FRESENIUS

2013

Consolidated Financial Statements and Management Report
of Fresenius SE & Co. KGaA,
Bad Homburg v. d. H.

at December 31, 2013

applying Section 315a HGB in accordance with

International Financial Reporting Standards

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MANAGEMENT REPORT. 2013 was a successful year for Fresenius. We fully met our guidance, exceeding €20 billion in sales and €1 billion in earnings for the first time. At 11.4%, our cash flow margin was strong.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

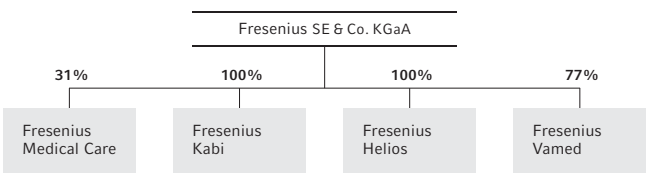
THE GROUP'S BUSINESS MODEL

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 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.

GROUP STRUCTURE



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

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

The **Supervisory Board of Fresenius SE & Co. KGaA** advises and supervises the management of the Company's business by the general partner, reviews the annual financial statements and the consolidated financial statements, and performs the other functions assigned to it by law and the Company's articles of association. It is involved in corporate planning and strategy, and in all matters of fundamental importance for the Company.

The Supervisory Board of Fresenius SE & Co. KGaA has six shareholder representatives and six employee representatives. A Nomination Committee of the Supervisory Board of Fresenius SE & Co. KGaA has been instituted for election proposals for the shareholder representatives. Its activities are aligned with the provisions of law and the Corporate Governance Code. The shareholder representatives are elected by the 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 on page 159 of this annual report. The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on 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 on pages 142 to 150 of this financial 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 43% 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 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. For detailed information on our markets, please see page 20 ff.

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate between the U.S. dollar and the euro. In 2013, this had a negative effect on the statement of income due to the altered average annual exchange rate between the U.S. dollar and the euro of 1.28 in 2012 as compared to 1.33 in 2013. The changed spot rate of 1.32 as of December 31, 2012 – compared to 1.38 as of December 31, 2013 – had a significant effect on the balance sheet.

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 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 own 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 subscribed capital. As of December 31, 2013, the Company had not utilized this authorization.

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed on page 109 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, Fresenius Kabi is one of the most important providers of transfusion technology. Fresenius Kabi plans to roll out products from its existing portfolio to the growth markets and to launch existing products in the United States. Market share is to be expanded further through the launch of new products in the field of IV drugs and medical devices for infusion therapy and clinical nutrition, as well as in transfusion technology. With the acquired hospitals from Rhön-Klinikum AG, Fresenius Helios is now present across Germany. Building on this, Fresenius Helios 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-in-class 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 according to U.S. GAAP within a range of 2.5 to 3.0. Please see pages 7 and 37 for more details.

We report on our goals in detail in the Outlook section on pages 38 to 45.

CORPORATE PERFORMANCE CRITERIA

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

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

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

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

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

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

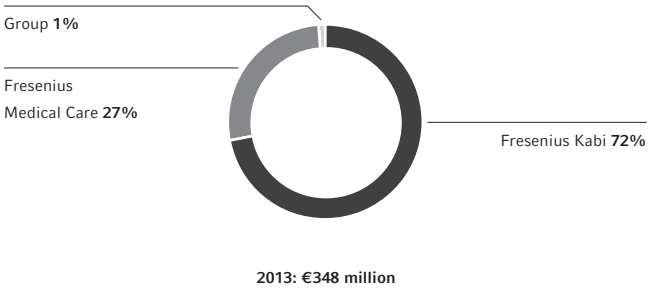
RESEARCH AND DEVELOPMENT

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

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

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

R & D EXPENSES BY SEGMENT [1]



2013: €348 million

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

Research and development **expenses** were €390 million (2012: €305 million), approximately 4.6% of our product sales (2012: 4.3%). They include €43 million impairment losses from capitalized in-process R & D activities (2012: €2 million). Fresenius Medical Care increased its R & D spending by 9% and Fresenius Kabi by 29%. This was mainly driven by the first-time consolidation of Fenwal. Detailed figures are included in the segment reporting on pages 62 f.

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.

FRESENIUS MEDICAL CARE

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

In 2013, we reorganized the R & D department. A new Management Board position for R & D was established and our global research and development activities were pooled. This was done in order to build up a global R & D function that can efficiently develop outstanding products.

We continued the development of our products during 2013, and introduced a number of important innovations in our markets. Our main products in the dialysis area are the Cordiax 5008 therapy system, together with its home hemodialysis variants, and the U.S. 2008K home platform.

With the market launch of our BiBags for the 2008T hemodialysis machine, a dry bicarbonate concentrate which is dissolved in the machine, we made a further contribution to the improvement of dialysis treatment. They make the work flows in hemodialysis more efficient and, at the same time, increase patient safety during treatment because they prevent the wrong concentrate being used.

We are also involved in the relevant areas of **clinical research**, where we cooperate worldwide with universities and research institutions. In 2013, our clinical trials concerned the automatic control of the electrolyte balance. In healthy people, the kidney manages the complex control of this function; for patients with renal failure, dialysis must take on this task. Hemodialysis, in which the dialysis solution is continuously produced by the dialysis machine, makes it possible to influence these processes positively by adjusting the dialysis solution. We are currently conducting clinical trials for an automated method as a routine support procedure for physicians.

