	61	**1,150**	1,150	**2,191**	2,111
Rainer Baule	**550**	500	**26**	120	**801**	764	**1,377**	1,384
Dr. Francesco De Meo	**550**	500	**19**	19	**700**	671	**1,269**	1,190
Dr. Jürgen Götz	**415**	375	**34**	33	**600**	584	**1,049**	992
Dr. Ben Lipps[1]	**973**	862	**302**	182	**1,438**	1,078	**2,713**	2,122
Stephan Sturm	**550**	500	**89**	86	**751**	721	**1,390**	1,307
Dr. Ernst Wastler	**470**	425	**34**	33	**587**	571	**1,091**	1,029
Total	**4,498**	4,062	**555**	534	**6,027**	5,539	**11,080**	10,135

[1] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 31% of the total subscribed capital.
As Dr. Ben Lipps is 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.

In the fiscal year 2012, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €4,589 thousand. This equals 97% of the total bonus of €4,737 thousand. The remaining part in an amount of €148 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

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 variable bonus 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 bonus 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 decisive (i. e. adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) 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 by 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 variable bonus. No interest is payable on the converted bonus claim from the time when it first arises until the time of its effective payment. In this way, the variable bonus 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 2012, stock options based on the Stock Option Plan 2008 of Fresenius SE & Co. KGaA and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 were granted as further components with long-term incentive effects. The number of stock options to be granted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

The principles of both plans are described in more detail in note 36 of the notes of the Fresenius Group, Stock options.

Furthermore, the members of the Management Board were granted an entitlement to a share-based compensation with cash settlement (performance shares) in the fiscal year 2012, as a long-term incentive component.

The entitlement is subject to a four-year vesting period although a shorter period may apply in special cases (e. g. professional incapacity, retirement, non-renewal of expired service agreements by the Company). The amount of cash payment corresponds to the share price of Fresenius SE & Co. KGaA's ordinary shares upon exercise at the end of the four-year vesting period.

The payment is subject to the achievement of the performance target of an 8% increase of the consolidated net income attributable to Fresenius SE & Co. KGaA on a constant currency basis (adjusted for extraordinary effects) year over year during the four-year vesting period. For each year in which the success target has not been met, one-fourth of the entitlement shall forfeit. Apart from that, the total entitlement for payment is earned if an average increase of the consolidated net income attributable to Fresenius SE & Co. KGaA of 8% on a constant currency basis is achieved over the four-year vesting period.

For the fiscal years 2012 and 2011, the number and value of stock options issued, the value of the postponed performance-based compensation as well as the value of the share-based compensation with cash settlement (performance shares) is shown in the following table.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2012 correspond to their fair value at the time of grant, namely a value of €21.19 (2011: €19.10) per stock option of Fresenius SE & Co. KGaA and €12.68 (2011: €13.44) per stock option of FMC-AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €78.33 (2011: €71.28).

As the financial targets of the year 2012 were achieved, Dr. Ben Lipps is entitled to a share-based compensation in an amount of €768 thousand (2011: €684 thousand) in accordance with the bonus agreement of Fresenius Medical Care. The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three-year vesting period.

LONG-TERM INCENTIVE COMPONENTS

	Stock options [1]				Postponed performance-related compensation		Share-based compensation with cash settlement (performance shares)		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**56,760**	56,760	**1,203**	1,084	**0**	0	**100**	100	**1,303**	1,184
Rainer Baule	**28,380**	28,380	**601**	542	**99**	122	**100**	100	**800**	764
Dr. Francesco De Meo	**28,380**	28,380	**601**	542	**0**	29	**100**	100	**701**	671
Dr. Jürgen Götz	**28,380**	28,380	**601**	542	**0**	0	**100**	100	**701**	642
Dr. Ben Lipps	**74,700**	74,700	**947**	1,004	**0**	0	**768**	684	**1,715**	1,688
Stephan Sturm	**28,380**	28,380	**601**	542	**49**	79	**100**	100	**750**	721
Dr. Ernst Wastler	**28,380**	28,380	**601**	542	**0**	0	**100**	100	**701**	642
Total	**273,360**	273,360	**5,155**	4,798	**148**	230	**1,368**	1,284	**6,671**	6,312

[1] Stock options that were granted in 2012 and 2011 under the Fresenius SE & Co. KGaA stock option plan. Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

At the end of the fiscal year 2012, the members of the Management Board held a total of 1,151,740 (2011: 1,050,050) stock options and convertible bonds (together referred to as stock options) of Fresenius SE & Co. KGaA and 348,600 (2011: 572,700) stock options and convertible bonds of FMC-AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2012 are shown in the following table:

	Dr. Ulf M. Schneider	Rainer Baule	Dr. Francesco De Meo	Dr. Jürgen Götz	Dr. Ben Lipps[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2012								
number	333,680	130,290	138,360	115,680	572,700	196,080	135,960	**1,050,050**
average exercise price in €	50.37	54.37	52.72	53.98	37.20	47.26	51.83	**51.18**
Options granted during fiscal year								
number	56,760	28,380	28,380	28,380	74,700	28,380	28,380	**198,660**
average exercise price in €	78.33	78.33	78.33	78.33	57.30	78.33	78.33	**78.33**
Options exercised during fiscal year								
number	75,040	21,930	0	0	298,800	0	0	**96,970**
average exercise price in €	41.11	57.43			33.30			**44.80**
average stock price in €	88.49	86.08			53.62			**87.94**
Options outstanding on December 31, 2011								
number	315,400	136,740	166,740	144,060	348,600	224,460	164,340	**1,151,740**
average exercise price in €	57.61	58.85	57.08	58.78	44.85	51.19	56.41	**56.40**
average remaining life in years	4.6	4.6	4.5	4.6	5.4	4.1	4.4	**4.5**
range of exercise prices in €	33.81 to 78.33	33.81 to 78.33	33.81 to 78.33	33.81 to 78.33	30.49 to 57.30	29.50 to 78.33	29.50 to 78.33	**29.50 to 78.33**
Exercisable options on December 31, 2011								
number	145,120	51,600	81,600	58,920	99,600	139,320	79,200	**555,760**
average exercise price in €	45.77	44.25	45.99	45.89	31.97	41.10	44.28	**44.29**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options of Fresenius SE & Co. KGaA, excluding stock options of Dr. Ben Lipps

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2012 and 2011:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**2,191**	2,111	**1,303**	1,184	**3,494**	3,295
Rainer Baule	**1,377**	1,384	**800**	764	**2,177**	2,148
Dr. Francesco De Meo	**1,269**	1,190	**701**	671	**1,970**	1,861
Dr. Jürgen Götz	**1,049**	992	**701**	642	**1,750**	1,634
Dr. Ben Lipps	**2,713**	2,122	**1,715**	1,688	**4,428**	3,810
Stephan Sturm	**1,390**	1,307	**750**	721	**2,140**	2,028
Dr. Ernst Wastler	**1,091**	1,029	**701**	642	**1,792**	1,671
Total	**11,080**	10,135	**6,671**	6,312	**17,751**	16,447

The stock options and the entitlement to a share-based compensation (performance shares) can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2012 and 2011 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

	Stock options		Share-based compensation with cash settlement (performance shares)		Total expenses for share-based compensation	
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**877**	736	**42**	2	**919**	738
Rainer Baule	**439**	368	**42**	2	**481**	370
Dr. Francesco De Meo	**439**	351	**42**	2	**481**	353
Dr. Jürgen Götz	**439**	368	**42**	2	**481**	370
Dr. Ben Lipps	**2,136**	1,098	**1,681**	780	**3,817**	1,878
Stephan Sturm	**439**	368	**42**	2	**481**	370
Dr. Ernst Wastler	**439**	351	**42**	2	**481**	353
Total	**5,208**	3,640	**1,933**	792	**7,141**	4,432

The system of compensation for the Management Board provides for a contractually stipulated cap or possibility of capping the amount of the annual compensation to be claimed by the member of the Management Board overall, i. e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments which are not in any relevant proportion to the performance of the Management Board.

Under the compensation system, the amount of the basic 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 FOR THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule, Dr. Francesco De Meo, Dr. Jürgen Götz and 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. The Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America. With regard to these pension commitments, the Fresenius Group had pension obligations of €12,912 thousand as of December 31, 2012 (2011: €8,678 thousand). The additions to pension liability in the fiscal year 2012 amounted to €4,234 thousand (2011: €808 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2012	Additions	**As of December 31, 2012**
Dr. Ulf M. Schneider	1,335	864	**2,199**
Rainer Baule	3,692	760	**4,452**
Dr. Francesco De Meo	0	868	**868**
Dr. Jürgen Götz	481	344	**825**
Dr. Ben Lipps	648	79	**727**
Stephan Sturm	764	501	**1,265**
Dr. Ernst Wastler	1,758	818	**2,576**
Total	8,678	4,234	**12,912**

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent base salary, from the 63rd year of life, 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 base salary increase with every full year of service as 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. Furthermore, 100% (or in the case of Management Board member Rainer Baule 70%) of any amounts accruing to Management Board members or their surviving dependents from the Management Board member's vested rights in other company pension plans, also from former employment with other companies, is also set off to the extent permissible under BetrAVG.

In the event of the death of one of the aforesaid Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, own legitimate children, respectively, in the individual case, own children of the deceased Management Board member's wife who have been adopted by the deceased Management Board member 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 ends before the age of 63 years 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.

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 basic 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.

With Dr. Ben Lipps, Management Board member until December 31, 2012, there is the following individual agreement in plan: Instead of a pension provision, after the ending of the service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. Accordingly, Fresenius Medical Care Management AG and Dr. Ben Lipps entered into a consulting agreement for the period January 1, 2013 to December 31, 2022. By this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame as well as considering a non-compete covenant. The annual consideration for the fiscal year 2013 for such services would amount to approximately 45% of the non-performance-based compensation components paid to him in fiscal year 2012 (including reimbursement of expenses, temporary reimbursement of expenses for property leases, company car provided temporarily as well as pension payments for the surviving spouse in case of death). Based on calculation at this time, the annual value for such services for the fiscal years starting from 2014 will be reduced down to approximately 40% of the non-performance-based compensation components paid to him in fiscal year 2012. The present value of this agreement amounted to €3,987 thousand as of December 31, 2012. In addition, the Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. In March 2002, the rights to receive benefits from the pension plans were frozen at the level then applicable.

A post-employment non-competition covenant was agreed upon for all Management Board members. If such covenant becomes applicable, the Management Board members receive a waiting allowance that is generally equivalent to half of the annual basic compensation for each year of respective application of the non-competition covenant, up to a maximum of two years.

The Management Board members' service agreements do not contain express provisions for the event of a "change of control".

All Management Board members have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of 12 months, although as of 6 months of sick leave, insurance benefits may be set off therewith. If a Management Board member dies, the surviving dependents will be paid three more monthly amounts after the month of death, until the end of the respective service agreement at the longest, however.

MISCELLANEOUS

In the fiscal year 2012, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

To the extent permitted by law, Fresenius SE & Co. KGaA undertook to indemnify the members of the Management Board from claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company concluded a Directors' & Officers' insurance carrying a deductible, which complies with the requirements of the German Stock Corporation Act. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the termination of the membership of the Management Board in each case.

Based on pension commitments, to former members of the Management Board, €778 thousand were paid in the fiscal year 2012 (2011: € 776 thousand). The benefit obligation for these persons amounted to €11,310 thousand in 2012 (2011: €10,513 thousand).

ADJUSTMENTS TO SYSTEM OF COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

Since the expiry of fiscal year 2012, no further stock options can be granted to Management Board members or employees out of the Stock Option Plan 2008 of Fresenius SE & Co. KGaA. However, allotments from the existing Stock Option Plan form a significant element of the compensation component with long-term incentive effect. It is intended to implement a new program with long-term compensation components covering the next five years in fiscal year 2013.

The new compensation concept with long-term incentive effect is based on a combination plan, which includes, on the one hand, a stock option program which is backed by conditional capital. The additional component of the compensation concept is a likewise long-term oriented and share-based component with cash settlement (phantom stocks).

The structure of the stock option plan backed by a conditional capital is oriented mainly on the parameters of the existing Stock Option Plan 2008. The plan also complies with the amended requirements of the Act on the Reasonableness of the Compensation of Management Board Members (VorstAG), in particular with regard to the waiting periods prolonged to four years, and further requires the achievement of demanding targets. The new stock option plan requires, for its introduction, the approval of the shareholders at the ordinary General Meeting of Fresenius SE & Co. KGaA.

The further element of the new long-term compensation system is an additional, independent, long-term oriented and share-based compensation component with cash settlement (phantom stocks). The granting of this compensation component is also intended to be subject to a four-year waiting period and to require the achievement of demanding targets. The amount of the cash payment under the terms of this share-based compensation component will then be guided by the volume weighted average stock price of the Fresenius SE & Co. KGaA shares during the three months before the time of exercise. The current share-based compensation component with cash settlement (performance shares) will be absorbed by the new share-based compensation component with cash settlement (phantom stocks).

The new Combined Plan is intended to be available to Management Board members as well as to other leading executives. In compliance with the corporate law allocation of powers and responsibilities, the Supervisory Board of Fresenius Management SE shall make the allocations to the Management Board members which will make the allocations to other leading executives.

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.

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 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. 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. 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 years 2012 and 2011, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE, 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	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Gerd Krick	**13**	14	**13**	12	**10**	10	**20**	16	**138**	128	**138**	110	**332**	290
Dr. Dieter Schenk [1]	**0**	1	**19**	18	**0**	0	**10**	8	**0**	14	**208**	165	**237**	206
Niko Stumpfögger	**19**	19	**0**	0	**0**	0	**0**	0	**208**	177	**0**	0	**227**	196
Prof. Dr. med. D. Michael Albrecht (since January 28, 2011)	**13**	12	**0**	0	**0**	0	**0**	0	**138**	110	**0**	0	**151**	122
Prof. Dr. h. c. Roland Berger	**7**	7	**6**	6	**20**	18	**0**	0	**69**	64	**69**	55	**171**	150
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**138**	118	**0**	0	**151**	131
Konrad Kölbl	**13**	13	**0**	0	**10**	9	**0**	0	**138**	118	**0**	0	**161**	140
Klaus-Peter Müller	**7**	7	**6**	6	**0**	0	**0**	0	**69**	64	**69**	55	**151**	132
Dieter Reuß (since May 5, 2011)	**13**	9	**0**	0	**0**	0	**0**	0	**138**	78	**0**	0	**151**	87
Gerhard Roggemann (since January 28, 2011)	**13**	12	**0**	0	**10**	8	**0**	0	**138**	110	**0**	0	**161**	130
Dr. Gerhard Rupprecht	**13**	12	**6**	6	**0**	0	**0**	0	**138**	112	**69**	55	**226**	185
Wilhelm Sachs (until May 5, 2011)	**0**	4	**0**	0	**0**	1	**0**	0	**0**	40	**0**	0	**0**	45
Dr. Karl Schneider [1]	**0**	1	**13**	12	**0**	2	**10**	8	**0**	9	**138**	110	**161**	142
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**138**	118	**0**	0	**151**	131
Rainer Stein	**13**	13	**0**	0	**10**	9	**0**	0	**138**	118	**0**	0	**161**	140
Total	**150**	150	**63**	60	**60**	57	**40**	32	**1.588**	1,378	**691**	550	**2.592**	2,227

[1] Until January 28, 2011 member of the Supervisory Board of Fresenius SE & Co. KGaA, since January 28, 2011 member of the Supervisory Board of Fresenius Management SE

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded 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 2013. 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 which are covered by the policy.

REPORT OF THE SUPERVISORY BOARD

In 2012, 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, 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 2012 – in March, May, October, and December. In addition, the Supervisory Board had three informational events in April, July, and September in which the members of the Fresenius SE & Co. KGaA Supervisory Board were informed in particular about planned acquisitions. 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 each of its 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 to the Supervisory Board 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 a few cases, it passed resolutions by written proceeding in lieu of a meeting. 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 developments of the business and forthcoming decisions and discussed them with him.

All members of the Supervisory Board of Fresenius SE & Co. KGaA attended three of the regular Supervisory Board Meetings in 2012. At one regular meeting, two members were excused.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2012, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments by the business segments. The Supervisory Board furthermore thoroughly reviewed and discussed all other significant business activities with the Management Board. One main consulting focus was on acquisitions, for example, the public takeover offer to the shareholders of RHÖN-KLINIKUM AG as well as the acquisition of Fenwal Holdings, Inc. by Fresenius Kabi. In addition, the Supervisory Board delegated authority regarding the exercise of the Supervisory Board's participation rights and reservations of the requirement of approval regarding the May 2012 capital increase to a Committee which was formed for this purpose. Accordingly, in May 2012, the Committee consented to the resolution of the Management Board regarding the use of the Authorized Capital I in the amount of €13.8 million, the exclusion of the shareholder's subscription rights and the determination of the issue price. The Supervisory Board was informed about conducting the capital increase. The Supervisory Board discussed in detail the 2013 budget and the midterm planning of the Fresenius Group. It also focused on the research and development strategies of the business segments. 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, 2012.

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 boards of the University Hospitals in Aachen, Magdeburg, and Rostock. 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. In 2012, the Fresenius Group paid €1.9 million in total to Commerzbank AG for financing commitments and in connection with Senior Notes issuances and the capital increase.

There are no direct consultancy or other service relationships between the Company and any given member of the Supervisory Board. In 2012, the Fresenius Group had consultancy contracts with the management consultancy firm Roland Berger Strategy Consultants GmbH, an affiliated company of the management consultancy firm Roland Berger Strategy Consultants Holding GmbH. Prof. Dr. h. c. Berger is a member of the Supervisory Board of Fresenius Management SE and a member of the Supervisory Board of our Company. Prof. Dr. h. c. Berger is at the same time a partner in Roland Berger Strategy Consultants Holding GmbH. The Fresenius Group paid €0.6 million (2011: €0.7 million) to Roland Berger Strategy Consultants GmbH for services rendered in 2012. The Supervisory Board closely examined this mandate and approved it. Prof. Dr. h. c. Berger abstained from the voting. The respective approval was made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

Furthermore, various companies of the Fresenius Group were advised by affiliated companies of the internationally acting law firm Noerr. Dr. 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 2012, the Fresenius Group paid or processed for payment in December 2012 a total of about €1.8 million to the law firm Noerr (2011: €1.43 million). This corresponds to 2% of the total amount paid by Fresenius Group for services and legal advice in 2012 (2011: 2%). Thereof, about €0.4 million were 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 a 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 the 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 the above section "Corporate Governance" are net amounts in Euro. In addition, VAT was paid.

For more information on corporate governance at Fresenius, please refer to the Corporate Governance Declaration and Report on pages 15 to 35 of the Annual Report. Fresenius has disclosed the information on related parties in the quarterly reports and on page 204 in this Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings and six conference calls in 2012. 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 2011 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 on which auditing firm to propose to the AGM for election as auditor for the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2012. The Supervisory Board's proposal to the Annual General Meeting in 2012 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 2012 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.

The Supervisory Board delegated the exercise of the Supervisory Board's rights of consultation and approval regarding the use of the Authorized Capital I to a Committee which was set up for this purpose. The Committee held no meetings but two conference calls and passed a resolution by way of written vote. In this resolution, the Committee consented to the use of the Authorized Capital I in the amount of €13.8 million, the exclusion of the shareholder's subscription rights and the determination of the issue price.

The Company's Nomination Committee did not meet in 2012.

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 2012 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 20, 21 and 215 of the Annual Report.

PERSONNEL

In 2012, there were no changes in the composition of the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board of the general partner Fresenius Management SE appointed Rice Powell, responsible for the business segment Fresenius Medical Care, and Mats Henriksson, responsible for the business segment Fresenius Kabi, as members of the Management Board of Fresenius Management SE as from January 1, 2013. We are pleased that the new appointments to the Management Board have been filled by managers with many years of experience in the Fresenius Group. Dr. Ben Lipps, CEO of Fresenius Medical Care, and Rainer Baule, CEO of Fresenius Kabi, both retired as planned from the Management Board at the end of 2012. They were both instrumental to the dynamic growth of the Group over many years, for which we would like to express our recognition and deep gratitude.

No other changes were made to 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 Management Report of the Company for 2012 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The firm was elected as auditor at the Annual General Meeting of Fresenius SE & Co. KGaA on May 11, 2012, 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 prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 14 and 15, 2013, 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 auditors' 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 15, 2013, 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 2012 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 15, 2013

The Supervisory Board

Dr. Gerd Krick
Chairman

FRESENIUS

Fresenius SE & Co. KGaA

Bad Homburg v.d.H.

2011

- Financial Statements
- Management Report
- Report of the Supervisory Board

- Convenience Translation -
The German version of these Financial Statements is legally binding

Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

(until January 28, 2011: Fresenius SE)

Balance Sheet as of December 31, 2011

A s s e t s

	Note	December 31, 2011		December 31, 2010	
		kEUR	kEUR	kEUR	kEUR
A. Fixed assets	(4)				
I. Intangible assets			616		508
II. Tangible assets			63,256		64,320
III. Financial assets			4,427,259		3,717,519
			4,491,131		3,782,347
B. Current assets					
I. Accounts receivable and other assets					
1. Accounts receivable due from related parties	(5)	752,486		994,592	
2. Other assets	(5)	72,404	824,890	56,138	1,050,730
II. Cash and cash equivalents	(6)		21,510		191,107
			846,400		1,241,837
C. Deferred expense	(7)		1,223		1,443
			5,338,754		5,025,627

Liabilities and shareholders' equity

	Note	December 31, 2011		December 31, 2010	
		kEUR	kEUR	kEUR	kEUR
A. Shareholders' equity					
I. Subscribed capital	(8, 9, 10, 11, 12)				
1. Ordinary shares		163,237		81,225	
(conditional capital I kEUR 888; prev. yr. kEUR 495)					
(conditional capital II kEUR 2,977; prev. yr. kEUR 1,743)					
(conditional capital III kEUR 6,025; prev. yr. kEUR 3,100)					
2. Preference shares		0	163,237	81,225	162,450
(conditional capital I kEUR 0; prev. yr. kEUR 495)					
(conditional capital II kEUR 0; prev. yr. kEUR 1,743)					
(conditional capital III kEUR 0; prev. yr. kEUR 3,100)					
II. Capital reserves	(13)		1,899,796		1,869,988
III. Other reserves	(14)		1,308,995		854,245
IV. Retained earnings	(15)		454,816		139,758
			3,826,844		3,026,441
B. Special reserve for investment government grants	(16)		13		14
C. Rückstellungen	(17)				
1. Pensions and similar obligations			33,033		31,156
2. Accruals for income taxes			37,680		29,310
3. Other accruals			54,199		139,220
			124,912		199,686
D. Verbindlichkeiten	(18)				
1. Convertible bonds			324		431
2. Bank loans			206,285		196,000
3. Trade accounts payable			3,207		2,907
4. Liabilities to affiliated companies			1,168,489		1,597,963
5. Other liabilities			8,680		2,185
			1,386,985		1,799,486
			5,338,754		5,025,627

Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

(until January 28, 2011: Fresenius SE)

Profit and Loss Statement
January 1 to December 31, 2011

	Note	2011	2010
		kEUR	kEUR
1. Income from participations	(21)	348,923	390,386
2. Other operating income	(22)	110,198	78,115
3. Personnel expenses	(23)	-22,721	-29,378
4. Depreciation and amortization on intangible assets and on property, plant and equipment	(24)	-4,298	-3,985
5. Other operating expenses	(25)	-103,383	-71,686
6. Net interest	(27)	-22,427	-49,685
7. Other financial result	(28)	628,275	-90,103
8. Profit from ordinary operations		934,567	223,664
9. Extraordinary result	(29)	0	-6,801
10. Income taxes	(30)	-24,619	-297
11. Other taxes		-433	-256
12. Net income		909,515	216,310
13. Retained earnings brought forward		51	48
14. Increase in other reserves		-454,750	-76,600
15. Retained earnings		454,816	139,758

Notes Fresenius SE & Co. KGaA (until January 28, 2011: Fresenius SE)

(1) Structure

The Fresenius Group is as of December 31, 2011 divided into four legally independent business segments:

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

Fresenius SE & Co. KGaA owns the stakes in the management companies and functions as an operating holding.

The reporting currency of Fresenius SE & Co. KGaA is the euro. In order to make the presentation clearer, amounts are shown in € thousand. Amounts which are lower than € 1,000.00 after they have been rounded are marked with „-“.

The list of investments of Fresenius SE & Co. KGaA, registered in Bad Homburg v.d.H., will be shown in the enclosure to the Notes.

(2) Change of Fresenius SE's legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien) and conversion of the preference shares into ordinary shares

On May 12, 2010, Fresenius SE's Annual General Meeting approved the change of Fresenius SE's legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) with the name Fresenius SE & Co. KGaA in combination with the conversion of all non-voting preference shares into voting ordinary shares. The change of legal form as well as the conversion of shares was also approved by the preference shareholders through a special resolution.

Upon registration with the commercial register of the local court in Bad Homburg v.d.H., the change of legal form into Fresenius SE & Co. KGaA became effective on January 28, 2011. According to the resolution passed, the holders of preference shares received one ordinary share of Fresenius SE & Co. KGaA for each preference share held in Fresenius SE; the ordinary shareholders received one ordinary share of Fresenius SE & Co. KGaA for each ordinary share held in Fresenius SE. The notional proportion of each non-par value share in the subscribed capital as well as the subscribed capital itself remained unchanged. The change of Fresenius SE's legal form into a KGaA neither led to the liquidation of the Company nor to the formation of a new legal entity. The legal and commercial identity of the Company was preserved.

The legal form of the KGaA enables Fresenius to achieve the benefits of a single share class while maintaining the control position of the Else Kröner-Fresenius-Foundation which held approximately 58% of the ordinary shares in Fresenius SE prior to the change. The European company limited by shares Fresenius Management SE, a wholly-owned subsidiary of the Else Kröner-Fresenius-Foundation, is the general partner (Komplementärin) of Fresenius SE & Co. KGaA. Concerning the personnel composition, the Management Board of Fresenius Management SE is identical to the previous Fresenius SE Management Board and has taken over the management of Fresenius SE & Co. KGaA. The Else Kröner-Fresenius-Foundation's right to provide the general partner is tied to the holding of more than 10% of the subscribed capital in Fresenius SE & Co. KGaA.

The effects of the change of legal form are described in the respective notes.

The registration of the change of legal form with the commercial register was finally cleared following a court settlement of pending disputes initiated by minority shareholders.

Fresenius SE & Co. KGaA reimburses Fresenius Management SE the costs it has incurred in its management activities according to paragraph 7 of its articles of association. These costs are mainly compensation for board members.

(3) Accounting principles and standards of valuation

Acquired **intangible assets** are valued at purchase cost less regular depreciation. The useful life is normally between 2 and 5 years, for personal computer auxiliary programs the useful life is 2 years, and for know-how up to 5 years.

The value of **investments in property, plant and equipment** is stated at the cost of the assets less regular linear or degressive depreciation.

The following useful lives were used for calculating amortization:

Office and factory buildings	10 - 40 years
Technical equipment and machinery	5 - 10 years
Other fixtures and fittings, tools and equipment	3 - 10 years

Low value fixed assets with purchase or manufacturing cost of up to € 150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than € 150.00 and less than € 1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Extraordinary depreciation is carried out, provided that the carrying book value is other than temporarily impaired.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

Securities are valued at purchase price or the lower market value.

No **deferred tax** is to be recognized for temporary differences in valuations in the tax and financial reporting balance sheets as long as the net difference would result in an asset.

Subscribed capital is accounted for at its nominal amount.

The **special reserve with equity portion** that was build according to Section 247 (3) HGB in the previous years can be retained according to the option in Art. 67 (3) sentence 1 EGHGB.

The **pension obligation** is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 5.13%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2011).

Pursuant to Section 253 (1) sentence 3 HGB (security-based pension obligations), the value of the provisions for the employee financed life work time account (Demografiefonds) is based on the performance of the asset value of the corresponding plan reinsurance.

The asset values used to offset the provisions are calculated at their fair values.

Tax accruals and other accruals are built for recognizable risks and uncertain liabilities at the amounts to be paid and calculated on the basis of a reasonable commercial assessment. Long term accruals are accounted for taking into account future price and cost increases and are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Foreign currency items are translated with the foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB, which results in unrealized earnings of € 36.6 thousand (previous year € 46.9 thousand).

Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

Derivative financial instruments are contracted for hedging purposes only. Both interest rate and foreign currency derivatives are contracted for hedging.

Besides hedging instruments for Cashpool balances and loans in foreign currencies that Group Companies have borrowed from Fresenius SE & Co. KGaA or that Fresenius SE & Co. KGaA has borrowed from Group Companies or banks, Fresenius SE & Co. KGaA acquires hedging instruments from banks, that are mirrored by agreements between Fresenius SE & Co. KGaA and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together so that effects of the hedge are only recognized in earnings when the underlying transaction takes place.

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

Notes on balance sheet

(4) Fixed assets

The following is a breakdown of fixed assets and their development:

	Acquisition and manufacturing costs				
	As of Jan. 01, 2011	Additions	Disposals	Reclassifications	As of Dec. 31, 2011
in thousand €					
Intangible Assets					
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	2,443	278	1,693	-1	1,027
	2,443	278	1,693	-1	1,027
Tangible Assets					
Land, leasehold and buildings including buildings on third party property	111,467	460	19	13	111,921
Plant and machinery	467	0	0	0	467
Other fixtures and fittings, tools and equipment	9,329	1,883	448	98	10,862
Payments on account and tangible assets in course of construction	191	747	0	-110	828
	121,454	3,090	467	1	124,078
Financial assets					
Shares in related parties	3,377,041	189,766	37,105	0	3,529,702
Loans to related parties	342,700	897,745	342,700	0	897,745
Other loans	1,000	0	1,000	0	0
	3,720,741	1,087,511	380,805	0	4,427,447
Non-current Assets	3,844,638	1,090,879	382,965	0	4,552,552

	Depreciation					Carrying amount	
in thousand €	Cumulated depreciation as of Jan. 01, 2011	Additions	Transfers related parties	Disposals	Cumulated depreciation as of Dec. 31,2011	Dec. 31, 2011	Dec. 31, 2010
Intangible Assets							
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	1,935	169	0	1,693	411	616	508
	1,935	169	0	1,693	411	616	508
Tangible Assets							
Land, leasehold and buildings including buildings on third party property	49,074	3,015	0	0	52,089	59,832	62,393
Plant and machinery	313	34	0	0	347	120	154
Other fixtures and fittings, tools and equipment	7,747	1,080	0	441	8,386	2,476	1,582
Payments on account and tangible assets in course of construction	0	0	0	0	0	828	191
	57,134	4,129	0	441	60,822	63,256	64,320
Financial assets							
Shares in related parties	188	0	0	0	188	3,529,514	3,376,853
Loans to related parties	3,034	0	0	3,034	0	897,745	339,666
Other loans	0	0	0	0	0	0	1,000
	3,222	0	0	3,034	188	4,427,259	3,717,519
Non-current Assets	62,291	4,298	0	5,168	61,421	4,491,131	3,782, 347

Financial assets

As of December 31, 2011 Fresenius SE & Co. KGaA owns stakes in the following domestic management companies for business segments:

- Fresenius Medical Care AG & Co. KGaA, Hof an der Saale
- Fresenius Kabi AG, Bad Homburg v.d.H.
- Fresenius ProServe GmbH, Bad Homburg v.d.H.

The percentage of Fresenius Medical Care AG & Co. KGaA´s ("FMC-AG & Co. KGaA") total subscribed capital (ordinary and preference shares) held by Fresenius SE & Co. KGaA at the end of fiscal year 2011 was 30.34% (previous year 35.27%). Due to the maturity of the Mandatory Exchangeable Bonds on August 14, 2011, Fresenius SE & Co. KGaA's stake of ordinary shares was reduced to 30.4%. In November and December 2011, Fresenius SE & Co. KGaA purchased again 1.4 million ordinary shares of FMC-AG & Co. KGaA. Therefore, the participation in FMC-AG & Co. KGaA increased to 30.34% of the total subscribed capital.

On December 31, 2011, Fresenius SE & Co. KGaA continued to hold all of the subscribed capital of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) and Fresenius Helios as well as Fresenius Vamed (Fresenius ProServe GmbH).

Fresenius SE & Co. KGaA holds 100% in Fresenius Biotech Beteiligungs GmbH.

In addition, Fresenius SE & Co. KGaA holds all of the stakes of the following domestic property management and service companies as well as foreign finance companies:

- Fresenius Immobilien-Verwaltungs-GmbH
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Friedberg KG
- Hygieneplan GmbH
- Fresenius Versicherungsvermittlungs GmbH
- Fresenius Medical Care Management AG
- Fresenius Finance B.V.
- Fresenius Finance I S.A.
- Fresenius US Finance I, Inc.
- Fresenius US Finance II, Inc.

All of the subscribed capital of Fresenius Netcare GmbH is indirectly held via Fresenius Versicherungsvermittlungs GmbH.

In 2011 Fresenius SE & Co. KGaA increased the capital of Fresenius US Finance I, Inc. and Fresenius US Finance II, Inc. by US$ 115 million (€ 86 million) and US$ 45 million (€ 34 million) respectively.

Moreover, in 2011 intercompany loans of € 558 million were refinanced from short to long term loans and are now shown under loans to related parties.

(5) Accounts receivable and other assets

	Dec. 31, 2011	Dec. 31, 2010
in thousand €		
Accounts receivable from related parties	752,486	994,592
(amount with a remaining term of more than one year)	(29,735)	(421,213)
Other assets	72,404	56,138
(amount with a remaining term of more than one year)	-	-
	824,890	1,050,730

The Accounts receivable from related parties are composed of loans and finance-related accounts of € 751,846 thousand (previous year € 994,107 thousand) and trade accounts receivable of € 640 thousand (previous year € 485 thousand).

Other assets mainly contain claims for prepaid taxes (€ 48,024 thousand) as well as trade tax reimbursement claims along with interest (€ 23,275 thousand). These tax claims relate to the period subject to a finalized tax audit of FMC-AG & Co. KGaA for the years 1997 to 2001 and are the result of a settlement agreement from January 2011 between FMC-AG & Co. KGaA and the tax authority. Given that FMC-AG & Co. KGaA is entitled to substantially all tax refunds due to trade tax consolidation at that time, a liability in favour of FMC-AG & Co. KGaA of € 16,541 thousand has been recorded. Also included are social security related receivables of € 1 thousand (previous year € 1 thousand).

(6) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at banks of € 21,510 thousand (previous year € 191,107 thousand).

(7) Deferred expense

Deferred expense of € 1,223 thousand (previous year € 1,443 thousand) mainly concerns the prepayment of the Directors&Officers-Insurance (D&O-Insurance) for top managers.

(8) Subscribed capital

As a result of Fresenius SE's change of legal form into Fresenius SE & Co. KGaA and its registration with the commercial register on January 28, 2011, all bearer preference shares were converted into bearer ordinary shares.

During the fiscal year 2011, 787,246 stock options were exercised. Accordingly, at December 31, 2011, the subscribed capital of Fresenius SE & Co. KGaA consisted of

163,237,336 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is € 1.00 per share.

The subscribed capital developed as follows:

	2011	2010
in thousand €		
As of January 1	162,450	161,316
Increase due to exercise of stock options	787	1,134
As of December 31	163,237	162,450

(9) Own shares

Fresenius SE & Co. KGaA purchased own ordinary shares during the year for distribution to employees entitled to the profit-sharing program.

The agreement reached between the Works Council and the Management Board in February 2008 is the basis for distributing the shares. The agreement awards € 1,749.00 of profit-sharing to each full-time employee for 2010 as well as the employer contribution for social security payments. About two-thirds of the profit-sharing payment is settled in shares and employees are given a choice of cash or additional shares for the remaining third. Employees that opt for additional shares are awarded one additional share. The price determination for the shares and bonus shares in the profit-sharing program was made on May 13, 2011.

To be eligible for the program, employees must have had three years of continuous employment at Fresenius SE & Co. KGaA on December 31, 2010, its direct affiliated companies or affiliated companies of Fresenius Kabi and certain other affiliated companies as identified in the Works Council agreement. At that time, eligible employees must have not been under notice or in an executive position, as defined by Fresenius. Intercompany transfers are counted in full.

The following ordinary shares were purchased and distributed or re-sold as part of the Fresenius SE & Co. KGaA profit-sharing program for 2010.

	Date	Number	Price in € per share
Purchase	May 17, 2011	36,000	71.94
Disbursement	Dec. 1, 2011	33,809	72.67
Sale	Dec. 2, 2011	2,191	72.16
Purchase	Dec. 9, 2011	18	69.74
Disbursement	Dec. 16, 2011	18	72.67

Purchased shares with a nominal value of € 36,018.00 and committed shares with a nominal value of € 33,827.00 represented 0.0221% and 0.0207% of the subscribed capital respectively.

The proceeds from the sale on December 02, 2011 have increased corporate funding.

As of December 31, 2011 no own shares were held.

(10) Notification by shareholders

The following notifications disclosed in accordance with Section 26 (1) of the German Securities Trading Act (WpHG) reflect the level of investments held in Fresenius SE & Co. KGaA at the date of the statement of financial position:

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attribution pursuant to Section 22 WpHG	Percentage of voting rights	Number of voting rights
Allianz SE, Munich, Germany [1]	January 28, 2011	Falling below 5%	Section 22 (1) sentence 1 No. 1	4.26	6,919,271
			as well as (1) sentence 1 No. 6	0.0008	1,281
Artio Global Investors, Inc., New York, USA [2]	January 28, 2011	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	2.36	3,840,708
BlackRock, Inc., New York, USA [3]	September 2, 2011	Exceeding 3% and 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	5.04	8,218,197
Else Kröner-Fresenius-Stiftung, Bad Homburg, Germany	January 28, 2011	Falling below 50% and 30%	–	28.85	46,871,154
FMR LLC, Boston, USA [4]	January 28, 2011	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	1.69	2,740,382
Skandinaviska Enskilda Banken AB (publ), Stockholm, Sweden [5]	May 13, 11	Exceeding 3% and 5%	Section 22 (1) sentence 1 No. 1	5.58	9,068,446
	May 16, 11	Falling below 3% and 5%	Section 22 (1) sentence 1 No. 1	1.77	2,868,446

[1] Attribution of voting rights via: Allianz Deutschland AG, Jota Vermögensverwaltungsgesellschaft mbH, Allianz Lebensversicherungs-AG
[2] Attribution of voting rights via: Artio Global Holdings LLC, Artio Global Management LLC
[3] Attribution of voting rights via: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock Advisors Holdings, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings LP, BlackRock Group Limited
[4] Attribution of voting rights via: Fidelity Management & Research Company
[5] Attribution of voting rights via: SEB Bank AG

The Else Kröner-Fresenius-Stiftung informed on December 30, 2011, that it still holds 46,871,154 ordinary shares of Fresenius SE & Co. KGaA representing 28.71% of the voting rights on December 31, 2011.

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations / The Fresenius Shares / Shareholder Structure.

(11) Authorised capital

By resolution of the Annual General Meeting on May 13, 2011, the previous Authorized Capitals I to V were revoked and a new Authorized Capital I was created.

In accordance with the new provision in the articles of association of Fresenius SE & Co. KGaA, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 12, 2016, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to € 40,320,000 through a single issue 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, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization. In the case of a contribution 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 above concerning the exclusion of subscription rights can be used by the general partner 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, neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization.

The new Authorized Capital I has developed as follows:

Authorized Capital I	2011	2010
in thousand €		
As of January 1	0	0
Increase due to resolution of the General Meeting	40,320	0
As of December 31	40,320	0

(12) Conditional Capital

Corresponding to the stock option plans, the Conditional capital of Fresenius SE & Co. KGaA is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with already issued stock options or convertible bonds, as the case may be, on bearer ordinary shares under the stock option plans of 1998, 2003 and 2008.

After the registration of the change of legal form with the commercial register on January 28, 2011, the Conditional Capitals in the articles of association of Fresenius SE

& Co. KGaA correspond in their scope to the Conditional Capitals of the former Fresenius SE, adjusted for stock options that have been exercised in the meantime.

Due to the conversion of all preference shares into ordinary shares, the Conditional Capital was amended to the effect that only subscription rights for bearer ordinary shares are granted.

The Conditional Capital I for the Fresenius AG Stock Option Plan 1998 has developed as follows:

Conditional Capital I	Ordinary shares	Preference shares
	€	€
As of January 1, 2011	495,255	495,255
Decrease due to exercise of stock options	-102,082	0
Conversion of preference shares into ordinary shares in combination with the change in legal form	495,255	-495,255
As of December 31, 2011	888,428	0

The Conditional Capital II for the Fresenius AG Stock Option Plan 2003 has developed as follows:

Conditional Capital II	Ordinary shares	Preference shares
	€	€
As of January 1, 2011	1,743,159	1,743,159
Decrease due to exercise of stock options	-508,800	-888
Conversion of preference shares into ordinary shares in combination with the change in legal form	1,742,271	-1,742,271
As of December 31, 2011	2,976,630	0

The Conditional Capital III for the Fresenius SE Stock Option Plan 2008 has developed as follows:

Conditional Capital III	Ordinary shares	Preference shares
	€	€
As of January 1, 2011	3,100,000	3,100,000
Decrease due to		
exercise of stock options	-175,476	0
Conversion of preference shares into ordinary shares in combination with the change in legal form	3,100,000	-3,100,000
As of December 31, 2011	6,024,524	0

Fresenius SE & Co. KGaA stock option plans

Description of the Fresenius SE & Co. KGaA stock option plans in place

On December 31, 2011, Fresenius SE & Co. KGaA had three stock option plans in place; the Fresenius AG stock option based plan of 1998 (1998 Plan), the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds and the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan). Stock options are currently being granted under the 2008 Plan only.

The following descriptions reflect the stock option plans at December 31, 2010 whereas the changes resulting from the conversion of the subscribed capital into bearer ordinary shares in combination with the change of legal form are shown in a separate chapter thereafter.

Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and managerial employees of the Company and affiliated companies.

Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to obtain 3.1 million ordinary shares and 3.1 million preference shares. Up to 1.2 million options are designated for members of the Management Board of Fresenius SE, up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for managerial staff members of Fresenius SE and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius SE's Management Board, the Supervisory Board has sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius SE has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE's ordinary shares and preference shares, respectively, on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price of both classes of shares during the 30 calendar days immediately prior to the grant date, if these are higher. 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 Fresenius SE, adjusted for extraordinary effects, has increased by at least 8% compared to the respective adjusted net income attributable to Fresenius SE 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 Fresenius SE 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 Fresenius SE is determined and will be verified bindingly by Fresenius SE's auditor during the audit of the consolidated financial statements. The performance targets for 2009, 2010 and 2011 were met. Upon exercise of vested options, Fresenius SE has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

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 options have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. The bonds expire in ten years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees have the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary or preference shares upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: $^1/_3$ of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares or preference shares, respectively, is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of bearer ordinary shares and non-voting bearer preference shares during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee would be 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split entitles to subscribe one ordinary or preference share, subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary or preference share, conversion after the share split entitles to three ordinary or preference shares.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees have the right to acquire ordinary and preference shares of Fresenius SE. Options granted under this plan have a ten-year term. At December 31, 2010, all options were exercisable. Prior to the share split, one ordinary or one preference share could be acquired for each option. After the share split in 2007, each option entitles to acquire three ordinary or preference shares. The maximum number of ordinary or preference shares to be issued to the members of the Management Board or executive employees has been adjusted accordingly.

Adaptations of the stock option plans due to the change of legal form

Upon registration of Fresenius SE's change of legal form into Fresenius SE & Co. KGaA with the commercial register on January 28, 2011, adaptations of the three stock option plans were required. Due to the conversion of all preference shares into ordinary shares in combination with the change of legal form, all already issued subscription rights under the respective stock option plan are to be satisfied, in case of exercise, with ordinary shares. Furthermore, the beneficiaries under the 2008 Plan are exclusively granted subscription rights for ordinary shares. With regard to the eligible beneficiaries, the members of Fresenius Management SE's Management Board replace the previous members of the Fresenius SE Management Board for future stock option grants. With regard to the 2008 Plan, the Supervisory Board of Fresenius Management SE determines the grants for the Management Board members of that company. All other plan participants will be determined by the Management Board of Fresenius Management SE. In addition, due to the discontinuation of the preference shares, the success target of the 2003 Plan was adjusted to the effect, that it is deemed to be achieved if and when the sum of the following price increases amounts to at least 25%:

- increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day when the change of legal form took effect

- increase of the stock exchange price of ordinary shares since the change of legal form took effect

Whereas the number of stock options remains unchanged, in future, the exercise price of the stock options corresponds to the stock exchange price of the ordinary share without considering the stock exchange price of the preference share.

The resolved changes to the stock option plans became effective upon the Management Board's resolution on September 27, 2010 with the approval of the Supervisory Board on October 12, 2010.

Transactions during 2011

In 2011, Fresenius SE & Co. KGaA awarded 1,143,440 stock options, including 198,660 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of € 71.28, a weighted-average fair value of € 19.09 each and a total fair value of € 22 million.

During the fiscal year 2011, Fresenius SE & Co. KGaA received cash of € 31 million from the exercise of 787,246 stock options. The average stock price at the exercise date was € 71.16 for ordinary shares and € 61.64 for preference shares. The intrinsic value of options exercised in 2011 was € 25 million.

Under the 1998 Plan, 29,942 stock options were outstanding and exercisable at December 31, 2011. No options were held by the members of the Management Board of Fresenius Management SE. 1,412,135 convertible bonds were outstanding under the 2003 Plan, of which 1,412,135 were exercisable. The members of the Management Board of Fresenius Management SE held 291,530 convertible bonds. Out of 4,052,050 outstanding stock options issued under the 2008 Plan, 806,006 were exercisable and 758,520 were held by the members of the Management Board of Fresenius Management SE.

Stock option transactions are summarized as follows:

	Ordinary shares	Preference shares
	number	number
Number as of December 31, 2010	2,644,661	2,664,661
plus new issues	1,143,440	-
less forfeited options	-151,389	-
less exercises	-786,358	-888
Conversion of preference shares	2,643,773	-2,643,773
Number as of December 31, 2011	5,494,127	0

(13) Capital reserves

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

The capital reserves have developed during the fiscal year as follows:

	2011	2010
in thousand €		
As of January 1	1,869,988	1,832,808
Increase due to exercise of stock options	29,808	37,180
As of December 31	1,899,796	1,869,988

The capital reserve of 10% of the subscribed capital conforms with the legal reserve as in section 150 (1) and (2) of the German Stock Corporation Act (AktG).

(14) Other reserves

Other reserves developed as follows:

	2011	2010
in thousand €		
As of January 1	854,245	777,645
Increase in other reserves from net income of the period	454,750	76,600
As of December 31	1,308,995	854,245

According to the restrictions in Section 268 (8) HGB, € 23.6 thousand shall not be distributed. This amount relates exclusively to the fair value of the securities held to cover partial retirement agreement obligations in case of insolvency. Given that the amount of capital and other reserves is sensibly higher than this amount, there is no distribution restriction for retained earnings.

(15) Retained earnings

Accumulated profits from the prior year of € 50.9 thousand are included in retained earnings in accordance with the decision taken at the Annual General Meeting on May 13, 2011.

(16) Special reserve for investment government grants

Special reserves primarily comprise government investment grants and subsidies according to sections 1, 4 and 4b of the German Investment Subsidy Code (InvZulG). Dissolution of grants and subsidies is spread over the useful life of the subsidized assets. The yearly dissolution (€ 1 thousand) is included in the profit and loss statement under “Other operating income”.

(17) Accrued expenses

The pension obligation has been determined according to the method described under Note (3) “Accounting principles and standards of valuation”. The new calculation of pension provisions required by BilMoG as of January 1, 2010 resulted in an underfunded status of € 6,670 thousand. The Company allocated the full amount to the provision in 2010 according to Art. 67 (1) sentence 1 EGHGB. The expense related to this increase was included in extraordinary result in the statement of income. Included in this item is an obligation of € 6,455 thousand in favor of Fresenius management SE for pension obligations related to its Management Board members.

In accordance with legal regulations the employee credit balances of partial retirement agreements are secured against insolvency. To fulfill this purpose the company buys shares of a money-market-similar investment fund in the amount of the cumulated credit balances. The securitization is done via pledging the investment fund shares to a trustee, hence the securities have the sole purpose of fulfilling the obligations derived from the partial retirement agreements and are not available to other creditors. They have been netted with their matching obligations following Section 246 (2) sentence 2 HGB. The fair value of these securities has been derived from the stock exchange price at the balance sheet date.

	Dec 31, 2011
in thousand €	
Amount to be paid for partial retirement agreements	1,969
Fair value of matching securities	1,470
Funded status (surplus of obligations over assets)	499
Acquisition cost of securities	1,446

In the statement of income, net interest includes € 119 thousand of netted expense and income from the valuation of the securities and the provision.

On the basis of a Works Council Agreement from 2009 and starting on January 1, 2010, employees can participate in a demography fund (Demografiefonds) by contributing part of their compensation or working time to an account run by Fresenius SE & Co. KGaA in exchange of time-off in the future. The credit balances of the employees are invested in an insurance product via a trust agreement so that Fresenius SE & Co. KGaA and its creditors do not have access to the funds. This construction is a security-based pension obligation in the sense of Section 253 (1) sentence 3 HGB. The amount provisioned for the time balances of the employees corresponds to the fair value of the insurance product. The fair value results from the forecasted actuarial reserves of the insurance company plus the present profit sharing on the surplus.

	Dec 31, 2011
in thousand €	
Amount to be paid for obligations from the demography fund	264
Fair value of matching insurance	264
Funded status (surplus of assets over obligations)	0
Acquisition cost of insurance	257

The statement of income includes € 6 thousand of netted expense and income respectively from the valuation of the insurance product and the provision.

Accruals for income taxes include estimated amounts of outstanding tax payments from prior years.

Other accruals are primarily established to cover personnel costs, insurance fees, process risks, indemnity claims as well as outstanding invoice liabilities.

(18) Liabilities

in thousand €	Dec 31, 2011 Total	thereof with a remaining term of up to 1 year	1 year to 5 years	over 5 years	Dec 31, 2010 Total	Thereof with a remaining term of up to 1 year
Convertible bonds	324	324	0	0	431	431
Bank loans	206,285	10,285	196,000	0	196,000	0
(thereof amount secured)	(196,000)	(0)	(196,000)	(0)	(196,000)	(0)
Trade accounts payable	3,207	3,207	0	0	2,907	2,907
Accounts payable to related parties	1,168,489	627,307	541,182	0	1,597,963	855,300
Other liabilities	8,680	8,680	0	0	2,185	2,185
	1,386,985	649,803	737,182	0	1,799,486	860,823
(thereof secured)	(196,000)	(0)	(196,000)	(0)	(196,000)	(0)

Convertible bonds

Liabilities result from the issuance of convertible bonds worth € 324 thousand as part of the Fresenius AG 2003 Stock Option Plan.

Bank loans

European Investment Bank Agreement

Fresenius SE & Co. KGaA has access to a revolving credit facility from the European Investment Bank (EIB) of € 96 million until June 2013. As of December 31, 2011 this credit facility was used in an amount of € 96 million.

Fresenius SE & Co. KGaA has access to a further revolving credit facility from the EIB of € 100 million until September 2013. As of December 31, 2011 this credit facility was used in an amount of € 100 million.

The above described credit facilities have quarterly adjusted variable interest rates. As of December 31, 2011 Fresenius SE & Co. KGaA paid 1.556% and 3.736% of interest for the € 96 million and the € 100 million borrowings respectively. The drawing of € 96 million under the credit facility is secured by bank guarantees. The drawing of € 100 million under the credit facility is guaranteed by Fresenius Kabi AG and Fresenius

ProServe GmbH. Furthermore the facility contains common obligations and commitments. The EIB is the non-profit-oriented financing institution of the European Union which provides long-term financing for specific investment and research projects at advantageous conditions – usually up to 50% of the project volume.

Liabilities to affiliated companies

Liabilities to affiliated companies comprise loans and financing accounts with affiliated companies in an amount of € 1,167,259 thousand (previous year € 1,597,854 thousand) and trade accounts payable amounting to € 1,230 thousand (previous year € 109 thousand).

Included in this item are liabilities of € 2,427 thousand (previous year € 0 thousand) in favour of the general partner Fresenius Management SE. Moreover liabilities of € 10,022 thousand (previous year € 0 thousand) in favour of Fresenius Management SE are included in pension liability and other liabilities.

Other liabilities

Other liabilities include primarily tax liabilities, interest liabilities as well as payroll liabilities.

Tax liabilities amount to € 1,154 thousand (previous year € 1,613 thousand).

(19) Contingent Liabilities

	2011	2010
in thousand €		
Contingencies from indemnity agreements and guarantees	4,393,192	4,556,574
(thereof amount in favor of and from affiliated companies)	(4,393,192)	(4,556,574)

Fresenius SE & Co. KGaA has committed itself to exempt on certain preconditions various members of the managing boards of foreign affiliates from claims, in case such claims were made due to their function as members of the managing board of the affiliates concerned, and these claims were based on the law of the respective country.

Fresenius SE & Co. KGaA committed itself, to the extent legally admissible, to indemnify the members of the Management Board against claims against them arising from their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a ‘Directors&Officers’ insurance with an excess, in compliance with stock corporation requirements. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

Fresenius SE & Co. KGaA guarantees the main liabilities of its wholly-owned subsidiaries Fresenius Finance B.V. and Fresenius US Finance II, Inc. – both wholly-owned subsidiaries of Fresenius SE & Co. KGaA. The following table shows these liabilities of the two companies as of December 31, 2011:

Issuer	Nominal Value	Maturity Date	Interest Rate
Euro Notes			
Fresenius Finance B.V. 2007/2012	€ 26 million	July 2, 12	5.51%
Fresenius Finance B.V. 2007/2012	€ 74 million	July 2, 12	variable
Fresenius Finance B.V. 2007/2014	€ 38 million	July 2, 14	5.75%
Fresenius Finance B.V. 2007/2014	€ 62 million	July 2, 14	variable
Fresenius Finance B.V. 2008/2012	€ 62 million	Apr. 2, 12	5.59%
Fresenius Finance B.V. 2008/2012	€ 138 million	Apr. 2, 12	variable
Fresenius Finance B.V. 2008/2014	€ 112 million	Apr. 2, 14	5.98%
Fresenius Finance B.V. 2008/2014	€ 88 million	Apr. 2, 14	variable
Senior Notes			
Fresenius Finance B.V. 2006/2013	€ 500 million	Jan. 31, 13	5.00%
Fresenius Finance B.V. 2006/2016	€ 650 million	Jan. 31, 16	5.50%
Fresenius US Finance II, Inc. 2009/2015	€ 275 million	July 15, 15	8.75%
Fresenius US Finance II, Inc. 2009/2015	US$ 500 million	July 15, 15	9.00%

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA.

Fresenius US Finance II, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, has issued unsecured Senior Notes in January 2009. The Notes comprise a US dollar tranche with a notional amount of US$ 500 million and a euro tranche with a notional amount of € 275 million. Both tranches will mature in 2015. Proceeds of the Senior Notes offering in an amount of approximately US$ 800 million were used to repay the bridge credit agreement entered into in connection with the acquisition of APP Pharmaceuticals, Inc., to repay other debt and for general corporate purposes.

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. Since January 31, 2011 the Senior Notes of Fresenius Finance B.V. maturing in 2016 may be redeemed at the option of the issuer at prices that have already been fixed at the date of issuance in the indentures. All other 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, in whole but not in part, 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, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding FMC-AG & Co. KGaA and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective Notes reaches investment grade. In the event of non-compliance with the 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 repayments plus interest. As of December 31, 2011, the Fresenius Group was in compliance with all of its covenants.

On August 20, 2008, in connection with the acquisition of APP Pharmaceuticals, Inc. (APP), the Fresenius Group entered into a syndicated credit agreement (2008 Senior Credit Agreement) in an original amount of US$ 2.45 billion.

Since that date, amendments and voluntary prepayments were made which resulted in a change of the total amount available under this facility. In March 2011, after negotiations with the lenders, Fresenius SE & Co. KGaA again improved the conditions of the 2008 Senior Credit Agreement. The amendments led to a reduction of the interest rate of Term Loan C (new: Term Loan D). The new interest rate is a rate equal to the money market interest rate (LIBOR and EURIBOR) with a minimum of 1.00% (previously: 1.50%) and a current margin of 2.50% (previously: 3.00%). An earlier amendment in March 2010 led to a replacement of Term Loan B by Term Loan C and an improvement of the applicable interest rate.

As of December 31, 2011, the 2008 Senior Credit Agreement consisted of:

- Revolving Credit Facilities in the aggregate principal amount of US$ 550 million (of which US$ 150 million is available to APP Pharmaceuticals, LLC and US$ 400 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly-owned subsidiary of Fresenius SE & Co. KGaA) which will be due and payable on September 10, 2013.

- Term Loan Facilities (Term Loan A) in the aggregate principal amount of US$ 537 million (of which equal shares are available to Fresenius US Finance I, Inc., a wholly-owned subsidiary of Fresenius SE & Co. KGaA, and to APP Pharmaceuticals, LLC). Term Loan A amortizes and is repayable in unequal semi-annual installments with a final maturity date on September 10, 2013.

- Term Loan Facilities (Term Loan D) in the aggregate principal amount of US$ 971.4 million and € 160.5 million (of which US$ 572.2 million and € 160.5 million are available to Fresenius US Finance I, Inc. and US$ 399.2 million is available to APP Pharmaceuticals, LLC). Term Loan D amortizes and is repayable in equal semi-annual installments with a final bullet payment on September 10, 2014.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH and Fresenius Kabi AG.

Moreover Fresenius SE & Co. KGaA together with Kabi AG guarantee a loan of € 24.1 million from Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG entered into in 2010 and that has a value of € 23.4 million on December 31, 2011.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Mandatory Exchangeable Bonds

To finance the acquisition of APP Pharmaceuticals, Inc., Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of € 554.4 million were issued by Fresenius Finance (Jersey) Ltd. in July 2008. Fresenius Finance B.V. subscribed for these MEB at 100% of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA), who placed the MEB in the market. The bonds carried a coupon of 5 5/8% per annum and matured on August 14, 2011. Upon maturity, the bonds were mandatorily exchangeable into ordinary shares of FMC-AG & Co. KGaA. Each holder of an MEB received 1,418 ordinary shares of FMC-AG & Co. KGaA per MEB, corresponding to a final conversion price of € 35.26. The ordinary shares of FMC-AG & Co. KGaA were owned by Fresenius SE & Co. KGaA and there was no issuance of new shares. Fresenius SE & Co. KGaA's shareholding in FMC-AG & Co. KGaA was thus reduced by 15,722,644 ordinary shares to 30.4% of the ordinary share capital.

Fair value measurements of the liabilities for the MEB on-lent from Fresenius Finance B.V. and from the maturity of the MEB performed until August 14, 2011, resulted in a netted accounting income of € 628.3 million that is shown in the profit and loss statement under "Other financial result".

(20) Other financial commitments

	2011	2010
in thousand €		
Commitments from building leases, and leasing commitments		
due 2012 (prior year: 2011)	3,715	1,213
due 2013-2016 (prior year 2012-2015)	9,897	1,204
due after 2016 (prior year: after 2015)	-	-
	13,612	2,417
Commitments from ongoing capital expenditures	333	209
(thereof amount to affiliated companies)	(-)	(-)
Other Commitments	16,930	17,201
(thereof amount to affiliated companies)	(16,930)	(17,201)
	30,875	19,827

Other financial commitments comprise liabilities for joint commitments from the transfer of pension obligations to operating divisions of the business segments and future payment-obligations from subsidiaries resulting from acquisitions.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Notes on the profit and loss statement

(21) Income from participations

	2011	2010
in thousand €		
Income from profit transfer agreements	299,019	353,310
Income from participations	79,558	73,922
(thereof amount from affiliated companies)	(79,558)	(73,922)
Expenses from loss transfer agreements	-29,654	-36,846
	348,923	390,386

(22) Other operating income

Other operating income of € 110,198 thousand in total (previous year € 78,115 thousand) is comprised primarily of cost transfers to group companies of € 53,850 thousand (previous year € 49,137 thousand), service contracts with other subsidiaries, sales of property, plant and equipment from other accounting periods of € 357 thousand (previous year € 45 thousand), as well as other income from other accounting periods mainly income from the dissolution of short-term accruals in the amount of € 2,174 thousand (previous year € 695 thousand) and from foreign currency gains of € 53,458 thousand (previous year € 25,303 thousand). The main reason for the increase in other operating income is an increase in foreign currency gains.

The total income from other accounting periods was € 2,323 thousand in the fiscal year (previous year € 809 thousand).

(23) Personnel expenses

	2011	2010
in thousand €		
Salaries and wages	19,214	23,621
Social security and costs of retirement pensions and social assistance	3,507	5,757
(thereof amount of retirement pensions)	(736)	(3,139)
	22,721	29,378

The annual average number of employees of Fresenius SE & Co. KGaA by function is divided into the following groups:

	2011	2010
Wage earners	17	18
Salaried employees	225	210
Apprentices	112	109
	354	337

(24) Depreciation and amortization of intangible assets and property, plant and equipment

Depreciation of intangible assets and property, plant and equipment of € 4,298 thousand (previous year € 3,985 thousand) is regular depreciation.

(25) Other operating expenses

Other operating expenses of € 103,383 thousand in total (previous year € 71,686 thousand) were primarily foreign currency losses of € 52,376 thousand (previous year € 24,027 thousand). Also included are IT-related expenses, insurance premiums and consulting expenses, as well as the costs of Fresenius Management SE for the compensation of its Management Board that is passed on.

Total expenses from other accounting periods were € 300 thousand in the fiscal year (previous year € 501 thousand).

In 2011 and 2010, fees for the auditor were expensed as follows:

	2011	2010
in thousand €		
Audit fees	422	441
Audit related fees	35	0
Other fees	24	217
	481	658

(26) Earnings before interest and taxes (EBIT)

	2011	2010
in thousand €		
Profit on ordinary activities	934,567	223,664
Net interest	22,427	49,685
Other financial result	-628,275	90,103
Other taxes	-433	-256
EBIT	328,286	363,196

(27) Net interest

	2011	2010
in thousand €		
Interest income from long-term loans	55,059	45,235
(thereof amount from affiliated companies)	(55,059)	(45,235)
Other interest and similar income	49,981	34,964
(thereof amount from affiliated companies)	(40,204)	(33,556)
Interest and similar expenses	-125,875	-128,444
(thereof amount from affiliated companies)	(-76,017)	(-86,841)
Expense from interest accrued for provisions	-1,592	-1,440
	-22,427	-49,685

In 2011 interest and similar expenses include compensation payment in an amount of € 19,412 thousand (previous year € 31,330 thousand) in connection with the Mandatory Exchangeable Bond on-lent from Fresenius Finance B.V.

(28) Other financial result

Other financial result includes accounting income of € 628.3 million that results from the fair value measurements done until August 14, 2011 related to the liabilities for the on-lent MEB from Fresenius Finance B.V. and for the maturity of the MEB.

(29) Extraordinary result

The extraordinary result in 2010 mainly consisted of € -6,801 thousand from the first time implementation of the new German accounting legislation (BilMoG).

(30) Income Taxes

Income taxes in the amount of € 24,619 thousand (previous year € 297 thousand) resulted from current tax expense of € 19,737 thousand (previous year € 2,017 thousand) as well as taxes from other accounting periods in the amount of € 4,882 thousand (previous year € -1,720 thousand).

The deferred tax for the Tax Group is calculated with a tax rate of 29%, which is the tax rate expected to be applicable at the time the temporary differences reverse. Deferred tax liabilities arise from differences in the valuation of accounts receivables and from other assets not recognized for tax purposes. Differences in the valuation of pensions and other provisions generate deferred tax assets that exceed the amount of deferred tax liabilities. Moreover, as of December 31, 2011 Fresenius SE & Co. KGaA has further deferred tax assets that arise from operating losses that can be carried forward for an unlimited period. The Company makes use of the option to not recognize a net deferred asset.

(31) Derivatives

Fresenius SE & Co. KGaA uses derivative financial instruments, normally micro-hedges, to hedge against existing or highly probable future interest and currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. Fresenius SE & Co. KGaA has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Fresenius SE & Co. KGaA uses derivative financial instruments to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates and interest rates. The high effectiveness of the derivative financial instruments leads to the expectation that, in general, the underlying transaction and the corresponding derivative will offset each other.

Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius SE & Co. KGaA entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had mainly US$ and € currency derivatives with a nominal value of € 942,918 thousand and fair value of € -14,914 thousand with a maximum maturity of 12 months.

For foreign exchange forward contracts contracted with banks that were closed to hedge the foreign exchange risk of Fresenius SE & Co. KGaA Group companies' and that were passed down to the affected Group companies via Group internal transactions, hedges were build for the forward contracts and the underlying transactions with an offsetting fair value. The Company does not revaluate these hedges for financial reporting purposes until maturity (Einfrierungsmethode). The net fair value of internal and external hedges was € -4,403 thousand. As of December 31, 2011, the notional amount of these transactions totalled € 445,134 thousand. A provision for contingent losses of € 4,466 thousand has been build within "Other provisions". The offsetting cash flows will level after 12 months the latest.

Further hedges were built for cashpool balances and loans in foreign currencies that Group Companies have borrowed from the Company or that the Company has borrowed from Group Companies, and their offsetting foreign exchange forward contracts closed for hedging purposes. The cashpool balances, loan receivables and payment obligations hedged against currency risk had a net book value of € 398,296 thousand (asset). External foreign currency hedging contracts for the cashpool balances, individual loans receivables and payment obligations had a net fair value of € -10,794 thousand. The changes in value of both the loan receivables and payment obligations and the foreign currency hedging contracts have been recognized as income (Durchbuchungsmethode). The offsetting cash flows will nearly level after 12 months the latest.

The rest of the currency derivative contracts can have positive and negative fair values. Positive fair values of € 494 thousand were not recognized for financial reporting purposes. Negative fair values amounting to € 211 were recognized as contingent losses.

Interest rate risk

The Company entered into interest rate swap transactions with banks with a nominal value of € 1,689,429 thousand and a negative fair value on the balance sheet date of € 65,068 thousand. These transactions are mainly offset by interest rate swaps with the same nominal value and a positive fair value of € 48,523 thousand, through hedging transactions with affiliated companies. These transactions build a hedge that is not revaluated for financial reporting purposes until maturity (Einfrierungsmethode). External transactions with a nominal value of € 48,690 thousand and a negative fair value of € 3,401 thousand on the balance sheet date were not offset by internal transactions and a provision for contingent losses was build for the negative fair value.

In 2011 further interest rate swaps where closed with banks to achieve pre-established interest rate benchmarks for future debt issuance. These swaps will be effective starting on January 13, 2013 and are not offset by internal transactions. The interest rate swaps have a nominal value of € 400,000 thousand and a negative fair value of € 13,144 thousand on the balance sheet date. A provision for contingent losses has been build for the amount of the fair value because the debt issuance will take place in another affiliate of the Group. The stated fair values do not include accrued interest.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

- The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account.

- To determine the market 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 balance sheet. 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.

- The 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 balance sheet.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method and the Dollar Offset-Method for foreign exchange forward contracts and with the Dollar Offset-Method for interest rate swaps.

(32) Compensation of the Management Board and 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 exhibit Compensation Report), which is part of the Management Report.

The Management Board's compensation is, as a whole, performance-oriented and was composed of three elements in 2011: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), components with long-term incentive effects (stock options, postponed bonus payments and a share-based compensation with cash settlement (performance shares)).

The cash compensation paid to the Management Board for the performance of its responsibilities was € 10,135 thousand (2010: € 9,398 thousand). Thereof, € 4,062 thousand (2010: € 4,105 thousand) is not performance-related and € 5,539 thousand (2010: € 4,685 thousand) is performance related. The amount of the performance-related 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 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 74,700 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based payment with cash settlement in an amount of € 1.284 thousand.

The payment of a part of the performance-related compensation in an amount of € 230 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to Fresenius SE & Co. KGaA of the years 2012 and 2013.

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was € 2,227 thousand in 2011 (2010: € 1,782 thousand). Of this amount, € 210 thousand was fixed compensation (2010: € 183 thousand), € 89 thousand was compensation for committees services (2010: € 100 thousand), and € 1,928 thousand was variable compensation (2010: € 1,499 thousand).

In 2011, to former members of the Management Board, € 776 thousand (2010: € 776 thousand) was paid. The pension obligation for these persons amounted to € 10,513 thousand in 2011 (2010: € 11,039 thousand).

In the fiscal years 2011 and 2010, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

The members of the Management Board and Supervisory Board of Fresenius Management SE are displayed in the exhibit to the Notes.

(33) 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 under Who we are / Corporate Governance / Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations / Corporate Governance / Declaration of Compliance, respectively.

(34) Consolidated Financial Statements

As parent company Fresenius SE & Co. KGaA prepares and publishes consolidated financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a of the German Commercial Code (HGB) for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.H. prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

(35) Proposal for the distribution of earnings

The General Partner an the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2011 of Fresenius SE & Co. KGaA be distributed as follows:

Payment of a dividend of € 0.95 per ordinary share on the 163,237,336 ordinary shares entitled to dividend	€ 155,075,469.20
Additions to other reserves	€ 299,700,000.00
Balance to be carried forward	€ 40,788.92
	€ 454,816,258.12

(36) Responsibility Statement

“To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company.”

Bad Homburg v.d.H., February 22, 2012

Fresenius SE & Co. KGaA,

represented by:

Fresenius Management SE, its General Partner

The Management Board

Dr. U. M. Schneider R. Baule Dr. F. De Meo

Dr. J. Götz Dr. B. Lipps S. Sturm Dr. E. Wastler

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

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
Fresenius SE (until January 28, 2011; Chairman)
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht

Dresden

Medical Director and Spokesman of the Management Board of the Universitätsklinikum Carl Gustav Carus Dresden

Offices

Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg
Universitätsklinikum Rostock

Prof. Dr. h. c. Roland Berger

Munich

Management Consultant

Offices

Supervisory Board
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Prime Office AG (Chairman)
Roland Berger Strategy Consultants Holding GmbH (Honorary Chairman)
Schuler AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
3W Power S.A., Luxembourg (Chairman)
Fiat S.p.A., Italy
Italy 1 Investment S.A., Luxembourg (Deputy Chairman)
Loyalty Partner Holdings S.A., Luxembourg (until March 1, 2011)
RCS Mediagroup S.p.A., Italy
Telecom Italia S.p.A., Italy (until April 12, 2011)

Dario Anselmo Ilossi

(as of January 31, 2011)

Rome, Italy

Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Offices

Supervisory Board
Fresenius SE (until January 28, 2011)

Konrad Kölbl

(as of January 31, 2011)

Hof am Laithagebirge, Austria

Full-time Works Council Member

Member of the Manual Workers' Works Council VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.

Chairman of the Group Works Council VAMED AG

Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices

Supervisory Board
Fresenius SE (until January 28, 2011)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Klaus-Peter Müller

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices

Supervisory Board
Commerzbank AG (Chairman)
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Linde AG

Administrative Board
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

(as of May 5, 2011)

Weilrod

Full-time Works Council Member

Chairman of the Joint Works Council Fresenius SE & Co. KGaA / Bad Homburg site

Member of General Works Council Fresenius SE & Co. KGaA

Gerhard Roggemann

Hanover

Vice Chairman (Mitglied der Geschäftsleitung) Hawkpoint Partners Ltd., Great Britain

Offices

Supervisory Board
Deutsche Beteiligungs AG
Deutsche Börse AG (Deputy Chairman)
GP Günter Papenburg AG (Chairman)

Board of Directors
F & C Asset Management plc, Great Britain (until May 3, 2011)
Friends Life Group plc, Great Britain (former Friends Provident Holdings (UK) plc)
Resolution Ltd., Guernsey

Dr. Gerhard Rupprecht

Gerlingen

Former Member of the Management Board of Allianz SE

Deputy Chairman

Offices

Supervisory Board
Euler Hermes Deutschland AG (since April 27, 2011)
Fresenius Management SE
Fresenius SE (until January 28, 2011)
Heidelberger Druckmaschinen AG

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Wilhelm Sachs

(January 31 until May 5, 2011)
Friedrichsdorf
Full-time Works Council Member

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
Fresenius SE (until January 28, 2011)
Wittgensteiner Kliniken GmbH

Stefan Schubert

(as of January 31, 2011)
Limburg-Staffel
Hospital Nurse and Full-time Works Council Member

Chairman of the Works Council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)

Rainer Stein

(as of January 31, 2011)
Berlin
Full-time Works Council member

Chairman of the Group Works Council HELIOS Kliniken GmbH

Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
Fresenius SE (until January 28, 2011)
HELIOS Kliniken GmbH

Niko Stumpfögger

(as of January 31, 2011)
Zeuthen
Secretary of the Trade Union Ver.di, Head of Company and Industry Politics in Health Care and Social Affairs
Deputy Chairman

Offices
Supervisory Board
Fresenius SE (until January 28, 2011; Deputy Chairman)
HELIOS Kliniken GmbH (Deputy Chairman)

COMMITTEES OF THE SUPERVISORY BOARD

Personnel Committee (until January 1, 2011)

Dr. Gerd Krick (Chairman)[1]
Wilhelm Sachs[1]
Dr. Karl Schneider[1, 2]
Dr. Dieter Schenk[1, 2]
Dr. Karl Schneider[1, 2]

The KGaA has no Personnel Committee.

Nomination Committee

Dr. Gerd Krick (Chairman)[1, 3]
Prof. Dr. h. c. Roland Berger[3]
Dr. Gerhard Rupprecht[3]

Audit Committee

Prof. Dr. h. c. Roland Berger (Chairman)[1, 3]
Konrad Kölbl[1, 3]
Dr. Gerd Krick[1, 3]
Gerhard Roggemann[3]
Rainer Stein[1, 3]
Dr. Karl Schneider[1, 2]

Joint Committee (since July 11, 2011)[4]

Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Dr. Gerhard Rupprecht
Dr. Karl Schneider

[1] Committee member of the Supervisory Board of the legal predecessor Fresenius SE until January 28, 2011
[2] Member of the Supervisory Board of the legal predecessor Fresenius SE until January 28, 2011
[3] Committee member of the Supervisory Board of Fresenius SE & Co. KGaA since March 11, 2011
[4] 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 [1]

Königstein

Chairman

Corporate Offices

Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi España S.A., Spain
Fresenius Medical Care Groupe France S.A.S., France (Chairman)
Fresenius Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (Chairman)

Board of Directors
APP Pharmaceuticals, Inc., USA
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (until February 24, 2011)

Rainer Baule [1]

Ettlingen

Business Segment Fresenius Kabi

Corporate Offices

Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands (Chairman)
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius Kabi España S.A., Spain
Labesfal – Laboratórios Almiro, S.A., Portugal

Administrative Board
Fresenius Kabi Groupe France S.A., France (Chairman)
Fresenius Kabi Italia S.p.A., Italy

Board of Directors
APP Pharmaceuticals, Inc., USA
Dabur Pharma (Thailand) Co. Ltd., Thailand (until January 14, 2011)
FHC (Holdings) Ltd., Great Britain
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Plc., Great Britain
Fresenius Kabi Pharmaceuticals Holding, Inc., USA
Fresenius Kabi (Singapore) Pte Ltd., Singapore

Dr. Francesco De Meo [1]

Petersberg

Business Segment Fresenius Helios

Corporate Offices

Supervisory Board
HELIOS Klinikum Bad Saarow GmbH (Chairman)
HELIOS Klinikum Emil von Behring GmbH (Chairman)
HELIOS Klinikum Erfurt GmbH (Chairman)
HELIOS Kliniken Leipziger Land GmbH (Chairman)
HELIOS Kliniken Mansfeld-Südharz GmbH (Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Spital Überlingen GmbH (Chairman)

Offices

Supervisory Board
Allianz Private Krankenversicherungs-AG (until July 6, 2011)

Dr. Jürgen Götz [1]

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labour Relations Director

Corporate Offices

Supervisory Board
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Dr. Ben Lipps [1]

Boston, Massachusetts (USA)

Business Segment Fresenius Medical Care

Corporate Offices

Management Board
Fresenius Medical Care Management AG (Chairman)

Stephan Sturm [1]

Hofheim am Taunus

Chief Financial Officer

Corporate Offices

Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A., Spain
HELIOS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH

Administrative Board
Fresenius Kabi Groupe France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler [1]

Linz, Austria

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)

[1] Member of the Management Board of Fresenius SE until January 28, 2011

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick

Königstein

Chairman

Prof. Dr. h. c. Roland Berger

Munich

Klaus-Peter Müller

Bad Homburg v. d. H.

Dr. Gerhard Rupprecht

Gerlingen

Dr. Dieter Schenk

Munich

Lawyer and Tax Consultant

Deputy Chairman

Offices

Supervisory Board
Fresenius Medical Care AG & Co. KGaA
(Deputy Chairman)
Fresenius Medical Care Management AG
(Deputy Chairman)
Fresenius SE (until January 28, 2011; Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
TOPTICA Photonics AG (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Supervisory Board
Fresenius SE (until January 28, 2011)

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

Management Report for Fresenius SE & Co. KGaA

Fresenius SE & Co. KGaA acts as an operating holding that holds the shares of the Fresenius Group management companies. Fresenius SE Co. KGaA collects income from service contracts, and in a higher amount, income from participations. The income from investments and with it, the result of operations, financial position and the assets and liabilities are highly dependent on the performance of the whole Group. Therefore the business development of the group is described in the following paragraphs.

Operations and business environment

Group structure and business

Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities.

The annual general meeting of Fresenius SE on May 12, 2010 had approved the change of the Company's legal form into an SE & Co. KGaA (a partnership limited by shares). The change was registered with the commercial register and thereby became effective on January 28, 2011. Fresenius SE has since been operating as Fresenius SE & Co. KGaA. As part of the transaction, all non-voting preference shares in Fresenius SE were mandatorily converted into voting ordinary shares at a 1:1 exchange ratio. The Company's total share capital remained unchanged.

The operating business comprises the **business segments**, all of which are legally independent entities managed by the operating parent company Fresenius SE & Co. KGaA. This Group structure has not changed in the reporting period.

- Fresenius Medical Care is the world's leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2011, Fresenius Medical Care treated 233,156 patients at 2,898 dialysis clinics.

- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition for critically and chronically ill people in hospitals and outpatient care. The company is also a leading supplier of medical devices and products in the area of transfusion technology.

- Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS-Kliniken Group operates 65 proprietary clinics, of which 64 are located in Germany and one in Switzerland. HELIOS has a total of more than 20,000 beds.

- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

- The segment Corporate / Other comprises the holding activities of Fresenius SE & Co. KGaA, the IT service provider Fresenius Netcare, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. Corporate / Other also includes the consolidation measures conducted among the business segments.

The Fresenius Group operates internationally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains more than 80 production sites around the globe. Large production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries, in Latin America, Asia-Pacific, and South Africa. This international production network allows us to implement our business model while meeting the most exacting logistical and regulatory requirements. The decentralized structure of the production sites also substantially reduces transportation costs and currency exposure.

Management and control

Since the change of legal form to a KGaA took effect, 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 the Else Kröner-Fresenius-Stiftung. The KGaA has a **two-tier management system** – management and control are strictly separated.

The **Management Board of the General Partner** conducts the business and represents the Company in dealings with third parties. It has seven members. According to the Management Board's rules of procedure, each member is accountable for his 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. All twelve members of the Supervisory Board are appointed by the General Meeting, with six of the members, who can come from various European countries, being appointed on the basis of a proposal put forward by the employees. The General Meeting is bound by the employees' proposal.

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 in the exhibit to the Notes.

The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on our website www.fresenius.com, see Who we are – Corporate Governance.

The description of both the **compensation structure** 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 (see exhibit Compensation Report). The Compensation Report is part of the Group's Management Report.

Key products and services

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis, and provides dialysis care at its own dialysis clinics in about 40 countries. Dialyzers, dialysis machines and renal pharmaceuticals are among the most important product lines in the dialysis products business. These products are sold to Group clinics as well as to external dialysis care providers in more than 120 countries. In the United States, the company also performs clinical laboratory tests. Fresenius Kabi is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of IV drugs. Fresenius Kabi's portfolio consists of more than 100 product families. The company sells its products mainly to hospitals in over 160 countries. Fresenius Helios treats more than 2 million patients, thereof about 700,000 inpatients each year at its hospitals. Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

Important markets and competitive position

Fresenius operates in about 80 countries through its subsidiaries. The **main markets** are Europe and North America. Fresenius generates 42% of its sales in Europe and 41% in North America.

Fresenius Medical Care is the worldwide leader in dialysis. The company holds the leading position in dialysis care, with a market share of 18% in revenue terms, treats the most dialysis patients, and operates the largest number of dialysis clinics. In dialysis products, Fresenius Medical Care is also the leading supplier, with a market share of about 33%. Fresenius Kabi holds leading market positions in Europe and has strong positions 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 one of the top three private hospital operators in Germany. Fresenius Vamed is one of the world's leading companies specializing in engineering and services for hospitals and other health care facilities.

Legal and economic factors

The markets of the Fresenius Group are fundamentally stable and relatively independent of economic cycles due to the intrinsic importance of the life-saving and life-sustaining products and treatments that the Group offers. The markets in which we offer our products and services are expanding, mainly for three reasons:

- **demographic trends**
- **demand for innovative therapies** in the industrialized countries
- **increasing availability of high-quality health care** in the developing and newly industrializing countries.

Furthermore, the diversification across four business segments provides 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 of the U.S. dollar to the euro. In 2011, this had a negative impact on the statement of income due to the altered average annual exchange rate between the U.S. dollar and the euro of 1.39 in 2011 as compared to 1.33 in 2010. The changed spot rate of 1.29 as of December 31, 2011 – compared to 1.34 as of December 31, 2010 – also had an impact on the balance sheet.

There were no legal aspects that significantly affected business performance in 2011.

On the whole, the legal and economic factors for the Fresenius Group were largely unchanged, so the Group's operating business was not materially affected.

Capital, shareholders, articles of association

The summary below shows the subscribed capital of Fresenius SE & Co. KGaA (as of December 31, 2010 of Fresenius SE).

	December 31, 2011		December 31, 2010	
	Number of shares	Subscribed capital in €	Number of shares	Subscribed capital in €
Ordinary shares/capital	163,237,336	163,237,336.00	81,225,045	81,225,045.00
Preference shares/capital	0	0	81,225,045	81,225,045.00
Total	163,237,336	163,237,336.00	162,450,090	162,450,090.00

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

The change of legal form to a KGaA was registered with the commercial register on January 28, 2011, and thereby became effective. In accordance with the resolution of the General Meeting and the articles of association of Fresenius SE & Co. KGaA, all the ordinary shares of Fresenius SE thereby became ordinary shares of Fresenius SE & Co. KGaA. At the same time, all non-voting preference shares of Fresenius SE were mandatorily converted at a 1:1 exchange ratio into voting ordinary shares of Fresenius SE & Co. KGaA. The Company's total share capital remained unchanged.

By resolution of the Annual General Meeting on May 13, 2011, the previous Authorized Capitals I to V were revoked and a new **Authorized Capital I** was created.

Accordingly, 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 € 40,320,000.00 until May 12, 2016, 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**, adjusted for stock options that have been exercised in the meantime:

- The subscribed capital is conditionally increased by up to € 888,428.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights.

- The subscribed capital is conditionally increased by up to € 2,976,630.00 through the issuance of new bearer ordinary shares (Conditional Capital II). 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 € 6,024,524.00 through the issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights have been or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, whereby the granting of subscription rights to the Management Board of the General Partner, and their settlement, shall be solely and exclusively the responsibility of its Supervisory Board.

Fresenius SE & Co. KGaA does not have a **share buyback program**.

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed in Note 10 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company on December 30, 2011 that it held 46,871,154 ordinary shares of Fresenius SE & Co. KGaA. On December 31, 2011 this corresponds to an equity interest of 28.71%.

Amendments to the articles of association are made in accordance with Section 278 (3), 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 of 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 which only concern their wording without a resolution of the General Meeting.

A **change of control** as the result of a takeover bid under certain circumstances could impact some of our long-term financing agreements embodying change of control agreements. These agreements are customary change of control clauses that grant creditors the right of premature call in the event of a change of control. However, the right of premature call usually only becomes effective if the change of control is followed by a downgrading of the Company’s rating.

Strategy and goals

Our goal is to build Fresenius into a leading global provider of products and therapies for critically and chronically ill people. We are concentrating our business segments on a few 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. Our aim is:

- to provide best-in-class treatment

- to grow with new products and services
- to expand in growth markets
- to increase our profitability on a sustainable basis

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

- To **expand our market position**: Fresenius' goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and to grow its market share. Fresenius Medical Care is the largest dialysis company in the world, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. 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 through APP Pharmaceuticals. To strengthen its position, Fresenius Kabi plans to roll out more products from its portfolio to the growth markets. Market share is also to be expanded further through the launch of new products in the field of IV drugs and new medical devices for infusion therapy and clinical nutrition. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.

- To **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company's market position and to diversify its business geographically.

- To **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 are convinced that we can leverage our competence in research and development in our operations 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 the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed's goal is to realize further projects in integrated health care services and to support patient-oriented health care systems more efficiently.

- To **enhance profitability**: our goal is to continue 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 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. It was 2.8 as of December 31, 2011. At the end of 2012, we expect Group leverage to be ≤3.0, due to the recently announced acquisitions.

We report on our goals in detail in the Outlook section on pages 35ff.

Overall business development

Economic Environment

The global economy continued to grow in 2011 in spite of events that curbed business activities. Effects from the strong increase of the oil price, which was caused by political unrest in the Arabic region and the earthquake in Japan, were mostly handled by the middle of 2011. An economic slow-down and the escalation of the debt crisis in some industrial countries, however, led to uncertainty and continued volatility in the stock markets during the second half of the year. In spite of the subsequent recovery, the global economic situation remained tense. During the first half of 2011, the main positive effects on the economy were the continuous expansive monetary and fiscal policy of the industrial countries and the still consistent export and investment demand.

Against the backdrop of the weak economy of the industrial countries, the robust economic development in developing and emerging market economies increasingly proved to be the most important pillar of the global economy. In 2011, their average growth was more than three times as high as that of industrial countries and contributed more than half to the growth in global production. Once again, the People's Republic of China provided important impulses, but Brazil and India have also gained significantly in importance. The global economy grew in 2011 by approximately 3.6% (2010: 5.2%).

Europe

In Europe, the growth in 2011 was associated with the slow recovery of the Eurozone during the previous year. The GDP growth declined to 1.6% (2010: 1.9%). The development in the individual countries, however, was very heterogenous: Germany experienced above-average growth, whereas Italy and Spain remained below average. In Portugal (-1.5%) and Greece (-5.3%), the GDP decreased.

The unchanged high unemployment rate of about 10.0% in 2011 prevented a general recovery of the already weak private consumption demand in the Eurozone. While the unemployment rates decreased in Germany, Austria, the Netherlands, and Italy, the situation in the labor market worsened in many countries, including Ireland, Portugal, Greece, and Spain. The effects of the real estate crisis remained especially still noticeable in Spain and Ireland.

The high debt level, the credit rating downgrade by the rating agencies, and the increased risk markup for treasuries especially in the peripheral countries of the Eurozone

Sources: German Council of Economic Experts – Annual Report 2011/2012, bank research increased the pressure to pursue ambitious consolidation plans. The economies of the countries in Southern Europe need to become more efficient; with public reform especially urgent. Some core countries must also make efforts to bring debt down to sustainable levels. By the end of 2011, problems in the Eurozone finally caused the euro to reach its all-time low against the U.S. dollar since September 2010.

The economic recovery in **Germany** continued in 2011. Although the good export demand from the first half of the year decreased due to the slowdown of the global economy towards the end of the year, GDP still rose by an average of 3.0% in 2011 (2010: 3.6%). The stable domestic demand, the relatively solid public finance situation, and the decreased unemployment rate contributed to the positive development.

The emerging economies in **Central and Eastern Europe** face problems that are similar to those of many industrial countries. Restrictive stance of the fiscal policy dampened economic development, and only a few countries, such as Poland, were able to counter with robust private demand. GDP in that region grew by 3.5%.

United States

The economy in the United States somewhat recovered after a weak first half of 2011; GDP grew by 1.7% in 2011, which is less than the previous year (2010: 3.0%). The main reasons for this growth were private consumption and increased investment demand, predominantly from the manufacturing industry, which is gaining in importance.

Also in 2011, the ailing U.S. real estate market was unable to make a true recovery. The labor market with an unemployment rate of around 9.0% – including many long-term unemployed – picked up somewhat, but in essence remained structurally weak. While the private sector created jobs, the public sector cut the number of jobs.

In the U.S., the debt to economic strength ratio has increased since 2008 by 30% to its current 100%. The country was consequently threatened with insolvency during the summer of 2011; its credit rating was downgraded for the first time since the postwar period. In order to stimulate the economy, the U.S. Federal Reserve continued its expansive monetary policy and significantly increased the amount of U.S. Treasuries on its balance sheet. In September 2011, "Operation Twist" was implemented, in which short-term bonds were traded for long-term bonds with a volume of US$ 400 billion with the goal of lowering interest rates.

The U.S. would like to save US$ 4.4 trillion over the course of the next ten years in order to stabilize its debt level. Current estimates of likely debt restrictions project total savings of US$ 1.2 trillion already in 2013. Expense cuts are planned in all public budgets.

Asia

The prospering countries in Asia once again proved to be an important pillar of the global economy. Asia continues to be the most dynamic region in the world. GDP in Asia (excluding Japan) grew by 7.3% in 2011 (2010: 9.4%).

China and India recorded the highest growth rates, with 9.1% (2010: 10.3%) and 7.3% (2010: 9.9%) respectively. Both countries distinguished themselves with pronounced intra-regional networking of their markets and lively domestic demand development. A low unemployment rate, especially in China, productivity gains, and rising wages fostered private consumption. Investment expenses increased due to high capacity utilization and infrastructural initiatives.

In order to counter rising inflation and overheating, the Chinese Central Bank increased the prime rate at the end of 2010 to reduce lending. Thanks to additional measures, the Chinese currency appreciated significantly against the U.S. dollar. After several years of a less expansive monetary policy, a trend towards monetary easing measures has been observed in some emerging economies since the end of 2011: China for instance decreased its minimum reserve requirements in order to counter a cool-down in the economy.

In March 2011, the earthquake and tsunami disaster shook the economy in **Japan** and significantly impacted the already weak economic development. Experts estimate the financial loss at up to 4.0% of GDP. In spite of additional interventions by the central bank, the significantly appreciated domestic currency continues to put a strain on the Japanese export industry. In 2011 GDP decreased by -0.8% (2010: +4.5%).

The other Asian countries were only slightly affected by the financial crisis. Most of these countries continued to benefit from the revival of world trade. This positive growth environment and the structural catch-up process explain the much higher growth rates in some cases compared to the developed industrial countries.

Latin America

Stable domestic demand and decreased dependency on developments in the U.S. led to a good, but lower growth of 4.3% (2010: 6.1%) in the Latin American countries compared to the previous year. Due to increased trading relationships with other emerging economies, countries such as Brazil, Argentina, and Chile were less affected by the weak economies of the industrial countries than countries that were highly integrated with industrial countries.

Due to continued strong trading ties with the U.S. and higher inflation rate, the GDP increase in **Mexico** declined compared to year 2010 to 3.9% in 2011 (2010: 5.5%).

In 2011, Latin America's biggest economy **Brazil** was unable to maintain the upward trend of the previous year, which was mainly driven by private consumption. Steps taken to slow down inflation and credit development also decreased economic growth, until the Brazilian central bank initiated a surprise reversal of its monetary policy in August 2011 by lowering the prime rate. Further economic stimulating is expected from the reduction of the consumption tax. Overall, the GDP growth rate clearly decreased to 2.8% (2010: 7.5%).

Argentina, however, again registered the highest increase in the region in 2011, and raised GDP by 7.8% (2010: 9.2%).

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 or multimorbid patients
- stronger demand for innovative products and therapies
- advances in medical technology
- 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 9.5% of GDP in the OECD countries in 2009, with an average of US$ 3,223 spent per capita. The United States had the highest per capita spending (US$ 7,960), as in previous years, followed by Norway (US$ 5,352) and Switzerland (US$ 5,144). Germany ranked ninth among the OECD countries with per capita spending of US$ 4,218.

Per capita **health care spending** in the OECD countries grew at an average annual rate of 4% between 2000 and 2009. In Germany, per capita health care spending increased by 2% per year over the same period. This is one of the smallest increases among all OECD countries during this period. The relatively slow growth in health care spending in Germany is due in particular to the introduction of cost-containment measures.

The public sector is the main source of health funding in all OECD countries, except Chile, the United States and Mexico, where public spending was below 50% in 2009. In Germany, 76.9% of health spending was funded by public sources in 2009, above the average of 71.7% in the OECD countries, but below the over 80% public share in the Czech Republic, Japan and Luxembourg (both in 2008), New Zealand as well as several Nordic countries, such as Sweden.

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 2009, the average life expectancy in the OECD countries was 79.5 years. In Germany, life expectancy of 80.3 years was nearly a year more than the OECD average. Japan has the highest life expectancy of all OECD countries with 83 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 pressures arising from medical advances and demographic change. Market-based elements are increasingly being introduced in the health care system to create incentives for cost and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards and optimized medical processes. In addition, ever greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

In the **United States**, the government passed a sweeping health care reform in 2010. It is planned to phase-in health insurance coverage for the roughly 46 million people – about 15% of the population – who are currently not insured. Basic health insurance is to be compulsory from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance. Several lawsuits have been filed in federal courts challenging the constitutionality of the reform, some of which upheld it while others declared portions of it a violation of the U.S. Constitution. A decision of the United States Supreme Court is expected in 2012.

Our most important markets developed as follows:

<u>The dialysis market</u>

In 2011, the value of the global dialysis market was approximately US$ 75 billion, equivalent to growth of 4% in constant currency. The market for dialysis care (including renal pharmaceuticals) accounted for approximately US$ 62 billion and the market for dialysis products for about US$ 13 billion.

The number of dialysis patients worldwide increased by about 6% to around 2.2 million.

Prevalence, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region, ranging from well below 100 to over 2,000 patients per million population (p. m. p.). Prevalence is highest in Taiwan with 2,850 p. m. p., followed by Japan with 2,520 p. m. p., and the United States with approximately 1,950 p. m. p. It averages about 1,050 in the 27 countries of the European Union. The far lower global average of approximately 400 p. m. p. is due, on the one hand, to differences in age demographics, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition 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. A comparison of economic output and national prevalence rates suggests that access to treatment is restricted especially in countries where GDP per capita is less than US$ 10,000 per person per year. In countries with a higher GDP, there is no noticeable correlation between economic strength and prevalence. However, the generally rising global prevalence rate suggests that more and more people are receiving renal replacement therapy treatment over the years.

Dialysis care

Of the around 2.2 million patients receiving regular dialysis treatment in 2011, more than 89% are treated with hemodialysis, while about 11% choose peritoneal dialysis. The majority of hemodialysis patients are treated in dialysis clinics. There are about 31,700 dialysis clinics worldwide with an average of 70 hemodialysis patients per clinic.

The organization of the clinics varies significantly depending on whether the health systems in the individual countries are state-run or private: In the United States, most of the approximately 5,800 dialysis clinics are run privately, and only about 1% are publicly operated. By contrast, about 60% of the approximately 5,400 dialysis clinics in the European Union are publicly owned. In Japan, private nephrologists play a key role, treating about 80% of dialysis patients in their facilities.

In the United States, the market for dialysis care is already highly consolidated. Taken together, Fresenius Medical Care and the second largest provider of dialysis care − DaVita − treat about 66% of all U.S. dialysis patients. In 2011, Fresenius Medical Care maintained its market-leading position of approximately 33%.

Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals. Fresenius Medical Care operates 1,081 dialysis clinics in about 40 countries and treats approximately 95,000 patients. Together, these represent by far the largest and most international network of dialysis clinics.

In 2011, the number of **peritoneal dialysis patients** worldwide was about 237,000. Fresenius Medical Care has a market share of about 19% (2010: 17%) according to sales. The increase in the market share is mainly a result of the acquisition of Gambro's global peritoneal dialysis business, closed in December 2010. Fresenius Medical Care is the global No. 2 in this market after Baxter. In the United States, its market share was 41%.

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the **Centers for Medicare & Medicaid Services (CMS)**, cover the medical services for more than 85% of all dialysis patients in the United States. In 2011, CMS reimbursements accounted for about 30% of Fresenius Medical Care’s revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

Dialysis products

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, concentrates and dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis products with a market share of about 33%, followed by Baxter with 19% and Gambro with 13%. These top three manufacturers serve about 65% of the market demand. Each of the other competitors, mainly from Japan, have a single-digit percentage market share.

Dialyzers are the largest product group in the dialysis market with a worldwide sales volume of around 211 million units in 2011. Around 93 million, or almost half, were produced by Fresenius Medical Care.

Of the approximately 73,000 new **hemodialysis machines** that were brought onto the market in 2011, about 55% were from Fresenius Medical Care. In the United States, our most important business region, Fresenius Medical Care had a share of over 80% of the independent market in these two product segments. We define the independent market as all dialysis clinics that do not belong to the major dialysis care provider Fresenius Medical Care or DaVita. In 2011, China was our second largest market, where we sold more than 5,950 new hemodialysis machines. Over 48%, or almost half of all machines used in China, were produced by Fresenius Medical Care.

<u>The market for infusion therapy and clinical nutrition, intravenously administered generic drugs and medical devices</u>

In the market for **infusion therapy and clinical nutrition**, therapies that offer high standards of health care paired with cost advantages are increasingly gaining importance in Central and Western Europe due to the general cost pressure. Studies show that, in cases of health or age-induced nutritional deficiencies, the administration of food supplements can reduce hospital costs by an average of € 1,000 per patient – through shorter stays and less nursing care. At the time when they are admitted to hospital, at least 25% of all patients in Europe are suffering from nutritional deficiencies, or have an elevated risk of developing nutritional deficiencies. Much higher figures of 50 to 60% are reported for people who require nursing care, especially the elderly. The costs caused by health-induced nutritional deficiencies are about € 170 billion per year Europe-wide.

In Central and Western Europe, the total market for infusion therapy and clinical nutrition is growing at a low single-digit rate. Growth rates are in the high single to double digits in the emerging markets of Asia-Pacific, Latin America, and Eastern Europe.

Based on its own estimates, Fresenius Kabi considers its relevant market for infusion therapy and clinical nutrition (excluding the United States and Japan) to be about € 9 billion.

We also expect the demand for **generics** to continue growing. Generic drugs are more advantageous from health economics aspects than original drugs because of their significantly lower price and they already make a vital contribution to health care today. In our view, and judged from today's vantage point, the focus is mainly on the pricing of patented drugs and the prescription drugs segment in the pharmacy market.