Another focus of our clinical trials is currently on peritoneal dialysis (PD), and in particular on overhydration, which afflicts more than half of all PD patients. In a study published in 2013, we were able to demonstrate that active fluid management increases the survival rate, reduces the number and duration of hospitalizations, and contributes to the improved maintenance of the remaining kidney function.

FRESENIUS KABI

Fresenius Kabi's research and development activities concentrate on products for the therapy and care of critically and chronically ill patients. Our focus is on areas with high medical needs, such as in the treatment of oncology patients. Our products help to support medical advancements in acute and post-acute care and improve the patients' quality of life. We develop new products in areas such as clinical nutrition. In addition, we develop generic drug formulations ready to launch at the time of market formation as well as new formulations for non-patented drugs. Our medical devices significantly contribute to a safe and effective application of infusion solutions and clinical nutrition. In transfusion technology our R & D focus is on medical devices and disposables to support the secure, user-friendly, and efficient production of blood products.

Our **development expertise** includes all the related components: the drug raw material, the pharmaceutical formulation, the primary packaging, the medical device needed for application, and the production technology. We cover the entire production chain for IV drugs, from the processing of raw materials and the production of the active ingredient, all the way through to manufacturing the drug. Producing the pharmaceutical active ingredient in our own production facilities secures our competitive advantage in the longterm.

IV drugs and infusion therapies

In the area of IV drugs, we are developing an extensive portfolio of active drugs that are expected to come on the market in the next few years. In 2013, we worked on more than 110 development projects for generic drugs.

In an ongoing development effort, we aim to provide ready-to-use solutions for IV drugs, which currently exist only in lyophilized or powder form. In 2013, we worked intensively on these solutions and we plan to bring them to market in the coming years.

KEY FIGURES RESEARCH AND DEVELOPMENT

	2013	2012	2011	2010	2009
R & D expenses, € in millions	**390**	305	296	256	282
as % of product sales[1]	**4.6**	4.3	4.3	4.2	4.6
R & D employees	**1,969**	1,903	1,592	1,449	1,421

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

In addition, we are working hard to find solutions in innovative primary packaging. One example of this is pre-filled syringes. The first of these products is to be launched in 2014.

Worldwide, many of our drugs were approved in 2013 (please see table below).

In 2013, we committed to the European Medicines Agency (EMA) carrying out additional studies with our blood volume substitutes. The clinical trials required by the EMA of all manufacturers of drugs containing HES (hydroxyethyl starch) are being conducted for elective surgery and trauma patients. Based on the restrictions on use that the EMA places on blood volume substitutes containing HES – which affect all manufacturers – we have begun to modify the package leaflet accordingly.

Clinical nutrition

In **parenteral nutrition** our focuses are:

- parenteral nutrition products that improve the therapy of patients in hospital
- innovative containers, e. g., multi-chamber bags that allow maximum application safety and convenience in everyday use

Among other things, our efforts focused on the early and correct use of parenteral nutrition in order to avoid malnutrition and its consequences.

According to the results of a research collaboration published in 2013, early parenteral nutrition of critically ill patients can shorten the duration of mechanical ventilation and reduce muscle wasting as compared with standard treatment. In turn, this can help to reduce hospital costs.[1]

In **enteral nutrition**, we focus on sip and tube feed products for malnourished – often geriatric – patients and on therapeutic products for dysphagia (difficulties in swallowing), diabetes, oncology, and critical illness.

In addition, in 2013, we supported clinical studies with our products Fresubin 2kcal, Diben, and Supportan. The results of these studies showed that the addition of these products significantly improved the nutritional status for critically ill patients as well as for diabetes and cancer patients.[2]

Medical devices

In the development of our medical equipment and consumables, we focus on the application of IV drugs and infusion therapies as well as enteral and parenteral nutrition products.

In 2013, our Agilia infusion pump was approved in the United States. For the market launch, we have adjusted the menu navigation and technical details to the requirements of the U.S. market.

In the area of autotransfusion devices, we are currently working on an updated version of our C.A.T.S. device. In addition, we are planning to introduce a new generation of cell processors in 2014.

PRODUCT APPROVALS IV DRUGS

Product	Country/Region	Indication
Levofloxacin FFX	USA	Anti-infectives
Capecitabine	Europe	Oncology
Gemcitabine RTU	Europe	Oncology
Zoledronic Acid	Europe	Oncology
Meropenem	Asia-Pacific	Anti-infectives
Ropivacaine	Asia-Pacific	Anesthesia
Rocuronium	Latin America	Anesthesia
Paracetamol	Latin America	Critical Care

[1] Doig GS, et al., JAMA. 2013;309(20):2130-8.
Doig GS, et al., Clinicoecon Outcomes Res. 2013;5:369-79.
[2] Fietkau R, et al., Cancer. 2013;119(18):3343-53.
Paul C, Vestweber KH. Clinical Nutrition. 2013; 32, Suppl1: S227.
Mayr P. Clinical Nutrition. 2013; 32, Suppl1: S69.

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 work to ensure that these are effective. We also actively support international and interdisciplinary collaboration.

The Fresenius Group had 178,337 employees at the end of 2013, an increase of 9,013 or 5% compared to the previous year. Organically, the number of employees increased by 2%, while acquisitions contributed 3% to this growth.

The **employee numbers** increased in all business segments, as the table below shows. The significant growth at Fresenius Vamed is mainly the result of the transfer of services companies from Fresenius Helios to Fresenius Vamed. At Group level, the reduction in the number of employees is primarily due to the sale of Fresenius Biotech.

At the end of 2013, there were 53,197 employees in Germany, an increase of 3% (2012: 51,791) and 30% of all employees.

Personnel expenses for the Fresenius Group were €7,340 million in 2013 (2012: €6,888 million), equivalent to 35.7% of sales (2012: 35.3%). The increase of 7% was mainly due to the higher overall number of employees and the collectively bargained pay increases. Personnel expenses per employee were €42.0 thousand (2012: €42.1 thousand). In constant currency, they were €43.0 thousand and above the previous year's level. In Germany, Fresenius companies have signed tariff agreements with IG Chemie, the Marburger Bund, as well as ver.di (labor union for services). There were no significant structural changes to compensation or employment agreements in 2013.

Fresenius values a culture of **diversity**. The interplay of a wide range of views, opinions, cultural backgrounds, experiences, and values helps us to achieve our full potential and contributes to our success. Key to this is our internationalism, especially in terms of our management executives.

As of December 31, 2013, the proportion of female employees within the Fresenius Group was 67%. Women held 30% of senior management positions at Fresenius, based on the number of worldwide participants in the stock option plans. Fresenius promotes the long-term, sustainable **advancement of women** to derive greater benefit from their potential now and in the future. We actively support women at all stages of their careers in order to increase the proportion of female employees at Fresenius. Women should be able to succeed while still maintaining a balance between work and family life. However, we do not set any fixed quotas for management positions. At Fresenius, qualifications are the only thing that matters in the selection of personnel. Consequently, women and men with comparable qualifications will continue to have the same career opportunities at Fresenius.

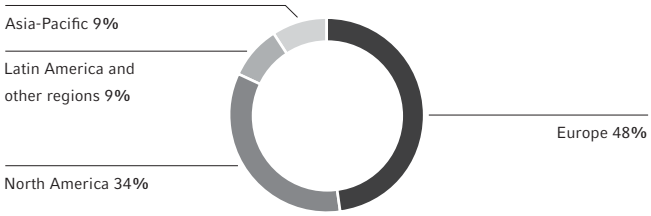
HUMAN RESOURCES MANAGEMENT

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 the employees**.

Number of employees	Dec. 31, 2013	Dec. 31, 2012	Change	% of total
Fresenius Medical Care	**95,637**	90,866	5%	54%
Fresenius Kabi	**31,961**	30,214	6%	18%
Fresenius Helios	**42,913**	42,881	0%	24%
Fresenius Vamed	**7,010**	4,432	58%	4%
Corporate/Other	**816**	931	-12%	0%
Total	**178,337**	169,324	5%	100%

EMPLOYEES BY REGION



2013: 178,337

PERSONNEL DEVELOPMENT

Depending on customer and market structure, our business segments have very different demands with regard to concepts and measures for employee development. Programs to assist trainees and young managers are coordinated, developed, and realized independently for each business segment.

We support the development of our employees' **professional and personal skills** across the Group through 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.

Our comprehensive range of **training sessions and seminars** was extended in 2013 to employees at all levels and worldwide.

Fresenius values solid cooperation among people of different nationalities and from diverse cultures. As a global company, we promote mobility among our employees and give them the opportunity to **work in a foreign country**.

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.

VOCATIONAL TRAINING MANAGEMENT

Fresenius Group devotes a lot of attention to **vocational training**. We trained more than 2,350 young people in 53 different occupations at our German locations in 2013. We also put more than 70 university students through 12 degree programs in cooperation with dual institutions of higher learning.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

Over the past few years, we have set up a number of incentive programs to strengthen employee identification with Fresenius. Depending on country-specific rules or functions, these programs supplement different compensation models. This is done to reward the continuing willingness of our employees to work hard and to let them participate in the growth of Fresenius.

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

PROFIT-SHARING BONUS

	2012	2011	2010	2009	2008
Profit-sharing bonus[1] in €	2,164	2,036	2,000	1,749	1,586
Eligible employees[2]	2,313	2,220	1,790	1,710	1,630

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

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

For further information on stock options, please see pages 129 ff. of this financial report.

PROCUREMENT

An efficient value chain is important for our profitability. Global **procurement processes** are coordinated centrally within the Fresenius Group, enabling us to bundle similar requirements and negotiate global framework agreements. Market and price developments are analyzed on an ongoing basis.

In 2013, the cost of raw materials and supplies and of purchased components and services was €6,384 million (2012: €5,834 million), as the table shows:

€ in millions	2013	2012
Cost of raw materials and supplies	**5,566**	5,097
Reversals of write-downs of raw materials, supplies and purchased component	**-1**	-4
Cost of purchased components and services	**819**	741
Total	**6,384**	5,834

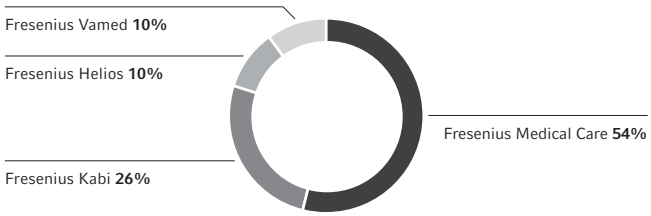
The cost of raw materials and supplies were 9% above the previous year's level. The increase was mainly due to higher sales volume.

FRESENIUS MEDICAL CARE

The **Global Manufacturing Operations (GMO)** division coordinates the procurement activities across regions. With this centralized approach, we aim to:

- further increase the efficiency of our processes and react flexibly
- optimize cost structures
- improve returns on our invested manufacturing-related capital, and
- comply with high quality and safety standards

COST OF MATERIAL BY BUSINESS SEGMENT [1]



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

Our strategic purchasing focuses on ensuring the supply, the safety, and the quality of the materials used in production. Our staff in Europe, the United States, and Asia coordinate the procurement strategy and continuously optimize the purchasing processes and the supplier network. It is our objective to expand the existing supplier network to ensure the flexible supply of commodities from different currency areas.