The market for **IV generics** is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. In Europe and the United States, the market for IV generics is growing at a mid-single-digit rate. We expect the U.S. market for IV drugs that go off-patent from 2012 to 2022 to grow to approximately US$ 20 billion on a cumulative basis. These figures are based on the sales of the original

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Sources: German Society for Nutritional Medicine (DGEM) 2009; IMS; Company research, market data refer to Fresenius Kabi's relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among others; German Federal Statistics Office drugs in 2010 and do not take account of the usual price erosions for generics. We therefore see considerable growth potential for generic drugs.

Based on its own estimates, Fresenius Kabi considers its relevant market for intravenously administered generics (without Japan) to be around € 15 billion.

The market for **medical devices** for infusion therapy, IV drugs, and clinical nutrition is growing in Europe at mid-single-digit rates. Here, the main growth drivers are technical innovations that focus on application safety and therapy efficiency.

The German hospital market

The total volume for hospital treatment (excluding research and teaching) in Germany was about € 77 billion in 2010. This was approximately one-fourth of total health care expenditures. Personnel costs account for about 61% of hospital costs, and material costs for 39%. Personnel and material costs rose by 3.6% each.

The number of **hospitals** in 2010 was 2,064 (2009: 2,084). After declining for years, the number of **beds** only fell slightly to 502,749 (2009: 503,341). Over the last five years the number of beds has declined at an average annual rate of 0.4%. Nonetheless, with 6.15 beds per 1,000 population, Germany is still well above the OECD average of 3.5 (2009). The average stay of a patient in an acute care clinic in Germany fell slightly over the same period and was 7.9 days in 2010 (2009: 8.0 days).

On the other hand, the number of **inpatient admissions** has increased. This is largely due to changing demographics. In 2010, the number of admissions increased by about 216,000 or 1.2% compared to 2009 and increased for the first time to more than 18 million. This is equivalent to 221 admissions per 1,000 population (2009: 218). Other countries rank well below the German level. In the years 2006 to 2010, the number of admissions in Germany has risen at an average annual rate of 1.7%. The average costs per admission have increased by 3.0% on average over the five years leading up to 2010.

According to a survey by the German Hospital Institute (DKI), the **economic situation** at many hospitals in Germany remains difficult: 48.8% of the hospitals expect to earn a surplus in 2011 (2010: 56%), 20.6% expect to make a loss (2010: 16%), and 30.6% expect to break even (2010: 28%). Of the clinics surveyed, about 41% assess their economic situation as good and 18% as unsatisfactory. The other 41% saw the situation as mixed. Consequently, the assessment of the economic situation has worsened even further compared to the previous year.

Many hospitals are facing a difficult economic and financial situation as well as significant **investment needs**. This is due in large part to an investment backlog that has accumulated because the federal states have not met their statutory obligation to finance necessary investments and major maintenance measures sufficiently in the past due to budget constrains. Moreover, the investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches

Sources: German Hospital Institute (DKI) – Krankenhausbarometer 2011, OECD Health Data 2011, RWI, Krankenhaus Rating Report 2011

Institut für Wirtschaftforschung (RWI) estimates that the investment backlog at German hospitals is about € 14 billion.

According to the German Federal Statistics Office, the privatization trend in the German hospital market continued in 2010, albeit on a modest scale, with the share of private hospital beds rising to 16.9% (2009: 16.6%). However, with a share of 48.6%, the bulk of the hospital beds continued to be in the public sector (2009: 48.7%).

In 2011, however, the privatization of hospitals increased once again: According to our research, about € 850 million in hospital transaction revenues were acquired in 2011, which was a significant increase compared to the previous year (2010: € 230 million).

Quality is increasingly becoming a key competitive factor for the hospital market. Transparency and comparability of the treatments for the patients and their doctors will play an ever more decisive role.

In 2010 the **post-acute care market** in Germany comprised a total of 1,237 clinics, almost the same as the year before. The number of beds was 171,724 (2009: 171,489). 56.1% (2009: 55.8%) of the clinics were private clinics. An almost unchanged 25.9% (2009: 26.1%) were independent non-profit clinics and the share of public clinics decreased to 17.9% (2009: 18.1%). Private clinics accounted for 67.0% of the total number of post-acute care beds (2009: 66.8%). Independent non-profit clinics and public clinics accounted for 15.8% (2009: 16.0%) and 17.2% (2009: 17.3%), respectively. The total number of admissions in Germany decreased by about 30,800 admissions to 1.97 million. The average length of stay decreased to 25.4 days (2009: 25.5 days).

The market for engineering and services for hospitals and other health care facilities

The market for engineering and services for hospitals and other health care facilities is very country-specific and depends to a large extent on factors such as public health care policies, government regulation, levels of privatization, economic conditions, and demographics.

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.

The Management Board’s assessment of the effect of general economic developments and those in the health care sector for Fresenius

The development of the world economy had an only negligible impact on our industry. On the whole, the health care sector, both in mature and growth markets, developed positively for Fresenius in 2011, with a continued increasing demand for health services. Strong demand for its products and services enabled Fresenius to grow with its respective markets or even outpace their growth.

Significant factors affecting operating performance

In 2011, the Fresenius Group’s positive development was again driven to a large extent by the very good operating development in all business segments. Acquisitions, mainly at Fresenius Medical Care, further strengthened organic growth.

The Management Board’s assessment of business results

The Management Board is of the opinion that the Fresenius Group’s performance in 2011 was excellent – with sales and earnings improvements across all business segments.

Fresenius Medical Care sustained its positive performance trend with organic sales growth of 2% and a significant increase in earnings. Fresenius Kabi once again reported excellent results and exceeded the already strong previous year's base, which was bolstered by supply constraints at competitors. Fresenius Kabi profited from the continued strong demand for products and generally outperformed the market. This was reflected in excellent organic growth of 9% and a strong increase in earnings. Fresenius Helios also achieved excellent organic growth of 4% and further improved its earnings. Growth at Fresenius Vamed was affected by the challenging previous year's figure, which included a substantial order from the Ukraine, and by the unrest in the Middle East / North Africa region. Fresenius Vamed still managed to increase sales by 3% and achieved further earnings growth of 13%, as well as an increase in order backlog, which is an important indicator for the project business. In 2011, order intake was slightly below the previous year's figure.

Results of operations, financial position, assets and liabilities

Results of operations

Net income of Fresenius SE & Co. KGaA in the fiscal year 2011 was € 910 million (2010: € 216 million). Net income in 2011 has been significantly affected by the maturity of the Mandatory Exchangeable Bond (MEB). The fair value measurements realized until August 14, 2011 of the liabilities for the MEB lending from Fresenius Finance B.V. and for the maturity of the MEB, resulted in a netted accounting income of € 628.3 million that is shown in the profit and loss statement under “other financial result”. Besides this effect, net income mainly resulted, as in the previous year, from income from participations and profit transfer agreements.

All the following companies have profit and loss transfer agreements with Fresenius SE & Co. KGaA: Fresenius Kabi AG, Fresenius ProServe GmbH, Fresenius Biotech Beteiligungs GmbH, Fresenius Versicherungsvermittlungs GmbH and Hygieneplan GmbH.

The profit and loss transfer agreement with Fresenius Kabi AG yielded earnings of € 146 million (2010: € 217 million). The decrease can be mainly explained by the adjustments in pension accruals performed by the Kabi companies in 2011 to reach the full amounts as required by the German accounting legislation (BilMoG). Moreover, Kabi companies also had higher expenses, especially interest expense against Fresenius SE & Co. KGaA and research and development expenses.

Fresenius ProServe GmbH contributed with earnings of € 152 million (2010: € 129 million) to the net income from participations. The increase results from improved income at the HELIOS-Companies that are part of the profit transfer agreement.

Fresenius Biotech Beteiligungs GmbH contributed with a loss of € 30 million (2010: € 37 million) to the net income from participations, which results from research and development activities done by its subsidiary Fresenius Biotech GmbH.

Other significant income from participations came from a € 69 million Fresenius Medical Care AG & Co. KGaA dividend (2010: € 65 million).

In addition to dividend payments and earnings from profit and loss transfer agreements, Fresenius SE & Co. KGaA also receives income from rent and by providing services and includes these amounts in other operating income. This item also includes € 53 million of foreign currency gains while € 52 million of foreign currency losses are included in other operating expenses.

The decrease in personnel expenses from €29 million to € 23 million mainly results from the new legal form effective on January 28, 2011: starting on this date management board remuneration is not included in personnel expenses anymore and is instead passed on to Fresenius Management SE and included therefore in other operating expenses.

The improvement in net interest from € -50 million to € -22 million mainly results from having refinanced in 2011 a short term loan to Kabi AG into a long term loan with a higher interest rate as well as from the maturity of the MEB and the discontinuation of expenses for securities lending fees from this moment onwards.

Other financial result includes the expense from market valuation of the liability in connection with the on-lent Mandatory Exchangeable Bond as well as the accounting profit from settling the liability. This profit originated from settling the liability with FMC-Shares. These accounting earnings have only been recognized in the individual financial statements of Fresenius SE & Co. KGaA prepared according to the German Commercial Code (HGB) and not in the Consolidated Financial statements prepared according to international standards.

The extraordinary result of 2010 mainly consisted of the expense related to the increase in pension provisions due to the new valuation method introduced by the new German accounting legislation (BilMoG).

The General Partner and Supervisory Board of Fresenius SE & Co. KGaA will propose a dividend increase to the Annual General Meeting. For 2011, a dividend of € 0.95 per ordinary share is proposed. This is an increase of 10.5%. The total dividend distribution will increase by 11.0% to € 155.1 million (2010: € 139.7 million).

Cash flow statement

	2011 million €	2010 million €
Net Income	910	216
Depreciation and amortization of non-current assets	4	4
Mandatory Exchangeable Bonds	-739	90
Increase in pension liabilities	2	10
Cash flow	**177**	**320**
Increase in accruals for income taxes and other accrued expenses	34	11
Increase in trade accounts payable	0	2
Increase in other operating assets and liabilities	-9	-27
Increase / Decrease in working capital	**25**	**-14**
Operating cash flow (cash provided by operating activities)	**202**	**306**
Payments for purchasing shares of consolidated companies and for investments in financial assets	-153	-3
Payments for investments in immaterial assets and property plant and equipment	-1	-2
Cash used for investing activities	**-154**	**-5**
Dividends paid	-140	-122
Proceeds from bank loans	10	0
Repayment of bank loans	0	-8
Change in financing activities with related parties	-118	-52
Proceeds from exercise of stock options	31	38
Cash used for financing activities	**-217**	**-144**
Change of cash and cash equivalents	**-169**	**157**
Cash and cash equivalents at the beginning of the year	191	34
Cash and cash equivalents at the end of the year	22	191

Fresenius believes that its existing credit facilities, as well as the operating cash flows, income from transfer agreements and additional sources of short-term funding, are sufficient to meet the company's foreseeable liquidity needs. Further refinancing on a major scale within the Fresenius Group is only due in 2012.

As of December 31, 2011, Fresenius SE & Co. KGaA complied with the covenants under all the credit agreements.

Financial situation

Total assets of Fresenius SE & Co. KGaA increased by € 313 million up to € 5,339 million (2010: € 5,026 million). The increase mainly results from collected profit transfers from Kabi AG and Fresenius ProServe GmbH.

Moreover in 2011, on the asset side of the balance sheet, € 558 million of short term intercompany loans were refinanced into long term loans and were reclassified from current to fixed assets.

Bank debt has slightly increased by € 10 million to € 206 million mainly resulting from the temporary use of the credit lines.

The decrease in accrued expenses of € 85 million to € 54 million is mainly the result of the maturity of the MEB in August 2011. This item contained an accrual of € 111 million for the market valuation of the related MEB lending.

The decrease in liabilities to affiliated companies from € 1,598 million to € 1,168 million has to be considered in the same context. Due to the maturity of the MEB in 2011, the MEB lending from Fresenius Finance BV of € 554 million was settled.

The equity ratio of 71.7% was considerably higher than on the previous year (60.2%). The main reason is the high accounting income resulting from the maturity of the MEB in August 2011.

Investments and acquisitions

Total investments in property, plant and equipment and intangible assets were € 3 million in 2011.

In November and December 2011, 1.4 million ordinary shares of FMC-AG & Co. KGaA were purchased at a price € 71 million. Moreover, Fresenius SE Co. KGaA increased in 2011 the capital of Fresenius US Finance I, Inc. and Fresenius US Finance II, Inc. by US$ 115 million (€ 86 million) and US$ 45 million (€ 34 million) respectively.

Human resources

Fresenius SE & Co. KGaA had 369 employees on December 31, 2011 (December 31, 2010: 351). Apart from an increase in the number of apprentices, the higher number of employees is due to the growing operations of the Fresenius Group that requires increasing personnel in the central functions within Fresenius SE Co. KGaA.

Profit-sharing

The high expectations we place on our employees require equivalent compensation. To identify with the Company, employees must take part in its successes and understand the opportunities and risks of entrepreneurial thinking. Fresenius uses the following models:

- Profit-sharing for our employees in Germany
- Stock option plans

These programs support the entrepreneurial focus of our employees to continually increase the value of the company and safeguard the interests of our shareholders.

Training

We can only stay ahead of the competition if our employees have the best possible training.

University graduates go through all business areas relevant to their future position in an 18-month "Graduate Development Program" to learn on the job and get a cross-divisional overview. Executive programs and leadership seminars are also a fixed component of our management training.

Miscellaneous

In 2009 a Works Council Agreement that introduced life work time accounts starting on 2010 was concluded to supplement the work time models in place. Under this scheme, employees can also credit their own contributions, such as holiday leave or parts of their compensation, into a life work time account in addition to their collectively bargained employment benefits. These accumulated credit balances can then be drawn on later flexibly for sabbaticals for higher education, further training measures, or for phased early retirement.

There were no further significant changes to compensation or employment agreements during the reporting period.

Research and development

Fresenius focuses its R & D efforts on its core competencies in the following areas:

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

Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2011, we again successfully continued numerous projects and a number of new products were launched.

Research and development **expenses** were € 267 million (2010: € 244 million) in the group. We therefore invested about 4% of our product sales in R & D (2010: 4%). In 2011, Fresenius Medical Care increased its R & D spending by 10%, and Fresenius Kabi by 13%. In the segment Corporate / Other, € 25 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the € 28 million spent in the previous year.

As of December 31, 2011, there were 1,592 employees in research and development in the Group (2010: 1,449). Of that number, 543 were employed at Fresenius Medical Care (2010: 518), 985 at Fresenius Kabi (2009: 844), and 64 at Fresenius Biotech (2009: 87).

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.

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, employees, and third parties 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 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 14001:2004 is the most important benchmark for **environmental management** in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site’s impact on the environment, for instance with respect to emissions and waste. These international standards are implemented at our various production plants and most of our dialysis clinics. 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. We have implemented this regulation. Fresenius Medical Care is also an active member of the REACH Working Group of the German Federal Association of the Medical Device Industry (Bundesverband Medizintechnologie or BVMed). In the few cases where Fresenius

Kabi produces within the EU or imports products into the European market, all the relevant substances are pre-registered in compliance with the REACH regulation.

Opportunities and risk report

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

As a provider of life-saving products and services for the severely and chronically ill, we are relatively independent of economic cycles. The diversification through our four business segments, which operate in different segments of the health care market, further minimizes the Group's risk profile. Our experience in the development and manufacture of products, as well as in our markets, serves 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 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 various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 35.

Risk management

Like opportunities management, risk management is 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. Its main element is our **control system**, with which we can identify significant risks at an early stage and counteract them individually.

Responsibilities for the processes and monitoring risks in the individual 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 without delay any relevant changes in the risk profile to the Management Board.

- Markets are kept under constant observation and close contacts 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 individual 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. Our risk management system is regularly evaluated and, if necessary, adjusted to allow prompt reaction to changes in the markets. This system has proved effective to date.

The functionality and effectiveness of the 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 our risk management system. The control system is also regularly reviewed by the Management Board and the internal auditing department. The 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 control system as it pertains to accounting are taken into account in the continued development of the system. Conclusions arising from the audits are taken into account in the ongoing refinement of our risk management system. The control system is also reviewed regularly by the Management Board and the internal auditing department.

Fresenius has ensured that the scope and focus of the organizational structure and systems for identifying and evaluating risks, and for developing counter-measures 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.

Internal financial reporting controls

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 rules, is assured by numerous measures and internal controls. Our **four-tier reporting process** especially promotes intensive discussion and ensures controls 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 and quarterly 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 in the Supervisory Board's Audit Committee.

Control mechanisms, such as automated and manual reconciliation procedures, are further precautions 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 determined at the head office. These are regularly adjusted to changes made to the accounting regulations. The consolidation proposals are supported by the IT system. In this context, please refer 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 rules are monitored and employees involved in financial reporting are instructed regularly and comprehensively. If necessary, external experts and specialists are engaged. The Treasury, Tax, Controlling, and Legal departments are involved to support 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, an important Group company, is additionally 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:

<u>General economic risks</u>

At present, the development of the global economy exhibits no significant risk to the Fresenius Group, although overall economic growth in 2012 will probably be lower than in 2011. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We also expect continued growing demand for our life-saving and life-sustaining products and services.

<u>Risks in the general operating framework</u>

The risk situation for each business segment also depends on the development of its markets. Political, legal, and financial conditions are therefore monitored and evaluated carefully. This applies especially to countries with budget problems as a result of the sovereign debt, in particular with regard to our accounts receivables. In addition, the growing internationalization of our markets requires us to keep abreast of country-specific risks.

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 by 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 e. g. changes in the reimbursement system 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 in the United States, it would significantly reduce the revenues for 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 further legislative developments of the DRG system as well as discussions about ending dual financing in the hospital sector. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the Company that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only continually monitor legislative changes, but also work together with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

In the United States, almost all injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations (GPOs)** and distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. APP Pharmaceuticals currently derives, and expects to continue to derive, a large percentage of its revenue through a small number of GPOs. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. APP Pharmaceuticals has purchasing agreements with the major GPOs. To maintain these business relationships, APP Pharmaceuticals believes it needs to be a reliable supplier, offer a comprehensive 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 bid process for products is highly competitive. Most of APP Pharmaceuticals’ GPO agreements can be terminated at short notice.

In addition, **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

Production, products, and services

Compliance with **product and manufacturing regulations** is ensured by our quality management systems in accordance with the internationally recognized quality standards ISO 9001 and the corresponding internal standards as defined, for example, in our quality and work procedure manuals. Regular audits are carried out at the Group’s production sites and dialysis clinics. These audits test compliance with all regulations in all areas –

from management and administration to production and clinical services and patient satisfaction. Our production facilities comply with the international "Good Manufacturing Practice" (GMP) and U.S. "Current Good Manufacturing Practice" (cGMP) guidelines and other recognized standards. Potential risks, such as those arising from the start-up of a new production site or the introduction of new technologies, are countered through careful planning, regular analysis, and continual progress reviews. We counter the risk of poor-quality purchased raw materials, semi-finished products, and components mainly by requiring that suppliers 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 products of high quality, maximum safety, and proven 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; in addition there are operational risks, for example the need for strict hygiene and sterile conditions. We counteract these risks with strict operating procedures, continuous personnel training, and patient-oriented working procedures. Furthermore, through our quality management systems we are constantly striving to improve the standard of patient treatment.

Further risks arise from increasing **pressure on our product prices** and from potential price increases on the procurement side. Changes in the guidelines for the reimbursement of erythropoietin (EPO), a change in the administration of EPO to patients, interruption of supply or less favorable terms and conditions for the purchase of EPO could materially adversely affect sales and profitability. Especially the expanded bundled reimbursement system, accordingly to which the reimbursement of EPO is included in the bundled rate, could in combination with material increase in the acquisition costs for EPO materially adversely affect revenue and operating profit. EPO is a hormone used in dialysis that stimulates the production of red blood cells.

Growing **competition** could materially adversely affect the future pricing and sale of our products and services. The introduction of new products and services by competitors could render one or more of our products and services less competitive or even obsolete. This also could affect renal pharmaceuticals of Fresenius Medical Care for which we are partly obligated to make minimum royalty payments.

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

We counter the risks associated with the **engineering and hospital services** 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 when preparing quotations, risk assessment before accepting orders, regular project controlling, and continual risk assessment updates), quality assurance measures, and financial measures, such as checking creditworthiness, prepayments, letters of credit, and secured credits.

Our operations are subject to strict governmental regulatory demands and controls. We have to comply with these rules and regulations monitoring 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**, the Management Board member for Legal Affairs, Compliance, and Human Resources, who is accountable for establishing and implementing guidelines and procedures. In each business segment a chief compliance officer has been appointed. He 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 complied with.

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. 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 not achieved, counter-measures can be initiated.

Risks from the integration of acquisitions

The **acquisition** and **integration** of companies carries risks that can adversely affect Fresenius' assets and liabilities, our financial position, and results of operations. Following an acquisition, the infrastructure of the acquired company 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 the course of ongoing business processes as well as relationships with customers 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.

Acquired by Fresenius in 2008, APP Pharmaceuticals has agreed to indemnify Abraxis BioScience, Inc., which split from it in 2007, from and after the spin-off with respect to all liabilities of the preseparation company related to APP Pharmaceuticals' business. At the same time, Abraxis BioScience agreed to indemnify APP Pharmaceuticals from and after the spin-off with respect to all liabilities of the preseparation company not related to APP Pharmaceuticals' business. The extent to which Abraxis BioScience will be able to satisfy these potential claims in future cannot be predicted.

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

Personnel risks

The company addresses potential shortage 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 partly to 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 thereby seek their commitment to Fresenius. HELIOS presents itself as an attractive employer, for example by providing young doctors with intensive support very early in their careers, e.g. throughout their studies and during their practical year. Risks in personnel marketing are not considered to be significant because of all these measures.

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 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 of high rating.

The Fresenius Group's **currency 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 – and 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, 2011, approximately 69% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 31%, or € 3,038 million, was exposed to an **interest rate risk**. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

As an international 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 € 60 million on Group sales and about € 2.5 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 exposure to currency risks arising from our business activities (**transaction risks**) does not rise to the same extent as sales. In order to estimate and quantify the transaction risks from foreign currencies, the Fresenius Group considers the cash flows reasonably expected for the following three months as the relevant assessment basis for a sensitivity analysis. For this analysis, the Fresenius Group assumes that all foreign exchange rates in which the Group had unhedged positions as of the reporting date would be negatively impacted by 10%. By multiplying the calculated unhedged risk positions with this factor, the maximum possible negative impact of the foreign exchange transaction risks on the Group's results of operations would be € 9 million.

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.

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. We worked on our accounts receivable taking certain measures such as factoring or selling through product distributors. We will continue to focus on these countries in our 2012 receivables management.

As a global corporation, Fresenius is subject to numerous tax codes and regulations. 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.

Fresenius group's **debt** was € 9,799 million as of December 31, 2011. The debt could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius against the background of the general financial market crisis. We reduce these risks through a high proportion of medium and long-term funding with a balanced maturity profile. Additional information on conditions and maturities can be found on Note 18 of the Notes.

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 has to 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, such as the federal dialysis reimbursement programs in the United States under Medicare and Medicaid. As of January 1, 2011, a new **reimbursement** system based on a **bundled rate** for dialysis patients covered by the public health care program (Medicare) was introduced. Beginning in 2012, the payment amount will be 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 adjustment for the year 2012 is 2.1%. Furthermore, effective January 1, 2012, payments of the reimbursement system will be contingent upon the achievement of certain minimum performance criteria, focusing in 2012 on anemia management and dialysis adequacy. If a facility does not achieve these minimum criteria in any year it will be subject to up to a 2% reduction in reimbursement. In accordance with the current draft regulation, additional quality measures would be introduced in 2014. Their exact wording, assessment, and impact on the performance-based reimbursement, however, are still pending. Fresenius Medical Care is working with hospital administrations and treating physicians to make protocol changes used in treating patients, and is negotiating pharmaceutical acquisition cost savings. To achieve greater efficiencies and better patient outcomes the company introduces initiatives to improve patient care upon initiation of dialyses, to increase the percentage of home dialysis patients and to generate cost savings in its dialysis centers. Without these initiatives the composite rate could lead to lower revenue and operating profit.

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

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 claims for damages and costs for legal defense, regardless of whether a claim for damages is actually justified. Legal disputes can also result in 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 and patent infringement suits.

In 2003, a definitive agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace. Under the settlement agreement, Fresenius Medical Care will pay a total of US$ 115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent U.S. bankruptcy court. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012.

In July 2007, the U.S. Attorney General filed a civil action against Renal Care Group, Inc. (RCG) and FMCH – in its capacity as the present holding company of RCG – before the U.S. District Court for the Eastern District of Missouri. The action claims damages and penalties in respect of the business activities of the RCG Method II supplier company in 2005 – before RCG was acquired by FMCH. On June 17, 2011, the District Court entered summary judgment against Renal Care Group, Inc. (RCG) for US$ 83 million on one of the False Claims Act counts of the complaint. On June 23, 2011, Fresenius Medical Care appealed to the United States Court of Appeals. Although Fresenius Medical Care cannot provide any assurance of the outcome, Fresenius Medical Care believes that RCG's operation of its Method II supply company was in compliance with applicable law, that no relief is due to the United States, that the decisions made by the District Court will be reversed, and that its position in the litigation will ultimately be sustained.

RCG could face possible indemnification claims from former members of the Board of Directors. They are defendants in a class action in which they are being sued for damages by former shareholders of the company.

Fresenius Medical Care is confident that the former Board members will win the case and that a possible claim will therefore not arise.

The Fresenius Group is also involved in various legal issues resulting from business operations and, 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 international 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.

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 national and global 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 to be able to take suitable counteraction.

Corporate rating

Fresenius' credit quality is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Standard & Poor's continues to rate Fresenius SE & Co. KGaA with BB and a positive outlook, while Moody's with Ba1 and a stable outlook. In August 2011, Fitch improved Fresenius SE & Co. KGaA's rating and assessed us with BB+ and a stable outlook.

Subsequent events

In August 2011, Fresenius Medical Care has executed a merger agreement with Liberty Dialysis Holdings, Inc., the holding company for Liberty Dialysis and Renal Advantage. The investment, including assumed debt, will be approximately US$ 1.7 billion. In addition, Fresenius Medical Care previously invested approximately US$ 300 million in Renal Advantage. The merger is subject to clearance under the Hart-Scott-Rodino Antitrust Improvements Act and is expected to close in early 2012. Liberty Dialysis Holdings, Inc. has annual sales of approximately US$ 1 billion and operates approximately 260 dialysis clinics. Fresenius Medical Care anticipates that facilities may need to be divested to secure regulatory clearance of the transaction.

In October 2011, HELIOS Kliniken GmbH has agreed to acquire 94.7% of the share capital in Damp Group. Damp is among the ten largest private hospital operators in Germany. The acquisition is an excellent geographic fit with the HELIOS hospital network in the north and northeast of Germany. The Damp hospitals enjoy a strong local market position and offer considerable growth potential.

Due to the geographic proximity of the HELIOS hospital Schwerin, HELIOS had to divest the Damp hospital Wismar (505 beds, sales of approximately € 60 million) to secure regulatory clearance of the transaction. Adjusted for this divestiture, Damp achieved sales of € 427 million in 2010. HELIOS anticipates to close the transaction at the end of the first or at the beginning of the second quarter 2012, respectively.

In January 2012, Fresenius Medical Care successfully placed three tranches of U.S. dollar and euro-denominated senior unsecured notes. Proceeds amounting to approximately US$ 1.81 billion are intended to be used for acquisitions, including the acquisition of Liberty Dialysis Holdings, Inc., to refinance indebtedness and for general corporate purposes. The coupon for the dollar-denominated senior notes in the principal amount of US$ 800 million due 2019 will be 5.625% and the coupon for the dollar-denominated senior notes in the principal amount of US$ 700 million due 2022 will be 5.875%. The coupon for the euro-denominated senior notes in the principal amount of € 250 million due 2019 will be 5.25%. All tranches were issued at par. There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2011. 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.

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 24ff.

General and mid-term outlook

The outlook for the Fresenius Group for the coming years continues to be positive. We are continuously striving to optimize our costs, to adjust our capacities to be able to treat patients and supply customers reliably, and to improve our product mix. We expect these efforts to improve our earnings. 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 sees very good opportunities to benefit from the considerable health care needs due to aging populations and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average and sustained growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Appropriate reimbursement structures and efficient health care systems will evolve over time in these countries as economic conditions improve. We will strengthen our local business activities in these regions and successively introduce further products from our portfolio to these markets.

- 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 convenience of our products and therapies are key factors here. Although the research is still in its infancy, the development of wearable artificial kidneys is conceivable in the long term at Fresenius Medical Care. At Fresenius Kabi we are working on the development of new generics with the aim of bringing them to the market when the originator drugs go off-patent.

- 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, which has the world's biggest population, offers excellent growth opportunities over the long term not only in clinical nutrition and infusion therapies for Fresenius Kabi, which already holds a leading market position in China, but also for Fresenius Medical Care in dialysis.

  We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce products from the existing portfolio to the U.S. market.

- The **broadening of our services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. Changes in the law could present new opportunities, for instance, for Fresenius Medical Care. Since Japan is one of the world's biggest dialysis markets, changes in the framework conditions for operating dialysis clinics as a private company could open up new revenue potential for Fresenius Medical Care. Germany is the fifth largest market in the world for Fresenius Medical Care in terms of the number of dialysis patients. We are the market leader in dialysis products. Dialysis clinics are mostly operated by practitioners, hospitals and non-profit organizations. However, for some years the company is in a position to offer dialysis care through medical care centers. Here, Fresenius Medical Care perceives its role as a partner for customers in creating new supply structures in the German health care sector and sees such ventures as an opportunity to strengthen its business long term. At the end of 2011, Fresenius Medical Care participated in ten medical care centers (2010: 8).

- **Selective acquisitions**: besides good organic growth as basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

We are also exploiting any **opportunities for tapping potential** within our operations for cost management and efficiency enhancement measures. These include plans for a further optimized procurement process and cost-efficient production. We are increasingly globalizing our sourcing processes in order to realize further synergies.

Acquisitions, primarily the acquisition of APP Pharmaceuticals, led in 2008 to appreciably higher Group debt with a corresponding impact on net interest. Meanwhile we strongly improved the Group's **leverage ratios**. As of December 31, 2011, the net debt / EBITDA ratio was 2.8. At the end of 2012, we expect Group leverage to be ≤3.0, due to the recently announced acquisitions.

This outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2012 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

As an international company, we offer our products and services in about 170 countries. We expect the consolidation process among competitors in our markets in Europe, Asia-Pacific, and Latin America to continue. 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.

In the United States, since Fresenius Medical Care and its competitor DaVita already share about 66% of the market, acquisitions – also with regard to potential antitrust restrictions – are likely to be small. Other new markets will also open up for Fresenius as we successively roll out our existing product portfolio in other regions. For instance, due to different regional and legal conditions, Fresenius Medical Care only supplies dialysis products in some countries. If conditions change, the company might provide dialysis care in these countries as well.

In 2011, Fresenius Medical Care once again significantly expanded its product business as well as cooperations with hospitals in dialysis services in China, and plans to continue this in the years to come. In addition, we have initiated a pilot project to start up a dialysis clinic by our own: Approval has already been granted for a dialysis clinic in the Chinese province of Jiangsu; it should open in mid-2012. Apart from China, mid-term the Indian market is also becoming more attractive in the Asia. So far, we have been represented by distributors on the product market since the 1990s. The regional and local public health authorities in India promote Public Private Partnerships (PPP) models. We expect to sign dialysis service contracts with larger regional and municipal public hospitals, and also aim to open our own dialysis clinic in Delhi in 2012.

Fresenius Kabi plans to introduce products from its program in the United States in 2012.

In the developed countries, Fresenius Vamed is expecting to grow in the life cycle and PPP project areas both with regard to the project and the services business. In the emerging economies, the company intends to further consolidate its market position with successfully completed contracts in the project and services business, and wants to open new target markets.

Economic outlook

The financial and economic crisis is not over yet. The development of the global economy remains fraught with risk in 2012. Many industrial countries are suffering from high unemployment, a weak asset price development and extended private household debt, which dampens private consumption. Economic development will therefore be dominated by the debt and banking crisis as well as the successful implementation of consolidation plans. A continued very expansive monetary policy should, however, have a stabilizing effect. For emerging markets, the outlook remains positive; Asian countries in particular should provide a helpful boost to the global economy. Against this backdrop, global GDP for 2012 is anticipated to increase by 3.3%.

Sources: German Council of Economic Experts – Annual Report 2011/2012, bank research

Europe

Experts anticipate a weaker economic development in the Eurozone for 2012, with significant differences between individual countries. At best, the Eurozone is expected to stagnate; more prudent scenarios envision a GDP decrease of -0,5%.

Core countries such as France, Germany, and the Benelux countries will probably distinguish themselves positively from the peripheral economies, such as Spain, Portugal and Italy, since the former have less significant fiscal, labor, and real estate problems.

In the **peripheral countries** the massive consolidation and refinancing requirements will continue to slow down economic growth, particularly in Spain and Italy. The recession will persist in **Greece and Portugal**. Decreasing demand from these countries will also have a negative effect on the export economy of the core countries.

Due to the increasingly depressed economic environment, **Germany** is expected to experience a slowdown which could lead to growth stagnation in 2012. Positive impulses are expected from domestic demand, though the trade balance will possibly have a negative impact on economic development.

Comprehensive steps to minimize the Eurozone debt crisis were taken at the end of 2011. Credit leverage is being employed to increase volume of the European Financial Stability Facility (EFSF) for higher effectiveness, especially with regard to potentially necessary support for Italy and Spain. For Greece, a significantly higher haircut for private creditors is expected, which will limit the deficit, and most likely make it possible for the country to return to the capital market by 2020.

United States

The economy in the United States will probably recover slightly. Consumer demand will be further dampened, given that labor conditions have only slightly improved and private household debt remains high. In addition, the real estate market will probably not recover quickly, even though recent developments are pointing towards an end to the decline in prices. Increased investment activities are foreseen, however, due to the unexpectedly strong, productivity-driven increase of corporate profits in the previous year. Expansive monetary policy should also provide some positive impulses. Since the effects of public budget consolidations will probably not be felt until 2013, the 2012 GDP is expected to increase by 2.5%.

Asia

For the Asian emerging economies, especially China and India, the strongest economic development is expected for 2012, with an overall GDP increase of 6.9% (Asia ex Japan). Private demand should continue to grow. Decreased exports and the slowed economy in the industrial countries, however, could affect growth negatively.

The emerging economies will remain dependent to a lesser extend on the industrial countries, which are the destination of most of their exports. Structural factors, such as the catch-up process versus the industrial countries, the young and still growing population, and improvements in infrastructure, will continue to be growth drivers for the economy. Increasing inflation should be expected due to the high growth rates.

Export and investment activities should remain the most important drivers in **China.** Increasing domestic demand can also be expected, though it will not be able to cushion expected sluggish export demand from slow economies in its most important markets. The reversion to a less restrictive monetary policy occurring at the end of 2011 and increased governmental social benefits should counteract the slowed growth. Other fiscal impulses intended to stimulate consumption are expected. For 2012, projections call for a decreased growth of 8.3%.

India's economy is primarily stimulated by private consumption. Its growth rate for 2012 could remain at the previous year's level of 7.3%, provided India can curb its high inflation.

Economic development in **Japan** is still hampered by the strong Japanese currency and the weak global economy. However, both catch-up effects and the reconstruction work taking place in the areas that were affected by the earthquake should exert a positive effect. Experts estimate GDP growth will be 0.7% in 2012.

Latin America

For **Latin America**, slightly slower but still robust growth of 3.6% is expected for 2012. The economic activities of raw materials exporters, for example Brazil, are losing some momentum due to slightly lower raw materials prices. Economic development in these countries will, however, most likely be better than average in this region.

For **Brazil**, prospects for employment and income are expected to remain good, which will generate positive impulses for consumer demand. Brazil's GDP is projected to increase by 3.2% in 2012.

GDP in **Argentina** is expected to decrease significantly to 2.9% in 2012: no growth impulses are expected from governmental policy makers, and the ongoing flight of capital and the high inflation continue to strain the economy.

Due to the unchanged strong dependence on the U.S. economy, **Mexico's** growth is estimated at 3.3%.

Health sector and markets

The health care sector continues to be one of the world's largest industries and is considered to be independent of economic cycles to a great extent. The demand especially for life-saving and life-sustaining products and services is expected to increase as they are medically needed and the population is aging.

However, 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. Due to the global financial and budget deficit crisis, some countries, such as Greece, are experiencing significant financing problems in the health care sector. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.

Nonetheless, industry observers believe that, despite all challenges, the sector will also see a comparatively solid financial performance in the foreseeable future. Favorable demographic trends, medical advances, and the large number of diseases that are still difficult to cure or are incurable should remain growth drivers. In addition, the need to increase the availability of basic health care and the growing demand for high-quality medical treatment in the emerging countries should also continue to generate steady growth rates. Furthermore the improvement of patient benefits, the treatment quality, as well as prevention will play an increasingly greater role in health care.

The dialysis market

We expect the worldwide number of dialysis patients to rise by approximately 6% p. a. in 2012, 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 2 to 4% p. a. In many emerging countries, however, where needs are still not met sufficiently, we expect growth in patient numbers of up to 10%, and in some countries even higher rates. This growth is driven by steadily evolving health care systems that are providing broader patient care. As more than 80% of the world's population lives in these countries, this opens up strong potential for the entire spectrum of dialysis care and dialysis products.

In addition, demographic 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 a rising standard of living, especially in the emerging countries. We estimate that the volume of the global dialysis market, which was about US$ 75 billion in 2011 could rise by about 4% annually – unchanged currency relations assumed.

In January 2011, the United States, our largest sales market, introduced a new bundled reimbursement system for the dialysis treatment of public health care patients. All products and services that used to be reimbursed according to the composite rate are now reimbursed in a flat fee. This includes services such as the administration of certain drugs and diagnostic laboratory tests that were reimbursed separately in the old system. The bundled reimbursement rate is adapted to patients' characteristics such as age and weight while considering adjustments for patients who require exceptional medical care that results in higher costs. In addition to inflationary adjustments starting in 2012, other special features of this new reimbursement system include adherence to certain quality parameters such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones.

The initial new bundled reimbursement rate for 2011 was introduced with a 2% cut as compared to the estimated costs under the prior reimbursement system. In addition, the authority of the state health care program (Centers for Medicare and Medicaid, CMS) initially implemented a further 3.1% reduction. However, this was subsequently eliminated effective April 1, 2011 after successful negotiations with the authority.

Beginning in 2012, the payment amount will be subject to an annual inflation adjustment. For 2012, the rate increase will be 2.1%. The inflation rate should be at a comparable level in forthcoming years according to earlier draft bills.

The new bundled reimbursement system in the United States will be phased in over a period of four years. Accordingly the implementation of the new payment system will be completed in January, 2014 for all dialysis clinics. Fresenius Medical Care decided at an early stage to convert nearly all of the clinics to the new reimbursement system already on January 1, 2011.

Further information is provided on page 32f. of the Management Report.

<u>The market for infusion therapies and clinical nutrition, generic IV drugs, and medical devices</u>

The market for **infusion therapies and clinical nutrition** in Central and Western Europe is expected to continue to grow at a low single-digit rate in the coming years. 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 expected in Asia-Pacific, Latin America and Eastern Europe. We expect the market in these regions to continue growing at high single to double-digit rates.

In view of the financial challenges in health care and in order to ensure high-quality care, we believe that the more cost-effective generics drugs will be utilized even more than now. With **generic IV drugs** 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 products that are already in the market. We expect the market for IV generics in Central and Western Europe, as well as in the United States, to grow at mid-single-digit rates in 2012.

The market for medical devices for infusion therapy, intravenously administered drugs, and clinical nutrition are expected to grow in Europe in 2012 at mid-single-digit rates.

<u>The German hospital market</u>

With regard to their funding, hospitals can also expect rising budgets in principle again in 2012. The price increase for hospital services for 2012 is 1.48% (2011: 0.9%). This includes a flat rate reduction according to the GKV-FinG of 0.5 percentage points (2011: 0.25 percentage points).

With regard to the reimbursement of additional admissions HELIOS does not expect significant changes in 2012, despite legislative changes.

Even considering the revenue increases, it will probably not be possible to cover all the expected cost increases at the hospitals – especially with regard to personnel costs as a result of wage tariff increases. Hospitals will continue to face cost pressure and the need for further savings in their operations.

Effective January 1, 2012, the German Bundestag passed the Act on the Improvement of Provisioning Structures in the German Statutory Health Insurance (GKV-VStG). The ob-

Sources: IMS Health forecasts; German Ministry of Health; German Hospital Institute (DKI).

jective of this legislation is to restructure the need-based provision in outpatient medical care. We do not expect any material changes in the financing of our outpatient care.

In Germany as from the beginning of 2010, inpatient acute care services are reimbursed only on the basis of the standardized base rates of the individual federal states (DRG system). The different base rates from state to state are to be successively harmonized over a period of five years from 2010 onwards toward a standardized, nationwide base rate corridor. The originally planned convergence to a standardized, nationwide base rate starting in 2015 was lifted. However, in light of the past experience with the DRG system, the positive development in the number of admissions, and the now completed convergence phase, HELIOS does not expect any major changes in the reimbursement of its services.

Given their growing **investment needs** but declining government support, hospitals are under growing pressure to rigorously tap the potential for rationalization. Financing investments is a challenge especially for public hospitals. The financial situation of local governments will remain constrained, reducing their ability to cover their hospitals' operating losses and finance investments. This will further limit the financial scope for supporting loss-making hospitals and investment in public health care facilities, and will encourage privatizations.

It is generally expected that the proportion of private hospitals will rise at the expense of public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They also have the potential to secure cost advantages in procurement. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures. Experts anticipate that privatizations will increase in 2012 due to the difficult economic and financial situation of the hospitals.

Another future challenge for hospitals will be **personnel shortages** due to, among other things, restrictive regulations on working hours and a higher demand for specialized staff in some areas. Retaining qualified staff over the long term and training them are seen as important success factors for a hospital.

Other crucial factors for a hospital's success are not only cost-efficient processes, a well-structured medical offering, and well-trained staff, but also excellent medical quality. HELIOS is convinced that systematic quality management and the documentation of medical outcomes should not just serve as marketing instruments, but should be an element of hospital management, and thus part of the reimbursement. In the long run, initiatives are expected that provide for the introduction of quality-based reimbursement (pay-for-performance) and allow hospitals the option of concluding selective contracts with health insurers. With its strict focus on quality and transparency, HELIOS would be well prepared for such a future development.

No consequences from changes in the law are expected in the post-acute clinic segment. However, pricing and other controls by health insurers will continue to increase. Experts assume the importance of post-acute care will rise due to demographic trends, longer working lives, and the growing prevalence of chronic diseases. As a result of growth in acute care admissions and continuous improvements in HELIOS' internal referral management, we expect to be able to leverage potentials from the combination of acute care and post-acute care, thereby increasing our number of post-acute care admissions.

The market for engineering and services for hospitals and other health care facilities

In industrialized countries, owing to demographic trends, growing demand for high-quality, efficient medical care – and thus for engineering and services for hospitals and other health care facilities – is expected to continue. 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 the advancing privatization of health care.

In the emerging countries, there is growing demand above all for infrastructure development, but also for efficient, needs-oriented medical care. The provision of primary health care is now very largely in place. In many markets, the focus now is therefore on building up secondary care, developing tertiary health care structures in the form of "centers of excellence", and creating training and research structures.

All in all, we expect the market for engineering and services for hospitals and other health care facilities to continue growing in 2012. In markets with established health care systems, we expect solid growth, in emerging markets we anticipate an overall dynamic development.

Economic outlook of Fresenius SE & Co. KGaA for the year 2012

For the fiscal year 2012 the company expects again a clear positive contribution to earnings from dividends and profit and loss transfer agreements.

Dividend

Continuity in our dividend policy remains an important priority, clearly demonstrated by dividend increases over the last 18 years. On average, we have passed on about half of the percentage growth in Group net income to our shareholders as a percentage dividend increase. Based on our positive earnings forecasts we want to remain true to our dividend policy in the 2012 fiscal year and again expect to offer our shareholders an **earnings-linked dividend.**

Bad Homburg v.d.H., February 22, 2012

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. The compensation report is prepared on the basis of the recommendations made by the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code.

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 year under review, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Karl Schneider.

The Management Board compensation system was reviewed by an independent external compensation expert in the fiscal year 2010 and later submitted to the Annual General Meeting of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) for approval. On May 12, 2010, the Annual General Meeting approved of the Management Board compensation system with a majority of 99.51% of the votes cast. In 2011, it was complemented by a share-based compensation with cash settlement (performance shares) in order to strengthen the component with long-term incentive effects. The amended Management Board compensation system was reviewed by an independent external compensation expert and will be submitted to the Annual General Meeting on May 11, 2012 for approval.

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 with the compensation paid and to reward them based on their duties and performance as well as their successes in managing the Company's economic and the financial position while giving due regard to the peer environment.

The compensation of the Management Board is, as a whole, performance-oriented and was composed of three elements in the fiscal year 2011:

- non-performance-related compensation (basic salary)
- performance-related compensation (variable bonus)
- components with long-term incentive effects (stock options, postponed bonus payments and share-based compensation with cash settlement (performance shares))

In addition, six members of the Management Board had pension commitments in the reporting period.

The design of the individual components is based on the following criteria:

The non-performance-related compensation was paid in twelve monthly installments as basic salary in the fiscal year 2011. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of company cars, special payments such as rent supplements and reimbursement of certain other charges as well as contributions to pension and health insurance.

The performance-related compensation will also be granted for the fiscal year 2011 as a short-term cash component (annual bonus) and as a longer-term compensation component (stock options, postponed bonus payments, share-based compensation with cash settlement (performance shares)). The amount of the bonus 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 variable bonus is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the net income attributable to Fresenius SE & Co. KGaA as well as 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. Half of the amount of the variable bonus of Dr. Wastler in each case 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. Dr. Lipps receives his compensation exclusively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

For the fiscal years 2011 and 2010, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	2011	2010	2011	2010	2011	2010	2011	2010
Dr. Ulf M. Schneider	900	900	61	47	1,150	908	2,111	1,855
Rainer Baule	500	500	120	42	764	608	1,384	1,150
Dr. Francesco De Meo	500	500	19	18	671	498	1,190	1,016
Dr. Jürgen Götz	375	375	33	30	584	464	992	869
Dr. Ben Lipps[1]	862	905	182	354	1,078	1,172	2,122	2,431
Stephan Sturm	500	500	86	85	721	574	1,307	1,159
Dr. Ernst Wastler	425	425	33	32	571	461	1,029	918
Total	**4,062**	4,105	**534**	608	**5,539**	4,685	**10,135**	9,398

[1] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 30% of the total subscribed capital. As Dr. Ben Lipps is 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 company cars, contributions to pension and health insurance as well as other benefits.

In the fiscal year 2011, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €4,461 thousand. This equals 95% of the total bonus of €4,691 thousand. The remaining part in an amount of €230 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

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 variable bonus 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 bonus 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 expiry of such multi-year period only if (i) no subsequent adjustment of the decisive (i. e. adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) 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 by 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 variable bonus. No interest is payable on the converted bonus claim from the time when it first arises until the time of its effective payment. In this way, the variable bonus 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.

The system of compensation for the Management Board moreover provides for a contractually stipulated cap or possibility of capping the amount of the annual compensation to be claimed by the member of the Management Board overall, i. e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments which are not in any relevant proportion to the performance of the Management Board.

Under the compensation system, the amount of the basic 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.

In the fiscal year 2011, stock options based on the Stock Option Plan 2008 of Fresenius SE & Co. KGaA and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 as well as a share-based compensation with cash settlement were granted as components with long-term incentive effects. The number of stock options to be granted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

The principles of both plans are described in more detail in note 34 of the notes of the Fresenius Group, Stock options.

In the fiscal year 2011, as a further long-term incentive component, the members of the Management Board were granted an entitlement to a share-based compensation with cash settlement (performance shares) for the first time.

The entitlement is subject to a four-year vesting period although a shorter period may apply in special cases (e. g. professional incapacity, retirement, non-renewal of expired service agreements by the Company). The amount of cash payment corresponds to the share price of Fresenius SE & Co. KGaA's ordinary shares upon exercise at the end of the four-year vesting period.

The payment is subject to the achievement of the performance target of an 8% increase of the consolidated net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) year over year during the four-year vesting period. For each year in which the success target has not been met, one-fourth of the entitlement shall forfeit. Apart from that, the total entitlement for payment is earned if an average increase of the consolidated net income attributable to Fresenius SE & Co. KGaA of 8% is achieved over the four-year vesting period.

For the fiscal years 2011 and 2010, the number and value of stock options issued, the value of the postponed performance-related compensation as well as the value of the share-based compensation with cash settlement (performance shares) is shown in the following table.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2011 correspond to their fair value at the time of grant, namely a value of €19.10 (2010: €12.92) per stock option of Fresenius SE & Co. KGaA and €13.44 (2010: €8.07) per stock option of FMC-AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €71.28 (2010: €53.44).

As the financial targets of the year 2011 were achieved, Dr. Ben Lipps is entitled to a share-based compensation in an amount of €684 thousand (2010: €391 thousand) in accordance with the bonus agreement of Fresenius Medical Care. The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three-year vesting period.