Our strategy is oriented towards procuring high-quality production materials and components at optimal economic terms. We carefully select suppliers on the basis of suitability and performance. In cooperation with important suppliers, we jointly develop innovative products and processes.

FRESENIUS KABI

For Fresenius Kabi, **global procurement management** also plays a crucial role, assuring the availability of goods and services as well as the consistent quality of the materials used in production.

In an environment characterized by ongoing cost-containment pressure from health insurers as well as price pressure, security and quality of supply play a crucial role. We are to remain flexible and maintain our strict quality and safety standards.

The procurement activities of Fresenius Kabi are influenced by price developments in the global **commodity markets**. Plastic granulates, basic agricultural commodities, paper for cardboard packaging, and active ingredients for IV drugs are the most important procurement items. The prices for these products remained, to a large extent, at the previous year's level.

Prices in the **energy markets** continued to be very volatile. Overall, energy prices for Fresenius Kabi increased. Reasons for this are fluctuations on the spot markets and higher surcharges for renewable energies. The weaker euro combined with the very high oil price has also increased our gas costs.

FRESENIUS HELIOS

At HELIOS, high medical standards go hand in hand with efficient, economically sound management of available resources. The **HELIOS purchasing concept** defines binding regulations and standards. Important regulations of the concept are:

- **Teams of medical experts and committees** set binding quality requirements and define product standards together with the procurement officers.
- All **purchasing decisions** are transparent and comprehensible: We publish all decisions made by the medical expert groups and procurement on the Internet.
- **Product managers**, i. e., the respective HELIOS employees from the pharmacy, purchasing, medical technology, the laboratory, catering, etc., are responsible for coordinating purchasing activities for their product groups across hospitals.
- The **corporate transparency rule** applies to all employees of our hospitals. Clear instructions and guidelines are in place to prevent all types of influence on purchasing decisions. We expect all external partners to acknowledge and support this corporate rule.

In **supplier management**, HELIOS evaluates the quality and efficiency of products and of the entire business relationship. This results in high market transparency. In order to further improve cooperation, we exchange ideas with our business parties via a **bilateral evaluation system** and an annual trade conference.

In 2013, there were cost increases overall in the supply markets, which we were able to offset to a large extent by further product standardization and range streamlining.

FRESENIUS VAMED

Procurement management at Fresenius Vamed consists of the following activities:

- **Project business:** planning and construction, e.g., turnkey construction projects, as well as medical-technical and building utilities. Fresenius Vamed also executes projects as a general contractor, including work by other companies.
- **Service business:** technical facility and total operational management for health care facilities worldwide, and replacement parts sourcing. Contracts in the service business are mostly long-term. Main procurement activities encompass, for instance, sourcing of medical devices and equipment, and technical services.

The Fresenius **Vamed sourcing platform** systematically identifies synergies for customers from project and service activities. Considerable cost-cutting potentials are tapped through bidding competitions and framework agreements for several assignments, e.g., bundling energy supplies. Emphasis is placed on so-called **life-cycle cost**. In its sourcing decisions, Fresenius Vamed takes account of the total cost of materials and products over the entire life cycle, i.e., acquisition cost, servicing, maintenance, and replacement parts. Our aim is to procure the optimum product for the customer at the best price.

Based on the **EFQM** (European Foundation for Quality Management) **model**, we set targets for procurement management, such as customer satisfaction, the percentage of framework agreements, and supplier ratings.

QUALITY MANAGEMENT

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

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

FRESENIUS MEDICAL CARE

Fresenius Medical Care has implemented comprehensive quality management systems in its regions, which reflect both the specific local conditions and the company's global responsibility. These systems regulate and monitor compliance with **quality and safety standards** for all products and procedures, from development, production, and regulatory approval, to use in clinics, customer training, and handling complaints.

We have established **quality management systems** at our production sites and dialysis centers and we commission regular external audits on their use. In Europe, this is performed by the German technical certification organization TÜV. These conformance and certification experts audit our clinical organizations annually to verify their compliance with ISO 9001 for quality management and ISO 14001 for environmental management. In the United States, our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a public health care authority. We also regularly review our quality management systems through internal audits.

Our UltraCare brand in North America and our NephroCare brand in the other regions are part of an integrated therapy concept that sets **internal quality standards** in our clinics as well as for home dialysis. We aim at introducing our quality standards into newly acquired clinics efficiently and systematically, seeking to improve the risk management for applying those standards. In doing this, we intend to continue improving the quality of our services in our clinic network as a whole. The **NephroCare Excellence program** defines mid- and long-term operating and quality goals. These goals pertain to medical quality, but also relate to the effective use of staff and staff development, enhancing efficiency, standardizing processes, and the sustainable use of natural resources.

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

Constantly measuring these and other parameters helps us to further improve our standards in providing dialysis treatment.

FRESENIUS KABI

The global **quality management system** at Fresenius Kabi is based on the internationally recognized ISO 9001 standard, which takes into account many national and international regulations governing product and services development, manufacturing, and marketing. These include, for example, Good Clinical Practice (GCP), Good Manufacturing Practice (GMP), Good Distribution Practice (GDP), the Code of Federal Regulations (CFR) of the U.S. Food and Drug Administration (FDA), as well as the ISO 13485 quality management standard for medical devices. The global quality management system

is certified by TÜV Süd and annually audited on an international basis. Our quality management comprises:

- **Global processes and standards**: Fresenius Kabi has implemented a global quality management handbook as well as standard operating procedures, and has defined specific work instructions. Detailed best practice approaches are elaborated in teams worldwide and are laid down in global guiding documents. Those apply to all production plants and sites.
- **Early warning system**: Our early warning system allows us to evaluate risk situations and identify the need for corrective and preventive actions at an early stage. The system comprises standardized structures for regular reporting as well as ad-hoc reporting. Key performance indicators, e.g., complaint rates, are evaluated.
- **Integrated global crisis management**: Safety officers respond immediately when we are informed of a problem with quality or patient safety. They manage product recalls centrally.

At Fresenius Kabi, inspections by regulatory authorities and audits by independent organizations and customers are performed along the entire **value chain**. Whenever these inspections reveal any weaknesses or deficiencies, Fresenius Kabi promptly takes corrective and preventive measures.

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

FRESENIUS HELIOS

The objective of the **HELIOS quality management system** is to continuously improve the results of medical treatments in the hospitals. To this end, HELIOS has developed a method that combines the use of quality indicators with internal quality management measures.

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

Indications/standardized mortality ratio (SMR [1])	**2013 SMR**	2012 SMR [2]
Chronic obstructive pulmonary disease (COPD)	**0.70**	0.68
Acute myocardial infarction (AMI)	**0.75**	0.72
Heart failure	**0.63**	0.66
Ischemic stroke	**0.89**	0.87
Pneumonia	**0.71**	0.68
Hip fracture	**0.81**	0.99

[1] SMR 1 corresponds to the German average.
SMR <1 = means that mortality is below the German average
[2] Adjusted for the current reference value of the German Federal Statistics Office and newly acquired hospitals.

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

The quality of medical results from the different treatments is measured using key indicators compiled from administrative data. If statistical abnormalities arise, we examine these in a peer review process.

A prerequisite for this is that we make our own quality transparent on the basis of **G-IQI quality indicators** (German Inpatient Quality Indicators). These indicators are used not only in the HELIOS hospitals, but in many other German hospitals. According to 2011 data from the German Federal Statistical Office, the G-IQI indicators (e.g., heart failure) cover approximately 42% of all hospital cases and approximately 52% of all hospital deaths in Germany.

We have defined specific targets for 46 of the G-IQI quality indicators. These targets are set at a level above the national average for Germany. In 2013, we achieved this target for 42 quality indicators, a **success rate of 91%** (2012: 91%).

As shown in the table above, HELIOS achieved an SMR of 0.63 for heart failure (2012: 0.66). This indicates that the mortality in the HELIOS hospitals was 37% below the average of all German hospitals (2012: 34%). In the case of four G-IQI indicators, we did not achieve the target value. HELIOS has analyzed the cases in the hospitals concerned in order to identify opportunities for improvement and to implement appropriate measures.

In addition, HELIOS is involved in the **Initiative of Quality Medicine (IQM)** to which approximately 12% of all German hospitals, hospital operators, and university hospitals now belong. This makes it possible to compare and exchange information with other hospitals.

HELIOS provides full transparency for all quality data. For each acute care hospital, the results for medical treatment quality as well as the occurrence of the 17 most common infectious agents are published on the website www.helios-kliniken.de.

FRESENIUS VAMED

In the planning and construction of hospitals, Fresenius Vamed sets high quality standards in its flexible design of **parameters across processes and structures**. These parameters include:

- process optimization (e.g., surgery, admission, and discharge areas, interdisciplinary emergency facilities, interdisciplinary outpatient clinics)
- differentiation according to modular care levels (from basic to intensive care)
- flexible use of buildings and wards in response to shifts in demand – always allowing for particular reimbursement systems and technical developments

Internally, the processes are also designed for efficiency and sustainability, using **interdisciplinary quality standards**. These standards are mostly based on ISO 9001:2008 and ISO 13485:2003 standards, as well as the standards of the European Foundation for Quality Management (EFQM).

In the hospital area, VAMED uses the certification model **JCI (Joint Commission International)**. Four facilities managed by VAMED in the Czech Republic and Austria received this certification in 2013. These hospitals were certified to have the highest level of quality, firstly regarding patient care, secondly regarding hygiene and safety, and thirdly regarding patient and employee satisfaction.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

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

FRESENIUS MEDICAL CARE

In 2013, we continuously expanded our environmental activities. In Europe, the Middle East, and Africa, TÜV-certified **environmental management** is part of the integrated management system. At the end of 2013, eight European production sites (2012: seven) and our medical device development department were certified according to ISO 14001.

We work on designing our products and processes to be as environmentally compatible as possible by employing new materials with improved environmental properties, pushing the development of new technologies that further reduce the resource consumption of our dialysis machines, and, not least, by using energy and raw materials efficiently in production. In 2013, we continued our "**Comparative Life Cycle Assessment project"**, which links together information about product design, production resource efficiency, logistics, and use of the products in dialysis. The project mainly sources its data from internal environmental reporting and product specifications, as well as from external ecological balance sheet databases. The aim of the project is to calculate and compare the ecological performance of different product groups for dialysis concentrates. The assessment

will enable us to highlight environmentally friendly products in dialog with our customers and to provide sound product information concerning the environmental impact of concentrates. The knowledge will also be applied to the development of new products.