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed performance-related compensation		Share-based compensation with cash settlement (performance shares)		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2011	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**56,760**	56,760	**1,084**	733	**0**	174	**100**	0	**1,184**	907
Rainer Baule	**28,380**	28,380	**542**	367	**122**	241	**100**	0	**764**	608
Dr. Francesco De Meo	**28,380**	28,380	**542**	367	**29**	131	**100**	0	**671**	498
Dr. Jürgen Götz	**28,380**	28,380	**542**	367	**0**	98	**100**	0	**642**	465
Dr. Ben Lipps	**74,700**	99,600	**1,004**	804	**0**	0	**684**	391	**1,688**	1,195
Stephan Sturm	**28,380**	28,380	**542**	367	**79**	208	**100**	0	**721**	575
Dr. Ernst Wastler	**28,380**	28,380	**542**	367	**0**	95	**100**	0	**642**	462
Total	**273,360**	298,260	**4,798**	3,372	**230**	947	**1,284**	391	**6,312**	4,710

[1] Stock options that were granted in 2011 and 2010 under the Fresenius SE & Co. KGaA stock option plan.
Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

At the end of the fiscal year 2011, the members of the Management Board held a total of 1,050,050 (2010: 978,960) stock options and convertible bonds (together referred to as stock options) of Fresenius SE & Co. KGaA and 572,700 (2010: 598,870) stock options and convertible bonds of FMC-AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2011 are shown in the following table:

	Dr. Ulf M. Schneider	Rainer Baule	Dr. Francesco De Meo	Dr. Jürgen Götz	Dr. Ben Lipps[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2011								
number	335,400	167,700	109,980	87,300	598,870	167,700	110,880	**978,960**
average exercise price in €	42.51	42.51	48.41	48.90	32.15	43.63	46.44	**44.38**
Options granted during fiscal year								
number	56,760	28,380	28,380	28,380	74,700	28,380	28,380	**198,660**
average exercise price in €	71.28	71.28	71.28	71.28	52.48	71.28	71.28	**71.28**
Options exercised during fiscal year								
number	58,480	65,790	0	0	100,870	0	3,300	**127,570**
average exercise price in €	24.48	30.95			18.54		22.81	**27.77**
average stock price in €	72.65	69.18			49.22		71.20	**70.82**
Options outstanding on December 31, 2011								
number	333,680	130,290	138,360	115,680	572,700	196,080	135,960	**1,050,050**
average exercise price in €	50.37	54.37	52.72	53.98	37.20	47.26	51.83	**51.18**
average remaining life in years	4.9	5.1	5.1	5.1	4.1	4.7	5.0	**5.0**
range of exercise prices in €	29.50 to 71.28	33.81 to 71.28	33.81 to 71.28	33.81 to 71.28	30.49 to 52.48	29.50 to 71.28	29.50 to 71.28	**29.50 to 71.28**
Exercisable options on December 31, 2011								
number	168,560	47,730	55,800	33,120	298,800	113,520	53,400	**472,130**
average exercise price in €	47.35	55.95	51.63	55.30	33.30	42.76	49.34	**48.40**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options of Fresenius SE & Co. KGaA, excluding stock options of Dr. Ben Lipps

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2011 and 2010:

€ in thousands	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
	2011	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**2,111**	1,855	**1,184**	907	**3,295**	2,762
Rainer Baule	**1,384**	1,150	**764**	608	**2,148**	1,758
Dr. Francesco De Meo	**1,190**	1,016	**671**	498	**1,861**	1,514
Dr. Jürgen Götz	**992**	869	**642**	465	**1,634**	1,334
Dr. Ben Lipps	**2,122**	2,431	**1,688**	1,195	**3,810**	3,626
Stephan Sturm	**1,307**	1,159	**721**	575	**2,028**	1,734
Dr. Ernst Wastler	**1,029**	918	**642**	462	**1,671**	1,380
Total	**10,135**	9,398	**6,312**	4,710	**16,447**	14,108

The stock options and the entitlement to a share-based compensation (performance shares) can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2011 and 2010 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

€ in thousands	Stock options		Share-based compensation with cash settlement (performance shares)		Total expenses for share-based compensation	
	2011	2010	**2011**	2010	**2011**	2010
Dr. Ulf M. Schneider	**736**	681	**2**	0	**738**	681
Rainer Baule	**368**	341	**2**	0	**370**	341
Dr. Francesco De Meo	**351**	268	**2**	0	**353**	268
Dr. Jürgen Götz	**368**	327	**2**	0	**370**	327
Dr. Ben Lipps	**1,098**	879	**780**	860	**1,878**	1,739
Stephan Sturm	**368**	341	**2**	0	**370**	341
Dr. Ernst Wastler	**351**	268	**2**	0	**353**	268
Total	**3,640**	3,105	**792**	860	**4,432**	3,965

COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD FOR THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule, Dr. Jürgen Götz and 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. The Management Board member Dr. Ben Lipps has acquired nonforfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America. With regard to these pension commitments, the Fresenius Group had pension obligations of €8,678 thousand as of December 31, 2011 (2010: €7,870 thousand). The additions to pension liability in the fiscal year 2011 amounted to €808 thousand (2010: €2,830 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2011	Additions	**As of December 31, 2011**
Dr. Ulf M. Schneider	1,240	95	**1,335**
Rainer Baule	3,362	330	**3,692**
Dr. Jürgen Götz	416	65	**481**
Dr. Ben Lipps	401	247	**648**
Stephan Sturm	675	89	**764**
Dr. Ernst Wastler	1,776	-18	**1,758**
Total	7,870	808	**8,678**

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent basic salary, from the 63rd year of life, 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 basic salary increases with every full year of service as 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).

30% of the gross amount of any later income from an occupation of the Management Board member is set off against the pension. Furthermore, 100% (or in the case of Management Board member Rainer Baule 70%) of any amounts accruing to Management Board members or their surviving dependents from the Management Board member's vested rights in other company pension plans, also from employment with other companies, is also set off.

In the event of the death of one of the aforesaid Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, own legitimate children of the deceased Management Board member 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 ends before the age of 63 years 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.

With the Management Board member Rainer Baule it was agreed in 2010 that instead of increasing the amounts of the life insurance policies taken out by Fresenius in his favor a sum of €78 thousand be paid, due at the age of 63 years. This amount carried interest as from January 1, 2010 until payment at an annual rate of 4.4% and became due in 2011.

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 basic 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.

With the Management Board member Dr. Ben Lipps, there is the following individual agreement in plan: Instead of a pension provision, and taking account of a restriction of competition after the ending of the service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. The consideration to be granted annually by Fresenius Medical Care Management AG in return would amount to approximately 33% of the non-performance-related compensation components paid to him in the fiscal year 2011. The net present value of this commitment as of December 31, 2011 is €2,304 thousand. In addition, the Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. Due to plan cuts in March 2002, the rights to receive benefits from the pension plans have been frozen at the level then applicable.

A post-employment non-competition covenant was agreed upon for all Management Board members. If such covenant becomes applicable, the Management Board members receive a waiting allowance that is generally equivalent to half of the annual basic compensation for each year of respective application of the non-competition covenant, up to a maximum of two years.

The Management Board members' service agreements do not contain express provisions for the event of a "change of control".

All Management Board members have received individual contractual commitments for the continuation of their payments in cases of sickness for a maximum of 12 months, although as of 6 months of sick leave, insurance benefits may be set off therewith. If a Management Board member dies,the surviving dependents will be paid three more monthly amounts after the month of death, until the end of the respective service agreement at the longest, however.

MISCELLANEOUS

In the fiscal year 2011, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

To the extent permitted by law, Fresenius SE & Co. KGaA undertook to indemnify the members of the Management Board against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company concluded a Directors' & Officers' insurance with an excess, which complies with the requirements of the German Stock Corporation Act. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the termination of the membership of the Management Board in each case.

Based on pension commitments, to former members of the Management Board, €776 thousand and €776 thousand were paid in the years 2011 and 2010, respectively. The benefit obligation for these persons amounted to €10,513 thousand in 2011 (2010: €11,039 thousand).

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. 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 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. 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. 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.

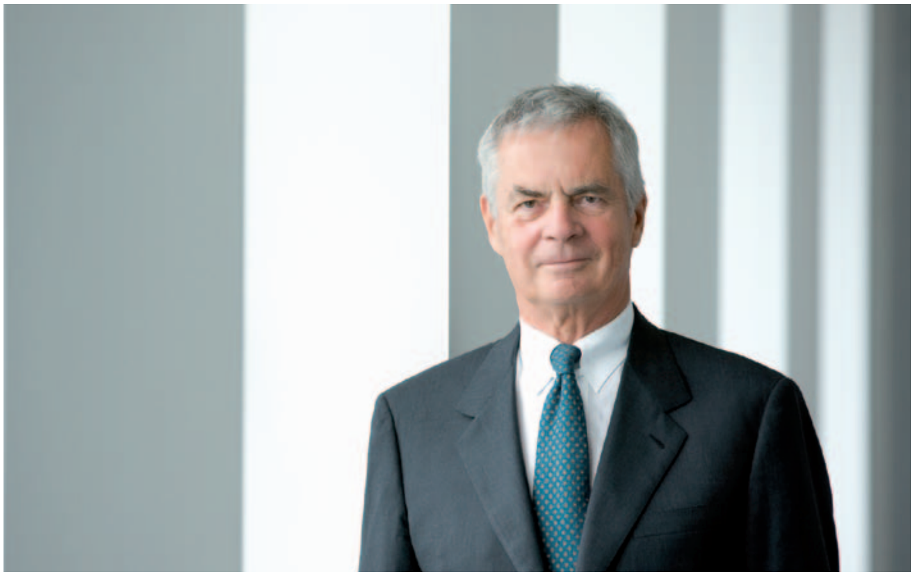
For the years 2011 and 2010, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE, including compensation for committee services, was as follows:

	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 Tsd €	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010	**2011**	2010
Dr. Gerd Krick	**14**	26	**12**	0	**10**	30	**16**	0	**128**	214	**110**	0	**290**	270
Dr. Dieter Schenk [1]	**1**	20	**18**	0	**0**	0	**8**	0	**14**	161	**165**	0	**206**	181
Niko Stumpfögger	**19**	20	**0**	0	**0**	0	**0**	0	**177**	161	**0**	0	**196**	181
Prof. Dr. med. D. Michael Albrecht (since January 28, 2011)	**12**	0	**0**	0	**0**	0	**0**	0	**110**	0	**0**	0	**122**	0
Prof. Dr. h. c. Roland Berger	**7**	13	**6**	0	**18**	20	**0**	0	**64**	107	**55**	0	**150**	140
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**118**	107	**0**	0	**131**	120
Konrad Kölbl	**13**	13	**0**	0	**9**	10	**0**	0	**118**	107	**0**	0	**140**	130
Klaus-Peter Müller	**7**	13	**6**	0	**0**	0	**0**	0	**64**	107	**55**	0	**132**	120
Dieter Reuß (since May 5, 2011)	**9**	0	**0**	0	**0**	0	**0**	0	**78**	0	**0**	0	**87**	0
Gerhard Roggemann (since January 28, 2011)	**12**	0	**0**	0	**8**	0	**0**	0	**110**	0	**0**	0	**130**	0
Dr. Gerhard Rupprecht	**12**	13	**6**	0	**0**	0	**0**	0	**112**	107	**55**	0	**185**	120
Wilhelm Sachs (until May 5, 2011)	**4**	13	**0**	0	**1**	10	**0**	0	**40**	107	**0**	0	**45**	130
Dr. Karl Schneider [1]	**1**	13	**12**	0	**2**	20	**8**	0	**9**	107	**110**	0	**142**	140
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**118**	107	**0**	0	**131**	120
Rainer Stein	**13**	13	**0**	0	**9**	10	**0**	0	**118**	107	**0**	0	**140**	130
Total	**150**	183	**60**	0	**57**	100	**32**	0	**1,378**	1,499	**550**	0	**2,227**	1,782

[1] until January 28, 2011 member of the Supervisory Board of Fresenius SE & Co. KGaA, since January 28, 2011 member of the Supervisory Board of Fresenius Management SE

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded 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 2012. 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 which are covered by the policy.



REPORT OF THE SUPERVISORY BOARD

The change of Fresenius SE's legal form into Fresenius SE & Co. KGaA was entered into the commercial register on January 28, 2011. On that day, the term of office of Fresenius SE's Supervisory Board ended and the term of Fresenius SE & Co. KGaA's Supervisory Board began. In 2011, both Supervisory Boards fulfilled their obligations in their respective terms in accordance with the provisions of the law, the articles of association, and the rules of procedure. They regularly advised the Fresenius SE Management Board and the management board of the general partner, Fresenius Management SE, respectively, regarding the management of the Company, and have supervised the management in accordance with their Supervisory Board responsibilities.

This report refers to the activities of the Supervisory Board of Fresenius SE and of the Supervisory Board of Fresenius SE & Co. KGaA. Information regarding the composition and the tasks of the Supervisory Board of the general partner, Fresenius Management SE, can be found in the annual report on page 16 – Corporate Governance Declaration and Report.

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, economic and financial position, profitability 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 Boards of both Fresenius SE and the general partner, respectively, the Supervisory Board discussed all business transactions that were important for the Company in its committees and at its meetings. The Management Boards of Fresenius SE and of the general partner, respectively, 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 held no meetings throughout the remainder of its term, which ended on January 28, 2011. The Supervisory Board of Fresenius SE & Co. KGaA convened for four regular meetings in 2011 – in March, May, October, and December. In addition, the Supervisory Board had three informational events in July, September, and November in which the members of the Fresenius SE & Co. KGaA Supervisory Board were informed in particular about the Fresenius Management SE Supervisory Board's approval of business management measures of Fresenius Management SE. 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 each of its 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 to the Supervisory Board 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 a few cases, it passed resolutions by written proceeding in lieu of a meeting. In addition, the Chairman of Fresenius SE's and the Chairman of the general partner's Management Board, respectively, regularly informed the Chairman of the Supervisory Board in separate meetings about the latest developments of the business and forthcoming decisions and discussed them with him.

Every member of the Supervisory Board of Fresenius SE & Co. KGaA attended at least half of the regular Supervisory Board Meetings during their term of office in 2011.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2011, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments in the business segments. The Supervisory Board furthermore thoroughly reviewed and discussed all other significant business activities with the Management Board. One main consulting focus was on acquisitions, for example, the acquisition of Liberty Dialysis Holdings, Inc. in the dialysis segment and the acquisitions of Damp Holding AG and Katholisches Klinikum Duisburg within our German hospital business. In addition, the Supervisory Board was kept informed about the implementation of the change of legal form and the share conversion. It discussed in detail the 2012 budget and the midterm planning of the Fresenius Group. 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 March 9, 2011, and on December 20, 2011.

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. 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 boards of the University Hospitals in Aachen, Rostock, and Magdeburg. 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 Board of our Company and the Chairman of the supervisory board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. In 2011, the Fresenius Group paid about €600,000 to Commerzbank AG for services provided in connection with the Senior Notes issuances of Fresenius Medical Care. Dr. De Meo, member of the Management Board of the general partner of Fresenius SE & Co. KGaA, was a member of the supervisory board of Allianz Private Krankenversicherungs-AG until July 6, 2011. The Fresenius Group pays insurance premiums to Allianz under customary conditions and in customary amounts. They amounted to €4.34 million in 2011 (2010: €3 million).

There are no direct consultancy or other service relationships between the Company and any given member of the Supervisory Board. However, one of the Group's companies had consultancy contracts with the management consultancy firm Roland Berger Strategy Consultants. Prof. Dr. h. c. Berger – also a member of the Supervisory Board of Fresenius Management SE – was a member of the Fresenius SE Supervisory Board until January 28, 2011, and has been a member of the Fresenius SE & Co. KGaA Supervisory Board since then. Prof. Dr. h. c. Berger is at the same time a partner in Roland Berger Strategy Consultants. The Fresenius Group paid €675,000 to that company for services rendered in 2011 (2010: €0.2 million). The Supervisory Board has closely examined this mandate and approved it. Prof. Dr. h. c. Berger abstained from the voting. The approval was made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

Furthermore, various companies of the Fresenius Group were advised by the international law firm Noerr LLP. Dr. Schenk, Deputy Chairman of the Supervisory Board of Fresenius SE until January 28, 2011, member of the Supervisory Board of Fresenius Management SE since March 11, 2010, and Deputy Chairman of the same since May 12, 2010, is also a partner of this law firm. The Fresenius Group paid a total of €1.43 million to this law firm in 2011 (2010: €1 million). This corresponds to 2% of the total amount paid by Fresenius Group for services and legal advice in 2011 (2010: 1.5%). Thereof, about €45,000 were attributable to services for Group companies not related to the business segment Fresenius Medical Care. Those services rendered for Group companies of the business segment Fresenius Medical Care require a separate approval by the Supervisory Boards of Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA. The Supervisory Board of Fresenius SE & Co. KGaA, of which Dr. Schenk is not a member, has closely examined the mandate of the law firm Noerr from January 1, 2011 until the change of legal form on January 28, 2011 and approved it unanimously. The approval was made on the basis of a written submission which listed all individual mandates and their corresponding individual invoices. In 2011, the invoices were paid only after the Supervisory Board gave its approval. The Supervisory Board of Fresenius SE & Co. KGaA did not pass a resolution with respect to the commissioning of the law firm Noerr after the change of legal form became effective because Dr. Schenk is not a member of this Supervisory Board. Instead, the Supervisory Board of Fresenius Management SE, of which Dr. Schenk is a member, oversaw the commissioning of the law firm Noerr and approved it.

The payments mentioned in the above section "Corporate Governance" are net amounts in Euro. In addition, VAT and insurance tax were paid.

For more information on corporate governance at Fresenius, please refer to the Corporate Governance Declaration and Report on pages 14 to 33 of the Annual Report. Fresenius has disclosed the information on related parties in the quarterly reports and on page 205 of the Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings and four conference calls in 2011. The main focus of its controlling activities was on the preliminary audit of the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2010 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 on which auditing firm to propose to the AGM for election as auditor for the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2011. The Supervisory Board's proposal to the Annual General Meeting in 2011 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 2011 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 Company's Nomination Committee did not meet in 2011.

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 2011 because no transactions were effected that required the Joint Committee's approval.

The chairman of the Audit Committee reported regularly to next Supervisory Board meetings on the work of the committee.

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 18 to 20 and to page 218 of the Annual Report.

PERSONNEL – COMPOSITION OF THE MANAGEMENT BOARD OF THE GENERAL PARTNER FRESENIUS MANAGEMENT SE AND THE SUPERVISORY BOARD OF FRESENIUS SE & CO. KGAA

The term of office of the Supervisory Board of Fresenius SE ended with the change of legal form of Fresenius SE to Fresenius SE & Co. KGaA on January 28, 2011. The Supervisory Board of Fresenius SE & Co. KGaA met in its constitutive meeting on March 11. Effective May 5, 2011, Wilhelm Sachs resigned from the Supervisory Board. By resolution of the European Works Council effective as of May 5, 2011, Dieter Reuß has been elected to succeed him in the Supervisory Board. We would like to thank Mr. Sachs for his many years of dedicated service. Since then, no other changes were made to the composition of the Supervisory Board of Fresenius SE & Co. KGaA.

The change of legal form also brought the terms of office of the Management Board members of Fresenius SE to an end. The members of the Management Board of Fresenius SE became members of the Management Board of the general partner Fresenius Management SE. Since then, no other changes were made to 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 Management Report of the Company for 2011 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The firm was elected as auditor at the Annual General Meeting of Fresenius SE & Co. KGaA on May 13, 2011, 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 Company's consolidated financial statements prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 8 and 9, 2012, 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 internal control system and risk management 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 noted and approved the auditors' 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 9, 2012, 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 2011 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 in a still difficult economic environment.

Bad Homburg v. d. H., March 9, 2012

The Supervisory Board

Dr. Gerd Krick
Chairman

Hygieneplan GmbH

Bad Homburg v.d.H.

2013

- Convenience Translation -
The German version of these Financial Statements is legally binding

Balance Sheet

as of December 31, 2013

HYGIENEPLAN GMBH, BAD HOMBURG

Assets

			Note	31.12.2013 EUR	31.12.2012 EUR
A.	**Fixed assets**		(3)		
	I. Intangible assets			**0.00**	0.00
	II. Tangible assets			**0.00**	0.00
	III Financial assets			**0.00**	0.00
				0.00	0.00
B.	**Current assets**				
	I. Inventories			**46,455.20**	64,742.49
	II. Accounts receivable and other assets		(4)	**113,782.47**	141,410.81
	III. Cash, postal giro and other bank balances			**0.00**	0.00
				160,237.67	206,153.30
				160,237.67	206,153.30

Liabilities and shareholder's equity

			Note	31.12.2013 EUR	31.12.2012 EUR
A.	**Shareholder's equity**				
	I. Subscribed capital			**25,564.59**	25,564.59
B.	**Accruals**		(5)	**121,260.25**	108,173.29
C.	**Liabilities**				
	I. Trade accounts payable	12,760.71			
	II. Liabilities to affiliated companies	0.00			
	III. Other liabilities	652.12		**13,412.83**	72,415.42
				160,237.67	206,153.30

Profit and Loss Statement

for the period from January 1 to December 31, 2013

HYGIENEPLAN GMBH, Bad Homburg

			Note	2013 EUR	2012 EUR
1.	Sales			**2,357,404.09**	1,774,530.89
2.	Other operating income		(6)	**878.39**	54,154.70
3.	Cost of Sales			**-2,018,973.66**	-1,439,563.32
4.	Personnell expenses				
	a) Salaries and wages	-47,300.35			
	b) Social security and costs of retirement pensions and social assistance	-14,529.36		**-61,829.71**	-71,378.76
5.	Other operating expenses		(7)	**-262,867.54**	-266,497.94
6.	Other interest and similar income			**7,919.99**	1,213.38
7.	Interest and similar expenses		(8)	**-5,235.53**	-6,999.49
8.	PROFIT FROM ORDINARY OPERATIONS			**17,296.03**	**45,459.46**
9.	Extraordinary expenses			**0.00**	0.00
10.	Profit transfer due to profit and loss transfer agreement		(9)	**-17,296.03**	-45,459.46
11.	RETAINED EARNINGS			**0.00**	**0.00**

(1) Application of the Accounting Law Modernisation Act

For the 2013 business year, Hygieneplan GmbH applies the provisions of the German Commercial Code (HGB), new version (Accounting Law Modernisation Act, BilMoG).

Hygieneplan GmbH is a small corporation in terms of sec. 267 a HGB (German Commercial Code). With regard to disclosure, the company utilises the relief available under sec. 326 HGB.

As before, the company selected the total cost method (sec. 275 subsect. 2 HGB) for the income statement.

(2) Accounting and valuation methods

The valuation process is carried out in accordance with the provisions of the German Commercial Code that apply to corporations.

Acquired intangible assets are valued at acquisition costs, reduced by regular amortisation. Amortisation is applied on a straight-line basis over a useful life of three years. Additions are amortised on a pro rata temporis basis.

Fixed assets are valued at acquisition costs, reduced by regular depreciation. Depreciation is applied in accordance with the straight-line or declining balance method based on the expected useful life. Monthly depreciation was applied to additions of moveable fixed assets.

Stocks are entered at acquisition costs, taking into account the lower of cost or market value principle.

Receivables and other assets are valued at the nominal value. The general credit risk is addressed with a lump-sum adjustment.

Provisions are entered for identifiable risks at the appropriate amount, including future price and cost increases.

Pension provisions are calculated on an actuarial basis using biometric probabilities (Heubeck 2005 G Reference Tables) in accordance with the projected unit credit method. Future expected payment and pension increases are taken into account during the calculation of obligations. At this time, annual adjustments of 3% to 4% for payments and 1.75% for pensions are used as assumptions. The company-specific fluctuation rate, which is also included in the calculation, ranged from 0% to 18%. The underlying actuarial interest rate for the discounting of pension obligations is 4.90%; this figure refers to the average market interest rate of the last seven business years calculated and published by the German Federal Bank (Bundesbank) for an assumed residual term of 15 years (effective date 31 October 2013).

Liabilities are entered at the repayment amount.

(3) Long-term assets

	Acquisition/ Production costs	Additions (Retirements)	Depreciation (accumulated)	Depreciation in business year 2013	Res. book value on 31/12/2013	Res. book value on 31/12/2012
	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets	1,869.90	0.00	1,869.90	0.00	0.00	0.00
Operational and business equipment	15,552.38	0.00	15,552.38	0.00	0.00	0.00
	17,422.28	0.00	17,422.28	0.00	0.00	0.00

(4) Receivables and other assets

	31/12/2013	31/12/2012
	EUR	EUR
Accounts receivable	68,699.66	52,285.17
Receivables from associated companies (of which from Fresenius SE & Co.KGaA EUR 42,959.60, Fresenius Medical Care Deutschland GmbH EUR 2,049.00, Fresenius Medical Care AG & Co. KGaA EUR 20.75 and Fresenius Kabi Deutschland GmbH EUR 53.46)	45,082.81	89,125.64
	113,782.47	141,410.81

(5) Provisions

This item contains pension provisions (EUR 103,737.00) and other provisions (EUR 17,523.25). All identifiable risks and uncertain obligations were addressed.

The pension provisions have been created according to the methods described under note (2) "Accounting and valuation methods".

Due to a company agreement concluded in November 2009, starting on 1 January 2010 employees may allocate working hours and wage components to an account managed by the company in order to have these amounts paid out at a later point in time in the form of time off (demography fund). The credit balances of the employees are invested in an insurance product that cannot be accessed by the company and its creditors due to a trust agreement. Therefore it concerns a so-called securities-linked pension promise in terms of sec. 253 subsect. 1 sentence 3 HGB. Therefore the provision for the employee time credits is entered at the fair value of the insurance product. This fair value is obtained from the insurance company's actuarial reserve as per the business plan, plus available profit participation.

Amount repayable from obligations under the demography fund	€ 803.13
Fair value of insurance	€ 803.13
Surplus, assets over obligations	€ 0.00
Acquisition costs of insurance	€ 749.89

In the income statement, expenses and income from the valuation of the insurance and the provision in the amount of EUR 23.37 were offset.

(6) Other operating income

This item includes, among others, gains of EUR 7.54.

(7) Other operating expenses

This item includes, among others, losses of EUR 52.70.

(8) Interest and similar expenses

This item includes, among others, expenses from the compounding of provisions in the amount of EUR 5,122.00.

(9) Income/Expenses from profit transfers

A profit and loss transfer agreement with Fresenius SE & Co. KGaA is in place.
For the 2013 business year, the profit of Hygieneplan GmbH in the amount of EUR 17,296.03 (including expenses from tax apportionments of EUR 5,987.93) was assumed by Fresenius SE & Co. KGaA.

(10) Information regarding the corporate bodies of the company

Gerd Hermann MacFarlane and
Dr. Jürgen Götz are the Managing Directors of the company.

(11) Information regarding the parent company

Fresenius SE & Co. KGaA is the sole shareholder.
Hygieneplan GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report pursuant to sec. 291 HGB, since Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, as the parent company, prepares consolidated financial statements and a group management report pursuant to sec. 315a HGB in accordance with the International Financial Reporting Standards (IFRS) as they must be applied in the EU for the smallest group of companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Federal Gazette. The consolidated financial statements for the largest group of companies is prepared by Fresenius Management SE, Bad Homburg v. d. Höhe; it is also published in the electronic Federal Gazette.

Bad Homburg, 16 January 2014

....	....
Dr. Jürgen Götz	Gerd Hermann MacFarlane
(Managing Director)	(Managing Director)

Hygieneplan GmbH

Bad Homburg v.d.H.

2012

- Convenience Translation -

The German version of these Financial Statements is legally binding

Balance Sheet

as of December 31, 2012

HYGIENEPLAN GMBH, BAD HOMBURG

Assets

		Note	31.12.2012 EUR	31.12.2011 EUR
A.	**Fixed assets**	(3)		
	I. Intangible assets		**0.00**	0.00
	II. Tangible assets		**0.00**	0.00
	III Financial assets		**0.00**	0.00
			0.00	0.00
B.	**Current assets**			
	I. Inventories		**64,742.49**	60,756.20
	II. Accounts receivable and other assets	(4)	**141,410.81**	213,764.01
	III. Cash, postal giro and other bank balances		**0.00**	17.91
			206,153.30	274,538.12
			206,153.30	274,538.12

Liabilities and shareholder's equity

			Note	31.12.2012 EUR	31.12.2011 EUR
A.	**Shareholder's equity**				
	I. Subscribed capital			**25,564.59**	25,564.59
B.	**Accruals**		(5)	**108,173.29**	138,377.79
C.	**Liabilities**				
	I. Trade accounts payable	29,349.25			
	II. Liabilities to affiliated companies	42,609.88			
	III. Other liabilities	456.29		**72,415.42**	110,595.74
				206,153.30	274,538.12

Profit and Loss Statement

for the period from January 1 to December 31, 2012

HYGIENEPLAN GMBH, Bad Homburg

			Note	2012 EUR	2011 EUR
1.	Sales			**1,774,530.89**	1,262,598.87
2.	Other operating income		(6)	**54,154.70**	58,210.33
3.	Cost of Sales			**-1,439,563.32**	-1,062,769.78
4.	Personnell expenses				
	a) Salaries and wages	-50,921.08			
	b) Social security and costs of retirement pensions and social assistance	-20,457.68		**-71,378.76**	-112,045.89
5.	Other operating expenses		(7)	**-266,497.94**	-254,017.07
6.	Other interest and similar income			**1,213.38**	257.22
7.	Interest and similar expenses		(8)	**-6,999.49**	-7,273.43
8.	PROFIT FROM ORDINARY OPERATIONS			**45,459.46**	**-115,039.75**
9.	Extraordinary expenses			**0.00**	-24,301.20
10.	Income taxes			**0.00**	33,178.76
11.	Proit transfer due to profit and loss transfer agreement		(9)	**-45,459.46**	106,162.19
	12.RETAINED EARNINGS			**0.00**	**0.00**

(1) Application of the Accounting Law Modernisation Act

For the 2012 business year, Hygieneplan GmbH applies the provisions of the German Commercial Code (HGB), new version (Accounting Law Modernisation Act, BilMoG).

Hygieneplan GmbH is a small corporation in terms of sec. 267 subsect. 1 HGB. With regard to disclosure, the company utilises the relief available under sec. 326 HGB.

As before, the company selected the total cost method (sec. 275 subsect. 2 HGB) for the income statement.

(2) Accounting and valuation methods

The valuation process is carried out in accordance with the provisions of the German Commercial Code that apply to corporations.

Acquired intangible assets are valued at acquisition costs, reduced by regular amortisation. Amortisation is applied on a straight-line basis over a useful life of three years. Additions are amortised on a pro rata temporis basis.

Fixed assets are valued at acquisition costs, reduced by regular depreciation. Depreciation is applied in accordance with the straight-line or declining balance method based on the expected useful life. Monthly depreciation was applied to additions of moveable fixed assets.

Stocks are entered at acquisition costs, taking into account the lower of cost or market value principle.

Receivables and other assets are valued at the nominal value. The general credit risk is addressed with a lump-sum adjustment.

Provisions are entered for identifiable risks at the appropriate amount, including future price and cost increases.

Pension provisions are calculated on an actuarial basis using biometric probabilities (Heubeck 2005 G Reference Tables) in accordance with the projected unit credit method. Future expected payment and pension increases are taken into account during the calculation of obligations. At this time, annual adjustments of 3% to 4% for payments and 1.75% for pensions are used as assumptions. The company-specific fluctuation rate, which is also included in the calculation, ranged from 0% to 18%. The underlying actuarial interest rate for the discounting of pension obligations is 5.06%; this figure refers to the average market interest rate of the last seven business years calculated and published by the German Federal Bank (Bundesbank) for an assumed residual term of 15 years (effective date 31 October 2012).

Liabilities are entered at the repayment amount.

(3) Long-term assets

	Acquisition/ Production costs	Additions (Retirements)	Depreciation (accumulated)	Depreciation in business year 2012	Res. book value on 31/12/2012	Res. book value on 31/12/2011
	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets	1,869.90	0.00	1,869.90	0.00	0.00	0.00
Operational and business equipment	15,552.38	0.00	15,552.38	0.00	0.00	0.00
	17,422.28	0.00	17,422.28	0.00	0.00	0.00

(4) Receivables and other assets

	31/12/2012	31/12/2011
	EUR	EUR
Accounts receivable	52,285.17	38,617.76
Receivables from associated companies (of which from Fresenius Medical Care Deutschland GmbH EUR 66,327.95, Fresenius Medical Care AG & Co. KGaA EUR 6,293.52, Fresenius Medical Care GmbH EUR 16,438.84 and Fresenius Netcare GmbH EUR 65.33)	89,125.64	166,691.56
	141,410.81	205,309.32

(5) Provisions

This item contains pension provisions (EUR 101,224.00) and other provisions (EUR 6,949.29). All identifiable risks and uncertain obligations were addressed.

The pension provisions have been created according to the methods described under note (2) "Accounting and valuation methods". The revaluation of the pension provisions for 1 January 2010, which was required due to the BilMoG, resulted in a shortfall of EUR 26,037.00. In 2010, the company utilised the option under sec. 67 subsect. 1 sentence 1 EGHGB (Introductory Act for the German Commercial Code), and allocated 1/15 of this difference (EUR 1,735.80) to the provision. The remaining 14/15 were allocated in 2011. The expenditure of EUR 24,301.20 from this allocation was shown under the item "extraordinary expenses" in the income statement.

Due to a company agreement concluded in November 2009, starting on 1 January 2010 employees may allocate working hours and wage components to an account managed by the company in order to have these amounts paid out at a later point in time in the form of time off (demography fund). The credit balances of the employees are invested in an insurance product that cannot be accessed by the company and its creditors due to a trust agreement. Therefore it concerns a so-called securities-linked pension promise in terms of sec. 253 subsect. 1 sentence 3 HGB. Therefore the provision for the employee time credits is entered at the fair value of the insurance product. This fair value is obtained from the insurance company's actuarial reserve as per the business plan, plus available profit participation.

Amount repayable from obligations under the demography fund	€ 469.80
Fair value of insurance	€ 469.80
Surplus, assets over obligations	€ 0.00
Acquisition costs of insurance	€ 439.93

In the income statement, expenses and income from the valuation of the insurance and the provision in the amount of EUR 17.97 were offset.

(6) Other operating income

This item includes, among others, gains of EUR 808.81.

(7) Other operating expenses

This item includes, among others, losses of EUR 804.98.

(8) Interest and similar expenses

This item includes, among others, expenses from the compounding of provisions in the amount of EUR 6,859.00.

(9) Income/Expenses from profit transfers

A profit and loss transfer agreement with Fresenius SE & Co. KGaA is in place.
For the 2012 business year, the profit of Hygieneplan GmbH in the amount of EUR 45,459.46 (including expenses from tax apportionments of EUR 17,275.59) was assumed by Fresenius SE & Co. KGaA.

(10) Information regarding the corporate bodies of the company

Gerd Hermann MacFarlane and
Dr. Jürgen Götz are the Managing Directors of the company.

(11) Information regarding the parent company

Fresenius SE & Co. KGaA is the sole shareholder.
Hygieneplan GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report pursuant to sec. 291 HGB, since Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, as the parent company, prepares consolidated financial statements and a group management report pursuant to sec. 315a HGB in accordance with the International Financial Reporting Standards (IFRS) as they must be applied in the EU for the smallest group of companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Federal Gazette. The consolidated financial statements for the largest group of companies is prepared by Fresenius Management SE, Bad Homburg v. d. Höhe; it is also published in the electronic Federal Gazette.

Bad Homburg, 16 January 2013

....	....
Dr. Jürgen Götz	Gerd Hermann MacFarlane
(Managing Director)	(Managing Director)

Hygieneplan GmbH

Bad Homburg v.d.H.

2011

- Convenience Translation -
The German version of these Financial Statements is legally binding

Balance Sheet

as of December 31, 2011

HYGIENEPLAN GMBH, BAD HOMBURG

Assets

			Note	31.12.2011 EUR	31.12.2010 EUR
A.	**Fixed assets**		(3)		
	I. Intangible assets			**0.00**	0.00
	II. Tangible assets			**0.00**	0.00
	III Financial assets			**0.00**	0.00
				0.00	0.00
B.	**Current assets**				
	I. Inventories			**60,756.20**	32,653.77
	II. Accounts receivable and other assets		(4)	**213,764.01**	267,762.45
	III. Cash, postal giro and other bank balances			**17.91**	17.91
				274,538.12	300,434.13
				274,538.12	300,434.13

Liabilities and shareholder's equity

			Note	31.12.2011 EUR	31.12.2010 EUR
A.	**Shareholder's equity**				
	I. Subscribed capital			**25,564.59**	25,564.59
B.	**Accruals**		(5)	**138,377.79**	120,675.76
C.	**Liabilities**				
	I. Trade accounts payable	109,636.52			
	II. Liabilities to affiliated companies	74.84			
	III. Other liabilities	884.38		**110,595.74**	154,193.78
				274,538.12	300,434.13

Profit and Loss Statement

for the period from January 1 to Dezember 31, 2011

HYGIENEPLAN GMBH, Bad Homburg

			Notes (Tz)	**2011 EUR**	**2010 EUR**
1.	Sales			**1,262,598.87**	1,295,951.15
2.	Other operating income		(6)	**58,210.33**	758.13
3.	Cost of Sales			**-1,062,769.78**	-1,075,310.45
4.	Personnell expenses				
	a) Salaries and wages	-72,306.05			
	b) Social security and costs of retirement pensions and social assistance	-39,739.84		**-112,045.89**	-58,144.39
5.	Other operating expenses		(7)	**-254,017.07**	-249,364.44
6.	Other interest and similar income			**257.22**	749.16
7.	Interest and similar expenses		(8)	**-7,273.43**	-6,852.70
8.	PROFIT FROM ORDINARY OPERATIONS			**-115,039.75**	**-92,213.54**
9.	Extraordinary expenses			**-24,301.20**	-1,735.80
10.	Income taxes			**33,178.76**	56,008.03
11.	Profit transfer due to profit and loss transfer agreement		(9)	**106,162.19**	37,941.31
12.	RETAINED EARNINGS			**0.00**	**0.00**

(1) Application of the Accounting Law Modernisation Act

For the 2011 business year, Hygieneplan GmbH applies the provisions of the German Commercial Code (HGB), new version (Accounting Law Modernisation Act, BilMoG).

Hygieneplan GmbH is a small corporation in terms of sec. 267 subsect. 1 HGB. With regard to disclosure, the company utilises the relief available under sec. 326 HGB.

As before, the company selected the total cost method (sec. 275 subsect. 2 HGB) for the income statement.

(2) Accounting and valuation methods

The valuation process is carried out in accordance with the provisions of the German Commercial Code that apply to corporations.

Acquired intangible assets are valued at acquisition costs, reduced by regular amortisation. Amortisation is applied on a straight-line basis over a useful life of three years. Additions are amortised on a pro rata temporis basis.

Fixed assets are valued at acquisition costs, reduced by regular depreciation. Depreciation is applied in accordance with the straight-line or declining balance method based on the expected useful life. Monthly depreciation was applied to additions of moveable fixed assets.

Stocks are entered at acquisition costs, taking into account the lower of cost or market value principle.

Receivables and other assets are valued at the nominal value. The general credit risk is addressed with a lump-sum adjustment.

Provisions are entered for identifiable risks at the appropriate amount, including future price and cost increases.

Pension provisions are calculated on an actuarial basis using biometric probabilities (Heubeck 2005 G Reference Tables) in accordance with the projected unit credit method. Future expected payment and pension increases are taken into account during the calculation of obligations. At this time, annual adjustments of 3% to 4% for payments and 1.75% for pensions are used as assumptions. The company-specific fluctuation rate, which is also included in the calculation, ranged from 0% to 18%. The underlying actuarial interest rate for the discounting of pension obligations is 5.13%; this figure refers to the average market interest rate of the last seven business years calculated and published by the German Federal Bank (Bundesbank) for an assumed residual term of 15 years (effective date 31 October 2011).

Liabilities are entered at the repayment amount.

(3) Long-term assets

	Acquisition/ Production costs	Additions (Retirements)	Depreciation (accumulated)	Depreciation in business year 2011	Res. book value on 31/12/2011	Res. book value on 31/12/2010
	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets	1,869.90	0.00	1,869.90	0.00	0.00	0.00
Operational and business equipment	15,552.38	0.00	15,552.38	0.00	0.00	0.00
	17,422.28	0.00	17,422.28	0.00	0.00	0.00

(4) Receivables and other assets

	31/12/2011	31/12/2010
	EUR	EUR
Accounts receivable	38,617.76	13,982.01
Receivables from associated companies (of which from Fresenius SE & Co. KGaA EUR 154,956.90, Fresenius Biotech GmbH EUR 11,009.24 and Fresenius Netcare GmbH EUR 725.42)	166,691.56	253,780.44
	205,309.32	267,762.45

The other asset of EUR 8,454.69 consists of the overhang of the value of the securities to protect the part-time retirement item (EUR 20,404.69) against insolvency through the part-time retirement provision (EUR 11,950.00).

(5) Provisions

This item contains pension provisions (EUR 133,696.00) and other provisions (EUR 4,681.79). All identifiable risks and uncertain obligations were addressed.

The pension provisions have been created according to the methods described under note (2) "Accounting and valuation methods". The revaluation of the pension provisions for 1 January 2010, which was required due to the BilMoG, resulted in a shortfall of EUR 26,037.00. In

2010, the company utilised the option under sec. 67 subsect. 1 sentence 1 EGHGB (Introductory Act for the German Commercial Code), and allocated 1/15 of this difference (EUR 1,735.80) to the provision. The remaining 14/15 were allocated in 2011. The expenditure of EUR 24,301.20 from this allocation is shown under the item "extraordinary expenses" in the income statement.

In the case of the provisions from part-time retirement arrangements, the employees' credit balances are protected against insolvency in accordance with the statutory provisions. To this end, the company purchases shares in an investment fund that is close to the money market in the amount of the respectively accumulated credit balances. Collateralisation is carried out by way of pledging the fund shares to a trustee. The invested securities are therefore only used to fulfil the obligations from part-time retirement in the case of insolvency, and are not accessible to the other creditors. They were offset against the underlying obligations during the business year pursuant to sec. 246 subsect. 2 sentence 2 HGB. The fair value of these securities was derived from their market price on the reporting date.

Amount repayable for obligations from part-time retirement	€ 11,950.00
Fair value of the securities	€ 20,404.69
Surplus, assets over obligations	€ 8,454.69
Acquisition costs of securities	€ 1,563.10

In the income statement, expenses and income from the valuation of the securities and the provision in the amount of EUR 2,511.39 were offset in the interest result.

Due to a company agreement concluded in November 2009, starting on 1 January 2010 employees may allocate working hours and wage components to an account managed by the company in order to have these amounts paid out at a later point in time in the form of time off (demography fund). The credit balances of the employees are invested in an insurance product that cannot be accessed by the company and its creditors due to a trust agreement. Therefore it concerns a so-called securities-linked pension promise in terms of sec. 253 subsect. 1 sentence 3 HGB. Therefore the provision for the employee time credits is entered at the fair value of the insurance product. This fair value is obtained from the insurance company's actuarial reserve as per the business plan, plus available profit participation.

Amount repayable from obligations under the demography fund	€ 286.33
Fair value of insurance	€ 286.33
Surplus, assets over obligations	€ 0.00
Acquisition costs of insurance	€ 274.02

In the income statement, expenses and income from the valuation of the insurance and the provision in the amount of EUR 11.90 were offset.

(6) Other operating income

This item includes, among others, gains of EUR 347.02.

(7) Other operating expenses

This item includes, among others, losses of EUR 735.81.

(8) Interest and similar expenses

This item includes, among others, expenses from the compounding of provisions in the amount of EUR 6,103.00.

(9) Income/Expenses from profit transfers

A profit and loss transfer agreement with Fresenius SE & Co. KGaA is in place.
For the 2011 business year, the profit of Hygieneplan GmbH in the amount of EUR 106,162.19 (after proceeds from tax apportionments of EUR 33,178.76) was assumed by Fresenius SE & Co. KGaA.

(10) Information regarding the corporate bodies of the company

Gerd Hermann MacFarlane and
Dr. Jürgen Götz are the Managing Directors of the company.

(11) Information regarding the parent company

Fresenius SE & Co. KGaA is the sole shareholder.
Hygieneplan GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report pursuant to sec. 291 HGB, since Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, as the parent company, prepares consolidated financial statements and a group management report pursuant to sec. 315a HGB in accordance with the International Financial Reporting Standards (IFRS) as they must be applied in the EU for the smallest group of companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Federal Gazette. The consolidated financial statements for the largest group of companies is prepared by Fresenius Management SE, Bad Homburg v. d. Höhe; it is also published in the electronic Federal Gazette.

Bad Homburg, 13 January 2012

....	....
Dr. Jürgen Götz	Gerd Hermann MacFarlane
(Managing Director)	(Managing Director)

Fresenius ProServe GmbH
Bad Homburg v.d.Höhe

Financial Statements as of December 31, 2013

- Convenience Translation -
The German version of these Financial Statements is legally binding

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Balance Sheet as of December 31, 2013

A s s e t s

	December 31, 2013		December 31, 2012	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Tangible assets				
1. Land, leasehold and buildings	9,484,912.91		8,360,025.91	
2. Other fixtures and fittings, tools and equipment	231,470.00		0.00	
3. Payments on account and tangible assets in course of construction	0.00	9,716,382.91	4,252.50	8,364,278.41
II. Financial assets				
1. Shares in related parties	2,246,406,077.21		2,246,406,077.21	
2. Loans to related parties	279,434,862.99		218,095,530.45	
3. Participations	0.71	2,525,840,940.91	0.71	2,464,501,608.37
		2,535,557,323.82		2,472,865,886.78
B. Current assets				
Accounts receivable and other assets				
1. Accounts receivable due from related parties	257,958,697.06		150,207,036.85	
2. Other assets	1,461,113.45	259,419,810.51	24,586.51	150,231,623.36
		2,794,977,134.33		2,623,097,510.14

Liabilities and shareholders' equity

	December 31, 2013	December 31, 2012
	EUR	EUR
A. Shareholders' equity		
I. Subscribed capital	40,000,000.00	40,000,000.00
II. Capital reserves	2,065,307,234.93	2,065,307,234.93
	2,105,307,234.93	2,105,307,234.93
B. Accrued expense		
1. Pensions and similar obligations	6,475,953.00	6,482,717.00
2. Other accruals	889,953.66	924,953.66
	7,365,906.66	7,407,670.66
C. Liabilities		
1. Trade accounts payable	98,500.58	84,627.35
2. Liabilities to affiliated companies	682,177,442.37	510,270,205.48
3. Other liabilities	28,049.79	27,771.72
	682,303,992.74	510,382,604.55
	2,794,977,134.33	2,623,097,510.14

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Profit and Loss Statement
January 1 to December 31, 2013

		2013		2012	
		EUR	EUR	EUR	EUR
1.	Income from participations		262,084,059.85		139,379,093.35
2.	Other operating income		2,733,958.56		1,991,595.12
3.	Personnel expenses Social security and costs of retirement pensions and social assistance --thereof amount of retirement pensions EUR 194,113.46 (prev. yr. EUR 165,156.81)--		194,113.46		165,156.81
4.	Depreciation on property, plant and equipment		288,220.19		225,732.00
5.	Other operating expenses		2,748,835.77		1,269,893.44
6.	Income from financial assets		11,937,649.10		10,511,053.80
7.	Other interest and similar income --thereof amount from affiliated companies EUR 363,125.14 (prev. yr. EUR 98,098.24)--		363,125.14		98,050.23
8.	Interest and similiar expenses --thereof amount from affiliated companies EUR 10,176,013.73 (prev. yr. EUR 11,150,915.19)--		10,504,034.48		11,496,282.57
9.	Profit from ordinary operations		263,383,588.75		138,822,727.68
10.	Income taxes	0.00		26,902.50	
11.	Other tax	101.00	101.00	101.00	27,003.50
12.	Net income before profit transfer		263,383,487.75		138,795,724.18
13.	Profit transfer due to profit and loss transfer agreement		263,383,487.75		138,795,724.18
14.	Retained earnings		0.00		0.00

Fresenius ProServe GmbH, Bad Homburg v.d.Höhe

NOTES for fiscal year 2013

GENERAL NOTES

(1) Preliminary note

Fresenius ProServe GmbH, Bad Homburg v.d.Höhe, is a wholly-owned subsidiary of Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe.

There is a profit transfer agreement between the Company and Fresenius SE & Co. KGaA.

The financial statements of Fresenius ProServe GmbH are included in the consolidated financial statements of Fresenius SE & Co. KGaA. The latter are published in the electronic Bundesanzeiger (German Federal Gazette).

Moreover as of December 31, 2013 direct control and profit transfer agreements between Fresenius ProServe GmbH and its subsidiaries HELIOS Kliniken GmbH, Berlin, and FPS Beteiligungs AG, Düsseldorf, are in place.

(2) Accounting principles and standards of valuation

The financial statements of Fresenius ProServe GmbH for 2013 are prepared according to the regulations in the German Commercial Code (HGB) as well as complementing regulations for limited liability companies. Fresenius ProServe GmbH is a small corporation (Kleinstkapitalgesellschaft) according to Section 267a HGB. The nature of cost method according to Section 275 (2) HGB has been elected for preparing the profit and loss statement. The size related exemptions in Section 274 a HGB and Section 288 HGB are used in part.

The value of investments in property, plant and equipment is stated at the cost of the assets less regular linear or degressive depreciation as far as the assets are depreciable.

The following useful lives were used for calculating amortization:

Intangible assets	3-5 years
Office buildings	40 years
Tools and equipment	3-10 years

Low value fixed assets with purchase or manufacturing cost of up to € 150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than €150.00 and less than €1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

The pension obligation is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 4.90%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2013).

Other accruals are built for recognizable risks and uncertain liabilities at the amounts to be paid calculated on the basis of a reasonable commercial assessment. Long term accruals are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Foreign currency items are translated with the average foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to Section 256a HGB.

Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

Derivative financial instruments are contracted for hedging purposes only whereby foreign currency derivatives are used.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together. In this case, effects on earnings of underlying transactions and hedging instruments are recognized in earnings (Durchbuchungsmethode).