We further implemented **our environmental program** in Europe and Latin America, with the aim of improving environmental awareness and environmentally responsible behavior, enhancing knowledge relating to strategic and operational environmental issues, improving our eco-efficiency, and reinforcing measures to control environmental risks, and ensuring that environmental regulations are complied with. Those goals are measured by a number of **environmental objectives** for the individual stages of the value chain, e.g., R & D, logistics, or at our dialysis clinics. We set environmental improvement targets for production sites. For example, we aim to recycle or thermally recover at least 85% of production waste by 2015. In 2013, we exceeded our targets for reducing electricity consumption and minimizing waste ahead of schedule.

We developed key performance indicators for energy use and consumption of raw materials in order to demonstrate the eco-efficiency of our production processes. Hereby we identify further potential in an already largely optimized production process. We also introduced an energy management system as per ISO 50001 in St. Wendel, which we will expand to all German sites in 2014. We believe that the nationwide introduction of energy evaluation for all processes and systems will help us identify further opportunities to cut costs and develop appropriate implementation measures.

One of our central concerns is to further reduce the environmental effects of dialysis treatments in a resource- and cost-efficient manner. We are succeeding in doing so by using environmentally sound dialysis products and by building eco-friendly dialysis centers. We gather data on our eco-efficiency, such as our water and energy consumption, and on waste disposal in 497 of our European and 126 of our Latin American, **dialysis clinics**. Our goal is to establish over time a comprehensive **environmental data management system**. We are able to compare the ecological efficiency of clinics on a monthly basis, and quickly identify potential for improvement.

FRESENIUS KABI

An integral component of the quality management of Fresenius Kabi is an environmental management system that complies with the international standard ISO 14001. We are also pursuing the implementation of the occupational health and safety assessment system OHSAS 18001. Our **goals** are to:

- decrease the waste volume at our production sites and sales offices
- efficiently and carefully use energy to reduce emissions

In 2013, we continued the matrix certification for the **environmental management system**. We use this system to analyze and assess work flows and processes according to sustainability criteria. At the same time, we document the responsible use of energies and natural resources as well as employee safety and environmental protection. This has shown us where improvements can be made, both with regard to the value chain and how we deal with external partners.

In 2013, we continued to implement measures at our **German production sites** to reduce **energy consumption**, **CO_2 emissions,** and the consumption of **raw materials**. For example, we are currently installing a combined heat and power plant at our Friedberg location, which is scheduled to begin operations in the second half of 2014. This plant will allow us to produce energy significantly more efficiently and to reduce CO_2 emissions by approximately 30% compared to conventional combustion power plants.

At the site in Graz, **Austria**, we were able to keep **energy consumption** at the previous year's level despite the growth in production area and the increased use of energy-intensive technologies. Additional **recycling** and the implementation of technical measures, such as the reuse of cooling water, minimizes waste and waste water volumes, and will continue to do so in the future even with rising production volumes. The **recycling rate** remained stable at approximately 85%.

In **Sweden**, projects relating to the **supply and consumption of resources** previously initiated at our production sites in Uppsala and Brunna are bearing fruit:

- Our **waste volume** fell by approximately 6% to 5,253 tons. In 2013, part of our waste water was used as fertilizer for agricultural land. However, this resulted in a drop in the recycling rate to 63% (2012: 75%). The volume of waste used to generate energy rose to 37% (2012: 25%).
- Approximately 43% of the **energy** needed is covered by renewable energies. Despite the increase in energy consumption, we have managed to keep this figure constant over the last 6 years.
- **Water consumption**, at approximately 282,000 m^3, was higher than the previous year's figure of 249,221 m^3, mainly due to the expansion in the volume of production.

New production technologies also contributed to consume resources more efficiently.

Fresenius Kabi also integrates standardized requirements for **health, safety, and environmental protection** into its quality management system. In the manufacturing of pharmaceuticals, the employees of Fresenius Kabi sometimes have to work with toxic substances. Consequently, protecting the environment and ensuring the health and safety of our employees is of utmost importance. New requirements relating to occupational health and safety are integrated into our quality management.

FRESENIUS HELIOS

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

The structural condition of a hospital building has an important influence on **energy consumption**. HELIOS invests in environmental protection through structural measures on an ongoing basis. All new construction projects and modernizations conform to the latest standards of efficient heat insulation pursuant to the currently valid energy savings regulations. In 2013, maintenance costs were €106 million (2012: €110 million).

HELIOS is successively switching the heating for its hospitals over to **renewable energies**, for instance wood pellets. This form of heating is CO_2-neutral and therefore more environmentally friendly than gas or oil heating. A total of 12 hospitals generate a part of the heat needed from renewable energies. Where it makes commercial sense, we are converting our hospitals to wood pellet heating or combined heat and power plants.

Thanks to the steps already taken, we generated approximately 13,100 t less CO_2 in 2013 than with the old oil- and gas-fired heating systems. We assume that there will be a further 10,000 t reduction of CO_2 in 2014, virtually doubling the total reduction.

Water consumption in all HELIOS hospitals was 2,805,000 m^3 (2012: 1,984,000 m^3). The majority of all water is consumed for sterilization processes, process cooling, and water recycling plants. To reduce consumption, some hospitals are using well water, for instance for the cooling towers of air-conditioning systems.

Proper **waste disposal** is of great importance to hospitals. HELIOS views waste disposal management as a process. It starts with avoiding any future waste, and ends with the consistent recycling or environmentally friendly disposal of the same. Requirements pertaining to environmental protection, occupational health and safety, as well as infection protection and hospital hygiene are taken into account. That relates particularly to major waste groups such as clinical waste, i.e., from the diagnosis and treatment of human diseases. In 2013, the total amount of waste generated in all HELIOS hospitals was 12,845 t (2012: 12,593 t).