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

NOTES ON THE BALANCE SHEET

(3) Fixed assets

The breakdown of fixed assets and their development is presented in Exhibit 1 to the Notes.

In 2013, Fresenius ProServe GmbH contributed medium and long term loans in an amount of €56,299 thousand to several related companies of the VAMED-Group.

In 2013, an exchange rate-related write-off in the amount of €1,460 thousand on a loan in Czech Koruna was made. The measurement of the foreign currency derivatives to hedge this loan resulted in a gain of €1,438 thousand.

A list of all participations in affiliated and associated companies of Fresenius ProServe GmbH is presented in Exhibit 2 to the Notes.

(4) Accounts receivable from related parties

Accounts receivable from related parties mainly consist of items against HELIOS Kliniken GmbH (€252.949 thousand) and FPS Beteiligungs AG (€739 thousand). The receivables from related parties mainly relate to profit transfers, loans and clearing accounts. All accounts receivable have a remaining term of up to one year.

(5) Other assets

This item consists of capitalized foreign currency derivatives as well as other tax claims.

(6) Subscribed capital

The capital stock at December 31, 2013 has a nominal value of €40,000,000 and is divided into three parts with nominal values of €25,000, €14,975,000 and € 25,000,000. Fresenius SE & Co. KGaA is the sole stockholder.

(7) Pension obligation

With notarized deed of December 12, 2006 and an effective date of January 1, 2007, all shares in hospitalia international gmbh, Oberursel, where sold and transferred to VAMED Engineering GmbH & Co. KG, Vienna, Austria.

In the context of this sale, Fresenius ProServe GmbH and hospitalia international gmbh agreed in a collateral promise from December 12, 2006, that the Company will assume via the collateral promise with contractual undertaking the compensation payments to be made resulting from the pension obligation of hospitalia international gmbh against beneficiaries and former employees with vested pension rights. The value of this obligation, considered in the balance sheet, is € 6,446 thousand on December 31, 2013.

The pension obligation has been determined according to the method described under Note (2) "Accounting principles and standards of valuation".

(8) Other accruals

Other accruals mainly relate to risks from the sale of Pharmaplan GmbH.

(9) Liabilities

The summary of remaining terms of liabilities looks as follows:

	2013				2012			
	Total	Remain-ing term of up to 1 year	Remain-ing term of 1 year to 5 years	Remain-ing term of over 5 years	Total	Remain-ing term of up to 1 year	Remain-ing term of 1 year to 5 years	Remain-ing term of over 5 years
In thousand €								
Trade accounts payable	99	99	0	0	85	85	0	0
Accounts payable to related parties	682,177	682,177	0	0	510,270	453,270	57,000	0
Other liabilities	28	28	0	0	28	28	0	0
	682,304	682,304	0	0	510,383	453,383	57,000	0

The liabilities displayed are not secured by charges on property or other similar rights. Accounts payable to related companies include liabilities against the share-holder Fresenius SE & Co. KGaA of €623,430 thousand (previous year €440,632 thousand). Accounts payable to related companies mainly consist of loans and clearing accounts.

(10) Other liabilities

Other liabilities relate to obligations against tax authorities.

NOTES ON THE PROFIT AND LOSS STATEMENT

The structure of the profit and loss statement has been adapted to the holding nature of Fresenius ProServe GmbH and begins with income from participations.

(11) Income from participations

Income from participations comprises income of profit transfer agreements with HELIOS Kliniken GmbH of €252.949 thousand (previous year €132,323 thousand) and income of the profit transfer agreement with FPS Beteiligungs AG of €1,012 throusand (previous year: expenses €189 thousand) as well as income from participations in related companies of €8,123 thousand (previous year €7,245 thousand).

(12) Other operating income

Other operating income mainly includes income from rental of office space to related companies and from foreign currency translations of €1,518 thousand.

In 2013, there was no income from other accounting periods (previous year €255 thousand).

(13) Personnel expenses

	2013	2012
	Thousand €	*Thousand €*
Social security and costs of retirement pensions and social assistance	194	165
(thereof retirement pensions)	194	165
	194	**165**

Annual average number of employees:		
Salaried employees	0	0

(14) Other operating expenses

Other operating expenses were primarily expenses from currency translations in the amount of €1,541 thousand. Thereof, currency-related write-offs on borrowings of the financial assets account for €1,460 thousand. Moreover, cost allocation and service level agreements and audit and maintenance costs are included.

(15) Income from financial assets

Income in this item includes interest from long term loans to related companies.

(16) Other interest and similar income

This item primarily includes interest income from related companies.

(17) Interest and similar expenses

This item mainly includes €10,176 thousand (previous year €11,151 thousand) of interests paid to related companies. Moreover expenses for interests accrued of €328 thousand are also included.

(18) Income taxes

The company is part of a consolidated tax group with Fresenius SE & Co. KGaA (fiscal unity parent) for income, trade and corporate income tax. Tax contributions of the company are reported as part of the transfer of profits.

(19) Other tax

This item includes motor vehicle tax.

OTHER DISCLOSURES

(20) Management

In 2013, following persons were appointed managing directors of Fresenius ProServe GmbH, Bad Homburg v.d.Höhe:

Dr. Jürgen Götz, Lawyer, Bad Soden,
Dr. Francesco De Meo, Lawyer, Petersberg,
Joachim Weith, Dipl.-Sociologist and Dipl.-Business Administration, Wintzenbach.

The managing directors are simultaneously managing directors, members of the management board or senior executives in other Group companies and receive their compensation from these companies.

(21) Contingent liabilities

Contingencies from indemnity agreements

Fresenius Proserve GmbH guarantees together with Fresenius Kabi AG and Fresenius SE & Co. KGaA the liabilities from the Senior Notes, which were issued by subsidiaries of which Fresenius SE & Co. KGaA hold 100%, in 2009, 2012 and 2013. The following table shows these obligations as of December 31, 2013:

Issuer/ Transaction	Notional amount	Maturity	Nominal interest rate
Fresenius Finance B.V. 2012/2019	€500 million	Apr. 15, 2019	4,25%
Fresenius Finance B.V. 2013/2020	€500 million	July 15, 2020	2,875%
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8,75%
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9,00%

Furthermore, in January and February 2014, the following Senior Notes were issued, which are guaranteed by Fresenius SE & Co. KGaA together with Fresenius Kabi AG and Fresenius ProServe GmbH.

Issuer / Transaction	Notional amount	Maturity	Nominal interest rate
Fresenius Finance B.V. 2014/2019	€300 million	Feb. 1, 2019	2.375%
Fresenius Finance B.V. 2014/2021	€450 million	Feb. 15, 2021	3.00%
Fresenius Finance B.V. 2014/2024	€450 million	Feb. 15, 2024	4.00%
Fresenius US Finance II, Inc. 2014/2021	US$300 million	Feb. 15, 2021	4.25%

Further guarantee commitments of Fresenius ProServe GmbH together with Fresenius SE & Co. KGaA, Fresenius Kabi AG and selected subsidiaries exist in relation to the repayment of tranche of the syndicated credit agreement of the Fresenius SE & Co. KGaA, which was closed in December 2012 (Credit Agreement 2013). Obligations under the 2013 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries of Fresenius Kabi AG, and upon funding of the incremental facilities will be additionally secured by a pledge of the capital stock of HELIOS Kliniken GmbH, in favor of the lenders. As of December 31, 2013 credit lines and loan in the amount of €3,727 million existed, of which an amount of €1,709 million was utilized.

Furthermore, Fresenius ProServe GmbH guarantees together with Fresenius SE Co. KGaA and Fresenius Kabi AG the repayment of a short term bridge financing, issued in 2013, in the amount of € 1,800 million including unpaid interest. The Bridge Financing Facility has been drawn in an amount of €1,500 million on December 31, 2013 and are mandatorily reduced by the net proceeds of any capital markets transaction. In line with these provisions, the facility has been reduced by the net proceeds of Senior Notes issuances that were made in January and February 2014.

Moreover Fresenius ProServe GmbH guarantees together with Fresenius Kabi AG the repayment of a several Notes of a total of €525 million borrowed by Fresenius SE & Co. KGaA, as well as the related accrued expenses.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Statement of subordination

On December 31, 2013, the subsidiaries Wittgensteiner Kliniken GmbH and hospitalia activHealth gmbh are over-leveraged by about €28 million and €6.9 million respectively. To avoid legal accounting insolvency, Fresenius ProServe GmbH issued a statement of subordination for €40 million and €8.7 million respectively. On December 31, 2013 receivables of €170.0 million against Wittgensteiner Kliniken GmbH and of €7.0 million (of which €6.9 million have been written-down) against hospitalia activHealth gmbh are outstanding.

Option contracts

There are two put and call option contracts with the current share owners of VAMED AG to acquire 10% and 13% of the shares in VAMED AG which expire on December 31, 2015 and June 30, 2017 respectively. These contracts are pending transactions that are not shown in the financial statement of Fresenius ProServe GmbH.

(22) Derivatives

Fresenius ProServe GmbH uses derivative financial instruments to hedge against existing or highly probable future currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. The Company has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Derivative financial instruments are used to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates.

Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius ProServe GmbH entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had currency derivatives with a nominal value of €23,706 thousand and fair value of €1,438 thousand with a maximum maturity of nine months.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account. To determine the market 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 balance sheet. 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.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method.

(23) Parent company

Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe is the sole shareholder of Fresenius ProServe GmbH.

Fresenius ProServe GmbH is exempt from publishing consolidated financial statements and management report in accordance with Section 291 HGB given that Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe, as parent company publishes consolidated financial statements and management report in accordance with International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a HGB for the smallest group of consolidated companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.Höhe, prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

Fresenius ProServe GmbH will use the exemptions in Section 264 (3) HGB and will not make its financial statements for the year 2013 public.

Bad Homburg v.d.Höhe, February 26, 2014

Fresenius ProServe GmbH

Dr. Jürgen Götz   Dr. Francesco De Meo   Joachim Weith

Exhibit to notes

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Development of fixed assets during the fiscal year 2013

	Acquisition costs			
	As of Jan. 01, 2013	Additions	Transfers	As of Dec. 31, 2013
	kEUR	kEUR		kEUR
I. Tangible assets				
1. Land, leasehold and buildings	10,947	1,395	4	12,346
2. Other fixtures and fittings, tools and equipment	20	245	0	265
3. Payments on account and tangible assets in course of construction	4	0	-4	0
	10,971	1,640	0	12,611
II. Financial assets				
1. Shares in related parties	2,251,506	0	0	2,251,506
2. Loans to related parties	218,096	62,799	0	280,895
3. Participations	0	0		0
	2,469,602	62,799	0	2,532,401
	2,480,573	64,439	0	2,545,012

Depreciation			Carrying amount	
As of Jan. 01, 2013	Depreciation of financial year	As of Dec. 31, 2013	Dec. 31, 2013	Dec. 31, 2012
kEUR	kEUR	kEUR	kEUR	kEUR
2,587	274	2,861	9,485	8,360
20	14	34	231	0
0	0	0	0	4
2,607	288	2,895	9,716	8,364
5,100	0	5,100	2,246,406	2,246,406
0	1,460	1,460	279,435	218,096
0	0	0	0	0
5,100	1,460	6,560	2,525,841	2,464,502
7,707	1,748	9,455	2,535,557	2,472,866

FRESENIUS PROSERVE GMBH, Bad Homburg v. d. H.

List of affiliated and associated companies as of December 31st, 2013
Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
	Consolidated financial statements - with profit & loss transfer agreement					
1	Akademie Damp GmbH i.L. Damp Germany (indirect interest through no.	(b)	4)	100	(a)	(a)
2	Betriebsführungsgesellschaft Schloß Schönhagen GmbH Damp Germany (indirect interest through no.	(b)	4)	99	(a)	(a)
3	Damp Diagnostik und Physio Holding GmbH Hamburg Germany (indirect interest through no.	(b)	4)	100	(a)	(a)
4	Damp Holding GmbH Damp Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
5	ENDO Reha Zentrum GmbH Hamburg Germany (indirect interest through no.		57)	100	(a)	(a)
6	FPS Beteiligungs AG Duesseldorf Germany	(b)		100	63.001	0
7	HELIOS-SERVICE GMBH Berlin Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
8	HELIOS Agnes-Karll-Krankenhaus GmbH Bochum Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
9	HELIOS Care GmbH Berlin Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
10	HELIOS Fachpflege Schleswig GmbH Schleswig Germany (indirect interest through no.		78)	100	(a)	(a)
11	HELIOS Gesundheitsmanagement GmbH Berlin Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
12	HELIOS Hanseklinikum Stralsund GmbH Stralsund Germany (indirect interest through no.		58)	94	(a)	(a)
13	HELIOS Kids in Pflege GmbH Geesthacht Germany (indirect interest through no.	(b)	18)	100	(a)	(a)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
14	HELIOS Klinik Ahrenshoop GmbH Ahrenshoop Germany (indirect interest through no.	(b)	58)	100	(a)	(a)
15	HELIOS Klinik Berching GmbH Berching Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
16	HELIOS Klinik Blankenhain GmbH Blankenhain Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
17	HELIOS Klinik Bleichrode GmbH Bleichrode Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
18	HELIOS Klinik Geesthacht GmbH Geesthacht Germany (indirect interest through no.	(b)	45)	100	(a)	(a)
19	HELIOS Klinik Lehmrade GmbH Damp Germany (indirect interest through no.	(b)	58)	100	(a)	(a)
20	HELIOS Klinik Leisnig GmbH Leisnig Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
21	HELIOS Klinik Lengerich GmbH Lengerich Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
22	HELIOS Klinik Schkeuditz GmbH Schkeuditz Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
23	HELIOS Klinik Schloss Schönhagen GmbH Damp Germany (indirect interest through no.	(b)	58)	100	(a)	(a)
24	HELIOS Klinik Volkach GmbH Volkach Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
25	HELIOS Kliniken Breisgau-Hochschwarzwald GmbH Müllheim Germany (indirect interest through no.	(b)	26)	74	(a)	(a)
26	HELIOS Kliniken GmbH Berlin Germany	(b)		100	2.104.447 (a)	63.115 (a)
27	HELIOS Kliniken Leipziger Land GmbH Borna Germany (indirect interest through no.	(b)	26)	100	(a)	(a)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
28	HELIOS Kliniken Mansfeld-Südharz GmbH Sangerhausen Germany (indirect interest through no.	(b)	26)	95	(a)	(a)
29	HELIOS Kliniken Taunus GmbH Bad Schwalbach Germany (indirect interest through no.		172)	100	(a)	(a)
30	HELIOS Klinikum Aue GmbH Aue Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
31	HELIOS Klinikum Bad Saarow GmbH Bad Saarow Germany (indirect interest through no.	(b)	45)	100	(a)	(a)
32	HELIOS Klinikum Berlin-Buch GmbH Berlin Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
33	HELIOS Klinikum Erfurt GmbH Erfurt Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
34	HELIOS Klinikum Krefeld GmbH Krefeld Germany (indirect interest through no.		26)	75	(a)	(a)
35	HELIOS Klinikum Schwelm GmbH Schwelm Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
36	HELIOS Klinikum Wuppertal GmbH Wuppertal Germany (indirect interest through no.	(b)	26)	95	(a)	(a)
37	HELIOS Ostseeklinik Damp GmbH Damp Germany (indirect interest through no.	(b)	58)	100	(a)	(a)
38	HELIOS Privatkliniken GmbH Bad Homburg v. d. H. Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
39	HELIOS Rehaklinik Damp GmbH Damp Germany (indirect interest through no.	(b)	58)	100	(a)	(a)
40	HELIOS Spital Überlingen GmbH Ueberlingen Germany (indirect interest through no.	(b)	26)	95	(a)	(a)
41	HELIOS St. Josefs-Hospital GmbH Bochum Germany (indirect interest through no.	(b)	26)	100	(a)	(a)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
42	HELIOS Therapiezentrum Damp GmbH i.L. Damp Germany (indirect interest through no.	(b)	4)	100	(a)	(a)
43	HELIOS Versorgungszentren GmbH Berlin Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
44	HELIOS Vogtland-Klinikum Plauen GmbH Plauen Germany (indirect interest through no.	(b)	45)	100	(a)	(a)
45	HUMAINE Kliniken GmbH Berlin Germany (indirect interest through no.	(b)	26)	100	(a)	(a)
46	Medizinisches Versorgungszentrum am HELIOS Klinikum Bad Saarow GmbH Bad Saarow Germany (indirect interest through no.	(b)	31)	100	(a)	(a)
47	ostsee resort damp GmbH Damp Germany (indirect interest through no.	(b)	4)	100	(a)	(a)
48	Poliklinik am HELIOS Klinikum Buch GmbH Berlin Germany (indirect interest through no.	(b)	32)	100	(a)	(a)
49	Senioren- und Pflegeheim Erfurt GmbH Erfurt Germany (indirect interest through no.	(b)	9)	100	(a)	(a)
50	Verwaltungsgesellschaft ENDO-Klinik mbH Hamburg Germany (indirect interest through no.	(b)	77)	93	(a)	(a)
51	WAK Wittgensteiner Akutkliniken "Bad Berleburg" GmbH Bad Berleburg Germany (indirect interest through no.		172)	100	(a)	(a)
52	Wittgensteiner Immobilien GmbH Borna Germany (indirect interest through no.		172)	90	(a)	(a)
53	Zentrale Service-Gesellschaft Damp mbH Damp Germany (indirect interest through no.	(b)	4)	100	(a)	(a)
	Consolidated financial statements - without profit & loss transfer agreement					
54	allgäu resort GmbH Bad Grönenbach Germany (indirect interest through no.		172)	100	(a)	(a)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
55	ASK Service GmbH Northeim Germany (indirect interest through no.		72)	100	(a)	(a)
56	benissimo gmbh Berlin Germany (indirect interest through no.		26)	100	(a)	(a)
57	Casemanagement Reha Nord GmbH Hamburg Germany (indirect interest through no.		4)	77	(a)	(a)
58	Damp Kliniken GmbH Hamburg Germany (indirect interest through no.		4)	100	(a)	(a)
59	DLK Dienstleistungen für Krankenhäuser GmbH Wuppertal Germany (indirect interest through no.		36)	100	(a)	(a)
60	EvB Catering GmbH Berlin Germany (indirect interest through no.		93)	51	(a)	(a)
61	FPS Immobilien Verwaltungs GmbH Bad Homburg v. d. H. Germany			100	29	-2
62	FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG Bad Homburg v. d. H. Germany	(c)		100	100	208
63	H+K Catering GmbH Plauen Germany (indirect interest through no.		44)	51	(a)	(a)
64	Hanse-Gebäudeservice GmbH Stralsund Germany (indirect interest through no.		12)	51	(a)	(a)
65	HCSV HELIOS Care Speisen Versorgung GmbH Berlin Germany (indirect interest through no.		7)	51	(a)	(a)
66	HEDO Catering Ost GmbH Aue Germany (indirect interest through no.		30)	90	(a)	(a)
67	HEDO Reinigung Nord-West GmbH Schleswig Germany (indirect interest through no.		4)	90	(a)	(a)
68	HEDO Reinigung Ost GmbH Borna Germany (indirect interest through no.		27)	90	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
69	HEDO Service GmbH Borna Germany (indirect interest through no.	26)	51	(a)	(a)
70	HEDUS Service GmbH i.L. Bad Berleburg Germany (indirect interest through no.	172)	51	(a)	(a)
71	HELIOS-BMU Service Mitte GmbH Bad Nauheim Germany (indirect interest through no.	7)	51	(a)	(a)
72	HELIOS Albert-Schweitzer-Klinik Northeim GmbH Northeim Germany (indirect interest through no.	26)	95	(a)	(a)
73	HELIOS Catering Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	31)	100	(a)	(a)
74	HELIOS Catering Nord-Ost GmbH Schwerin Germany (indirect interest through no.	91)	100	(a)	(a)
75	HELIOS Catering Nord-West GmbH Damp Germany (indirect interest through no.	26)	100	(a)	(a)
76	HELIOS Dienste GmbH Borna Germany (indirect interest through no.	7)	100	(a)	(a)
77	HELIOS ENDO-Klinik Hamburg GmbH Hamburg Germany (indirect interest through no.	58)	100	(a)	(a)
78	HELIOS Fachklinik Schleswig GmbH Schleswig Germany (indirect interest through no.	89)	100	(a)	(a)
79	HELIOS Facility-Management Mitte GmbH Erfurt Germany (indirect interest through no.	7)	100	(a)	(a)
80	HELIOS Facility-Management Nord-Ost GmbH Schwerin Germany (indirect interest through no.	91)	100	(a)	(a)
81	HELIOS Geriatriezentren GmbH Berlin Germany (indirect interest through no.	26)	100	(a)	(a)
82	HELIOS Hausservice Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	31)	100	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
83	HELIOS Hausservice Schwerin GmbH Schwerin Germany (indirect interest through no.	91)	100	(a)	(a)
84	HELIOS IT Service GmbH Berlin Germany (indirect interest through no.	26)	100	(a)	(a)
85	HELIOS Klinik Bad Gandersheim GmbH Bad Gandersheim Germany (indirect interest through no.	26)	94	(a)	(a)
86	HELIOS Klinik Kiel GmbH Kiel Germany (indirect interest through no.	4)	100	(a)	(a)
87	HELIOS Klinik Oberwald GmbH Grebenhain Germany (indirect interest through no.	26)	67	(a)	(a)
88	HELIOS Klinik Rottweil GmbH Rottweil Germany (indirect interest through no.	26)	100	(a)	(a)
89	HELIOS Klinik Schleswig GmbH Schleswig Germany (indirect interest through no.	58)	95	(a)	(a)
90	HELIOS Klinik Wipperfürth GmbH Wipperfuerth Germany (indirect interest through no.	26)	100	(a)	(a)
91	HELIOS Kliniken Schwerin GmbH Schwerin Germany (indirect interest through no.	26)	95	(a)	(a)
92	HELIOS Klinikum Duisburg GmbH Duisburg Germany (indirect interest through no.	26)	51	(a)	(a)
93	HELIOS Klinikum Emil von Behring GmbH Berlin Germany (indirect interest through no.	26)	75	(a)	(a)
94	HELIOS Klinikum Siegburg GmbH Siegburg Germany (indirect interest through no.	172)	100	(a)	(a)
95	HELIOS Kreiskrankenhaus Gotha/Ohrdruf GmbH Gotha Germany (indirect interest through no.	26)	51	(a)	(a)
96	HELIOS Management GmbH Berlin Germany (indirect interest through no.	26)	100	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
97	HELIOS Management und Service West GmbH Wuppertal Germany (indirect interest through no.	172)	100	(a)	(a)
98	HELIOS Mariahilf Klinik Hamburg GmbH Hamburg Germany (indirect interest through no.	26)	95	(a)	(a)
99	HELIOS Medizinisches Versorgungszentrum Helmstedt GmbH Helmstedt Germany (indirect interest through no.	121)	100	(a)	(a)
100	HELIOS Medizinisches Versorgungszentrum Leisnig GmbH Leisnig Germany (indirect interest through no.	20)	100	(a)	(a)
101	HELIOS MVZ Berlin - Hellersdorf GmbH Berlin Germany (indirect interest through no.	32)	100	(a)	(a)
102	HELIOS MVZ Lengerich GmbH Lengerich Germany (indirect interest through no.	21)	100	(a)	(a)
103	HELIOS MVZ Mariahilf GmbH Hamburg Germany (indirect interest through no.	98)	100	(a)	(a)
104	HELIOS MVZ Südniedersachsen GmbH Northeim Germany (indirect interest through no.	72)	100	(a)	(a)
105	HELIOS Praxis Hünfeld - Medizinisches Versorgungszentrum GmbH Hünfeld Germany (indirect interest through no.	119)	100	(a)	(a)
106	HELIOS Praxis Oberwald - Medizinisches Versorgungszentrum - GmbH Grebenhain Germany (indirect interest through no.	87)	100	(a)	(a)
107	HELIOS Real Estate GmbH Berlin Germany (indirect interest through no.	26)	100	(a)	(a)
108	HELIOS Rehazentrum Stralsund GmbH Stralsund Germany (indirect interest through no.	12)	100	(a)	(a)
109	HELIOS Reinigung Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	31)	100	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
110	HELIOS Reinigung Nord-West GmbH Schleswig Germany (indirect interest through no.	4)	100	(a)	(a)
111	HELIOS Reinigung Süd GmbH Oberstaufen Germany (indirect interest through no.	118)	100	(a)	(a)
112	HELIOS Residenzen Duisburg GmbH Duisburg Germany (indirect interest through no.	92)	100	(a)	(a)
113	HELIOS Rhein Klinik Duisburg GmbH Duisburg Germany (indirect interest through no.	92)	100	(a)	(a)
114	HELIOS Seehospital Sahlenburg GmbH Bad Berleburg Germany (indirect interest through no.	172)	100	(a)	(a)
115	HELIOS Service Geesthacht - Bad Schwartau - Lehmrade GmbH Geesthacht Germany (indirect interest through no.	18)	100	(a)	(a)
116	HELIOS Service Leezen GmbH Leezen Germany (indirect interest through no.	172)	100	(a)	(a)
117	HELIOS Service Nord GmbH Schwerin Germany (indirect interest through no.	91)	51	(a)	(a)
118	HELIOS Servicegesellschaft Süd GmbH Müllheim Germany (indirect interest through no.	25)	100	(a)	(a)
119	Helios St. Elisabeth Klinik Hünfeld GmbH Hünfeld Germany (indirect interest through no.	26)	74	(a)	(a)
120	HELIOS St. Elisabeth Klinik Oberhausen GmbH Oberhausen Germany (indirect interest through no.	26)	100	(a)	(a)
121	HELIOS St. Marienberg Klinik Helmstedt GmbH Helmstedt Germany (indirect interest through no.	26)	100	(a)	(a)
122	HELIOS Süd Catering GmbH Müllheim Germany (indirect interest through no.	25)	100	(a)	(a)
123	HELIOS Technik und Logistik Süd GmbH Ueberlingen Germany (indirect interest through no.	40)	100	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
124	HELIOS Therapie Mitte-Nord GmbH Berlin Germany (indirect interest through no.	32)	100	(a)	(a)
125	HELIOS Verwaltung Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	31)	100	(a)	(a)
126	HELIOS Verwaltung Nord-West GmbH Schleswig Germany (indirect interest through no.	4)	100	(a)	(a)
127	HEMEDI Catering GmbH Berlin Germany (indirect interest through no.	7)	51	(a)	(a)
128	HERMED Technische Beratungs GmbH Kirchheimbolanden Germany (indirect interest through no.	169)	100	8.324	3.175
129	HHT - HELIOS HERRMANN & TALLIG Service GmbH Sangerhausen Germany (indirect interest through no.	28)	51	(a)	(a)
130	hospitalia international gmbh Bad Homburg v. d. H. Germany (indirect interest through no.	229)	100	15.750	2.984
131	Internat für Körperbehinderte Damp GmbH Damp Germany (indirect interest through no.	58)	100	(a)	(a)
132	KGD Klinik-Gebäude-Dienste GmbH Krefeld Germany (indirect interest through no.	34)	51	(a)	(a)
133	KKD-Klinik-Dienste GmbH Duisburg Germany (indirect interest through no.	92)	100	(a)	(a)
134	KKD-Service-Gesellschaft mbH Duisburg Germany (indirect interest through no.	92)	90	(a)	(a)
135	KKD Catering-Gesellschaft Duisburg mbH Duisburg Germany (indirect interest through no.	92)	100	(a)	(a)
136	KKD Klinik-Küchen-Dienste GmbH Krefeld Germany (indirect interest through no.	34)	100	(a)	(a)
137	Klinik Siegburg Service GmbH Siegburg Germany (indirect interest through no.	94)	51	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
138	Klinikum Erfurt Bewachungs Service GmbH Erfurt Germany (indirect interest through no.	7)	100	(a)	(a)
139	Klinikum Erfurt Catering GmbH Erfurt Germany (indirect interest through no.	56)	100	(a)	(a)
140	Krankenhaus-Logistik Berlin-Brandenburg-Niedersachsen GmbH Bad Saarow Germany (indirect interest through no.	170)	100	25	0
141	Krankenhaus-Logistik Schleswig-Holstein GmbH Damp Germany (indirect interest through no.	170)	100	27	0
142	Krankenhaus-Service Mecklenburg-Vorpommern GmbH Stralsund Germany (indirect interest through no.	170)	100	25	0
143	Krankenhaus-Sterilisation Baden-Württemberg GmbH Müllheim Germany (indirect interest through no.	170)	100	25	0
144	Krankenhaus-Sterilisation Berlin GmbH Bad Saarow Germany (indirect interest through no.	170)	100	26	1
145	Krankenhaus-Technik-Logistik Mecklenburg-Vorpommern GmbH Schwerin Germany (indirect interest through no.	170)	100	25	0
146	Krankenhaus-Technik Berlin-Brandenburg-Niedersachsen GmbH Bad Saarow Germany (indirect interest through no.	170)	100	25	1
147	Krankenhaus-Technik Nordrhein-Westfalen GmbH Bad Berleburg Germany (indirect interest through no.	170)	100	31	-12
148	Krankenhaus-Technik Schleswig-Holstein GmbH Damp Germany (indirect interest through no.	170)	100	20	15
149	KTT Krankenhaus-Technik Thüringen GmbH Erfurt Germany (indirect interest through no.	170)	100	70	0
150	Medizinisches Versorgungszentrum am HELIOS Klinikum Emil von Behring GmbH Berlin Germany (indirect interest through no.	93)	100	(a)	(a)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
151	MVZ ENDO Medizinisches Versorgungszentrum Hamburg GmbH Hamburg Germany (indirect interest through no.		77)	100	(a)	(a)
152	MVZ Medizinisches Versorgungszentrum Harburg GmbH Hamburg Germany (indirect interest through no.		77)	100	(a)	(a)
153	MVZ Medizinisches Versorgungszentrum Kappeln GmbH Damp Germany (indirect interest through no.		37)	100	(a)	(a)
154	ProServe Krankenhaus Beteiligungsgesellschaft mbH & Co. KG Munich Germany	(c)		100	12.272	446
155	ProServe Zweite Krankenhaus Beteiligungsgesellschaft mbH & Co. KG Munich Germany	(c)		100	83	-16
156	Reha-Zentrum Harburg GmbH Hamburg Germany (indirect interest through no.		57)	76	(a)	(a)
157	Reha-Zentrum Norderstedt GmbH Damp Germany (indirect interest through no.		57)	100	(a)	(a)
158	Reha Zentrum Lübeck GmbH Luebeck Germany (indirect interest through no.		57)	100	(a)	(a)
159	Sozialpädiatrisches Zentrum am HELIOS Klinikum Aue gGmbH Aue Germany (indirect interest through no.		30)	74	(a)	(a)
160	TEMAMED Medizintechnische Dienstleistungs GmbH Kirchheimbolanden Germany (indirect interest through no.		128)	100	1.521	653
161	TIPP Catering und Servicedienstleistungen West GmbH Schwelm Germany (indirect interest through no.		35)	100	(a)	(a)
162	TIPP Logistikdienste West GmbH Schwelm Germany (indirect interest through no.		35)	100	(a)	(a)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
163	TIPP Reinigungs- und Servicedienste Bergische Land GmbH Wipperfuerth Germany (indirect interest through no.	90)	60	(a)	(a)
164	TIPP Reinigungsdienste Lengerich GmbH Lengerich Germany (indirect interest through no.	21)	90	(a)	(a)
165	TIPP Reinigungsdienste West GmbH Lengerich Germany (indirect interest through no.	51)	90	(a)	(a)
166	TIPP Speisenversorgung West GmbH Schwelm Germany (indirect interest through no.	35)	90	(a)	(a)
167	TIPP Sterilisationsdienste West GmbH Schwelm Germany (indirect interest through no.	35)	100	(a)	(a)
168	VAMED Health Project GmbH Berlin Germany (indirect interest through no.	234)	100	3.488	-4.192
169	VAMED Management und Service GmbH Deutschland Berlin Germany (indirect interest through no.	231)	100	14.773	1.934
170	VAMED Service- und Beteiligungsges. m.b.H. Berlin Germany (indirect interest through no.	227)	95	759	1.036
171	VAMED UKK Projektgesellschaft m.b.H. Berlin Germany (indirect interest through no.	169)	100	88	62
172	Wittgensteiner Kliniken GmbH Berlin Germany		100	(a)	(a)
	Not consolidated financial statements - with profit & loss transfer agreement				
173	Ahrenshoop Service GmbH i. L. Ahrenshoop Germany (indirect interest through no.	4)	100	30	0
174	Baltic Service GmbH i. L. Damp Germany (indirect interest through no.	4)	100	67	0
175	Damp Verwaltungsgesellschaft 1 mbH i. L. Damp Germany (indirect interest through no.	4)	100	25	0

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
176	Damp Verwaltungsgesellschaft 2 mbH i. L Damp Germany (indirect interest through no.	4)	100	25	0
177	Deutsches Zentrum für Präventivmedizin GmbH i. L. Damp Germany (indirect interest through no.	4)	100	50	0
178	Gesundheitsmanagement Damp GmbH i. L. Hamburg Germany (indirect interest through no.	4)	100	50	0
179	HELIOS Beteiligungs Aktiengesellschaft Berlin Germany (indirect interest through no.	26)	100	50	0
180	Nordkliniken GmbH i. L. Damp Germany (indirect interest through no.	4)	100	50	0
	Not consolidated financial statements - without profit & loss transfer agreement				
181	1. Anlageverwaltungs- und Vermietungsgesellschaft mbH Berlin Germany (indirect interest through no.	26)	100	-80	-12
182	AHZ Ambulantes Herzzentrum GmbH Berlin Germany (indirect interest through no.	32)	100	-25	-69
183	Capisko GmbH i. L. Berlin Germany (indirect interest through no.	26)	100	24	-1
184	D.i.a.-Solution GmbH i. L. Erfurt Germany (indirect interest through no.	26)	100	74	0
185	Damp Verwaltungsgesellschaft 3 mbH i. L. Damp Germany (indirect interest through no.	4)	100	17	0
186	DLS Dienst-Leistungen Siegburg GmbH i. L. (Liquidation) Siegburg Germany (indirect interest through no.	94)	100	-129	9
187	ENDO-Servicegesellschaft mbH i. L. Hamburg Germany (indirect interest through no.	77)	80	25	6
188	FP Anlagenverwaltungs- und Vermietungsgesellschaft mbH Bad Berleburg Germany (indirect interest through no.	172)	100	23	-1

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
189	HEDO Service Ost GmbH Aue Germany (indirect interest through no.	30)	100	25	-1
190	HEGES - HELIOS Service GmbH i.L. Schwerin Germany (indirect interest through no.	7)	100	-613 (d)	-23 (d)
191	HELIOS Atlas GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
192	HELIOS Buto GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
193	HELIOS Dike GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
194	HELIOS Eos GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
195	HELIOS Gaia GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
196	HELIOS Karpo GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
197	HELIOS Klinik Dresden-Wachwitz GmbH i. L. Dresden Germany (indirect interest through no.	45)	100	77	1
198	HELIOS Leto GmbH Berlin Germany (indirect interest through no.	26)	100	12	0
199	HELIOS Medizinisches Versorgungszentrum in Bad Berleburg GmbH Bad Berleburg Germany (indirect interest through no.	51)	100	20	0
200	HELIOS Perses GmbH Berlin Germany (indirect interest through no.	26)	100	12	-1
201	HELIOS Service Nord-West GmbH i. L. Schleswig Germany (indirect interest through no.	4)	100	-41	-8
202	HELIOS Thetis GmbH Berlin Germany (indirect interest through no.	26)	100	12	0

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
203	HESTIA Pflege- und Heimeinrichtung GmbH Stralsund Germany (indirect interest through no.	12)	80	1.921 (d)	-87 (d)
204	hospitalia activHealth gmbh Oberursel Germany		100	-6.941	-99
205	Medizinisches Versorgungszentrum in Bad Berleburg GbR Bad Berleburg Germany (indirect interest through no.	172 + 51)	100	-491	-3
206	PneumoCare GmbH Berlin Germany (indirect interest through no.	93)	51	22	-2
207	Service-Gesellschaft Schleswig mbH i.L. Damp Germany (indirect interest through no.	58)	100	19	0
208	Sport-REHA-Kiel GmbH Kiel Germany (indirect interest through no.	57)	36	656 (d)	150 (d)
209	Stiftung IQM Initiative Qualitätsmedizin gGmbH Berlin Germany (indirect interest through no.	26)	100	1	-2
210	TMK Berlin-Buch GmbH i.L. Berlin Germany (indirect interest through no.	26)	51	58	-10
211	VAMED MTK Hofheim GmbH & Co. KG Berlin Germany (indirect interest through no.	168)	100	57 (d)	-12 (d)
212	VAMED MTK Hofheim Verwaltungsgesellschaft mbH Berlin Germany (indirect interest through no.	168)	100	24 (d)	0 (d)
213	VAMED UKSH PPP GmbH Berlin Germany (indirect interest through no.	168)	100	66 (d)	-1 (d)

Foreign affiliated companies (consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
	Consolidated financial statements - without profit & loss transfer agreement				
214	API Betriebs gemeinnützige GmbH Vienna Austria (indirect interest through no.	231)	60	2.609	658
215	Heilbad Sauerbrunn Betriebsgesellschaft m.b.H. Bad Sauerbrunn Austria (indirect interest through no.	231)	95	-2.702	-639
216	Neurologisches Therapiezentrum Kapfenberg GmbH Kapfenberg Austria (indirect interest through no.	231)	90	1.494	43
217	Niederösterreichische Facility Management GmbH Wiener Neustadt Austria (indirect interest through no.	231)	60	1.208	1.173
218	PKS Privatklinik Salzburg GmbH Salzburg Austria (indirect interest through no.	231)	100	16	-6
219	PKS Privatklinik Salzburg GmbH & Co KG Salzburg Austria (indirect interest through no.	231)	100	-5.496	-1.393
220	Rehabilitationsklinik im Montafon Betriebs-GmbH Schruns Austria (indirect interest through no.	231)	100	1.370	472
221	Rehabilitationszentrum Oberndorf Betriebs-GmbH Oberndorf Austria (indirect interest through no.	231)	100	8	-2
222	Rehabilitationszentrum Oberndorf Betriebs- GmbH & Co KG Oberndorf Austria (indirect interest through no.	231)	100	-3.870	-1.632
223	Seniorenzentrum St. Corona am Schöpfl Betriebsgesellschaft m.b.H. Vienna Austria (indirect interest through no.	231)	100	207	102
224	TAU Management und Betriebsführung GmbH Voecklabruck Austria (indirect interest through no.	231)	60	119	27
225	Therme Seewinkel Betriebsgesellschaft m.b.H. Frauenkirchen Austria (indirect interest through no.	234)	100	101	0
226	VAMED-KMB Krankenhausmanagement und Betriebsführungsges.m.b.H. Vienna Austria (indirect interest through no.	227)	100	38.320	10.403

Foreign affiliated companies (consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
227	VAMED AG Vienna Austria		77	71.746	19.651
228	VAMED ENGINEERING GmbH Vienna Austria (indirect interest through no.	227)	100	76	2
229	VAMED ENGINEERING GmbH & CO KG Vienna Austria (indirect interest through no.	227)	100	70.629	10.277
230	VAMED Management und Service GmbH Vienna Austria (indirect interest through no.	227)	100	6.523	1.308
231	VAMED Management und Service GmbH & Co KG Vienna Austria (indirect interest through no.	227)	100	17.339	-2.052
232	VAMED Medizintechnik GmbH Vienna Austria (indirect interest through no.	234)	100	1.632	3
233	VAMED Standortentwicklung und Engineering GmbH Vienna Austria (indirect interest through no.	227)	100	67	4
234	VAMED Standortentwicklung und Engineering GmbH & CO KG Vienna Austria (indirect interest through no.	227)	100	29.642	5.842
235	ALMEDA, a.s. Nerotovice Czech Republic (indirect interest through no.	238)	76	812	576
236	Centrum léčby pohybového aparátu, s.r.o. Praha Czech Republic (indirect interest through no.	238)	100	978	654
237	MEDITERRA - Sedlcany, s.r.o. Sedlcany Czech Republic (indirect interest through no.	238)	100	2.565	720
238	MEDITERRA s.r.o. Prague Czech Republic (indirect interest through no.	231)	100	912	-2.246
239	MEDNET s.r.o. Prague Czech Republic (indirect interest through no.	238)	100	13	10
240	Mělnická zdravotní, a.s. Melnik Czech Republic (indirect interest through no.	238)	100	5.696	1.282

Foreign affiliated companies (consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
241	Nemocnice sv. Zdislavy, a.s. Velke Mezirici Czech Republic (indirect interest through no.	238)	100	1.312	688
242	Nemocnice Tanvald, s.r.o. Tanvald Czech Republic (indirect interest through no.	238)	66	3.302	397
243	VAMED Health Projects CZ s.r.o. Praha Czech Republic (indirect interest through no.	229)	100	6.743	2.452
244	H.C. Hospital Consulting S.p.A. Bagno a Ripoli Italy (indirect interest through no.	128)	100	9.541	2.907
245	PRINSAMED - PROJECTOS INTERNACIONAIS DE SAÚDE UNIPESSOAL LDA Lissabon Portugal (indirect interest through no.	229)	100	501	10
246	HERMED Medizintechnik Schweiz AG Rapperswil-Jona Switzerland (indirect interest through no.	128)	56	-128	-153
247	Rehaklinik Zihlschlacht AG Zihlschlacht Switzerland (indirect interest through no.	230)	100	7.661	3.679
248	TOV "VAMED UKRAINE" Kiev Ukraine (indirect interest through no.	229)	100	-103	-381

Foreign affiliated companies (non-consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
	Not consolidated financial statements - without profit & loss transfer agreement				
249	TGV' Thermenarkaden Geinberg Errichtungs- und Verwertungs-GmbH Geinberg Austria (indirect interest through no.	289)	100	390 (d)	42 (d)
250	Blumauerplatz Beteiligungs-Holding GmbH Linz Austria (indirect interest through no.	234)	100	3 (d)	-4 (d)
251	LVB LAWOG-VAMED Bauplanungs- und Errichtungs-GmbH Linz Austria (indirect interest through no.	281)	100	14 (d)	-1 (d)
252	Neurologisches Therapiezentrum Gmundnerberg GmbH Linz Austria (indirect interest through no.	231)	90	625 (d)	-86 (d)
253	Rehabilitationsklinik im Bregenzer Wald Betriebs-GmbH Lingenau Austria (indirect interest through no.	231)	100	(e)	(e)
254	Rehabilitationszentrum Kitzbühel Betriebs-GmbH Kitzbühel Austria (indirect interest through no.	231)	100	-1.679 (d)	-412 (d)
255	Rehabilitationszentrum St. Veit im Pongau Betriebs-GmbH St. Veit im Pongau Austria (indirect interest through no.	231)	76	-238 (d)	-216 (d)
256	Rehaklinik Wien Baumgarten Betriebs-GmbH Vienna Austria (indirect interest through no.	231)	100	-1.757 (d)	-633 (d)
257	Therapiezentrum Enns GmbH Enns Austria (indirect interest through no.	291)	67	(e)	(e)
258	"VAMED B&H" d.o.o. Tuzla Tuzla Bosnia and Herzegovina (indirect interest through no.	234)	100	1	0
259	VAMED Healthcare Co. Ltd. Beijing China (indirect interest through no.	229)	100	250 (d)	37 (d)
260	VAMED CZ, s.r.o. Praha Czech Republic (indirect interest through no.	231)	100	-516 (d)	19 (d)
261	VAMED-Hungaria Health Care Ltd. Budapest Hungary (indirect interest through no.	231)	100	19	0

Foreign affiliated companies (non-consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
262	SENALPA S.r.l. Venice Italy (indirect interest through no.	244)	100	5.892 (d)	213 (d)
263	hospitalia activHealth (L) Gmbh Labuan Malaysia (indirect interest through no.	204)	100	(e)	(e)
264	hospitalia activHealth (M) Sdn Bhd. Kuala Lumpur Malaysia (indirect interest through no.	204)	100	(e)	(e)
265	VAMED HEALTHCARE SERVICES SDN. BHD. Kuala Lumpur Malaysia (indirect interest through no.	229)	80	-950 (d)	-945 (d)
266	VAMED Nederland B.V. Amersfoort Netherlands (indirect interest through no.	229 + 234)	100	53	-20
267	VAMED ENGINEERING NIGERIA LIMITED Abuja Nigeria (indirect interest through no.	229)	60	-256 (d)	-180 (d)
268	VAMED ROMANIA S.R.L. Bukarest Romania (indirect interest through no.	234)	100	-182	-147
269	hospitalia international Services ooo Moscow Russia (indirect interest through no.	130)	100	(e)	(e)
270	OOO VAMED Moscow Russia (indirect interest through no.	229)	100	114 (d)	-38 (d)
271	"VOJVODINA SPA" Ltd. Novo Milosevo Novo Milosevo Serbia (indirect interest through no.	234)	51	244 (d)	-180 (d)
272	Health Institution - Institute for diagnostics "VAMED" Novi Sad Novi Sad Serbia (indirect interest through no.	231)	75	218 (d)	-47 (d)
273	hospitalia international South Africa (Pty) Ltd. Johannesburg South Africa (indirect interest through no.	130)	60	(e)	(e)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
274	"THG" Thermenzentrum Geinberg Errichtungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	27	-3.023 (d)	-729 (d)
275	Aqua Dome Tirol Therme Längenfeld GMBH Längenfeld Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	9	99 (d)	5 (d)
276	Aqua Dome Tirol Therme Längenfeld GMBH & CO KG Längenfeld Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	9	-28.459 (d)	-2.701 (d)
277	Burgenländische Pflegeheim Betriebs-GmbH Neudörfl Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	49	91 (d)	0 (d)
278	Gemeinnützige Oberndorfer Krankenhausbetriebsgesellschaft m.b.H. Oberndorf Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	49	-2.106 (d)	-3.572 (d)
279	Gesundheitsresort Gars Betriebs GmbH Gars am Kamp Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 280)	19	-19.259 (d)	-3.172 (d)
280	Gesundheitsresort Gars GmbH Gars am Kamp Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	9	-2.183 (d)	-1.388 (d)
281	LKV Krankenhaus Errichtungs- und Vermietungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	49	-72.537 (d)	-3.631 (d)
282	Neurologisches Rehabilitationszentrum "Rosenhügel" Errichtungs- und Betriebs-GmbH Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	21	335 (d)	100 (d)
283	Psychosomatisches Zentrum Eggenburg GmbH Eggenburg Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	29	163 (d)	527 (d)
284	Rheuma-Zentrum Wien-Oberlaa GmbH Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	49	245 (d)	8 (d)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
285	Tauern SPA World Betriebs-GmbH Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	21	93	2
286	Tauern SPA World Betriebs-GmbH & Co KG Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	17	-1.682	245
287	Tauern SPA World Errichtungs-GmbH Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	21	81 (d)	-2 (d)
288	Tauern SPA World Errichtungs-GmbH & Co KG Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	17	9.534 (d)	-4.022 (d)
289	TBG Thermenzentrum Geinberg Betriebsgesellschaft m.b.H. Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	18	433 (d)	-90 (d)
290	TBL Therme Laa a. d. Thaya - Betriebsgesellschaft m.b.H. Laa a.d. Thaya Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 294)	20	-9.961	-1.376
291	Therapiezentrum Enns Holding GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	30	(e)	(e)
292	Therme Wien Ges. m.b.H. Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 226)	20	34 (d)	-1 (d)
293	Therme Wien GmbH & Co. KG Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 226)	20	33.474 (d)	-2.798 (d)
294	THL Therme Laa a.d. Thaya - Projektentwicklungs- und Errichtungsgesellschaft m.b.H. Laa a.d. Thaya Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	20	4.902 (d)	303 (d)
295	UKH-Linz Errichtungs- und Vermietungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 234)	33	3.384	0

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
296	ATEGRIS VAMED Krankenhaus Service GmbH Oberhausen Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	(e)	(e)
297	Casalis Facility Services GmbH Kassel Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	(e)	(e)
298	Charité CFM Facility Management GmbH Berlin Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	2.404 (d)	403 (d)
299	CW Krankenhaus-Service GmbH Duesseldorf Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	25	112 (d)	10 (d)
300	Dialog Diagnostiklabor Gesellschaft mit beschränkter Haftung Kiel Germany Included in financial statements according to Equity-Method (indirect interest through no. 3)	25	-1.289 (d)	-351 (d)
301	GKZ Krefeld Gesellschaft zur Errichtung und zum Betrieb radiochirurgischer Einrichtungen mbH Krefeld Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 34)	22	8 (d)	1 (d)
302	GKZ Krefeld Gesellschaft zur Errichtung und zum Betrieb radiochirurgischer Einrichtungen mbH & Co. KG Krefeld Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 34)	22	1.782	284
303	KFE Klinik Facility-Management Eppendorf GmbH Hamburg Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	107 (d)	0 (d)
304	KME Klinik Medizintechnik Eppendorf GmbH Hamburg Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	51 (d)	0 (d)
305	MVZ Am Landratspark GmbH Bad Segeberg Germany Included in financial statements according to Equity-Method (indirect interest through no. 86)	30	-8 (d)	-28 (d)
306	Orthodoc MVZ Orthopädie und Chirurgie im Ärztehaus Sophienhof GmbH Kiel Germany Included in financial statements according to Equity-Method (indirect interest through no. 86)	25	520 (d)	50 (d)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
307	Tagesklinik am Kurpark Lüneburg GmbH Lüneburg Germany Included in financial statements according to Equity-Method (indirect interest through no. 57)	37	479 (d)	60 (d)
308	UKSH Gesellschaft für Informationstechnologie mbH ("GfIT") Luebeck Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	123 (d)	76 (d)
309	UKSH Gesellschaft für IT Services mbH ("ITSG") Luebeck Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 169)	49	61 (d)	13 (d)
310	Dalmia Fresenius Medical Ltd. New Delhi India Not included in financial statements according to § 311 (2) HGB due to negligible importance	26	(e)	(e)
311	PT. Dos Ni Roha Jakarta Indonesia Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 312)	46	(e)	(e)
312	PT. European Hospital Development Jakarta Indonesia Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 229)	30	398 (d)	53 (d)
313	Hospitalia International Middle East Limited Liability Company Beirut Lebanon Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 130)	50	(e)	(e)
314	VAMED ENGINEERING (M) SDN.BHD Kuala Lumpur Malaysia Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 229)	30	400 (d)	66 (d)
315	Philippine Hospital Project Development Corporation Manila Philippines Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 229)	40	28 (d)	2 (d)
316	Vamed (Thailand) Co., Ltd. Bangkok Thailand Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 229)	15	35 (d)	19 (d)
317	VAMED Healthcare Services (Thailand) Ltd. Bangkok Thailand Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 231)	49	-279 (d)	-264 (d)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2013 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2013 converted at spot rate at bal. sheet date KEUR
318	VAMED EMIRATES LLC Abu Dhabi United Arab Emirates Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 229)	49	761 (d)	149 (d)

a = No actual data of equity or net profit/loss of the reporting period HBI, but IFRS-closing (excluding minority interests) on level of HELIOS Kliniken GmbH

b = These companies make use of exemption rule § 264 (3) HGB

c = These companies make use of exemption rule § 264 b HGB

d = Value as of December 31 of the preceding reporting period

e = No annual financial statement available

Fresenius ProServe GmbH
Bad Homburg v.d.Höhe

Financial Statements as of December 31, 2012

- Convenience Translation -
The German version of these Financial Statements is legally binding

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Balance Sheet as of December 31, 2012

A s s e t s

	December 31, 2012		December 31, 2011	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Tangible assets				
1. Land, leasehold and buildings	8,360,025.91		8,585,757.91	
2. Payments on account and tangible assets in course of construction	4,252.50	8,364,278.41	0.00	8,585,757.91
II. Financial assets				
1. Shares in related parties	2,246,406,077.21		1,727,742,117.76	
2. Loans to related parties	218,095,530.45		172,867,383.99	
3. Participations	0.71	2,464,501,608.37	0.71	1,900,609,502.46
		2,472,865,886.78		1,909,195,260.37
B. Current assets				
Accounts receivable and other assets				
1. Accounts receivable due from related parties	150,207,036.85		147,706,190.26	
2. Other assets	24,586.51	150,231,623.36	0.00	147,706,190.26
		2,623,097,510.14		2,056,901,450.63

Liabilities and shareholders' equity

	December 31, 2012	December 31, 2011
	EUR	EUR
A. Shareholders' equity		
I. Subscribed capital	40,000,000.00	40,000,000.00
II. Capital reserves	2,065,307,234.93	1,546,794,525.48
	2,105,307,234.93	1,586,794,525.48
B. Accrued expense		
1. Pensions and similar obligations	6,482,717.00	6,737,817.00
2. Other accruals	924,953.66	892,953.66
	7,407,670.66	7,630,770.66
C. Liabilities		
1. Trade accounts payable	84,627.35	84,831.61
2. Liabilities to affiliated companies	510,270,205.48	462,390,394.91
3. Other liabilities	27,771.72	927.97
	510,382,604.55	462,476,154.49
	2,623,097,510.14	2,056,901,450.63

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Profit and Loss Statement
January 1 to December 31, 2012

		2012		2011	
		EUR	EUR	EUR	EUR
1.	Income from participations		139,379,093.35		154,082,535.85
2.	Other operating income		1,991,595.12		4,690,738.51
3.	Personnel expenses				
	a) Salaries and wages	12,032.00		11,904.00	
	b) Social security and costs of retirement pensions and social assistance --thereof amount of retirement pensions EUR 153,124.81 (prev. yr. EUR 146,390.78)--	153,124.81	165,156.81	146,390.78	158,294.78
4.	Depreciation on property, plant and equipment		225,732.00		226,437.00
5.	Other operating expenses		1,269,893.44		3,059,508.96
6.	Income from financial assets		10,511,053.80		9,934,434.00
7.	Other interest and similar income --thereof amount from affiliated companies EUR 98,098.24 (prev. yr. EUR 134,213.27)--		98,050.23		134,213.27
8.	Interest and similiar expenses --thereof amount from affiliated companies EUR 11,150,915.19 (prev. yr. EUR 11,728.401.73)--		11,496,282.57		12,088,085.92
9.	Profit from ordinary operations		138,822,727.68		153,309,594.97
10.	Extraordinary expenses/ Extraordinary result		0.00		1,395,990.00
11.	Income taxes	26,902.50		26,169,178.00	
12.	Other tax	101.00	27,003.50	101.00	26,169,279.00
13.	Net income before profit transfer		138,795,724.18		125,744,325.97
14.	Profit transfer due to profit and loss transfer agreement		138,795,724.18		125,744,325.97
15.	Retained earnings		0.00		0.00

Fresenius ProServe GmbH, Bad Homburg v.d.Höhe

NOTES for fiscal year 2012

GENERAL NOTES

(1) Preliminary note

Fresenius ProServe GmbH, Bad Homburg v.d.Höhe, is a wholly-owned subsidiary of Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe.

There is a profit transfer agreement between the Company and Fresenius SE & Co. KGaA.

The financial statements of Fresenius ProServe GmbH are included in the consolidated financial statements of Fresenius SE & Co. KGaA. The latter are published in the electronic Bundesanzeiger (German Federal Gazette).

Moreover as of December 31, 2012 direct control and profit transfer agreements between Fresenius ProServe GmbH and its subsidiaries HELIOS Kliniken GmbH, Berlin, and FPS Beteiligungs AG, Düsseldorf, are in place.

(2) Accounting principles and standards of valuation

The financial statements of Fresenius ProServe GmbH for 2012 are prepared according to the regulations in the German Commercial Code (HGB) as well as complementing regulations for limited liability companies. Fresenius ProServe GmbH is a small corporation according to Section 267 (1) HGB. The nature of cost method according to Section 275 (2) HGB has been elected for preparing the profit and loss statement. The size related exemptions in Section 274 a HGB and Section 288 HGB are used in part.

The value of investments in property, plant and equipment is stated at the cost of the assets less regular linear or degressive depreciation as far as the assets are depreciable.

The following useful lives were used for calculating amortization:

Intangible assets	3-5 years
Office buildings	40 years
Tools and equipment	3-10 years

Low value fixed assets with purchase or manufacturing cost of up to € 150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than € 150.00 and less than € 1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

The pension obligation is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 5.06%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2012).

Other accruals are built for recognizable risks and uncertain liabilities at the amounts to be paid calculated on the basis of a reasonable commercial assessment. Long term accruals are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Foreign currency items are translated with the average foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to Section 256a HGB.

Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

Derivative financial instruments are contracted for hedging purposes only whereby foreign currency derivatives are used.

The Company acquires hedging instruments from banks, that are mirrored by agreements between Fresenius ProServe GmbH and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together so that effects of the hedge are only recognized in earnings when the underlying transaction takes place.

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

NOTES ON THE BALANCE SHEET

(3) Fixed assets

The breakdown of fixed assets and their development is presented in Exhibit 1 to the Notes.

In 2012, Fresenius ProServe GmbH contributed an intercompany-loan in an amount of € 456,993 thousand to the capital reserve of HELIOS Kliniken. Before that Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius ProServe GmbH by the contribution of these intercompany loans. In 2012, FPS Beteiligungs AG, Düsseldorf, was founded as a wholly-owned subsidiary with a common stock of € 50 thousand. In the further course of the fiscal year 2012, Fresenius ProServe GmbH contributed 4.1 million shares of RHÖN-KLINIKUM AG in the amount of € 61,520 thousand in the additional paid-in capital of FPS Beteiligungs AG. Before that Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius ProServe GmbH by the contribution of these shares.

Furthermore, medium and long term loans in an amount of € 43,250 thousand were granted by Fresenius ProServe GmbH to several related companies of the VAMED-Group in 2012.

A list of all participations in affiliated and associated companies of Fresenius ProServe GmbH is presented in Exhibit 2 to the Notes.

(4) Accounts receivable from related parties

Accounts receivable from related parties mainly consist of items against HELIOS Kliniken GmbH (€ 132,323 thousand) and hospitalia activHealth gmbh (€ 326 thousand). The receivables from related parties mainly relate to profit transfers, loans and clearing accounts. All accounts receivable have a remaining term of up to one year.

(5) Other assets

This item consists of other tax claims.

(6) Subscribed capital

The capital stock at December 31, 2012 has a nominal value of € 40,000,000 and is divided into three parts with nominal values of € 25,000, € 14,975,000 and € 25,000,000. Fresenius SE & Co. KGaA is the sole stockholder.

In 2012, Fresenius SE & Co. KGaA increased the additional paid-in capital of Fresenius ProServe GmbH by € 518,513 thousand (see Note (3)).

(7) Pension obligation

With notarized deed of December 12, 2006 and an effective date of January 1, 2007, all shares in hospitalia international gmbh, Oberursel, where sold and transferred to VAMED Engineering GmbH & Co. KG, Vienna, Austria.

In the context of this sale, Fresenius ProServe GmbH and hospitalia international gmbh agreed in a collateral promise from December 12, 2006, that the Company will assume via the collateral promise with contractual undertaking the compensation payments to be made resulting from the pension obligation of hospitalia international gmbh against beneficiaries and former employees with vested pension rights. The value of this obligation is € 6,455 thousand on December 31, 2012.

The pension obligation has been determined according to the method described under Note (2) “Accounting principles and standards of valuation”. The new calculation of pension provisions required by BilMoG as of January 1, 2010 resulted in an underfunded status of € 1,496 thousand. According to Art. 67 (1) sentence 1 EGHGB (Act Introducing the German Commercial Code), 14/15 (€ 1,396 thousand) has been recognized in 2011. The expense related to this increase was included in “Extraordinary result” in the statement of income of the previous year.

(8) Other accruals

Other accruals mainly relate to risks from the sale of Pharmaplan GmbH.

(9) Liabilities

The summary of remaining terms of liabilities looks as follows:

	2012				2011			
	Total	Remaining term of up to 1 year	Remaining term of 1 year to 5 years	Remaining term of over 5 years	Total	Remaining term of up to 1 year	Remaining term of 1 year to 5 years	Remaining term of over 5 years
In thousand €								
Trade accounts payable	85	85	0	0	85	85	0	0
Accounts payable to related parties	510,270	453,270	57,000	0	462,390	335,390	127,000	0
Other liabilities	28	28	0	0	1	1	0	0
	510,383	453,383	57,000	0	462,476	335,476	127,000	0

The liabilities displayed are not secured by charges on property or other similar rights. Accounts payable to related companies include liabilities against the shareholder Fresenius SE & Co. KGaA of € 440,632 thousand (previous year € 375,288 thousand). Accounts payable to related companies mainly consist of loans and clearing accounts.

(10) Other liabilities

Other liabilities relate to obligations against tax authorities.

NOTES ON THE PROFIT AND LOSS STATEMENT

The structure of the profit and loss statement has been adapted to the holding nature of Fresenius ProServe GmbH and begins with income from participations.

(11) Income from participations

Income from participations comprises income of the profit transfer agreement with HELIOS Kliniken GmbH of € 132,323 thousand (previous year € 146,989 thousand), income of the profit transfer agreement with FPS Beteiligungs AG of € 189 thousand and income from participations in related companies of € 7,245 thousand (previous year € 7,094 thousand).

(12) Other operating income

Other operating income mainly includes income from rental of office space to related companies and from foreign currency translations of € 153 thousand.

Income from other accounting periods was € 255 thousand in 2012 (previous year € 241 thousand) and mainly related to the dissolution of accruals.

(13) Personnel expenses

	2012	2011
	Thousand €	*Thousand €*
Salaries	12	12
Social security and costs of retirement pensions and social assistance	153	146
(thereof retirement pensions)	(153)	(146)
	165	**158**

Annual average number of employees:		
Salaried employees	0	0

(14) Other operating expenses

Other operating expenses were primarily expenses from cost allocation and service level agreements and audit and maintenance cost. Moreover foreign currency translation losses of € 153 thousand are included.

(15) Income from financial assets

Income in this item includes interest from long term loans to related companies.

(16) Other interest and similar income

This item primarily includes interest income from related companies.

(17) Interest and similar expenses

This item mainly includes € 11,151 thousand (previous year € 11,728 thousand) of interests paid to related companies. Moreover expenses for interests accrued of € 345 thousand are also included.

(18) Extraordinary expenses

Extraordinary expenses of previous year included expenses from contributions to pension obligations of € 1,396 thousand.

(19) Income taxes

This item included in previous year expenses from cost transfers for corporate income tax (€ 23,179 thousand), trade tax (€ 1,715 thousand), and solidarity surcharge (€ 1,275 thousand). In 2012, these items are part of the profit transfer.

The company is part of a consolidated tax group with Fresenius SE & Co. KGaA (fiscal unity parent) for income, trade and corporate income tax.

(20) Other tax

This item includes motor vehicle tax.

OTHER DISCLOSURES

(21) Management

In 2012, following persons were appointed managing directors of Fresenius ProServe GmbH, Bad Homburg v.d.-Höhe:

Dr. Jürgen Götz, Lawyer, Bad Soden,
Dr. Francesco De Meo, Lawyer, Petersberg,
Joachim Weith, Dipl.-Sociologist and Dipl.-Business Administration, Wintzenbach.

The managing directors are simultaneously managing directors, members of the management board or senior executives in other Group companies and receive their compensation from these companies.

(22) Contingent liabilities

Contingencies from indemnity agreements

Fresenius ProServe GmbH guarantees together with Fresenius Kabi AG and Fresenius SE & Co. KGaA the repayment including interests accrued of three Senior Notes of Fresenius SE & Co. KGaA amounting to € 1,650 million. The Senior Notes were issued through Fresenius Finance B.V., Netherlands in 2006 and 2012 and increased in 2009. On December 31, 2012, the value of these guarantees including interests accrued was € 1,691 million.

Moreover Fresenius ProServe GmbH together with Fresenius Kabi AG and Fresenius SE & Co. KGaA guarantee the repayment including accrued interest for the Senior Note issued by Fresenius Finance II, Inc, USA in 2009. The Senior Note comprises two tranches of $ 500 million and € 275 million. On December 31, 2012, the value of the guarantees including interests accrued was $ 523 million (€ 396 million) and € 287 million.

Further guarantee commitments of Fresenius ProServe GmbH together with Fresenius SE & Co. KGaA and Fresenius Kabi AG exist in relation to the repayment of several long term bank loans taken through financing companies of the Fresenius Group in relation to one acquisition in 2008. These commitments are for a maximum of $ 1,884 million (€ 1,428 million) and € 159 million and the related accrued interest. On December 31, 2012, the value of the loans including interests was $ 1,344 million (€ 1,019 million) and € 160 million.

Moreover Fresenius ProServe GmbH guarantees together with Fresenius Kabi AG the repayment of a credit facility of € 100 million borrowed by Fresenius SE & Co. KGaA from the European Investment Bank, as well as the related accrued expenses. On December 31, 2012, the value of the credit facility including accrued interests was € 101 million.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Statement of subordination

On December 31, 2012, the subsidiaries Wittgensteiner Kliniken GmbH and hospitalia activHealth gmbh are over-leveraged by about € 31 million and € 6.8 million respectively. To avoid legal accounting insolvency, Fresenius ProServe GmbH issued a statement of subordination for € 40 million and € 8.7 million respectively. On December 31, 2012 receivables of € 170.0 million against Wittgensteiner Kliniken GmbH and of € 7.0 million (of which € 6.7 million have been written-down) against hospitalia activHealth gmbh are outstanding.

Option contracts

There are two put and call option contracts with the current share owners of VAMED AG to acquire 10% and 13% of the shares in VAMED AG which expire on December 31, 2015 and June 30, 2017 respectively. These contracts are pending transactions that are not shown in the financial statement of Fresenius ProServe GmbH.

(23) Derivatives

Fresenius ProServe GmbH uses derivative financial instruments to hedge against existing or highly probable future currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. The Company has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Derivative financial instruments are used to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates.

Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius ProServe GmbH entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had currency derivatives with a nominal value of € 5,866 thousand and fair value of € -101 thousand with a maximum maturity of five months.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account. To determine the market 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 balance sheet. 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.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method.

(24) Parent company

Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe is the sole shareholder of Fresenius ProServe GmbH.

Fresenius ProServe GmbH is exempt from publishing consolidated financial statements and management report in accordance with Section 291 HGB given that Fresenius SE & Co. KGaA, Bad Homburg v.d.-Höhe, as parent company publishes consolidated financial statements and management report in accordance with International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a HGB for the smallest group of consolidated companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.Höhe, prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

Fresenius ProServe GmbH will use the exemptions in Section 264 (3) HGB and will not make its financial statements for the year 2012 public.

Bad Homburg v.d.Höhe, February 27, 2013

Fresenius ProServe GmbH

Dr. Jürgen Götz | Dr. Francesco De Meo | Joachim Weith

Exhibit to notes

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Development of fixed assets during the fiscal year 2012

		Acquisition costs		
		As of Jan. 01, 2012	Additions	As of Dec. 31, 2012
		kEUR	kEUR	kEUR
I.	**Intangible assets**	4	0	4
II.	**Tangible assets**			
	1. Land, leasehold and buildings	10,947	0	10,947
	2. Plant and machinery	21	0	21
	3. Other fixtures and fittings, tools and equipment	20	0	20
	4. Payments on account and tangible assets in course of construction	0	4	4
		10,988	4	10,992
III.	**Financial assets**			
	1. Shares in related parties	1,732,842	518,664	2,251,506
	2. Loans to related parties	172,867	45,229	218,096
	3. Participations	0	0	0
		1,905,709	563,893	2,469,602
		1,916,701	563,897	2,480,598

Depreciation			Carrying amount	
As of Jan. 01, 2012	Depreciation of financial year	As of Dec. 31, 2012	Dec. 31, 2012	31.12.2011
kEUR	kEUR	kEUR	kEUR	kEUR
4	0	4	0	0
2,361	226	2,587	8,360	8,586
21	0	21	0	0
20	0	20	0	0
0	0	0	4	0
2,402	226	2,628	8,364	8,586
5,100	0	5,100	2,246,406	1,727,742
0	0	0	218,096	172,867
0	0	0	0	0
5,100	0	5,100	2,464,502	1,900,609
7,506	226	7,732	2,472,866	1,909,195

FRESENIUS PROSERVE GMBH, Bad Homburg v. d. H.

List of affiliated and associated companies as of December 31st, 2012
Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
	Consolidated financial statements - with profit & loss transfer agreement					
1	Ahrenshoop Service GmbH i. L. Ahrenshoop Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
2	Akademie Damp GmbH Damp Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
3	Baltic Service GmbH i. L. Damp Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
4	Betriebsführungsgesellschaft Schloß Schönhagen GmbH Damp Germany (indirect interest through no.	(c)	7)	99	(b)	(b)
5	D.i.a.-Solution GmbH i. L. Erfurt Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
6	Damp Diagnostik und Physio Holding GmbH Hamburg Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
7	Damp Holding GmbH Damp Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
8	Damp Touristik GmbH Damp Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
9	Deutsches Zentrum für Präventivmedizin GmbH i. L. Damp Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
10	ENDO Reha-Zentrum GmbH Hamburg Germany (indirect interest through no.	(c)	58)	100	(b)	(b)
11	FPS Beteiligungs AG Duesseldorf Germany	(c)		100	63.001	0
12	Gesundheitsmanagement Damp GmbH i. L. Hamburg Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
13	HELIOS-SERVICE GMBH Berlin Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
14	HELIOS Agnes-Karll-Krankenhaus GmbH Bochum Germany (indirect interest through no.	(c)	28)	98	(b)	(b)
15	HELIOS Care GmbH Berlin Germany (indirect interest through no.	(c)	28)	100	(b)	(b)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
16	HELIOS ENDO-Klinik Hamburg GmbH Hamburg Germany (indirect interest through no.	(c)	60)	100	(b)	(b)
17	HELIOS Fachklinik Schleswig GmbH Schleswig Germany (indirect interest through no.	(c)	82)	100	(b)	(b)
18	HELIOS Fachpflege Schleswig GmbH Schleswig Germany (indirect interest through no.	(c)	17)	100	(b)	(b)
19	HELIOS Hanseklinikum Stralsund GmbH Stralsund Germany (indirect interest through no.	(c)	60)	94	(b)	(b)
20	HELIOS Kids in Pflege GmbH Geesthacht Germany (indirect interest through no.	(c)	23)	100	(b)	(b)
21	HELIOS Klinik Ahrenshoop GmbH Ahrenshoop Germany (indirect interest through no.	(c)	60)	100	(b)	(b)
22	HELIOS Klinik Dresden-Wachwitz GmbH i. L. Dresden Germany (indirect interest through no.	(c)	44)	100	(b)	(b)
23	HELIOS Klinik Geesthacht GmbH Geesthacht Germany (indirect interest through no.	(c)	44)	100	(b)	(b)
24	HELIOS Klinik Lehmrade GmbH Damp Germany (indirect interest through no.	(c)	60)	100	(b)	(b)
25	HELIOS Klinik Lengerich GmbH Lengerich Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
26	HELIOS Klinik Schloss Schönhagen GmbH Damp Germany (indirect interest through no.	(c)	60)	100	(b)	(b)
27	HELIOS Kliniken Breisgau-Hochschwarzwald GmbH Müllheim Germany (indirect interest through no.	(c)	28)	74	(b)	(b)
28	HELIOS Kliniken GmbH Berlin Germany	(c)		100	2.026.187 (b)	101.805 (b)
29	HELIOS Kliniken Leipziger Land GmbH Borna Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
30	HELIOS Kliniken Mansfeld-Südharz GmbH Sangerhausen Germany (indirect interest through no.	(c)	28)	95	(b)	(b)
31	HELIOS Kliniken Taunus GmbH Bad Schwalbach Germany (indirect interest through no.		142)	100	(b)	(b)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
32	HELIOS Klinikum Aue GmbH Aue Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
33	HELIOS Klinikum Bad Saarow GmbH Bad Saarow Germany (indirect interest through no.	(c)	44)	100	(b)	(b)
34	HELIOS Klinikum Erfurt GmbH Erfurt Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
35	HELIOS Klinikum Schwelm GmbH Schwelm Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
36	HELIOS Klinikum Wuppertal GmbH Wuppertal Germany (indirect interest through no.	(c)	28)	95	(b)	(b)
37	HELIOS Ostseeklinik Damp GmbH Damp Germany (indirect interest through no.	(c)	60)	100	(b)	(b)
38	HELIOS Privatkliniken GmbH Bad Homburg v. d. H. Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
39	HELIOS Rehaklinik Damp GmbH Damp Germany (indirect interest through no.	(c)	60)	100	(b)	(b)
40	HELIOS Rehazentrum Stralsund GmbH Stralsund Germany (indirect interest through no.		19)	49	(b)	(b)
41	HELIOS Versorgungszentren GmbH Berlin Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
42	HELIOS Versorgungszentrum Bad Saarow GmbH Bad Saarow Germany (indirect interest through no.	(c)	33)	100	(b)	(b)
43	HELIOS Vogtland-Klinikum Plauen GmbH Plauen Germany (indirect interest through no.	(c)	44)	100	(b)	(b)
44	HUMAINE Kliniken GmbH Berlin Germany (indirect interest through no.	(c)	28)	95	(b)	(b)
45	Klüh Catering Sachsen GmbH Berlin Germany (indirect interest through no.	(c)	13)	100	(b)	(b)
46	Poliklinik am HELIOS Klinikum Buch GmbH Berlin Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
47	Reha-Zentrum Norderstedt GmbH Damp Germany (indirect interest through no.	(c)	58)	100	(b)	(b)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
48	Senioren- und Pflegeheim Erfurt GmbH Erfurt Germany (indirect interest through no.	(c)	15)	100	(b)	(b)
49	St. Josefs-Hospital GmbH Bochum Germany (indirect interest through no.	(c)	28)	100	(b)	(b)
50	Therapie Centrum Damp GmbH Damp Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
51	Verwaltungsgesellschaft ENDO-Klinik mbH Hamburg Germany (indirect interest through no.	(c)	16)	93	(b)	(b)
52	WAK Wittgensteiner Akutkliniken "Bad Berleburg" GmbH Bad Berleburg Germany (indirect interest through no.		142)	100	(b)	(b)
53	Wittgensteiner Immobilien GmbH Borna Germany (indirect interest through no.		142)	90	(b)	(b)
54	Zentrale Service-Gesellschaft Damp mbH Damp Germany (indirect interest through no.	(c)	7)	100	(b)	(b)
	Consolidated financial statements - without profit & loss transfer agreement					
55	allgäu resort GmbH Bad Grönenbach Germany (indirect interest through no.		142)	100	(b)	(b)
56	ASK Service GmbH Northeim Germany (indirect interest through no.		72)	100	(b)	(b)
57	benissimo gmbh Berlin Germany (indirect interest through no.		28)	100	(b)	(b)
58	Casemanagement Reha Nord GmbH Hamburg Germany (indirect interest through no.		7)	77	(b)	(b)
59	Damp - Medizinisches Versorgungszentrum Rügen GmbH Stralsund Germany (indirect interest through no.		19)	100	(b)	(b)
60	Damp Kliniken GmbH Hamburg Germany (indirect interest through no.		7)	100	(b)	(b)
61	DLK Dienstleistungen für Krankenhäuser GmbH Wuppertal Germany (indirect interest through no.		36)	100	(b)	(b)
62	DLS Dienst-Leistungen Siegburg GmbH i. L. (Liquidation) Siegburg Germany (indirect interest through no.		87)	100	(b)	(b)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
63	ENDO-Servicegesellschaft mbH i. L. Hamburg Germany (indirect interest through no.		16)	80	(b)	(b)
64	EvB Catering GmbH Berlin Germany (indirect interest through no.		85)	51	(b)	(b)
65	FPS Immobilien Verwaltungs GmbH Bad Homburg v. d. H. Germany			100	31	0
66	FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG Bad Homburg v. d. H. Germany	(e)		100	100	67
67	HCSV HELIOS Care Speisen Versorgung GmbH Berlin Germany (indirect interest through no.		13)	51	(b)	(b)
68	HEDO Service GmbH Borna Germany (indirect interest through no.		28)	51	(b)	(b)
69	HEDUS Service GmbH i.L. Bad Berleburg Germany (indirect interest through no.		142)	51	(b)	(b)
70	HEGES - HELIOS Service GmbH i.L. Schwerin Germany (indirect interest through no.		13)	100	(b)	(b)
71	HELIOS-BMU Service Mitte GmbH Bad Nauheim Germany (indirect interest through no.		13)	51	(b)	(b)
72	HELIOS Albert-Schweitzer-Klinik Northeim GmbH Northeim Germany (indirect interest through no.		28)	95	(b)	(b)
73	HELIOS Catering Nord-Ost GmbH Schwerin Germany (indirect interest through no.		83)	100	(b)	(b)
74	HELIOS Catering Nord-West GmbH Damp Germany (indirect interest through no.		28)	100	(b)	(b)
75	HELIOS Dienste GmbH Borna Germany (indirect interest through no.		13)	100	(b)	(b)
76	HELIOS Geriatriezentren GmbH Berlin Germany (indirect interest through no.		28)	100	(b)	(b)
77	HELIOS IT Service GmbH Berlin Germany (indirect interest through no.		28)	100	(b)	(b)
78	HELIOS Klinik Bad Gandersheim GmbH Bad Gandersheim Germany (indirect interest through no.		28)	94	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
79	HELIOS Klinik Kiel GmbH Kiel Germany (indirect interest through no.	7)	100	(b)	(b)
80	HELIOS Klinik Oberwald GmbH Grebenhain Germany (indirect interest through no.	28)	67	(b)	(b)
81	HELIOS Klinik Rottweil GmbH Rottweil Germany (indirect interest through no.	28)	100	(b)	(b)
82	HELIOS Klinik Schleswig GmbH Schleswig Germany (indirect interest through no.	60)	94	(b)	(b)
83	HELIOS Kliniken Schwerin GmbH Schwerin Germany (indirect interest through no.	28)	95	(b)	(b)
84	HELIOS Klinikum Duisburg GmbH Duisburg Germany (indirect interest through no.	28)	51	(b)	(b)
85	HELIOS Klinikum Emil von Behring GmbH Berlin Germany (indirect interest through no.	28)	75	(b)	(b)
86	HELIOS Klinikum Krefeld GmbH Krefeld Germany (indirect interest through no.	28)	75	(b)	(b)
87	HELIOS Klinikum Siegburg GmbH Siegburg Germany (indirect interest through no.	142)	100	(b)	(b)
88	HELIOS Kreiskrankenhaus Gotha/Ohrdruf GmbH Gotha Germany (indirect interest through no.	28)	51	(b)	(b)
89	HELIOS Management GmbH Berlin Germany (indirect interest through no.	28)	100	(b)	(b)
90	HELIOS Mariahilf Klinik Hamburg GmbH Hamburg Germany (indirect interest through no.	28)	95	(b)	(b)
91	HELIOS MVZ Mariahilf GmbH Hamburg Germany (indirect interest through no.	90)	100	(b)	(b)
92	HELIOS Praxis Hünfeld - Medizinisches Versorgungszentrum GmbH Hünfeld Germany (indirect interest through no.	106)	100	(b)	(b)
93	HELIOS Praxis Oberwald - Medizinisches Versorgungszentrum - GmbH Grebenhain Germany (indirect interest through no.	80)	100	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
94	HELIOS Real Estate GmbH Berlin Germany (indirect interest through no.	28)	100	(b)	(b)
95	HELIOS Reinigung Süd GmbH Oberstaufen Germany (indirect interest through no.	103)	100	(b)	(b)
96	HELIOS Research Center GmbH i.L. Berlin Germany (indirect interest through no.	28)	76	(b)	(b)
97	HELIOS Residenzen Duisburg GmbH Duisburg Germany (indirect interest through no.	84)	100	(b)	(b)
98	HELIOS Rhein Klinik Duisburg GmbH Duisburg Germany (indirect interest through no.	84)	100	(b)	(b)
99	HELIOS Seehospital Sahlenburg GmbH Bad Berleburg Germany (indirect interest through no.	142)	100	(b)	(b)
100	HELIOS Service Leezen GmbH Leezen Germany (indirect interest through no.	142)	100	(b)	(b)
101	HELIOS Service Nord-West GmbH i. L. Schleswig Germany (indirect interest through no.	7)	51	(b)	(b)
102	HELIOS Service Nord GmbH Schwerin Germany (indirect interest through no.	83)	51	(b)	(b)
103	HELIOS Servicegesellschaft Süd GmbH Müllheim Germany (indirect interest through no.	27)	100	(b)	(b)
104	HELIOS Spital Überlingen GmbH Ueberlingen Germany (indirect interest through no.	28)	95	(b)	(b)
105	HELIOS Spital Überlingen Service GmbH Ueberlingen Germany (indirect interest through no.	104)	100	(b)	(b)
106	Helios St. Elisabeth Klinik Hünfeld GmbH Hünfeld Germany (indirect interest through no.	28)	74	(b)	(b)
107	HELIOS St. Elisabeth Klinik Oberhausen GmbH Oberhausen Germany (indirect interest through no.	28)	100	(b)	(b)
108	HELIOS St. Marienberg Klinik Helmstedt GmbH Helmstedt Germany (indirect interest through no.	28)	96	(b)	(b)
109	HELIOS Süd Catering GmbH Müllheim Germany (indirect interest through no.	27)	100	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
110	HELIOS Verwaltung Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	(b)	(b)
111	HELIOS Verwaltung Nord-West GmbH Schleswig Germany (indirect interest through no.	7)	100	(b)	(b)
112	HELIOSterilog GmbH Müllheim Germany (indirect interest through no.	27)	51	(b)	(b)
113	HEMEDI Catering GmbH Berlin Germany (indirect interest through no.	13)	51	(b)	(b)
114	HERMED Technische Beratungs GmbH Neumuenster Germany (indirect interest through no.	138)	100	5.149	2.917
115	HHT - HELIOS HERRMANN & TALLIG Service GmbH Sangerhausen Germany (indirect interest through no.	30)	51	(b)	(b)
116	hospitalia international gmbh Oberursel Germany (indirect interest through no.	215)	100	12.766	6.235
117	KGD Klinik-Gebäude-Dienste GmbH Krefeld Germany (indirect interest through no.	86)	51	(b)	(b)
118	KKD Catering-Gesellschaft Duisburg mbH Duisburg Germany (indirect interest through no.	84)	100	(b)	(b)
119	KKD Klinik-Küchen-Dienste GmbH Krefeld Germany (indirect interest through no.	86)	100	(b)	(b)
120	Klinik Siegburg Service GmbH Siegburg Germany (indirect interest through no.	87)	51	(b)	(b)
121	Klinikum Erfurt Bewachungs Service GmbH Erfurt Germany (indirect interest through no.	13)	100	(b)	(b)
122	Klinikum Erfurt Catering GmbH Erfurt Germany (indirect interest through no.	57)	100	(b)	(b)
123	KTT Krankenhaus-Technik Thüringen GmbH Erfurt Germany (indirect interest through no.	13)	100	(b)	(b)
124	Medizinisches Versorgungszentrum am HELIOS Klinikum Emil von Behring GmbH Berlin Germany (indirect interest through no.	85)	100	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
125	MVZ ENDO Medizinisches Versorgungszentrum Hamburg GmbH Hamburg Germany (indirect interest through no. 16)		100	(b)	(b)
126	MVZ Medizinisches Versorgungszentrum Harburg GmbH Hamburg Germany (indirect interest through no. 16)		100	(b)	(b)
127	MVZ Medizinisches Versorgungszentrum Kappeln GmbH Damp Germany (indirect interest through no. 37)		100	(b)	(b)
128	OWS Orthopädische Werkstatt GmbH Berlin Germany (indirect interest through no. 85)		100	(b)	(b)
129	ProServe Krankenhaus Beteiligungs-gesellschaft mbH & Co. KG Munich Germany	(e)	100	12.272	56
130	ProServe Zweite Krankenhaus Beteiligungs-gesellschaft mbH & Co. KG Munich Germany	(e)	100	99	-1
131	Reha-Zentrum Harburg GmbH Hamburg Germany (indirect interest through no. 58)		58	(b)	(b)
132	Reha Zentrum Lübeck GmbH Luebeck Germany (indirect interest through no. 58)		100	(b)	(b)
133	Service-Gesellschaft Schleswig mbH i.L. Damp Germany (indirect interest through no. 60)		100	(b)	(b)
134	Sozialpädiatrisches Zentrum am HELIOS Klinikum Aue gGmbH Aue Germany (indirect interest through no. 32)		74	(b)	(b)
135	TEMAMED Medizinische Dienstleistungs GmbH Kirchheimbolanden Germany (indirect interest through no. 114)		100	1.368	621
136	TMK Berlin-Buch GmbH i.L. Berlin Germany (indirect interest through no. 28)		51	(b)	(b)
137	VAMED Health Project GmbH Berlin Germany (indirect interest through no. 220)		100	-319	2.402
138	VAMED Management und Service GmbH Deutschland Berlin Germany (indirect interest through no. 217)		100	14.838	3.407
139	VAMED UKK Projektgesellschaft m.b.H. Berlin Germany (indirect interest through no. 138)		21	26	68.520

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
140	WCS - Wittgensteiner Catering Service GmbH Bad Berleburg Germany (indirect interest through no.	142)	100	(b)	(b)
141	Wittgensteiner Dienstleistungs GmbH Bad Berleburg Germany (indirect interest through no.	142)	100	(b)	(b)
142	Wittgensteiner Kliniken GmbH Berlin Germany		100	(b)	(b)
	Not consolidated financial statements - with profit & loss transfer agreement				
143	HELIOS Medizinisches Versorgungszentrum Helmstedt GmbH Helmstedt Germany (indirect interest through no.	108)	100	25	-31
144	Tagesklinik am Kurpark Lüneburg GmbH Lüneburg Germany (indirect interest through no.	58)	37	420 (d)	32 (d)
	Not consolidated financial statements - without profit & loss transfer agreement				
145	Capisko GmbH i. L. Berlin Germany (indirect interest through no.	28)	100	21	0
146	Damp Verwaltungsgesellschaft 1 mbH i. L. Damp Germany (indirect interest through no.	7)	100	60 (d)	0 (d)
147	Damp Verwaltungsgesellschaft 2 mbH i. L Damp Germany (indirect interest through no.	7)	100	25 (d)	0 (d)
148	Damp Verwaltungsgesellschaft 3 mbH i. L. Damp Germany (indirect interest through no.	7)	100	17	-7
149	Dialog Diagnostiklabor Gesellschaft mit beschränkter Haftung Kiel Germany (indirect interest through no.	6)	25	-938 (d)	-1.100 (d)
150	FP Anlagenverwaltungs- und Vermietungs-gesellschaft mbH Bad Berleburg Germany (indirect interest through no.	142)	100	23	0
151	Hanse-Gebäudeservice GmbH Stralsund Germany (indirect interest through no.	19)	51	133	163
152	Hanse-Wäsche-Service GmbH Wismar Germany (indirect interest through no.	54)	51	34	-20
153	HELIOS Atlas GmbH Berlin Germany (indirect interest through no.	28)	100	12	0

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
154	HELIOS Beteiligungs Aktiengesellschaft Berlin Germany (indirect interest through no.	28)	100	48	-2
155	HELIOS Buto GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
156	HELIOS Catering Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	25	0
157	HELIOS Dike GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
158	HELIOS Eos GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
159	HELIOS Facility-Management Mitte GmbH i.G. Erfurt Germany (indirect interest through no.	13)	100	25	0
160	HELIOS Gaia GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
161	HELIOS Gesundheitsmanagement GmbH Berlin Germany (indirect interest through no.	28)	100	25	0
162	HELIOS Hausservice Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	25	0
163	HELIOS Hausservice Schwerin GmbH Schwerin Germany (indirect interest through no.	83)	100	-50	-75
164	HELIOS Karpo GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
165	HELIOS Klinik Wipperfürth GmbH Wipperfuerth Germany (indirect interest through no.	28)	100	-932	-1.321
166	HELIOS Leto GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
167	HELIOS Logistik Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	25	0
168	HELIOS Logistik Nord-West GmbH Damp Germany (indirect interest through no.	7)	100	25	0

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
169	HELIOS Medizinisches Versorgungszentrum in Bad Berleburg GmbH Bad Berleburg Germany (indirect interest through no.	52)	100	20	0
170	HELIOS Medizinisches Versorgungszentrum Leisnig GmbH Leisnig Germany (indirect interest through no.	28)	100	24 (d)	0 (d)
171	HELIOS MVZ Berlin - Hellersdorf GmbH Berlin Germany (indirect interest through no.	28)	100	25	0
172	HELIOS MVZ Südniedersachsen GmbH Northeim Germany (indirect interest through no.	72)	100	-5 (b)	-30 (b)
173	HELIOS Perses GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
174	HELIOS Pflege Dresden GmbH i.L. Dresden Germany (indirect interest through no.	22)	100	0	0
175	HELIOS Reinigung Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	25	0
176	HELIOS Service Geesthacht - Bad Schwartau - Lehmrade GmbH Geesthacht Germany (indirect interest through no.	23)	100	24	-1
177	HELIOS Service Stralsund - Ahrenshoop GmbH Stralsund Germany (indirect interest through no.	19)	100	25	0
178	HELIOS Steri Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	25	0
179	HELIOS Technik-Logistik-Verwaltung Schwerin GmbH Schwerin Germany (indirect interest through no.	83)	100	25	0
180	HELIOS Technik Mitte-Nord GmbH Bad Saarow Germany (indirect interest through no.	33)	100	25	0
181	HELIOS Technik Nord-West GmbH Damp Germany (indirect interest through no.	7)	100	25	0
182	HELIOS Thetis GmbH Berlin Germany (indirect interest through no.	28)	100	12	0
183	HELIOS Zelos GmbH Berlin Germany (indirect interest through no.	28)	100	12	0

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
184	HESTIA Pflege- und Heimeinrichtung GmbH Stralsund Germany (indirect interest through no.	19)	80	2.008 (d)	160 (d)
185	hospitalia activHealth gmbh Oberursel Germany		100	-6.843	-185
186	hospitalia consult gmbh i.L. Oberursel Germany (indirect interest through no.	142)	100	13	42
187	Internat für Körperbehinderte Damp GmbH Damp Germany (indirect interest through no.	60)	100	24	-1
188	Medizinisches Versorgungszentrum in Bad Berleburg GbR Bad Berleburg Germany (indirect interest through no.	142 + 52)	100	-488	-23
189	MVZ Am Landratspark GmbH Bad Segeberg Germany (indirect interest through no.	79)	30	25 (d)	5 (d)
190	Nordkliniken GmbH i. L. Damp Germany (indirect interest through no.	7)	100	60 (d)	(d)
191	Orthodoc MVZ Orthopädie und Chirurgie im Ärztehaus Sophienhof GmbH Kiel Germany (indirect interest through no.	79)	25	470 (d)	18 (d)
192	PneumoCare GmbH Berlin Germany (indirect interest through no.	85)	51	25	0
193	Sport-REHA-Kiel GmbH Kiel Germany (indirect interest through no.	58)	36	657 (d)	148 (d)
194	Stiftung IQM Initiative Qualitätsmedizin gGmbH Berlin Germany (indirect interest through no.	28)	100	1	0
195	TIPP Catering und Servicedienstleistungen West GmbH Schwelm Germany (indirect interest through no.	35)	100	25	0
196	TIPP Logistikdienste West GmbH Schwelm Germany (indirect interest through no.	35)	100	25	0
197	TIPP Reinigungsdienste Bad Berleburg GmbH i.G. Lengerich Germany (indirect interest through no.	52)	100	25	0
198	TIPP Reinigungsdienste Lengerich GmbH i. G. Lengerich Germany (indirect interest through no.	25)	100	25	0
199	TIPP Reinigungsdienste Schwelm GmbH i.G. Schwelm Germany (indirect interest through no.	35)	100	25	0

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
200	TIPP Sterilisationsdienste Schwelm GmbH i.G. Schwelm Germany (indirect interest through no.	35)	100	25	0
201	VAMED MTK Hofheim GmbH & Co. KG Berlin Germany (indirect interest through no.	137)	100	69 (d)	-6 (d)
202	VAMED MTK Hofheim Verwaltungsgesellschaft mbH Berlin Germany (indirect interest through no.	137)	100	25 (d)	-1 (d)
203	VAMED UKSH PPP GmbH Berlin Germany (indirect interest through no.	137)	100	67 (d)	-1 (d)

Foreign affiliated companies (consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
	Consolidated financial statements - without profit & loss transfer agreement				
204	Dr. Pierer Sanatorium Salzburg GmbH & Co KG Salzburg Austria (indirect interest through no.	217)	75	-4.103	-1.319
205	Heilbad Sauerbrunn Betriebsgesellschaft m.b.H. Bad Sauerbrunn Austria (indirect interest through no.	217)	95	-2.063	-1.611
206	Neurologisches Therapiezentrum Kapfenberg GmbH Kapfenberg Austria (indirect interest through no.	217)	90	1.423	0
207	Niederösterreichische Facility Management GmbH Wiener Neustadt Austria (indirect interest through no.	217)	60	1.254	1.219
208	Rehabilitationsklinik im Montafon Betriebs-GmbH Schruns Austria (indirect interest through no.	217)	100	1.898	1.017
209	Seniorenzentrum St. Corona am Schöpfl Betriebsgesellschaft m.b.H. Vienna Austria (indirect interest through no.	217)	100	104	92
210	TAU Management und Betriebsführung GmbH Voecklabruck Austria (indirect interest through no.	217)	60	92	48
211	Therme Seewinkel Betriebsgesellschaft m.b.H. Frauenkirchen Austria (indirect interest through no.	220)	100	101	0
212	VAMED-KMB Krankenhausmanagement und Betriebsführungsges.m.b.H. Vienna Austria (indirect interest through no.	213)	100	33.917	9.423
213	VAMED AG Vienna Austria		77	61.795	17.070
214	VAMED ENGINEERING GmbH Vienna Austria (indirect interest through no.	213)	100	74	3
215	VAMED ENGINEERING GmbH & CO KG Vienna Austria (indirect interest through no.	213)	100	68.352	14.382
216	VAMED Management und Service GmbH Vienna Austria (indirect interest through no.	213)	100	5.215	1.528
217	VAMED Management und Service GmbH & Co KG Vienna Austria (indirect interest through no.	213)	100	22.391	609
218	VAMED Medizintechnik GmbH Vienna Austria (indirect interest through no.	220)	100	1.630	-50

Foreign affiliated companies (consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
219	VAMED Standortentwicklung und Engineering GmbH Vienna Austria (indirect interest through no.	213)	100	63	5
220	VAMED Standortentwicklung und Engineering GmbH & CO KG Vienna Austria (indirect interest through no.	213)	100	21.800	408
221	ALMEDA, a.s. Nerotovice Czech Republic (indirect interest through no.	223)	76	286	478
222	MEDITERRA - Sedlcany, s.r.o. Sedlcany Czech Republic (indirect interest through no.	223)	100	2.055	447
223	MEDITERRA s.r.o. Prague Czech Republic (indirect interest through no.	217)	100	3.305	998
224	MEDNET s.r.o. Prague Czech Republic (indirect interest through no.	223)	100	38	34
225	Nemocnice Tanvald, s.r.o. Tanvald Czech Republic (indirect interest through no.	223)	66	3.194	836
226	VAMED Health Projects CZ s.r.o. Praha Czech Republic (indirect interest through no.	215)	100	4.830	1.903
227	H.C. Hospital Consulting S.p.A. Bagno a Ripoli Italy (indirect interest through no.	114)	100	6.634	36.165
228	VAMED Nederland B.V. Amersfoort Netherlands (indirect interest through no.	215 + 220)	100	73	2
229	PRINSAMED - PROJECTOS INTERNACIONAIS DE SAÚDE UNIPESSOAL LDA Lissabon Portugal (indirect interest through no.	215)	100	491	11
230	Helios Klinik Zihlschlacht AG Zihlschlacht Switzerland (indirect interest through no.	216)	100	5.902	30.865
231	TOV "VAMED UKRAINE" Kiev Ukraine (indirect interest through no.	215)	100	784	1.189

Foreign affiliated companies (non-consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
	Not consolidated financial statements - without profit & loss transfer agreement				
232	TGV' Thermenarkaden Geinberg Errichtungs- und Verwertungs-GmbH Geinberg Austria (indirect interest through no.	272)	100	349 (d)	40 (d)
233	Blumauerplatz Beteiligungs-Holding GmbH Linz Austria (indirect interest through no.	220)	100	6 (d)	-6 (d)
234	LVB LAWOG-VAMED Bauplanungs- und Errichtungs-GmbH Linz Austria (indirect interest through no.	264)	100	15 (d)	-1 (d)
235	Neurologisches Therapiezentrum Gmundnerberg GmbH Linz Austria (indirect interest through no.	217)	90	545	-86
236	Rehabilitationszentrum Baumgartner Höhe Betriebs-GmbH Vienna Austria (indirect interest through no.	217)	100	-1.124 (d)	-823 (d)
237	Rehabilitationszentrum Kitzbühel Betriebs-GmbH Kitzbühel Austria (indirect interest through no.	217)	100	-1.679	-412
238	Rehabilitationszentrum Oberndorf Betriebs-GmbH Oberndorf Austria (indirect interest through no.	217)	100	-2.238	-1.230
239	Rehabilitationszentrum St. Veit im Pongau Betriebs-GmbH St. Veit im Pongau Austria (indirect interest through no.	217)	76	-189	-167
240	"VAMED B&H" d.o.o. Tuzla Tuzla Bosnia and Herzegovina (indirect interest through no.	220)	100	1	-213
241	VAMED Healthcare Co. Ltd. Beijing China (indirect interest through no.	215)	100	61 (d)	35 (d)
242	VAMED CZ, s.r.o. Praha Czech Republic (indirect interest through no.	217)	100	-538	-2
243	VAMED-Hungaria Health Care Ltd. Budapest Hungary (indirect interest through no.	217)	100	18 (d)	0 (d)
244	SENALPA S.r.l. Venice Italy (indirect interest through no.	227)	100	5.999	321
245	hospitalia activHealth (L) Gmbh Labuan Malaysia (indirect interest through no.	185)	100	(a)	(a)
246	hospitalia activHealth (M) Sdn Bhd. Kuala Lumpur Malaysia (indirect interest through no.	185)	100	(a)	(a)

Foreign affiliated companies (non-consolidated)

No.	Company		Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
247	VAMED HEALTHCARE SERVICES SDN. BHD. Kuala Lumpur Malaysia (indirect interest through no.	215)	80	-922	-916
248	VAMED ENGINEERING NIGERIA LIMITED Abuja Nigeria (indirect interest through no.	215)	60	461 (d)	6 (d)
249	VAMED ROMANIA S.R.L. Bukarest Romania (indirect interest through no.	220)	100	163 (d)	89 (d)
250	hospitalia international Services ooo Moscow Russia (indirect interest through no.	116)	100	(a)	(a)
251	OOO VAMED Moscow Russia (indirect interest through no.	215)	100	147 (d)	-26 (d)
252	"VOJVODINA SPA" Ltd. Novo Milosevo Novo Milosevo Serbia (indirect interest through no.	220)	51	244	-180
253	Health Institution - Institute for diagnostics "VAMED" Novi Sad Novi Sad Serbia (indirect interest through no.	220)	75	218	-47
254	hospitalia international South Africa (Pty) Ltd. Johannesburg South Africa (indirect interest through no.	116)	60	(a)	(a)
255	HERMED Medizintechnik Schweiz AG Rapperswil-Jona Switzerland (indirect interest through no.	114)	56	28	-55