FRESENIUS VAMED

In the future, health care systems will also have to pay greater attention to sustainability. In **project business**, we already integrate national environmental standards and regulations into the planning and construction of a hospital or other health care facility as an active contribution toward environmental protection. VAMED's extensive expertise in environmental management is an important success factor, especially in growth markets in Africa and Asia. For instance, VAMED

built and now operates a hospital in Gabon, which features a modern sewage treatment plant and a high-temperature incineration plant designed to European standards.

We also achieved success in the **service business** in the area of environmental protection. VAMED, for instance, has been responsible for the technical management of the Vienna General Hospital and University Hospital AKH for over 25 years. During the period, energy and water consumption were significantly reduced: energy consumption decreased by 12%, demand for long-distance heat by 22%, and drinking water consumption by an impressive 45%. The volume of waste classified as hazardous medical waste at AKH fell by about 65%.

VAMED is an active member of working groups and committees that formulate **E-STANDARDS** for hospitals. These are Austrian standards issued by the Austrian Standards Institute.

SALES, MARKETING, AND LOGISTICS

Long-term, mutually trusting cooperation with our business partners and customers is an essential basis for sustainable growth. We strive to guarantee top quality and outstanding service, together with reliable logistics and product availability. Sales and research and development work closely together in order to integrate concepts and ideas developed by the sales force into new products. Fresenius generally has its own sales organizations with trained employees. However, we also use external distributors in countries where we do not have our own sales team.

At **Fresenius Medical Care**, Global Manufacturing Operations (GMO) manages the entire supply chain in North America – from allocating the raw materials to delivery of the finished products to the customers. Outside North America, GMO is responsible for delivering the finished products to central distribution centers. The onward distribution to customers and patients is managed locally. The main customers are dialysis clinics and hospitals.

Fresenius Medical Care's most important customers in dialysis care are state-owned or public health insurers, private health insurers, and corporations. In 2013, approximately 32% of the company's consolidated revenues were attributable to U.S. federal health care benefit programs. The company's largest private customer, which is also the world's second-largest provider of dialysis services after Fresenius Medical Care, is the U.S. company DaVita. Fresenius Medical Care generated approximately 1% of its revenue with DaVita in 2013.

Fresenius Kabi's products are shipped from the production plants to central warehouses, wholesalers, or directly to hospitals or patients. Fresenius Kabi maintains an international hub, e.g., in Friedberg, Germany, for a significant proportion of its range of products. The company's own homecare organization in Germany cares for about 185,000 outpatients every year. In the United States, Fresenius Kabi mainly distributes IV drugs through GPOs (Group Purchasing Organizations). The main customers in the area of transfusion technology are plasma companies and blood centers.

Generally, there is a growing tendency for government entities to award contracts by public tenders, in which Fresenius Kabi usually participates. An increasing concentration on the customer is augmenting, raising the relevance of individual customers. However, Fresenius Kabi has no significant dependency on any one source of revenue.

At **Fresenius Helios,** patient-related services, such as collection and delivery services within hospitals as well as logistics and related internal processes, are key elements in the care of patients and the proper operation of hospitals. These extend from warehousing to storing medication and supplies in the wards, i.e., providing them with their required materials. Every HELIOS region has at least one logistics center. In addition, the company's own and third-party pharmacies deliver prescription drugs to hospitals. Thanks to these regional supply structures, HELIOS achieves substantial cost synergies within its hospital network. Customers include social security institutions, health insurers, and private patients.

The clients of **Fresenius Vamed** are mainly public institutions, e.g., ministries and authorities, public and private hospitals, and other health care facilities.

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.

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

HEALTH CARE SPENDING AS % OF GDP

in %	2011	2000	1990	1980	1970
USA	17.7	13.7	12.4	9.0	7.1
France	11.6	10.1	8.4	7.0	5.4
Germany	11.3	10.4	8.3	8.4	6.0
Switzerland	11.0	9.9	8.0	7.2	5.3

Source: OECD Health Data 2013

Sources: OECD Health Data 2013; Bank research

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.

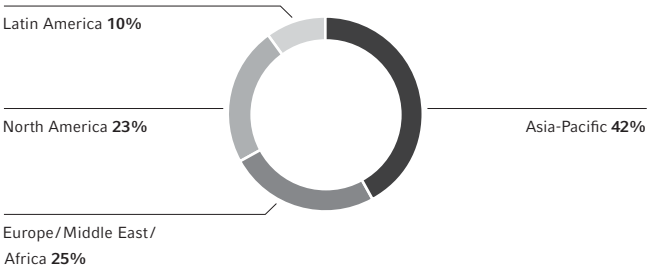
The **prevalence rate**, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region. In developing countries it can be well below 100. It averages just over 1,100 in the countries of the European Union. Prevalence is very high in countries 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 PATIENTS BY REGION



2013: 2,519,000 patients

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.

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

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.

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, as the chart shows, with a share of 47.9%, the bulk of the hospital beds continued to be in the public sector (2011: 48.4%).

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. For more information please see page 15 f. of the Management Report.