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
256	Dr. Pierer Sanatorium Salzburg GmbH Salzburg Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	21	4	-4
257	"THG" Thermenzentrum Geinberg Errichtungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	27	-2.874	-438
258	Aqua Dome Tirol Therme Längenfeld GMBH Längenfeld Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	9	94 (d)	5 (d)
259	Aqua Dome Tirol Therme Längenfeld GMBH & CO KG Längenfeld Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	9	-25.758 (d)	-1.770 (d)
260	Burgenländische Pflegeheim Betriebs-GmbH Neudörfl Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	49	416	333
261	Gemeinnützige Oberndorfer Krankenhausbetriebsgesellschaft m.b.H. Salzburg Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	49	-17 (d)	-2.451 (d)
262	Gesundheitsresort Gars Betriebs GmbH Gars am Kamp Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 263)	19	20.340	-4.235
263	Gesundheitsresort Gars GmbH Gars am Kamp Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	9	-790	5
264	LKV Krankenhaus Errichtungs- und Vermietungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	49	-68.906 (d)	-4.682 (d)
265	Neurologisches Rehabilitationszentrum "Rosenhügel" Errichtungs- und Betriebs-GmbH Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	21	271	74
266	Psychosomatisches Zentrum Eggenburg GmbH Eggenburg Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	29	163	527
267	Rheuma-Zentrum Wien-Oberlaa GmbH Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	49	245	8
268	Tauern SPA World Betriebs-GmbH Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	21	178 (d)	-0 (d)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
269	Tauern SPA World Betriebs-GmbH & Co KG Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	17	-1.493 (d)	-1.646 (d)
270	Tauern SPA World Errichtungs-GmbH Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	21	83 (d)	-3 (d)
271	Tauern SPA World Errichtungs-GmbH & Co KG Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	17	10.828 (d)	-4.024 (d)
272	TBG Thermenzentrum Geinberg Betriebs- gesellschaft m.b.H. Geinberg Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	18	-1.649	-2.172
273	TBL Therme Laa a. d. Thaya - Betriebsgesellschaft m.b.H. Laa a.d. Thaya Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 276)	20	-7.797 (d)	-947 (d)
274	Therme Wien Ges. m.b.H. Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 212)	20	34 (d)	-1 (d)
275	Therme Wien GmbH & Co. KG Vienna Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 212)	20	36.272 (d)	-3.998 (d)
276	THL Therme Laa a.d. Thaya - Projektentwicklungs- und Errichtungsgesellschaft m.b.H. Laa a.d. Thaya Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	20	4.599 (d)	332 (d)
277	UKH-Linz Errichtungs- und Vermietungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 220)	33	3.405	21
278	Charité CFM Facility Management GmbH Berlin Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 138)	49	2.066 (d)	62 (d)
279	CW Krankenhaus-Service GmbH Duesseldorf Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 138)	25	102 (d)	12 (d)
280	GKZ Krefeld Gesellschaft zur Errichtung und zum Betrieb radiochirurgischer Einrichtungen mbH Krefeld Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 86)	22	(a)	(a)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
281	GKZ Krefeld Gesellschaft zur Errichtung und zum Betrieb radiochirurgischer Einrichtungen mbH & Co. KG Krefeld Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 86)	22	(a)	(a)
282	KFE Klinik Facility-Management Eppendorf GmbH Hamburg Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 138)	49	107 (d)	0 (d)
283	KKD-Klinik-Dienste GmbH Duisburg Germany Included in financial statements according to Equity-Method (indirect interest through no. 84)	70	79	13
284	KKD-Service-Gesellschaft mbH Duisburg Germany Included in financial statements according to Equity-Method (indirect interest through no. 84)	90	45	11
285	KME Klinik Medizintechnik Eppendorf GmbH Hamburg Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 138)	49	51 (d)	0 (d)
286	UK S-H Gesellschaft für Informationstechnologie mbH Luebeck Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 138)	49	380 (d)	513 (d)
287	UK S-H Gesellschaft für IT Services mbH Luebeck Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 138)	49	49 (d)	24 (d)
288	VAMED Service- und Beteiligungsges. m.b.H. Berlin Germany Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 213)	100	(a)	(a)
289	Dalmia Fresenius Medical Ltd. New Delhi India Not included in financial statements according to § 311 (2) HGB due to negligible importance	26	(a)	(a)
290	PT. Dos Ni Roha Jakarta Indonesia Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 291)	46	(a)	(a)
291	PT. European Hospital Development Jakarta Indonesia Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 215)	30	485 (d)	-194 (d)
292	Hospitalia International Middle East Limited Liability Company Beirut Lebanon Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 116)	50	(a)	(a)
293	VAMED ENGINEERING (M) SDN.BHD Kuala Lumpur Malaysia Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 215)	30	330 (d)	18 (d)

Associates

No.	Company	Direct and indirect interest %	Equity 31.12.2012 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2012 converted at spot rate at bal. sheet date KEUR
294	Philippine Hospital Project Development Corporation Manila Makati City Philippines Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 215)	40	26 (d)	32 (d)
295	Vamed (Thailand) Co., Ltd. Bangkok Thailand Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 215)	15	17 (d)	-9 (d)
296	VAMED Healthcare Services Thailand Bangkok Thailand Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 217)	49	-18 (d)	-75 (d)
297	VAMED EMIRATES LLC Abu Dhabi United Arab Emirates Not included in financial statements according to § 311 (2) HGB due to negligible importance (indirect interest through no. 215)	49	627 (d)	87 (d)

a = No annual financial statement available
b = No actual data of equity or net profit/loss of the reporting period HBI, but IFRS-closing (excluding minority interests) on level of HELIOS Kliniken GmbH
c = These companies make use of exemption rule § 264 (3) HGB
d = Value as of December 31 of the preceding reporting period
e = These companies make use of exemption rule § 264 b HGB

Fresenius ProServe GmbH
Bad Homburg v.d.Höhe

Financial Statements as of December 31, 2011

- Convenience Translation -

The German version of these Financial Statements is legally binding

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Balance Sheet as of December 31, 2011

A s s e t s

	December 31, 2011		December 31, 2010	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Tangible assets				
1. Land, leasehold and buildings	8,585,757.91		8,811,488.91	
2. Plant and machinery	0.00	8,585,757.91	706.00	8,812,194.91
II. Financial assets				
1. Shares in related parties	1,727,742,117.76		1,673,580,013.18	
2. Loans to related parties	172,867,383.99		172,838,994.05	
3. Participations	0.71	1,900,609,502.46	0.71	1,846,419,007.94
		1,909,195,260.37		1,855,231,202.85
B. Current assets				
Accounts receivable and other assets				
1. Accounts receivable due from related parties	147,706,190.26		119,567,784.70	
2. Other assets	0.00	147,706,190.26	21,827.90	119,589,612.60
		2,056,901,450.63		1,974,820,815.45

Liabilities and shareholders' equity

	December 31, 2011	December 31, 2010
	EUR	EUR
A. Shareholders' equity		
I. Subscribed capital	40,000,000.00	40,000,000.00
II. Capital reserves	1,546,794,525.48	1,546,794,525.48
	1,586,794,525.48	1,586,794,525.48
B. Accrued expense		
1. Pensions and similar obligations	6,737,817.00	5,430,459.00
2. Other accruals	892,953.66	895,280.41
	7,630,770.66	6,325,739.41
C. Liabilities		
1. Trade accounts payable	84,831.61	84,690.77
2. Liabilities to affiliated companies	462,390,394.91	381,572,100.03
3. Other liabilities	927.97	43,759.76
	462,476,154.49	381,700,550.56
	2,056,901,450.63	1,974,820,815.45

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Profit and Loss Statement
January 1 to December 31, 2011

	2011		2010	
	EUR	EUR	EUR	EUR
1. Income from participations		154,082,535.85		125,475,323.28
2. Other operating income		4,690,738.51		8,503,126.51
3. Personnel expenses				
a) Salaries and wages	11,904.00		12,288.00	
b) Social security and costs of retirement pensions and social assistance --thereof amount of retirement pensions EUR 146,390.78 (prev. yr. EUR 141,216.39)--	146,390.78	158,294.78	141,216.39	153,504.39
4. Depreciation on property, plant and equipment		226,437.00		227,339.00
5. Other operating expenses		3,059,508.96		6,988,732.71
6. Income from financial assets		9,934,434.00		9,943,490.84
7. Other interest and similar income --thereof amount from affiliated companies EUR 134,213.27 (prev. yr. EUR 178,356.85)--		134,213.27		178,356.85
8. Interest and similiar expenses --thereof amount from affiliated companies EUR 11,728.401.73 (prev. yr. EUR 7,038.469.02)--		12,088,085.92		7,398,585.41
9. Profit from ordinary operations		153,309,594.97		129,332,135.97
10. Extraordinary expenses/ Extraordinary result		1,395,990.00		100,000.00
11. Income taxes	26,169,178.00		22,738,171.00	
12. Other tax	101.00	26,169,279.00	21,178.84	22,759,349.84
13. Net income before profit transfer		125,744,325.97		106,472,786.13
14. Profit transfer due to profit and loss transfer agreement		125,744,325.97		106,472,786.13
15. Retained earnings		0.00		0.00

Fresenius ProServe GmbH, Bad Homburg v.d.Höhe

NOTES for fiscal year 2011

GENERAL NOTES

(1) Preliminary note

Fresenius ProServe GmbH, Bad Homburg v.d.Höhe, is a wholly-owned subsidiary of Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe.

There is a profit transfer agreement between the Company and Fresenius SE & Co. KGaA.

The financial statements of Fresenius ProServe GmbH are included in the consolidated financial statements of Fresenius SE & Co. KGaA. The latter are published in the electronic Bundesanzeiger (German Federal Gazette).

Moreover as of December 31, 2011 a direct control and profit transfer agreement between Fresenius ProServe GmbH and its subsidiary HELIOS Kliniken GmbH, Berlin, is in place.

(2) Accounting principles and standards of valuation

The financial statements of Fresenius ProServe GmbH for 2011 are prepared according to the regulations in the German Commercial Code (HGB) as well as complementing regulations for limited liability companies. Fresenius ProServe GmbH is a small corporation according to Section 267 (1) HGB. The nature of cost method according to Section 275 (2) HGB has been elected for preparing the profit and loss statement. The size related exemptions in Section 274 a HGB and Section 288 HGB are used in part.

The value of investments in property, plant and equipment is stated at the cost of the assets less regular linear or degressive depreciation as far as the assets are depreciable.

The following useful lives were used for calculating amortization:

Intangible assets	3-5 years
Office buildings	40 years
Tools and equipment	3-10 years

Low value fixed assets with purchase or manufacturing cost of up to € 150.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than € 150.00 and less than € 1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

The pension obligation is determined according to actuarial principles on the basis of biometric probabilities as in the reference tables by Dr. Klaus Heubeck 2005 (RT 2005 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18%. The actuarial interest rate applicable to the pension obligation was 5.13%. This is the last-seven-year-average discount rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank) (reference date: October 31, 2011).

Other accruals are built for recognizable risks and uncertain liabilities at the amounts to be paid calculated on the basis of a reasonable commercial assessment. Long term accruals are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Foreign currency items are translated with the average foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB.
Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

Earnings and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under “Other operating income” or “Other operating expenses”.

Derivative financial instruments are contracted for hedging purposes only whereby foreign currency derivatives are used.

The Company acquires hedging instruments from banks, that are mirrored by agreements between Fresenius ProServe GmbH and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together so that effects of the hedge are only recognized in earnings when the underlying transaction takes place.

Income from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

NOTES ON THE BALANCE SHEET

(3) Fixed assets

The breakdown of fixed assets and their development is presented in Exhibit 1 to the Notes.

A list of all participations in affiliated and associated companies of Fresenius ProServe GmbH is contained in the list of participations in affiliated and associated companies of Fresenius SE & Co. KGaA which will be published by Fresenius SE & Co. KGaA in the electronic Bundesanzeiger (German Federal Gazette).

(4) Accounts receivable from related parties

Accounts receivable from related parties mainly consist of items against HELIOS Kliniken GmbH (€ 146,989 thousand) and hospitalia activHealth gmbh (€ 420 thousand). The receivables from related parties mainly relate to profit transfers, loans and clearing accounts. All accounts receivable have a remaining term of up to one year.

(5) Other assets

The previous year item consists of other tax claims.

(6) Subscribed capital

The capital stock at December 31, 2011 has a nominal value of € 40,000,000 and is divided into three parts with nominal values of € 25,000, € 14,975,000 and € 25,000,000. Fresenius SE & Co. KGaA is the sole stockholder.

(7) Pension obligation

With notarized deed of December 12, 2006 and an effective date of January 1, 2007, all shares in hospitalia international gmbh, Oberursel, where sold and transferred to VAMED Engineering GmbH & Co. KG, Vienna, Austria.

In the context of this sale, Fresenius ProServe GmbH and hospitalia international gmbh agreed in a collateral promise from December 12, 2006, that the Company will assume via the collateral promise with contractual undertaking the compensation payments to be made resulting from the pension obligation of hospitalia international gmbh against beneficiaries and former employees with vested pension rights. The value of this obligation is € 6,711 thousand on December 31, 2011.

The pension obligation has been determined according to the method described under Note (2) “Accounting principles and standards of valuation”. The new calculation of pension provisions required by BilMoG as of January 1, 2010 resulted in an underfunded status of € 1,496 thousand. According to Art. 67 (1) sentence 1 EGHGB (Act Introducing the German Commercial Code), 1/15 (€ 100 thousand) was recognized in 2010 and 14/15 (€ 1,396 thousand) has been recognized in 2011. The expense related to this increase was included in extraordinary result in the statement of income.

(8) Other accruals

Other accruals mainly relate to risks from the sale of Pharmaplan GmbH.

(9) Liabilities

The summary of remaining terms of liabilities looks as follows:

	2011				2010			
	Total	Remain-ing term of up to 1 year	Remain-ing term of 1 year to 5 years	Remain-ing term of over 5 years	Total	Remain-ing term of up to 1 year	Remain-ing term of 1 year to 5 years	Remain-ing term of over 5 years
In thousand €								
Trade accounts pay-able	85	85	0	0	85	85	0	0
Accounts payable to related parties	462,390	335,390	127,000	0	381,572	324,572	57,000	0
Other liabilities	1	1	0	0	44	44	0	0
	462,476	335,476	127,000	0	381,701	324,701	57,000	0

The liabilities displayed are not secured by charges on property or other similar rights. Accounts payable to related companies include liabilities against the shareholder Fresenius SE & Co. KGaA of € 375,288 thousand (previous year € 215,298 thousand). Accounts payable to related companies mainly consist of loans and clearing accounts.

(10) Other liabilities

Other liabilities relate to obligations against tax authorities.

NOTES ON THE PROFIT AND LOSS STATEMENT

The structure of the profit and loss statement has been adapted to the holding nature of Fresenius ProServe GmbH and begins with income from participations.

(11) Income from participations

Income from participations comprises income of the profit transfer agreement with HELIOS Kliniken GmbH of € 146,989 thousand (previous year € 118,748 thousand) and income from participations in related companies of € 7,094 thousand (previous year € 6,727 thousand).

(12) Other operating income

Other operating income mainly includes income from foreign currency translations of € 3,179 thousand and from rental of office space to related companies.

Income from other accounting periods was € 241 thousand in 2011 (previous year € 2,100 thousand) and mainly related to compensation for non exercised preemption rights.

(13) Personnel expenses

	2011	2010
	Thousand €	*Thousand €*
Salaries	12	12
Social security and costs of retirement pensions and social assistance	146	141
(thereof retirement pensions)	(146)	(141)
	158	**153**

Annual average number of employees:		
Salaried employees	0	1

(14) Other operating expenses

Other operating expenses of € 1,956 thousand were primarily foreign currency translation losses, but also expenses from cost allocation and service level agreements and audit and maintenance cost.

(15) Income from financial assets

Income in this item includes interest from long term loans to related companies.

(16) Other interest and similar income

This item primarily includes interest income from related companies of € 134 thousand (previous year € 178 thousand).

(17) Interest and similar expenses

This item mainly includes € 11,728 thousand (previous year € 7,038 thousand) of interests paid to related companies. Moreover expenses for interests accrued for accrued expenses of € 352 thousand are also included.

(18) Extraordinary expenses

Extraordinary expenses include expenses from contributions to pension obligations of € 1,396 thousand (previous year € 100 thousand).

(19) Income taxes

This item includes expenses from cost transfers for corporate income tax (€ 23,179 thousand, previous year € 18,608 thousand), trade tax (€ 1,715 thousand, previous year € 3,107 thousand), and solidarity surcharge (€ 1,275 thousand, previous year € 1,023 thousand).

The company is part of a consolidated tax group with Fresenius SE & Co. KGaA (fiscal unity parent) for income, trade and corporate income tax.

(20) Other tax

This item includes motor vehicle tax.

OTHER DISCLOSURES

(21) Management

In 2011 following persons were appointed managing directors of Fresenius ProServe GmbH, Bad Homburg v.d. Höhe:

Dr. Jürgen Götz, Lawyer, Bad Soden,
Dr. Francesco De Meo, Lawyer, Petersberg,
Joachim Weith, Dipl.-Sociologist and Dipl.-Business Administration, Wintzenbach.

The managing directors are simultaneously managing directors, members of the management board or senior executives in other Group companies and receive their compensation from these companies.

(22) Contingent liabilities

Contingencies from indemnity agreements

Fresenius ProServe GmbH guarantees together with Fresenius Kabi AG and Fresenius SE & Co. KGaA the repayment including interests accrued of two Senior Notes of Fresenius SE & Co. KGaA amounting to € 1,150 million. The Senior Notes were issued through Fresenius Finance B.V., Netherlands in 2006 and increased in 2009. On December 31, 2011, the value of these guarantees including interests accrued was € 1,180 million.

Moreover Fresenius ProServe GmbH together with Fresenius Kabi AG and Fresenius SE & Co. KGaA guarantee the repayment including accrued interest for the Senior Note issued by Fresenius Finance II, Inc, USA in 2009. The Senior Note comprises two tranches of $ 500 million and € 275 million. On December 31, 2011, the value of the guarantees including interests accrued was $ 523 million (€ 404 million) and € 287 million.

Further guarantee commitments of Fresenius ProServe GmbH together with Fresenius SE & Co. KGaA and Fresenius Kabi AG exist in relation to the repayment of several long term bank loans taken through financing companies of the Fresenius Group in relation to one acquisition in 2008. These commitments are for a maximum of $ 2,266 million (€ 1,751 million) and € 161 million and the related accrued interest. On December 31, 2011, the value of the loans including interests was $ 1,716 million (€ 1,326 million) and € 161 million.

Moreover Fresenius ProServe GmbH guarantees together with Fresenius Kabi AG the repayment of a credit facility of € 100 million borrowed by Fresenius SE & Co. KGaA from the European Investment Bank, as well as the related accrued expenses. On December 31, 2011, the value of the credit facility including accrued interests was € 101 million.

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is currently not expected.

Statement of subordination

On December 31, 2011, the subsidiaries Wittgensteiner Kliniken GmbH and hospitalia activHealth gmbh are over-leveraged by about € 37 million and € 6.7 million respectively. To avoid legal accounting insolvency, Fresenius ProServe GmbH issued a statement of subordination for € 40 million and € 8.7 million respectively. On December 31, 2011 receivables of € 170 million against Wittgensteiner Kliniken GmbH and of € 7.0 million (of which € 6.6 million have been written-down) against hospitalia activHealth gmbh are outstanding.

Option contracts

There are two put and call option contracts with the current share owners of VAMED AG to acquire 10% and 13% of the shares in VAMED AG which expire on December 31, 2015 and June 30, 2017 respectively. These contracts are pending transactions that are not shown in the financial statement of Fersenius ProServe GmbH.

(23) Derivatives

Fresenius ProServe GmbH uses derivative financial instruments to hedge against existing or highly probable future currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. The Company has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other hand. Derivative financial instruments are used to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates.

Foreign exchange risk

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius ProServe GmbH entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had currency derivatives with a nominal value of € 392 thousand and fair value of € 0 thousand with a maximum maturity of one month.

Standards of valuation

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account. To determine the market 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 balance sheet. 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.

The effectiveness of hedging relationships is measured with the Critical Term Match-Method.

(24) <u>Parent company</u>

Fresenius SE & Co. KGaA, Bad Homburg v.d.Höhe is the sole shareholder of Fresenius ProServe GmbH.

Fresenius ProServe GmbH is exempt from publishing consolidated financial statements and management report in accordance with Section 291 HGB given that Fresenius SE & Co. KGaA, Bad Homburg v.d. Höhe, as parent company publishes consolidated financial statements and management report in accordance with International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315a HGB for the smallest group of consolidated companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.Höhe, prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

Fresenius ProServe GmbH will use the exemptions in Section 264 (3) HGB and will not make its financial statements for the year 2011 public.

Bad Homburg v.d.Höhe, February 28, 2012

Fresenius ProServe GmbH

Dr. Jürgen Götz Dr. Francesco De Meo Joachim Weith

Exhibit to notes

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Development of fixed assets during the fiscal year 2011

	Acquisition costs		
	As of Jan. 01, 2011	Additions	As of Dec. 31, 2011
	kEUR	kEUR	kEUR
I. Intangible assets	4	0	4
II. Tangible assets			
1. Land, leasehold and buildings	10,947	0	10,947
2. Plant and machinery	21	0	21
3. Other fixtures and fittings, tools and equipment	20	0	20
	10,988	0	10,988
III. Financial assets			
1. Shares in related parties	1,678,680	54,162	1,732,842
2. Loans to related parties	172,839	28	172,867
3. Participations	0	0	0
	1,851,519	54,190	1,905,709
	1,862,511	54,190	1,916,701

Exhibit to notes

Fresenius ProServe GmbH, Bad Homburg v. d. Höhe

Development of fixed assets during the fiscal year 2011

	Depreciation			Carrying amount	
	As of Jan. 01, 2011	Depreciation of financial year	As of Dec. 31, 2011	Dec. 31, 2011	Dec. 31, 2010
	kEUR	kEUR	kEUR	kEUR	kEUR
I. Intangible assets	4	0	4	0	0
II. Tangible assets					
1. Land, leasehold and buildings	2,136	225	2,361	8,586	8,811
2. Plant and machinery	20	1	21	0	1
3. Other fixtures and fittings, tools and equipment	20	0	20	0	0
	2,176	226	2,402	8,586	8,812
III. Financial assets					
1. Shares in related parties	5,100	0	5,100	1,727,742	1,673,580
2. Loans to related parties	0	0	0	172,867	172,839
3. Participations	0	0	0	0	0
	5,100	0	5,100	1,900,609	1,846,419
	7,280	226	7,506	1,909,195	1,855,231

FRESENIUS PROSERVE GMBH, Bad Homburg v. d. H.

List of affiliated and associated companies as of December 31st, 2011
Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
	Consolidated financial statements - with profit & loss transfer agreement					
1	D.i.a.-Solution GmbH Erfurt Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
2	HELIOS-SERVICE GMBH Berlin Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
3	HELIOS Agnes-Karll-Krankenhaus GmbH Bochum Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
4	HELIOS Care GmbH Berlin Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
5	HELIOS Catering GmbH Berlin Germany (indirect interest through no.	(c)	2)	100	(b)	(b)
6	HELIOS Kids in Pflege GmbH Geesthacht Germany (indirect interest through no.	(c)	8)	100	(b)	(b)
7	HELIOS Klinik Dresden-Wachwitz GmbH Dresden Germany (indirect interest through no.	(c)	22)	100	(b)	(b)
8	HELIOS Klinik Geesthacht GmbH Geesthacht Germany (indirect interest through no.	(c)	22)	100	(b)	(b)
9	HELIOS Klinik Lengerich GmbH Lengerich Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
10	HELIOS Kliniken Breisgau-Hochschwarzwald GmbH Müllheim Germany (indirect interest through no.	(c)	11)	74	(b)	(b)
11	HELIOS Kliniken GmbH Berlin Germany	(c)		100	1,422,559 (b)	41,475 (b)
12	HELIOS Kliniken Leipziger Land GmbH Borna Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
13	HELIOS Kliniken Taunus GmbH Idstein Germany (indirect interest through no.		98)	100	(b)	(b)
14	HELIOS Klinikum Bad Saarow GmbH Bad Saarow Germany (indirect interest through no.	(c)	22)	100	(b)	(b)
15	HELIOS Klinikum Erfurt GmbH Erfurt Germany (indirect interest through no.	(c)	11)	100	(b)	(b)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
16	HELIOS Klinikum Wuppertal GmbH Wuppertal Germany (indirect interest through no.	(c)	11)	95	(b)	(b)
17	HELIOS Privatkliniken GmbH Bad Homburg v. d. H. Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
18	HELIOS Schloßbergklinik Oberstaufen GmbH Oberstaufen Germany (indirect interest through no.	(c)	22)	100	(b)	(b)
19	HELIOS Versorgungszentren GmbH Berlin Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
20	HELIOS Versorgungszentrum Bad Saarow GmbH Bad Saarow Germany (indirect interest through no.	(c)	14)	100	(b)	(b)
21	HELIOS Vogtland-Klinikum Plauen GmbH Plauen Germany (indirect interest through no.	(c)	22)	100	(b)	(b)
22	HUMAINE Kliniken GmbH Berlin Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
23	Poliklinik am HELIOS Klinikum Buch GmbH Berlin Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
24	Senioren- und Pflegeheim Erfurt GmbH Erfurt Germany (indirect interest through no.	(c)	4)	100	(b)	(b)
25	St. Josefs-Hospital GmbH Bochum Germany (indirect interest through no.	(c)	11)	100	(b)	(b)
26	WAK Wittgensteiner Akutkliniken "Bad Berleburg" GmbH Bad Berleburg Germany (indirect interest through no.		98)	100	(b)	(b)
27	Wittgensteiner Immobilien GmbH Borna Germany (indirect interest through no.		98)	100	(b)	(b)
	Consolidated financial statements - without profit & loss transfer agreement					
28	allgäu resort GmbH Bad Grönenbach Germany (indirect interest through no.		98)	100	(b)	(b)
29	ASK Service GmbH Northeim Germany (indirect interest through no.		42)	100	(b)	(b)
30	benissimo gmbh Berlin Germany (indirect interest through no.		11)	100	(b)	(b)

Domestic affiliated companies

No.	Company			Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
31	DLK Dienstleistungen für Krankenhäuser GmbH Wuppertal Germany (indirect interest through no.		16)	100	(b)	(b)
32	DLS Dienst-Leistungen Siegburg GmbH i. L. (Liquidation) Siegburg Germany (indirect interest through no.		56)	100	(b)	(b)
33	EvB Catering GmbH Berlin Germany (indirect interest through no.		53)	51	(b)	(b)
34	FPS Immobilien Verwaltungs GmbH Bad Homburg v. d. H. Germany			100	31	-2
35	FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG Bad Homburg v. d. H. Germany	(e)		100	100	298
36	HCSV HELIOS Care Speisen Versorgung GmbH Berlin Germany (indirect interest through no.		2)	51	(b)	(b)
37	HEDO Service GmbH Borna Germany (indirect interest through no.		11)	51	(b)	(b)
38	HEDUS Service GmbH Bad Berleburg Germany (indirect interest through no.		98)	51	(b)	(b)
39	HEDUS Service Süd GmbH Oberstaufen Germany (indirect interest through no.		18)	51	(b)	(b)
40	HEGES - HELIOS Service GmbH Schwerin Germany (indirect interest through no.		2)	100	(b)	(b)
41	HELIOS-BMU Service Mitte GmbH Bad Nauheim Germany (indirect interest through no.		2)	51	(b)	(b)
42	HELIOS Albert-Schweitzer-Klinik Northeim GmbH Northeim Germany (indirect interest through no.		11)	95	(b)	(b)
43	HELIOS Dienste GmbH Borna Germany (indirect interest through no.		2)	100	(b)	(b)
44	HELIOS Geriatriezentren GmbH Berlin Germany (indirect interest through no.		11)	100	(b)	(b)
45	HELIOS IT Service GmbH Berlin Germany (indirect interest through no.		11)	100	(b)	(b)
46	HELIOS Klinik Bad Gandersheim GmbH Bad Gandersheim Germany (indirect interest through no.		11)	94	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
47	HELIOS Klinik Oberwald GmbH Grebenhain Germany (indirect interest through no.	11)	67	(b)	(b)
48	HELIOS Klinik Rottweil GmbH Rottweil Germany (indirect interest through no.	11)	100	(b)	(b)
49	HELIOS Kliniken Mansfeld-Südharz GmbH Sangerhausen Germany (indirect interest through no.	11)	95	(b)	(b)
50	HELIOS Kliniken Schwerin GmbH Schwerin Germany (indirect interest through no.	11)	95	(b)	(b)
51	HELIOS Klinikum Aue GmbH Aue Germany (indirect interest through no.	11)	74	(b)	(b)
52	Katholisches Klinikum Duisburg gem. GmbH Duisburg Germany (indirect interest through no.	11)	51	(b)	(b)
53	HELIOS Klinikum Emil von Behring GmbH Berlin Germany (indirect interest through no.	11)	75	(b)	(b)
54	HELIOS Klinikum Krefeld GmbH Krefeld Germany (indirect interest through no.	11)	75	(b)	(b)
55	HELIOS Klinikum Schwelm GmbH Schwelm Germany (indirect interest through no.	11)	100	(b)	(b)
56	HELIOS Klinikum Siegburg GmbH Siegburg Germany (indirect interest through no.	98)	100	(b)	(b)
57	HELIOS Kreiskrankenhaus Gotha/Ohrdruf GmbH Gotha Germany (indirect interest through no.	11)	51	(b)	(b)
58	HELIOS Management GmbH Berlin Germany (indirect interest through no.	11)	100	(b)	(b)
59	HELIOS Mariahilf Klinik Hamburg GmbH Hamburg Germany (indirect interest through no.	11)	95	(b)	(b)
60	HELIOS MVZ Mariahilf GmbH Hamburg Germany (indirect interest through no.	59)	100	(b)	(b)
61	HELIOS Praxis Oberwald - Medizinisches Versorgungszentrum - GmbH Grebenhain Germany (indirect interest through no.	47)	100	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
62	HELIOS Real Estate GmbH Berlin Germany (indirect interest through no.	11)	100	(b)	(b)
63	HELIOS Research Center GmbH i.L. Berlin Germany (indirect interest through no.	11)	76	(b)	(b)
64	HELIOS Seehospital Sahlenburg GmbH Bad Berleburg Germany (indirect interest through no.	98)	100	(b)	(b)
65	HELIOS Service Berlin/Brandenburg GmbH Bad Saarow Germany (indirect interest through no.	14)	100	(b)	(b)
66	HELIOS Service Nord GmbH Schwerin Germany (indirect interest through no.	50)	51	(b)	(b)
67	HELIOS Servicegesellschaft Süd GmbH Müllheim Germany (indirect interest through no.	10)	51	(b)	(b)
68	HELIOS Spital Überlingen GmbH Überlingen Germany (indirect interest through no.	11)	95	(b)	(b)
69	HELIOS Spital Überlingen Service GmbH Überlingen Germany (indirect interest through no.	68)	100	(b)	(b)
70	HELIOS St. Elisabeth Klinik Hünfeld GmbH Hünfeld Germany (indirect interest through no.	11)	74	(b)	(b)
71	HELIOS St. Elisabeth Klinik Oberhausen GmbH Oberhausen Germany (indirect interest through no.	11)	100	(b)	(b)
72	HELIOS St. Marienberg Klinik Helmstedt GmbH Helmstedt Germany (indirect interest through no.	11)	100	(b)	(b)
73	HELIOS Süd Catering GmbH Müllheim Germany (indirect interest through no.	10)	100	(b)	(b)
74	HELIOSterilog GmbH Müllheim Germany (indirect interest through no.	10)	51	(b)	(b)
75	HEMEDI Catering GmbH Berlin Germany (indirect interest through no.	2)	51	(b)	(b)
76	HERMED Technische Beratungs GmbH Neumünster Germany (indirect interest through no.	95)	100	3,232	2,681
77	HHT - HELIOS HERRMANN & TALLIG Service GmbH Sangerhausen Germany (indirect interest through no.	49)	51	(b)	(b)

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
78	hospitalia international gmbh Oberursel Germany (indirect interest through no. 130)		100	6,631	1,539
79	KGD Klinik-Gebäude-Dienste GmbH Krefeld Germany (indirect interest through no. 54)		51	(b)	(b)
80	KKD-Altenheime GmbH Duisburg Germany (indirect interest through no. 52)		100	(b)	(b)
81	KKD Catering-Gesellschaft Duisburg mbH Duisburg Germany (indirect interest through no. 52)		100	(b)	(b)
82	KKD Klinik-Küchen-Dienste GmbH Krefeld Germany (indirect interest through no. 54)		100	(b)	(b)
83	Klinik Siegburg Service GmbH Siegburg Germany (indirect interest through no. 56)		51	(b)	(b)
84	Klinikum Erfurt Bewachungs Service GmbH Erfurt Germany (indirect interest through no. 2)		100	(b)	(b)
85	Klinikum Erfurt Catering GmbH Erfurt Germany (indirect interest through no. 5)		100	(b)	(b)
86	KTT Krankenhaus-Technik Thüringen GmbH Erfurt Germany (indirect interest through no. 2)		100	(b)	(b)
87	Medizinisches Versorgungszentrum am HELIOS Klinikum Emil von Behring GmbH Berlin Germany (indirect interest through no. 53)		100	(b)	(b)
88	OWS Orthopädische Werkstatt GmbH Berlin Germany (indirect interest through no. 53)		100	(b)	(b)
89	ProServe Krankenhaus Beteiligungsgesellschaft mbH & Co. KG Munich Germany	(e)	100	12,272	67
90	Rhein-Klinik Duisburg GmbH Duisburg Germany (indirect interest through no. 52)		100	(b)	(b)
91	Sozialpädiatrisches Zentrum am HELIOS Klinikum Aue gGmbH Aue Germany (indirect interest through no. 51)		74	(b)	(b)
92	TEMAMED Medizinische Dienstleistungs GmbH Kirchheimbolanden Germany (indirect interest through no. 76)		100	1,247	720

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
93	TMK Berlin-Buch GmbH i.L. Berlin Germany (indirect interest through no.	11)	51	(b)	(b)
94	VAMED Health Project GmbH Berlin Germany (indirect interest through no.	135)	100	-2,721	-1,035
95	VAMED Management und Service GmbH Deutschland Berlin Germany (indirect interest through no.	132)	100	11,432	4,085
96	WCS - Wittgensteiner Catering Service GmbH Bad Berleburg Germany (indirect interest through no.	98)	100	(b)	(b)
97	Wittgensteiner Dienstleistungs GmbH Bad Berleburg Germany (indirect interest through no.	98)	100	(b)	(b)
98	Wittgensteiner Kliniken GmbH Berlin Germany		100	(b)	(b)
	Not consolidated financial statements - without profit & loss transfer agreement				
99	Capisko GmbH Berlin Germany (indirect interest through no.	11)	100	21	0
100	Clean Serv GmbH i.L. Wuppertal Germany (indirect interest through no.	16)	51	0	0
101	CT-Zentrum für kardiologisch-radiologische Diagnostik Bonn / Rhein-Sieg / Euskirchen GmbH & Co. KG i. L. Siegburg Germany (indirect interest through no.	56)	100	0	0
102	FP Anlagenverwaltungs- und Vermietungsgesellschaft mbH Bad Berleburg Germany (indirect interest through no.	98)	100	23	0
103	Gesundheitszentren Landkreis Rottweil Schwarzwald GmbH Rottweil Germany (indirect interest through no.	48)	100	(a)	(a)
104	HELIOS Jupiter GmbH Berlin Germany (indirect interest through no.	11)	100	12	-1
105	HELIOS Medizinisches Versorgungszentrum in Bad Berleburg GmbH Bad Berleburg Germany (indirect interest through no.	26)	100	20	0
106	HELIOS Pflege Dresden GmbH Dresden Germany (indirect interest through no.	7)	100	25	0
107	hospitalia activHealth gmbh Oberursel Germany		100	-6,658	-114

Domestic affiliated companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
108	hospitalia consult gmbh i.L. Oberursel Germany (indirect interest through no.	98)	100	3	-2
109	Institut für neurologisch-neurochirurgische Rehabilitationsforschung gGmbH i.L. Magdeburg Germany (indirect interest through no.	98)	100	24	0
110	L + P Berlin-Buch GmbH i.L. Berlin Germany (indirect interest through no.	11)	100	25	0
111	Medizinisches Versorgungszentrum in Bad Berleburg GbR Bad Berleburg Germany (indirect interest through no.	98 + 26)	100	466	-31
112	MRT-Zentrum für kardiologisch-radiologische Diagnostik Bonn / Rhein-Sieg / Euskirchen GmbH & Co. KG i. L. Siegburg Germany (indirect interest through no.	56)	100	(a)	(a)
113	PneumoCare GmbH Berlin Germany (indirect interest through no.	53)	51	25	0
114	Stiftung IQM Initiative Qualitätsmedizin gGmbH Berlin Germany (indirect interest through no.	11)	100	2	-1
115	VAMED Deutschland PPP GmbH Berlin Germany (indirect interest through no.	95)	100	69 (d)	-2 (d)
116	VAMED MTK Hofheim GmbH & Co. KG Berlin Germany (indirect interest through no.	94)	100	(a)	(a)
117	VAMED MTK Hofheim Verwaltungsgesellschaft mbH Berlin Germany (indirect interest through no.	94)	100	(a)	(a)
118	VAMED UKK Projektgesellschaft m.b.H. Berlin Germany (indirect interest through no.	95)	21	23 (d)	-2 (d)

Affiliated consolidated foreign companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
	Consolidated financial statements - without profit & loss transfer agreement				
119	VAMED NEDERLAND B.V. Amersfoort Netherlands (indirect interest through no.	130 + 135)	100	70	142
120	Heilbad Sauerbrunn Betriebsgesellschaft m.b.H Bad Sauerbrunn Austria (indirect interest through no.	132)	95	-452	-2,630
121	Neurologisches Therapiezentrum Kapfenberg GmbH Kapfenberg Austria (indirect interest through no.	132)	90	1,393	-69
122	Niederösterreichische Facility Management GmbH Wiener Neustadt Austria (indirect interest through no.	132)	60	1,483	1,448
123	Rehabilitationsklinik im Montafon Betriebs-GmbH Schruns Austria (indirect interest through no.	132)	100	2,081	1,354
124	Seniorenzentrum St. Corona am Schöpfl Betriebsgesellschaft m.b.H. Vienna Austria (indirect interest through no.	132)	100	12	103
125	TAU Management und Betriebsführung GmbH Voecklabruck Austria (indirect interest through no.	132)	60	43	8
126	Therme Seewinkel Betriebsgesellschaft m.b.H Frauenkirchen Austria (indirect interest through no.	135)	100	101	0
127	VAMED-KMB Krankenhausmanagement und Betriebsführungsges.m.b.H. Vienna Austria (indirect interest through no.	128)	100	29,894	9,405
128	VAMED AG Vienna Austria		77	53,974	14,748
129	VAMED ENGINEERING GmbH Vienna Austria (indirect interest through no.	128)	100	71	3
130	VAMED ENGINEERING GmbH & CO KG Vienna Austria (indirect interest through no.	128)	100	60,970	9,641
131	VAMED Management und Service GmbH Vienna Austria (indirect interest through no.	128)	100	3,687	35
132	VAMED Management und Service GmbH & Co KG Vienna Austria (indirect interest through no.	128)	100	24,282	508
133	VAMED Medizintechnik GmbH Vienna Austria (indirect interest through no.	135)	100	5,680	3,669
134	VAMED Standortentwicklung und Engineering GmbH Vienna Austria (indirect interest through no.	128)	100	57	3

Affiliated consolidated foreign companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
135	VAMED Standortentwicklung und Engineering GmbH & CO KG Vienna Austria (indirect interest through no.	128)	100	27,092	4,728
136	PRINSAMED - PROJECTOS INTERNACIONAIS DE SAÚDE UNIPESSOAL LDA Lissabon Portugal (indirect interest through no.	130)	100	479	475
137	Humaine Klinik Zihlschlacht AG Zihlschlacht Switzerland (indirect interest through no.	22)	100	(b)	(b)
138	ALMEDA, a.s. Nerotovice Czech Republic (indirect interest through no.	140)	76	-190	298
139	MEDITERRA - Sedlcany, s.r.o. Sedlcany Czech Republic (indirect interest through no.	140)	100	1,562	461
140	MEDITERRA s.r.o. Prague Czech Republic (indirect interest through no.	132)	100	2,248	928
141	MEDNET s.r.o. Prague Czech Republic (indirect interest through no.	140)	100	13	9
142	Nemocnice Tanvald, s.r.o. Tanvald Czech Republic (indirect interest through no.	140)	66	3,397	371
143	VAMED Health Projects CZ s.r.o. Prague Czech Republic (indirect interest through no.	130)	100	2,833	3,001
144	TOV "VAMED UKRAINE" Kiew Ukraine (indirect interest through no.	130)	100	-387	-352
	Not consolidated financial statements - without profit & loss transfer agreement				
145	Rehabilitationszentrum Kitzbühel Betriebs-GmbH Kitzbühel Austria (indirect interest through no.	132)	100	784 (d)	-819 (d)

Affiliated non consolidated foreign companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
	Not consolidated financial statements - without profit & loss transfer agreement				
146	"VAMED B&H" d.o.o. Tuzla Tuzla Bosnia and Herzegovina (indirect interest through no.	119)	100	1	0
147	VAMED Healthcare Co. Ltd. Bejing China (indirect interest through no.	130)	100	45 (d)	58 (d)
148	hospitalia activHealth (L) GmbH Labuan Malaysia (indirect interest through no.	107)	100	(a)	(a)
149	hospitalia activHealth (M) Sdn Bhd. Kuala Lumpur Malaysia (indirect interest through no.	107)	100	(a)	(a)
150	VAMED HEALTHCARE SERVICES SDN. BHD. Kuala Lumpur Malaysia (indirect interest through no.	130)	80	-48	-33
151	VAMED ENGINEERING NIGERIA LIMITED Abuja Nigeria (indirect interest through no.	130)	60	277 (d)	11 (d)
152	TGV' Thermenarkaden Geinberg Errichtungs- und Verwertungs GmbH Geinberg Austria (indirect interest through no.	200)	100	309 (d)	48 (d)
153	Blumauerplatz Beteiligungs-Holding GmbH Linz Austria (indirect interest through no.	135)	100	12 (d)	-6 (d)
154	Dr. Pierer Sanatorium Salzburg GmbH & Co KG Salzburg Austria (indirect interest through no.	132)	75	-2,784	-966
155	LVB LAWOG-VAMED Bauplanungs- und Errichtungs-GmbH Linz Austria (indirect interest through no.	192)	100	16 (d)	-1 (d)
156	Neurologisches Therapiezentrum Gmundnerberg GmbH Linz Austria (indirect interest through no.	132)	90	2,108 (d)	-2,095 (d)
157	Rehabilitationszentrum Baumgartner Höhe Betriebs-GmbH Vienna Austria (indirect interest through no.	132)	100	-1,124	-823
158	Rehabilitationszentrum Oberndorf Betriebs-GmbH Oberndorf Austria (indirect interest through no.	132)	100	-317 (d)	-352 (d)
159	Rehabilitationszentrum St. Veit im Pongau Betriebs-GmbH St. Veit in Pongau Austria (indirect interest through no.	132)	76	0 (a)	0 (a)
160	VAMED ROMANIA S.R.L. Bukarest Romania (indirect interest through no.	135)	100	79 (d)	22 (d)
161	hospitalia international Services ooo Moscow Russia (indirect interest through no.	78)	100	10 (d)	0 (d)

Affiliated non consolidated foreign companies

No.	Company		Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
162	OOO VAMED Moscow Russia (indirect interest through no.	130)	100	176 (d)	-30 (d)
163	"VOJVODINA SPA" Ltd. Novo Milosevo Serbia (indirect interest through no.	135)	51	0 (a)	0 (a)
164	Health Institution - Institute for diagnostics "VAMED" Novi Sad Novi Sad Serbia (indirect interest through no.	135)	75	308	83
165	hospitalia international South Africa (Pty) Ltd Johannesburg South Africa (indirect interest through no.	78)	60	0 (a)	0 (a)
166	VAMED CZ, s.r.o. Prague Czech Republic (indirect interest through no.	132)	100	-521	21
167	VAMED-Hungaria Health Care Ltd. Budapest Hungary (indirect interest through no.	132)	100	20 (d)	0 (d)

Associated companies

No.	Company	Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
168	Charité CFM Facility Management GmbH Berlin Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	49	2,420 (d)	414 (d)
169	CW Krankenhaus-Service GmbH Düsseldorf Deutschland Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	25	90 (d)	3 (d)
170	GKZ Krefeld Gesellschaft zur Errichtung und zum Betrieb radiochirurgischer Einrichtungen mbH Krefeld Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 54)	22	7 (f)	0 (f)
171	GKZ Krefeld Gesellschaft zur Errichtung und zum Betrieb radiochirurgischer Einrichtungen mbH & Co. KG Krefeld Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 54)	22	1,781 (f)	457 (f)
172	KFE Klinik Facility-Management Eppendorf GmbH Hamburg Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	49	107 (d)	1,304 (d)
173	KKD-Klinik-Dienste GmbH Duisburg Germany Included in financial statements according to Equity-Method (indirect interest through no. 52)	70	(b)	(b)
174	KKD-Service-Gesellschaft mbH Duisburg Germany Included in financial statements according to Equity-Method (indirect interest through no. 52)	90	(b)	(b)
175	KME Klinik Medizintechnik Eppendorf GmbH Hamburg Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	49	51 (d)	119 (d)
176	UK S-H Gesellschaft für Informationstechnologie mbH Luebeck Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	49	396 (d)	358 (d)
177	UK S-H Gesellschaft für IT Services mbH Luebeck Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	49	55 (d)	35 (d)
178	VAMED Dominikus Service GmbH Berlin Germany Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 95)	49	27 (d)	2 (d)
179	Dalmia Fresenius Medical Ltd. New Delhi India Not included in financial statements according to § 311 (2) HGB due to neglible importance	26	(a)	(a)
180	PT. Dos Ni Roha Jakarta Indonesia Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 181)	46	(a)	(a)

Associated companies

No.	Company	Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
181	PT. European Hospital Development Jakarta Indonesia Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 130)	30	692 (d)	-189 (d)
182	Hospitalia International Middle East Limited Liability Company Beirut Lebanon Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 78)	50	0 (a)	0 (a)
183	VAMED ENGINEERING (M) SDN.BHD Kuala Lumpur Malaysia Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 130)	30	312 (d)	45 (d)
184	"THG" Thermenzentrum Geinberg Errichtungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	27	-17,268 (d)	594 (d)
185	Aqua Dome Tirol Therme Längenfeld GMBH Längenfeld Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	9	88 (d)	5 (d)
186	Aqua Dome Tirol Therme Längenfeld GMBH & CO KG Längenfeld Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	9	-25,238 (d)	-613 (d)
187	Burgenländische Pflegeheim Betriebs-GmbH Neudoerfl Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 132)	49	5 (d)	-128 (d)
188	Dr. Pierer Sanatorium Salzburg GmbH Salzburg Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 132)	21	8	-7
189	Gemeinnützige Oberndorfer Krankenhausbetriebsgesellschaft m.b.H. Salzburg Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 132)	49	1,013 (d)	-44 (d)
190	Gesundheitsresort Gars Betriebs GmbH Gars am Kamp Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 191)	19	-15,047 (d)	-2,993 (d)
191	Gesundheitsresort Gars GmbH Gars am Kamp Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 132)	9	11 (d)	17 (d)
192	LKV Krankenhaus Errichtungs- und Vermietungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	49	-64,224 (d)	-9,102 (d)
193	Neurologisches Rehabilitationszentrum "Rosenhügel" Errichtungs- und Betriebs-GmbH Vienna Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 132)	21	4 (d)	1 (d)

Associated companies

No.	Company	Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
194	Psychosomatisches Zentrum Eggenburg GmbH Eggenburg Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	29	-563 (d)	-115 (d)
195	Rheuma-Zentrum Wien-Oberlaa GmbH Vienna Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 132)	49	285	-11
196	Tauern SPA World Betriebs-GmbH Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	21	89 (d)	-1 (d)
197	Tauern SPA World Betriebs-GmbH & Co KG Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	17	153 (d)	-1,506 (d)
198	Tauern SPA World Errichtungs-GmbH Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	21	86 (d)	-3 (d)
199	Tauern SPA World Errichtungs-GmbH & Co KG Kaprun Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	17	8,461 (d)	-4,393 (d)
200	TBG Thermenzentrum Geinberg Betriebsgesellschaft m.b.H Geinberg Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	18	642 (d)	-61 (d)
201	TBL Therme Laa a. d. Thaya - Betriebsgesellschaft m.b.H. Laa a.d. Thaya Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	20	-6,427	-1,398
202	Therme Wien Ges. m.b.H. Vienna Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 127)	20	35 (d)	-1 (d)
203	Therme Wien GmbH & Co. KG Vienna Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 127)	20	24,269 (d)	-872 (d)
204	THL Therme Laa a.d. Thaya - Projektentwicklungs- und Errichtungsgesellschaft m.b.H. Laa a.d. Thaya Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	20	-2,627	332
205	UKH-Linz Errichtungs- und Vermietungs-GmbH Linz Austria Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 135)	33	2,768	22
206	Philippine Hospital Project Development Corporation Manila Makati City Philippines Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no. 130)	40	-8 (d)	-0 (d)

Associated companies

No.	Company	Direct and indirect interest %	Equity 31.12.2011 converted at spot rate at bal. sheet date KEUR	Net profit/loss 2011 converted at spot rate at bal. sheet date KEUR
207	Vamed (Thailand) Co., Ltd. Bangkok Thailand Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no 130)	15	27 (d)	-6 (d)
208	VAMED Healthcare Services Thailand Bangkok Thailand Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no 132)	49	59 (d)	15 (d)
209	VAMED EMIRATES LLC Abu Dhabi United Arab Emirates Not included in financial statements according to § 311 (2) HGB due to neglible importance (indirect interest through no 130)	49	517 (d)	35 (d)

a = No annual financial statement available
b = No actual data of equity or net profit/loss of the reporting period HBI, but IFRS-closing (excluding minority interests) on Level of HELIOS Kliniken GmbH
c = These companies make use of exemption rule § 264 (3)
d = Value as of December 31 of the preceding reporting period
e = These companies make use of exemption rule § 264 (b)
f = Value as of September 30 of the reporting period

Fresenius Versicherungsvermittlungs GmbH

Bad Homburg v.d.H.

2013

- Convenience Translation -
The German version of these Financial Statements is legally binding

Balance Sheet

as of December 31, 2013

Fresenius Versicherungsvermittlungsges. mbH, Bad Homburg

Assets		Note	31.12.2013 EUR	31.12.2012 EUR
A.	**Fixed assets**			
	I. Intangible assets		**0.00**	0.00
	II. Tangible assets	(3)	**29,258.00**	10,582.00
	III Financial assets	(4)	**8,859,137.03**	8,859,137.03
B.	**Current assets**			
	I. Accounts receivable due from related parties	(5)	**4,773,108.14**	3,528,881.41
	II. Other assets		**0.00**	0.00
			13,661,503.17	12,398,600.44

Liabilities and shareholder's equity		Note	31.12.2013 EUR	31.12.2012 EUR
A.	**Shareholder's equity**			
	I. Subscribed capital		**26,000.00**	26,000.00
	II. Capital reserves		**7,558,701.62**	7,558,701.62
	III. Retained earnings brought forward		**0.89**	0.89
	IV. Retained earnings		**0.00**	0.00
			7,584,702.51	7,584,702.51
B.	**Accruals**	(6)	**634,111.16**	583,640.68
C.	**Liabilities**			
	I. Trade accounts payable		**48,476.12**	24,213.02
	II. Liabilities to affiliated companies	(7)	**5,366,245.04**	4,198,254.98
	III. Other liabilities		**27,968.34**	7,789.25
			13,661,503.17	12,398,600.44

Profit and Loss Statement

as of December 31, 2013

Fresenius Versicherungsvermittlungsges. mbH, Bad Homburg

		Note		2013 EUR	2012 EUR
1.	Sales			**1,792,625.54**	1,633,071.20
2.	Other operating income	(8)		**10,618.53**	2,914.80
3.	Personnell expenses				
	a) Salaries and wages		-455,226.01		
	b) Social security and costs of retirement pensions and social assistance		-116,944.01	**-572,170.02**	-580,848.98
4.	Depreciation on property, plant and equipment			**-11,590.46**	-11,633.00
5.	Other operating expenses	(9)		**-359,684.76**	-367,856.77
6.	Income from financial assets			**313.90**	731.40
7.	Other interest and similar income	(10)		**-26,139.94**	-22,363.68
8.	Profit from ordinary operations			**833,972.79**	654,014.97
9.	Extraordinary expenses			**0.00**	0.00
10.	Income taxes			**889.20**	889.20
11.	Other tax			**-1,480.67**	-1,330.45
12.	Proit transfer due to profit and loss transfer agreement	(11)		**-833,381.32**	-653,573.72
13.	Retained earnings			**0.00**	0.00

(1) Application of the Accounting Law Modernisation Act

For the 2013 business year, Fresenius Versicherungsvermittlungs GmbH applies the provisions of the German Commercial Code (HGB), new version (Accounting Law Modernisation Act, BilMoG).

Fresenius Versicherungsvermittlungs GmbH is a small corporation in terms of sec. 267 subsect. 1 HGB. With regard to disclosure, the company utilises the relief available under sec. 326 HGB.

As before, the company selected the total cost method (sec. 275 subsect. 2 HGB) for the income statement.

(2) Accounting and valuation methods

The valuation process is carried out in accordance with the provisions of the German Commercial Code that apply to corporations.

Acquired intangible assets are valued at acquisition costs, reduced by regular amortisation. Amortisation is applied on a straight-line basis over a useful life of three years. Additions are amortised on a pro rata temporis basis.

Fixed assets are valued at acquisition costs, reduced by regular depreciation. Depreciation is applied in accordance with the straight-line or declining balance method based on the expected useful life. Monthly depreciation was applied to additions of moveable fixed assets.

Receivables and other assets are valued at the nominal value. The general credit risk is addressed with a lump-sum adjustment.

Provisions are entered for identifiable risks at the appropriate amount, including future price and cost increases.

Pension provisions are calculated on an actuarial basis using biometric probabilities (Heubeck 2005 G Reference Tables) in accordance with the projected unit credit method. Future expected payment and pension increases are taken into account during the calculation of obligations. At this time, annual adjustments of 3% to 4% for payments and 1.75% for pensions are used as assumptions. The company-specific fluctuation rate, which is also included in the calculation, ranged from 0% to 18%. The underlying actuarial interest rate for the discounting of pension obligations is 4.90%; this figure refers to the average market interest rate of the last seven business years calculated and published by the German Federal Bank (Bundesbank) for an assumed residual term of 15 years (effective date 31 October 2013).

Liabilities are entered at the repayment amount.

(3) Long-term assets

	Acquisition/ Production costs 31/12/2012	Additions value (Retirements)	Depreciation (accumulated	Depreciation in business year 2013	Res. book value on 31/12/2013	Res. book on
	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets	3,888.57	0.00	3,888.57	0.00	0.00	0.00
Operational and business equipment	41,316.30	30,266.46	42,324.76	11,590.46	29,258.00	10,582.00
	45,204.87	30,266.46	46,213.33	11,590.46	29,258.00	10,582.00

(4) Financial assets

Financial assets consist of a 100% participating interest by Fresenius Versicherungsvermittlungs GmbH in Fresenius Netcare GmbH in the amount of EUR 8,859,137.03.

(5) Receivables from associated companies

This item consists of receivables from Fresenius Netcare GmbH in the amount of EUR 4,773,108.14.

(6) Provisions

This item contains pension provisions (EUR 541,501.00) and other provisions (EUR 92,610.16). All identifiable risks and uncertain obligations were addressed.

The pension provisions have been created according to the methods described under note (2) "Accounting and valuation methods".

Due to a company agreement concluded in November 2009, starting on 1 January 2010 employees may allocate working hours and wage components to an account managed by the company in order to have these amounts paid out at a later point in time in the form of time off (demography fund). The credit balances of the employees are invested in an insurance product that cannot be accessed by the company and its creditors due to a trust agreement. Therefore it concerns a so-called securities-linked pension promise in terms of sec. 253 subsect. 1 sentence 3 HGB. Therefore the provision for the employee time credits is entered at the fair value of the insurance product. This fair value is obtained from the insurance company's actuarial reserve as per the business plan, plus available profit participation.

Amount repayable from obligations under demography fund	€ 8,487.71
Fair value of insurance	€ 8,487.71
Surplus, assets over obligations	€ 0.00
Acquisition costs of insurance	€ 8,012.76

In the income statement, expenses and income from the valuation of the insurance and the provision in the amount of EUR 229.76 were offset.

(7) Liabilities to associated companies

Liabilities to associated companies consist of: Fresenius SE & Co. KGaA in the amount of EUR 5,365,965.54, and Fresenius Kabi Deutschland GmbH in the amount of EUR 279.50.

(8) Other operating income

This item includes, among others, gains of EUR 109.80.

(9) Other operating expenses

This item includes, among others, losses of EUR 1,928.52.

(10) Interest and similar expenses

This item includes, among others, expenses from the compounding of provisions in the amount of EUR 23,032.00.

(11) Income/Expenses from profit transfers

In accordance with the profit and loss transfer agreement dated 12 December 2002 between Fresenius Versicherungsvermittlungs GmbH and Fresenius Netcare GmbH, the profit of Fresenius Netcare GmbH in the amount of EUR 5,162,583.57 was assumed by Fresenius Versicherungsvermittlungs GmbH for the 2013 business year.

In accordance with the profit and loss transfer agreement dated 12 December 2001 between Fresenius Versicherungsvermittlungs GmbH and Fresenius SE & Co. KGaA, the profit of Fresenius Versicherungsvermittlungs GmbH in the amount of EUR 5,996,556.36 (incl. tax apportionments of EUR 2,039,310.00) was assumed by Fresenius SE & Co. KGaA for the 2013 business year.

(12) Information regarding the corporate bodies of the company

The Managing Directors of the company are Peter Krüger, Dr. Jürgen Götz and Markus Moll.

(13) Information regarding the parent company

Fresenius SE & Co. KGaA is the sole shareholder.
Fresenius Versicherungsvermittlungs GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report pursuant to sec. 291 HGB, since Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, as the parent company, prepares consolidated financial statements and a group management report pursuant to sec. 315a HGB in accordance with the International Financial Reporting Standards (IFRS) as they must be applied in the EU for the smallest group of companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Federal Gazette. The consolidated financial statements for the largest group of companies is prepared by Fresenius Management SE, Bad Homburg v. d. Höhe; it is also published in the electronic Federal Gazette.

Bad Homburg, 16 January 2014

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Dr. Jürgen Götz (Managing Director)	Peter Krüger (Managing Director)	Markus Moll (Managing Director)

Fresenius Versicherungsvermittlungs GmbH

Bad Homburg v.d.H.

2012

- Convenience Translation -
The German version of these Financial Statements is legally binding

Balance Sheet

as of December 31, 2012

Fresenius Versicherungsvermittlungsges. mbH, Bad Homburg

Assets		Note	31.12.2012 EUR	31.12.2011 EUR
A.	**Fixed assets**			
	I. Intangible assets		**0.00**	0.00
	II. Tangible assets	(3)	**10,582.00**	22,215.00
	III Financial assets	(4)	**8,859,137.03**	8,859,137.03
B.	**Umlaufvermögen**			
	I. Accounts receivable due from related parties	(5)	**3,528,881.41**	1,152,976.28
	II. Other assets		**0.00**	0.00
			12,398,600.44	10,034,328.31

Liabilities and shareholder's equity		Note	31.12.2012 EUR	31.12.2011 EUR
A.	**Eigenkapital**			
	I. Subscribed capital		**26,000.00**	26,000.00
	II. Capital reserves		**7,558,701.62**	7,558,701.62
	III. Retained earnings brought forward		**0.89**	0.89
	IV. Retained earnings		**0.00**	0.00
			7,584,702.51	7,584,702.51
B.	**Accruals**	(6)	**583,640.68**	520,224.83
C.	**Liabilities**			
	I. Trade accounts payable		**24,213.02**	398.06
	II. Liabilities to affiliated companies	(7)	**4,198,254.98**	1,843,263.68
	III. Other liabilities		**7,789.25**	85,739.23
			12,398,600.44	10,034,328.31

Profit and Loss Statement

as of December 31, 2012

Fresenius Versicherungsvermittlungsges. mbH, Bad Homburg

		Note		2012 EUR	2011 EUR
1.	Sales			**1,633,071.20**	1,485,469.11
2.	Other operating income	(8)		**2,914.80**	3,854.89
3.	Personnell expenses				
	a) Salaries and wages		-475,803.29		
	b) Social security and costs of retirement pensions and social assistance		-105,045.69	**-580,848.98**	-544,017.41
4.	Depreciation on property, plant and equipment			**-11,633.00**	-11,631.41
5.	Other operating expenses	(9)		**-367,856.77**	-319,479.64
6.	Income from financial assets			**731.40**	2,262.39
7.	Other interest and similar income	(10)		**-22,363.68**	-23,017.00
8.	Profit from ordinary operations			**654,014.97**	593,440.93
9.	Extraordinary expenses			**0.00**	-109,347.46
10.	Income taxes			**889.20**	-1,099,740.80
11.	Other tax			**-1,330.45**	-1,597.45
12.	Profit transfer due to profit and loss transfer agreement	(11)		**-653,573.72**	617,244.78
13.	Retained earnings			**0.00**	0.00

(1) Application of the Accounting Law Modernisation Act

For the 2012 business year, Fresenius Versicherungsvermittlungs GmbH applies the provisions of the German Commercial Code (HGB), new version (Accounting Law Modernisation Act, BilMoG).

Fresenius Versicherungsvermittlungs GmbH is a small corporation in terms of sec. 267 subsect. 1 HGB. With regard to disclosure, the company utilises the relief available under sec. 326 HGB.

As before, the company selected the total cost method (sec. 275 subsect. 2 HGB) for the income statement.

(2) Accounting and valuation methods

The valuation process is carried out in accordance with the provisions of the German Commercial Code that apply to corporations.

Acquired intangible assets are valued at acquisition costs, reduced by regular amortisation. Amortisation is applied on a straight-line basis over a useful life of three years. Additions are amortised on a pro rata temporis basis.

Fixed assets are valued at acquisition costs, reduced by regular depreciation. Depreciation is applied in accordance with the straight-line or declining balance method based on the expected useful life. Monthly depreciation was applied to additions of moveable fixed assets.

Receivables and other assets are valued at the nominal value. The general credit risk is addressed with a lump-sum adjustment.

Provisions are entered for identifiable risks at the appropriate amount, including future price and cost increases.

Pension provisions are calculated on an actuarial basis using biometric probabilities (Heubeck 2005 G Reference Tables) in accordance with the projected unit credit method. Future expected payment and pension increases are taken into account during the calculation of obligations. At this time, annual adjustments of 3% to 4% for payments and 1.75% for pensions are used as assumptions. The company-specific fluctuation rate, which is also included in the calculation, ranged from 0% to 18%. The underlying actuarial interest rate for the discounting of pension obligations is 5.06%; this figure refers to the average market interest rate of the last seven business years calculated and published by the German Federal Bank (Bundesbank) for an assumed residual term of 15 years (effective date 31 October 2012).

Liabilities are entered at the repayment amount.

(3) Long-term assets

	Acquisition/ Production costs 31/12/2011	Additions value (Retirements)	Depreciation (accumulated)	Depreciation in business year 2012	Res. book value on 31/12/2012	Res. book on
	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets	3,888.57	0.00	3,888.57	0.00	0.00	0.00
Operational and business equipment	41,316.30	0.00	30,734.30	11,633.00	10,582.00	22,215.00
	45,204.87	0.00	34,622.87	11,633.00	10,582.00	22,215.00

(4) Financial assets

Financial assets consist of a 100% participating interest by Fresenius Versicherungsvermittlungs GmbH in Fresenius Netcare GmbH in the amount of EUR 8,859,137.03.

(5) Receivables from associated companies

This item consists of receivables from Fresenius Netcare GmbH in the amount of EUR 3,528,881.41

(6) Provisions

This item contains pension provisions (EUR 479,789.00) and other provisions (EUR 103,851.68). All identifiable risks and uncertain obligations were addressed.

The pension provisions have been created according to the methods described under note (2) "Accounting and valuation methods". The revaluation of the pension provisions for 1 January 2010, which was required due to the BilMoG, resulted in a shortfall of EUR 117,158.00. In 2010, the company utilised the option under sec. 67 subsect. 1 sentence 1 EGHGB (Introductory Act for the German Commercial Code), and allocated 1/15 of this difference (EUR 7,810.54) to the provision. The remaining 14/15 were allocated in 2011. The expenditure of EUR 109,347.46 from this allocation was shown under the item "extraordinary expenses" in the income statement.

Due to a company agreement concluded in November 2009, starting on 1 January 2010 employees may allocate working hours and wage components to an account managed by the company in order to have these amounts paid out at a later point in time in the form of time off (demography fund). The credit balances of the employees are invested in an insurance product that cannot be accessed by the company and its creditors due to a trust agreement. Therefore it concerns a so-called securities-linked pension promise in terms of sec. 253 subsect. 1 sentence 3 HGB. Therefore the provision for the employee time credits is entered at the fair value of the insurance product. This fair value is obtained from the insurance company's actuarial reserve as per the business plan, plus available profit participation.

Amount repayable from obligations under demography fund	€ 4,788.63
Fair value of insurance	€ 4,788.63
Surplus, assets over obligations	€0.00
Acquisition costs of insurance	€ 4,583.82

In the income statement, expenses and income from the valuation of the insurance and the provision in the amount of EUR 145.07 were offset.

(7) Liabilities to associated companies

Liabilities to associated companies consist of: Fresenius SE & Co. KGaA in the amount of EUR 4,045,689.26, Fresenius Medical Care GmbH in the amount of EUR 3,245.52, Fresenius Medical Care Deutschland GmbH in the amount of EUR 126,022.16, and Fresenius Kabi Deutschland GmbH in the amount of EUR 23,298.04.

(8) Other operating income

This item includes, among others, gains of EUR 51.32.

(9) Other operating expenses

This item includes, among others, losses of EUR 1,267.57.

(10) Interest and similar expenses

This item includes, among others, expenses from the compounding of provisions in the amount of EUR 20,986.00.

(11) Income/Expenses from profit transfers

In accordance with the profit and loss transfer agreement dated 12 December 2002 between Fresenius Versicherungsvermittlungs GmbH and Fresenius Netcare GmbH, the profit of Fresenius Netcare GmbH in the amount of EUR 3,835,902.88 was assumed by Fresenius Versicherungsvermittlungs GmbH for the 2012 business year.

In accordance with the profit and loss transfer agreement dated 12 December 2001 between Fresenius Versicherungsvermittlungs GmbH and Fresenius SE & Co. KGaA, the profit of Fresenius Versicherungsvermittlungs GmbH in the amount of EUR 4,489,476.60 (incl. tax apportionments of EUR 1,434,565.00) was assumed by Fresenius SE & Co. KGaA for the 2012 business year.

(12) Information regarding the organisational bodies of the company

The Managing Directors of the company are Peter Krüger, Dr. Jürgen Götz and Markus Moll.

(13) Information regarding the parent company

Fresenius SE & Co. KGaA is the sole shareholder.
Fresenius Versicherungsvermittlungs GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report pursuant to sec. 291 HGB, since Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, as the parent company, prepares consolidated financial statements and a group management report pursuant to sec. 315a HGB in accordance with the International Financial Reporting Standards (IFRS) as they must be applied in the EU for the smallest group of companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Federal Gazette. The consolidated financial statements for the largest group of companies is prepared by Fresenius Management SE, Bad Homburg v. d. Höhe; it is also published in the electronic Federal Gazette.

Bad Homburg, 16 January 2013

....	....	………………………………..
Dr. Jürgen Götz	Peter Krüger	Markus Moll
(Managing Director)	(Managing Director)	(Managing Director)

Fresenius Versicherungsvermittlungs GmbH

Bad Homburg v.d.H.

2011

- Convenience Translation -

The German version of these Financial Statements is legally binding

Balance Sheet

as of December 31, 2011

Fresenius Versicherungsvermittlungs GmbH, Bad Homburg

Assets		Note	**31.12.2011 EUR**	**31.12.2010 EUR**
A.	**Fixed assets**			
	I. Intangible assets		**0.00**	0.00
	II. Tangible assets	(3)	**22,215.00**	33,683.00
	III Financial assets	(4)	**8,859,137.03**	8,859,137.03
B.	**Current assets**			
	I. Accounts receivable due from related parties	(5)	**1,152,976.28**	6,325,370.47
			10,034,328.31	15,218,190.50

Liabilities and shareholder's equity		Note	**31.12.2011 EUR**	**31.12.2010 EUR**
A.	**Shareholder's equity**			
	I. Subscribed capital		**26,000.00**	26,000.00
	II. Capital reserves		**7,558,701.62**	7,558,701.62
	III. Retained earnings brought forward		**0.89**	0.89
	IV. Retained earnings		**0.00**	0.00
			7,584,702.51	7,584,702.51
B.	**Accruals**	(6)	**520,224.83**	363,584.28
C.	**Liabilities**			
	I. Trade accounts payable		**398.06**	34,906.53
	II. Liabilities to affiliated companies	(7)	**1,843,263.68**	7,176,649.72
	III. Other liabilities		**85,739.23**	58,347.46
			10,034,328.31	15,218,190.50

Profit and Loss Statement

as of December 31, 2011

Fresenius Versicherungsvermittlungs GmbH, Bad Homburg

		Note		2011 EUR	2010 EUR
1.	Sales			**1,485,469.11**	1,712,042.99
2.	Other operating income	(8)		**3,854.89**	4,971.05
3.	Personnell expenses				
	a) Salaries and wages		-446,157.71		
	b) Social security and costs of retirement pensions and social assistance		-97,859.70	**-544,017.41**	-531,018.49
4.	Depreciation on property, plant and equipment			**-11,631.41**	-1,046.63
5.	Other operating expenses	(9)		**-319,479.64**	-298,797.53
6.	Income from financial assets			**2,262.39**	16,040.85
7.	Other interest and similar income	(10)		**-23,017.00**	-27,386.86
8.	Profit from ordinary operations			**593,440.93**	874,805.38
9.	Extraordinary expenses			**-109,347.46**	-7,810.54
10.	Income taxes			**-1,099,740.80**	-2,423,537.80
11.	Other tax			**-1,597.45**	-14.00
12.	Proit transfer due to profit and loss transfer agreement	(11)		**617,244.78**	1,556,556.96
13.	Retained earnings			**0.00**	0.00

(1) Application of the Accounting Law Modernisation Act

For the 2011 business year, Fresenius Versicherungsvermittlungs GmbH applies the provisions of the German Commercial Code (HGB), new version (Accounting Law Modernisation Act, BilMoG).

Fresenius Versicherungsvermittlungs GmbH is a small corporation in terms of sec. 267 subsect. 1 HGB. With regard to disclosure, the company utilises the relief available under sec. 326 HGB.

As before, the company selected the total cost method (sec. 275 subsect. 2 HGB) for the income statement.

(2) Accounting and valuation methods

The valuation process is carried out in accordance with the provisions of the German Commercial Code that apply to corporations.

Acquired intangible assets are valued at acquisition costs, reduced by regular amortisation. Amortisation is applied on a straight-line basis over a useful life of three years. Additions are amortised on a pro rata temporis basis.

Fixed assets are valued at acquisition costs, reduced by regular depreciation. Depreciation is applied in accordance with the straight-line or declining balance method based on the expected useful life. Additions of moveable fixed assets were depreciated at the exact monthly amount.

Receivables and other assets are valued at nominal value. The general credit risk is addressed with a lump-sum adjustment.

Provisions are entered for identifiable risks at the appropriate amount, including future price and cost increases.

Pension provisions are calculated on an actuarial basis using biometric probabilities (Heubeck 2005 G Reference Tables) in accordance with the projected unit credit method. Future expected payment and pension increases are taken into account during the calculation of obligations. At this time, annual adjustments of 3% to 4% for payments and 1.75% for pensions are used as assumptions. The company-specific fluctuation rate, which is also included in the calculation, ranged from 0% to 18%. The underlying actuarial interest rate for the discounting of pension obligations is 5.13%; this figure refers to the average market interest rate of the last seven business years calculated and published by the German Federal Bank (Bundesbank) for an assumed residual term of 15 years (effective date 31 October 2011).

Liabilities are entered at the repayment amount.

(3) Long-term assets

	Acquisition/ Production costs	Additions (Retirements)	Depreciation (accumulated)	Depreciation in business year 2011	Res. book value on 31/12/2011	Res. book value on 31/12/2010
	EUR	EUR	EUR	EUR	EUR	EUR
Intangible fixed assets	3,888.57	0.00	3,888.57	0.00	0.00	0.00
Operational and business equipment	41,316.30	163.41	19,101.30	11,631.41	22,215.00	33,683.00
	45,204.87	163.41	22,989.87	11,631.41	22,215.00	33,683.00

(4) Financial assets

Financial assets consist of a 100% participating interest by Fresenius Versicherungsvermittlungs GmbH in Fresenius Netcare GmbH in the amount of EUR 8,859,137.03.

(5) Receivables from associated companies

This item consists of receivables from Fresenius Netcare GmbH in the amount of EUR 1,146,603.71, FMC Nephrologica Deutschland GmbH in the amount of EUR 6,343.00 and other associated companies in the amount of EUR 29.57.

(6) Provisions

This item contains pension provisions (EUR 429,523.00) and other provisions (EUR 90,701.83). All identifiable risks and uncertain obligations have been addressed.

The pension provisions have been created according to the methods described under note (2) "Accounting and valuation methods". The revaluation of the pension provisions for 1 January 2010, which was required due to the BilMoG, resulted in a shortfall of EUR 117,158.00. In 2010, the company utilised the option under sec. 67 subsect. 1 sentence 1 EGHGB (Introductory Act for the German Commercial Code), and allocated 1/15 of this difference (EUR 7,810.54) to the provision. The remaining 14/15 were allocated in 2011. The expenditure of EUR 109,347.46 from this allocation is shown under the item "extraordinary expenses" in the income statement.

ue to a company agreement concluded in November 2009, starting on 1 January 2010 employees may allocate working hours and wage components to an account managed by the company in order to have these amounts paid out at a later point in time in the form of time off (demography fund). The credit balances of the employees are invested in an insurance product that cannot be accessed by the company and its creditors due to a trust agreement. Therefore it concerns a so-called securities-linked pension promise in terms of sec. 253 subsect.1 sentence 3 HGB. Therefore the provision for the employee time credits is entered at the fair value of the insurance product. This fair value is obtained from the insurance company's actuarial reserve as per the business plan, plus available profit participation.

Amount repayable from obligations under the demography fund	€ 2,375.61
Fair value of insurance	€ 2,375.61
Surplus, assets over obligations	€ 0.00
Acquisition costs of insurance	€ 2,271.76

In the income statement, expenses and income from the valuation of the insurance and the provision in the amount of EUR 100.12 were offset.

(7) Liabilities to associated companies

Liabilities to associated companies consist of: Fresenius SE & Co. KGaA in the amount of EUR 1,797,198.11, Fresenius Medical Care GmbH in the amount of EUR 44,171.85, and Fresenius Kabi Deutschland GmbH in the amount of EUR 1,893.72.

(8) Other operating income

This item includes, among others, gains of EUR 490.53.

(9) Other operating expenses

This item includes, among others, losses of EUR 301.45.

(10) Interest and similar expenses

This item includes, among others, expenses from the compounding of provisions in the amount of EUR 19,068.00.

(11) Income/Expenses from profit transfers

Pursuant to the profit and loss transfer agreement dated 12 December 2002 between Fresenius Versicherungsvermittlungs GmbH and Fresenius Netcare GmbH, the profit of Fresenius Netcare GmbH in the amount of EUR 1,357,124.86 was assumed by Fresenius Versicherungsvermittlungs GmbH for the 2011 business year.

Pursuant to the profit and loss transfer agreement dated 12 December 2001 between Fresenius Versicherungsvermittlungs GmbH and Fresenius SE & Co. KGaA, the profit of Fresenius Versicherungsvermittlungs GmbH in the amount of EUR 739,880.08 (after tax apportionments of EUR 1,100,630.00) was assumed by Fresenius SE & Co. KGaA for the 2011 business year.

(12) Information regarding the corporate bodies of the company

The Managing Directors of the company are Peter Krüger, Dr. Jürgen Götz and Markus Moll (since 20 January 2011).

(13) Information regarding the parent company

Fresenius SE & Co. KGaA is the sole shareholder.
Fresenius Versicherungsvermittlungs GmbH is exempt from the requirement to prepare consolidated financial statements and a group management report pursuant to sec. 291 HGB, since Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, as the parent company, prepares consolidated financial statements and a group management report pursuant to sec. 315a HGB in accordance with the International Financial Reporting Standards (IFRS) as they must be applied in the EU for the smallest group of companies. The consolidated financial statements of Fresenius SE & Co. KGaA are published in the electronic Federal Gazette. The consolidated financial statements for the largest group of companies is prepared by Fresenius Management SE, Bad Homburg v. d. Höhe; it is also published in the electronic Federal Gazette.

Bad Homburg, 13 January 2012

....	....	………………………………..
Dr. Jürgen Götz (Managing Director)	Peter Krüger (Managing Director)	Markus Moll (Managing Director)

Joint Report

of the Management Board of the General Partner of

Fresenius SE & Co. KGaA, Fresenius Management SE,

and

the Management of Hygieneplan GmbH

pursuant to sec. 295(1) sentence 2 and sec. 293a of the German Stock Corporation Act

on the amendment of the Domination and Profit and Loss Transfer Agreement of 23 June 1975 as amended on 27 April 1989

I. General Remarks

On 13 March 2014, Fresenius SE& Co. KGaA, registered in the Commercial Register of the local court (*Amtsgericht*) of Bad Homburg v. d. Höhe under HRB 11852 (hereinafter also the **"Parent Company**"), and Fresenius Hygieneplan GmbH, registered in the Commercial Register of the local court (*Amtsgericht*) of Bad Homburg v. d. Höhe under HRB 3942 (hereinafter also the "**Subsidiary**") signed an Agreement on the Amendment of the Domination and Profit and Loss Transfer Agreement of 23 June 1975 as amended on 27 April 1989. This Agreement will be presented to the General Meeting of the Parent Company for approval on 16 May 2014. The Management Board of the General Partner of the Parent Company and the Management of the Subsidiary herewith jointly report on the Agreement on the Amendment of the Domination and Profit and Loss Transfer Agreement of 23 June 1975 as amended on 27 April 1989.

II. Explanation and rationale of the Amendment of the Domination and Profit and Loss Transfer Agreement

The Parent Company and the Subsidiary entered into a Domination and Profit and Loss Transfer Agreement on 23 June 1975. On the occasion of a decision on a matter of principle made by the German Federal Court (court order of 24 October 1988, II ZB 7/88), which requires both the approval of the shareholders meeting of the dependent company and the approval of the General Meeting of dominating company as well as the entry of the agreement into the Commercial Register in which the dependent company is registered as prerequisites for the validity of domination and profit and loss transfer agreements where the dependent company is a limited liability partnership (*Gesellschaft mit beschränkter Haftung – GmbH*), the Parties entered into an agreement on 27 April 1989 regarding the continuation of the existing Domination and Profit and Loss Transfer Agreement. The Domination and Profit and Loss Transfer Agreement of 23 June 1975 as amended on 27 April 1989, was entered into the Commercial Register in which the Subsidiary is registered after the approval of the General Meeting of the Parent Company and of the shareholders meeting of the Subsidiary.

The Domination and Profit and Loss Transfer Agreement of 23 June 1975, as amended on 27 April 1989, provides in its section 2 (4):

"Section 2 Profit Transfer, Loss Absorption

[...]

(4) With regard to the loss absorption, the provisions of section 302 AktG shall be applied accordingly. "

The German Act on the Modification and Simplification of Company Taxation and the Tax Treatment of Travel Expenses (*Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des steuerlichen Reisekostenrechts*) of 20 February 2013 has tightened the formal requirements for profit and loss transfer agreements with respect to the recognition of a fiscal unity for income tax purposes. The aforementioned law has amended sec. 17 sentence 2 No. 2 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz – KStG*). This norm now requires that in profit and loss transfer agreements with subsidiaries having the legal form of a limited liability partnership (*Gesellschaft mit beschränkter Haftung – GmbH*) "loss compensation be agreed by reference to the provisions of sec. 302 of the German Stock Corporation Act (*Aktiengesetz – AktG*), as amended from time to time", so that the requirements for recognition of a fiscal unity for income tax purposes are met. The previous wording of section 2 (4) of the Domination and Profit and Loss Transfer Agreement of 12 December 2001 does not fully correspond to these revised statutory requirements and is, therefore, to be amended as described below under III.

For clarification purposes moreover, the name of the Parent Company and the registered offices of the Subsidiary and the Parent Company contained in the Domination and Profit and Loss Transfer Agreement of 23 June 1975, as amended on 27 April 1989, are to be corrected. By virtue of the change in the Parent Company's legal form, the company name of the Parent Company is "Fresenius SE & Co. KGaA". By virtue of the relocation of the Subsidiary's registered office, the registered office is now "Bad Homburg v. d. Höhe". The Parent Company's registered office is "Bad Homburg v. d. Höhe".

III. Description of the Amendments of the Domination and Profit and Loss Transfer Agreement

Pursuant to the Agreement on the Amendment of the Domination and Profit and Loss Transfer Agreement of 23 June 1975, as amended on 27 April 1989, signed on 13 March 2014, the Parent Company and the Subsidiary agree that the Domination and Profit and Loss Transfer Agreement is to be adjusted as follows:

1. The names of the parties contained in the Domination and Profit and Loss Transfer Agreement will be adjusted as follows for clarification purposes by virtue of the change in the Parent Company's legal form since the conclusion of the Domination and Profit and Loss Transfer Agreement: The company name of the Parent Company is "Fresenius SE & Co. KGaA". By virtue of the transfer of the Subsidiary's registered office after the conclusion of the Domination and Profit and Loss Transfer Agreement, its registered office is corrected to read "Bad Homburg v. d. Höhe". The Parent Company's registered office is corrected to read "Bad Homburg v. d. Höhe".

2. Section 2 (4) of the Domination and Profit and Loss Transfer Agreement is cancelled and replaced as follows:

"Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time."

The Agreement on the Amendment of the Domination and Profit and Loss Transfer Agreement makes clear that the Domination and Profit and Transfer Loss Agreement ontinues to exist unchanged in other respects.

With the Agreement on the Amendment of the Profit and Loss Transfer Agreement, the latter is adjusted to the new statutory requirements, but remains essentially unchanged. Section 34 (10b) KStG provides a deadline of 31 December 2014 for the retroactive amendment of existing profit and loss transfer agreements, in order to agree a reference to sec. 302 AktG, as amended from time to time, that corresponds to sec. 17 (2) sentence 2 KStG. If the domination and profit and loss transfer agreement is adjusted within this period neither the adjustment nor the absence of a corresponding reference to date will have any impact on the term of the agreement or the recognition of a fiscal unity for income tax purposes.

The amendment of the Profit and Loss Transfer Agreement requires the approval of the shareholders meeting of the Subsidiary and the approval of the General Meeting of the Parent Company to be valid and will only become effective with the entry into he Commercial Register in which the Subsidiary is registered.

IV. No audit of the agreement, no compensation payments, and no settlements

An audit of the adjustment of the Domination and Profit and Loss Agreement by a contract auditor (*Vertragsprüfer*) and a corresponding audit report are not required and have not been undertaken, because all shares of the Subsidiary are held by the Parent Company (sec. 295 (1) sentence 2 AktG in conjunction with sec. 293b (1) and sec. 293 c (1) AktG). As there are no outside shareholders, the Parent Company does not have to make either compensation payments pursuant to sec. 304 AktG or settlement payments pursuant to sec. 305 AktG.

V. Miscellaneous Provisions

The shareholders meeting of the Subsidiary will presumably approve the Agreement on the Amendment of the Domination and Profit and Loss Transfer Agreement on 21 March 2014 by a notarized shareholder resolution.

The adjustment of the Domination and Profit and Loss Transfer Agreement presented here does not have any other effects. In particular, this is not the conclusion of a new agreement or a rewording of the said Agreement as it has only been amended in a few points.

Pursuant to sec. 295 (1) sentence 2 and sec. 293f AktG, in addition to this report the adjusted Domination and Profit and Loss Transfer Agreement, the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 13 March 2014 as well as the annual financial statements of the Parent Company and the Subsidiary for the years 2011, 2012 and 2013, and the management reports of the Parent Company for the years 2011, 2012 and 2013 shall be made available for inspection as of the date of the convening of the General Meeting.

Bad Homburg v.d.H., March 2014

Fresenius SE & Co. KGaA

represented by its general partner,
Fresenius Management SE
The Management Board

Dr. Ulf M. Schneider	Dr. Francesco de Meo	Dr. Jürgen Götz

Mats Henriksson	Rice Powell	Stephan Sturm	Dr. Ernst Wastler

Bad Homburg v. d. Höhe., March 2014

Hygieneplan GmbH
The Management Board

Dr. Jürgen Götz

Gerd Hermann Mac-Farlane

Joint Report

of the Management Board of the General Partner of

Fresenius SE & Co. KGaA, Fresenius Management SE,

and

the Management of Fresenius ProServe GmbH

pursuant to sec. 295 (1) sentence 2 and sec. 293a of the German Stock Corporation Act

on the amendment of the Profit and Loss Transfer Agreement of 15 April 1999 as revised on 6 April 2005

I. General Remarks

On 13 March 2014, Fresenius SE & Co. KGaA, registered in the Commercial Register of the local court (*Amtsgericht*) of Bad Homburg v. d. Höhe under HRB 11852 (hereinafter also the "**Controlling Entity**"), and Fresenius ProServe GmbH, registered in the Commercial Register of the local court (*Amtsgericht*) of Bad Homburg v. d. Höhe under HRB 7302 (hereinafter also the "**Controlled Entity**") signed an Agreement on the Amendment of the Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005. This Agreement will be presented to the General Meeting of the Controlling Entity for approval on 16 May 2014. The Management Board of the General Partner of the Controlling Entity and the Management of the Controlled Entity herewith jointly report on the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005.

II. Explanation of and Justification for the Amendment of the Profit and Loss Transfer Agreement

The Controlling Entity and the Controlled Entity entered into a Profit and Loss Transfer Agreement on 15 April 1999, which became effective after approval by the General Meeting of the Controlling Entity and the shareholders meeting of the Controlled Entity and upon its entry into the Commercial Register of the Controlled Entity. The Controlling Entity and the Controlled Entity amended the Profit and Loss Transfer Agreement entered into on 15 April 1999 by an agreement dated 6 April 2005. The amended Profit and Loss Transfer Agreement became effective after approval by the General Meeting of the Controlling Entity and the shareholders meeting of the Controlled Entity and upon its entry into the Commercial Register of the Controlled Entity on 22 June 2005.

The Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005, provides in its section 3:

"Section 3 Loss Compensation

> *Fresenius AG is obligated to pay compensation for every annual net deficit that might otherwise occur during the term of the Agreement, to the extent that such deficit is not compensated for by withdrawals of amounts from the free reserves pursuant to Section 1 (2), to which they have been allocated during the term of the Agreement. In other respects, sec. 302 (1) and (3) of the German Stock Corporation Act (Aktiengesetz – AktG), as amended from time to time, shall apply accordingly."*

The German Act on the Modification and Simplification of Company Taxation and the Tax Treatment of Travel Expenses (*Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des steuerlichen Reisekostenrechts*) of 20 February 2013 has tightened the formal requirements for profit and loss transfer agreements with respect to the recognition of a fiscal unity for income tax purposes. The aforementioned law has amended sec. 17 sentence 2 No. 2 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz – KStG*). This norm now requires that in profit and loss transfer agreements with subsidiaries having the legal form of a limited liability partnership (*Gesellschaft mit beschränkter Haftung – GmbH*) "loss compensation be agreed by reference to the provisions of sec. 302 of the German Stock Corporation Act (*Aktiengesetz – AktG*), as amended from time to time", so that the requirements for recognition of a fiscal unity for income tax purposes are met. The previous wording of section 3 of the Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005, does not fully correspond to these revised statutory requirements and is, therefore, to be amended as described below under III.

For clarification purposes moreover, the name of the Controlling Entity and the registered office of the Controlled Entity contained in the Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005, are to be corrected. By virtue of the change in the Controlling Entity's legal form, the company name of the Controlling Entity is “Fresenius SE & Co. KGaA”. By virtue of the relocation of the Controlled Entity's registered office, the registered office of the Controlled Entity is now “Bad Homburg v. d. Höhe”.

III. Description of the Amendments of the Profit and Loss Transfer Agreement

Pursuant to the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005, signed on 13 March 2014, the Controlling Entity and the Controlled Entity agree that the Profit and Loss Transfer Agreement is to be adjusted as follows:

1. The names of the parties contained in the Profit and Loss Transfer Agreement will be adjusted as follows for clarification purposes by virtue of the change in the Controlling Entity's legal form since the conclusion of the Profit and Loss Transfer Agreement: The company name of the Controlling Entity is “Fresenius SE & Co. KGaA”. By virtue of the transfer of the Controlled Entity's registered office after the conclusion of the Profit and Loss Transfer Agreement, its registered office is changed to “Bad Homburg v. d. Höhe”.
2. Section 3 of the Profit and Loss Transfer Agreement is cancelled and reworded as follows:

   “Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time.”

The Agreement on the Amendment of the Profit and Loss Transfer Agreement makes clear that the Profit and Transfer Loss Agreement continues to exist unchanged in other respects.

With the Agreement on the Amendment of the Profit and Loss Transfer Agreement, the latter is adjusted to the new statutory requirements, but remains essentially unchanged. Section 34 (10b) KStG provides a deadline of 31 December 2014 for the retroactive amendment of existing profit and loss transfer agreements, in order to agree a reference to section 302 AktG, as amended from time to time, that corresponds to section 17 (2) sentence 2 KStG. If the profit and loss transfer agreement is adjusted within this period neither the adjustment nor the absence of a corresponding reference to date will have any impact on the term of the agreement or the recognition of a fiscal unity for income tax purposes.

IV. No audit of the agreement, no compensation payments, and no settlements

An audit of the adjustment of the Profit and Loss Agreement by a contract auditor (*Vertragsprüfer*) and a corresponding audit report are not required and have not been undertaken, because all shares of the Controlled Entity are held by the Controlling Entity (sec. 295 (1) sentence 2 AktG in conjunction with sec. 293b (1) and sec. 293c (1) AktG). As there are no outside shareholders, the Controlling Entity does not have to make either compensation payments pursuant to sec. 304 AktG or settlement payments pursuant to sec. 305 AktG.

V. Miscellaneous

The shareholders meeting of the Controlled Entity will presumably approve the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 15 April 1999, as amended on 6 April 2005, on 21 March 2014 by a notarized shareholder resolution.

The adjustment of the Profit and Loss Transfer Agreement presented here does not have any other effects. In particular, this is not the conclusion of a new agreement or a rewording of the said Agreement as it has only been amended in a few points.

Pursuant to sec. 295 (1) sentence 2 and sec. 293f AktG, in addition to this report the adjusted Profit and Loss Transfer Agreement, the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 13 March 2014 as well as the annual financial statements and management reports (to the extent that such exist and have not been dispensed with by virtue of an exemption under sec. 264 (3) of the German Commercial Code (*Handelsgesetzbuch – HGB*)) of the Controlling Entity and the Controlled Entity for the years 2011, 2012 and 2013 shall be made available for inspection as of the date of the convening of the General Meeting.

Bad Homburg v. d. Höhe., March 2014

Fresenius SE & Co. KGaA

represented by its general partner,
Fresenius Management SE
The Management Board

Dr. Ulf M. Schneider	Dr. Francesco de Meo	Dr. Jürgen Götz

Mats Henriksson	Rice Powell	Stephan Sturm	Dr. Ernst Wastler

Bad Homburg v. d. Höhe., March 2014

Fresenius ProServe GmbH
The Management Board

Dr. Francesco de Meo	Dr. Jürgen Götz	Joachim Weith

Joint Report

of the Management Board of the General Partner of

Fresenius SE & Co. KGaA, Fresenius Management SE,

and

the Management of Fresenius Versicherungsvermittlungs GmbH

pursuant to sec. 295 (1) sentence 2 and sec. 293a of the German Stock Corporation Act

on the amendment of the Profit and Loss Transfer Agreement
of 12 December 2001

I. General Remarks

On 13 March 2014, Fresenius SE & Co. KGaA, registered in the Commercial Register of the local court (*Amtsgericht)* of Bad Homburg v. d. Höhe under HRB 11852 (hereinafter also "the **Parent Company**"), and Fresenius Versicherungsvermittlungs GmbH, registered in the Commercial Register of the local court (*Amtsgericht*) of Bad Homburg v. d. Höhe under HRB 4223 (hereinafter also "the **Subsidiary**") signed an Agreement on the Amendment of the Profit and Loss Transfer Agreement of 12 December 2001. This Agreement will be presented to the General Meeting of the Parent Company for approval on 16 May 2014. The Management Board of the General Partner of the Parent Company and the Management of the Subsidiary herewith jointly report on the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 12 December 2001.

II. Explanation and rationale of the Amendment of the Profit and Loss Transfer Agreement

The Parent Company and the Subsidiary entered into a Profit and Loss Transfer Agreement on 12 December 2001, which became effective after approval by the General Meeting of the Parent Company and by the shareholders meeting of the Subsidiary and upon its entry into the Commercial Register in which the Subsidiary is registered.

The Profit and Loss Transfer Agreement of 12 December 2001 provides in section 3:

"Section 3 Loss Compensation

(1) The Parent Company is obligated to pay compensation for any annual net deficit that might otherwise occur during the term of the Agreement, to the extent that such deficit is not compensated for by withdrawals of amounts from other profit reserves to which they have been allocated during the term of the Agreement.

(2) Prior to the expiration of three years after the date on which the entry of the termination of this Agreement into the Commercial Register is deemed as having been made known pursuant to section 10 of the German Commercial Code (Handelsgesetzbuch – HGB), the Parties agree not to waive any claim to compensation for losses or reach a settlement on such a loss."

The German Act on the Modification and Simplification of Company Taxation and the Tax Treatment of Travel Expenses (*Gesetz zur Änderung und Vereinfachung der Unternehmensbesteuerung und des steuerlichen Reisekostenrechts*) of 20 February 2013 has tightened the formal requirements for profit and loss transfer agreements with respect to the recognition of a fiscal unity for income tax purposes. The aforementioned law has amended sec. 17 sentence 2 No. 2 of the German Corporate Income Tax Act (*Körperschaftsteuergesetz – KStG*). This norm now requires that in profit and loss transfer agreements with subsidiaries having the legal form of a limited liability partnership (*Gesellschaft mit beschränkter Haftung – GmbH*) "loss compensation be agreed by reference to the provisions of sec. 302 of the German Stock Corporation Act (*Aktiengesetz – AktG*), as amended from time to time", so that the requirements for recognition of a fiscal unity for income tax purposes are met. The previous wording of section 3 of the Profit and Loss Transfer Agreement of 12 December 2001 does not fully correspond to these revised statutory requirements and is, therefore, to be amended as described below under III.

For clarification purposes moreover, the name of the Parent Company contained in the Profit and Loss Transfer Agreement of 12 December 2001 is to be corrected. By virtue of the change in the Parent Company's legal form, the company name of the Parent Company is now "Fresenius SE & Co. KGaA".

III. Description of the Amendments of the Profit and Loss Transfer Agreement

Pursuant to the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 12 December 2001 signed on 13 March 2014, the Parent Company and the Subsidiary agree that the Profit and Loss Transfer Agreement is to be adjusted as follows:

1. The names of the parties contained in the Profit and Loss Transfer Agreement will be adjusted as follows for clarification purposes by virtue of the change in the Parent Company's legal form since the conclusion of the Profit and Loss Transfer Agreement: The company name of the Parent Company is "Fresenius SE & Co. KGaA".

2. Section 3 (1) and (2) of the Profit and Loss Transfer Agreement is cancelled and replaced by the following wording:

"Compensation for losses shall occur pursuant to section 302 AktG, as amended from time to time."

The Agreement on the Amendment of the Profit and Loss Transfer Agreement makes clear that the Profit and Transfer Loss Agreement continues to exist unchanged in other respects.

With the Agreement on the Amendment of the Profit and Loss Transfer Agreement, the latter is adjusted to the new statutory requirements, but remains essentially unchanged. Section 34 (10b) KStG provides a deadline of 31 December 2014 for the retroactive amendment of existing profit and loss transfer agreements, in order to agree a reference to section 302 AktG, as amended from time to time, that corresponds to section 17 (2) sentence 2 KStG. If the Profit and Loss Transfer Agreement is adjusted within this period neither the adjustment nor the absence of a corresponding reference to date will have any impact on the term of the agreement or the recognition of a fiscal unity for income tax purposes.

The amendment of the Profit and Loss Transfer Agreement requires the approval of the shareholders meeting of the Subsidiary and the approval of the General Meeting of the Parent Company to be valid and will only become effective with the entry into the Commercial Register in which the Subsidiary is registered.

IV. No audit of the agreement, no compensation payments, and no settlements

An audit of the adjustment of the Profit and Loss Agreement by a contract auditor (*Vertragsprüfer*) and a corresponding audit report are not required and have not been undertaken, because all shares of the Subsidiary are held by the Parent Company (sec. 295 (1) sentence 2 AktG in conjunction with sec. 293b (1) and sec. 293 c (1) AktG). As there are no outside shareholders, the Parent Company does not have to make either compensation payments pursuant to section 304 AktG or settlement payments pursuant to section 305 AktG.

V. Miscellaneous

The shareholders meeting of the Subsidiary will presumably approve the Agreement on the Amendment of the Profit and Loss Transfer Agreement on 21 March 2014 by a notarized shareholder resolution.

The adjustment of the Profit and Loss Transfer Agreement presented here does not have any other effects. In particular, this is not the conclusion of a new agreement or a rewording of the said Agreement, as it has only been amended in a few points.

Pursuant to sec. 295 (1) sentence 2 and sec. 293f AktG, in addition to this report the adjusted Profit and Loss Transfer Agreement, the Agreement on the Amendment of the Profit and Loss Transfer Agreement of 13 March 2014 as well as the annual financial statements of the Parent Company and the Subsidiary for the years 2011, 2012 and 2013, and the management reports of the Parent Company for the years 2011, 2012 and 2013 shall be made available for inspection as of the date of the convening of the General Meeting.

Bad Homburg v.d.H., March 2014

Fresenius SE & Co. KGaA

represented by its general partner,
Fresenius Management SE
The Management Board

Dr. Ulf M. Schneider   Dr. Francesco de Meo   Dr. Jürgen Götz

Mats Henriksson   Rice Powell   Stephan Sturm   Dr. Ernst Wastler

Bad Homburg v. d. Höhe., March 2014

Fresenius Versicherungsvermittlungs GmbH
The Management Board

Dr. Jürgen Götz	Peter Krüger	Markus Moll