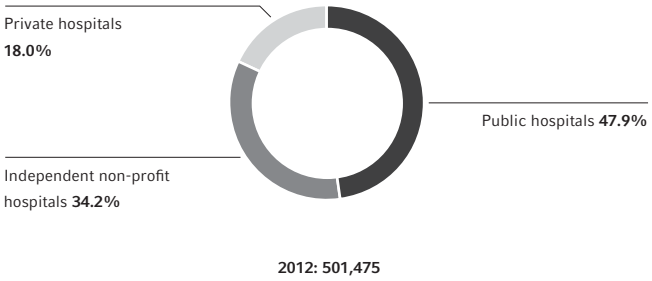
In 2012, the **post-acute care market** in Germany comprised a total of 1,212 clinics, below the previous year's 1,233. The number of beds also declined, to 168,968 (2011: 170,544).

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.

[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

HOSPITAL BEDS BY OPERATOR



Source: German Federal Statistical Office

Fresenius Helios is the largest hospital operator in 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.

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2012	2011	2010	2009	2008	Change 2012/2011
Hospitals	**2,017**	2,045	2,064	2,084	2,083	-1.4%
Beds	**501,475**	502,029	502,749	503,341	503,360	-0.1%
Beds per 1,000 population	**6.24**	6.26	6.15	6.15	6.13	-0.3%
Length of stay (days)	**7.6**	7.7	7.9	8.0	8.1	-1.3%
Number of admissions (millions)	**18.62**	18.34	18.03	17.82	17.52	1.5%
Average costs per admission in € [1]	**4,663**	4,547	4,432	4,327	4,146	2.6%

[1] Total costs, gross

Source: German Federal Statistical Office

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 and included costs of €31 million (net of Calea book gain) to meet FDA requirements at the Grand Island, USA, and Kalyani, India, plants. 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.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

For 2013, we had assumed that strong demand for our products and services would continue despite ongoing cost-containment efforts in the health care sector. This proved to be the case.

The table below shows our initial guidance for 2013 as communicated in February 2013. Due to the excellent operating results, we raised our Group earnings outlook in July and also raised our EBIT outlook for HELIOS.

Group sales growth in constant currency of 8% is fully within the targeted range of 7% to 10% sales growth in constant currency (U.S. GAAP: 8%). **Net income (before special**

ACHIEVED GROUP TARGETS 2013 [1]

	Targets for 2013 announced in February 2013	Increased guidance announced in July 2013	Achieved in 2013 (U.S. GAAP)	Achieved in 2013 (IFRS)
Group				
Sales (growth, in constant currency)	7% – 10%		8%	8%
Net income (growth, in constant currency) [2]	7% – 12%	11% – 14%	14%	11%
Fresenius Medical Care				
Sales	> US$14.6 bn		US$14.61 bn	
Net income [3]	US$1.1 bn – US$1.2 bn		US$1.11 bn	
Fresenius Kabi				
Sales (growth, in constant currency)	12% – 14%		14%	
Sales (growth, organic)	3% – 5%		5%	
EBIT margin (excl. Fenwal) [4]	19% – 20%		19.8%	
EBIT margin (incl. Fenwal) [4]	18% – 19%		18.5%	
Fresenius Helios				
Sales (growth, organic)	3% – 5%		3%	
EBIT	€360 m – €380 m	€370 m – €395 m	€390 m	
Fresenius Vamed				
Sales (growth)	8% – 12%		21%	
EBIT (growth)	5% – 10%		8%	

[1] All Group targets according to U.S. GAAP
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2013 before integration costs for Fenwal (€40 million); 2012 before a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as one-time costs (€29 million) related to the offer to the shareholders of Rhön-Klinkum AG
[3] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[4] 2013 before integration costs for Fenwal (€54 million)

items)[1] increased by 11% in constant currency (U.S. GAAP: 14%) and was within the targeted range of 11% to 14%. Excluding impairment losses from capitalized in-process R & D activities of €25 million (2012: €1 million), the currency adjusted increase was 14%. We have also achieved the sales and earnings guidance for all business segments. This includes Fresenius Helios, where EBIT guidance was also increased in July.

We increased our **R & D expenses** as planned. At 5%, they are within the targeted range of approximately 4% to 5% of our product sales.

In 2013, Fresenius invested €1,090 million in **property, plant and equipment** (2012: €1,022 million). That was well in line with the budgeted level of about 5% as percentage of sales.

Operating cash flow was €2,337 million (2012: €2,453 million). The cash flow margin was 11.4% and within our expectations. We had expected to achieve a double-digit percentage rate.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

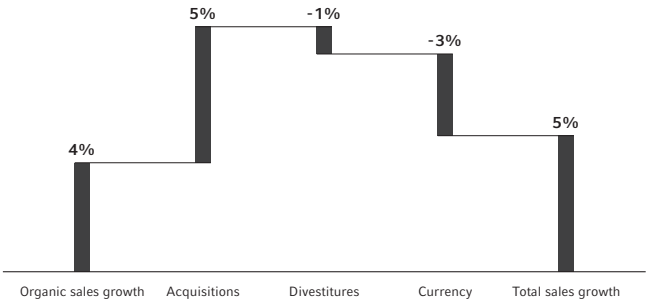
Sales

In 2013, we increased Group sales by 8% in constant currency and by 5% at actual rates to €20,545 million (2012: €19,508 million).

The chart beside shows the various influences on Fresenius' Group sales.

In 2013, changes in the product mix mainly had an effect at Fresenius Kabi because of restrictions in the use of blood volume substitutes. Price influences had an effect at Fresenius Medical Care due to budget cuts in the United States, and at Fresenius Kabi due to significant price cuts in China. In 2014, we expect no significant effects from changes in product mix. However, we expect pricing effects for Fresenius Medical Care and Fresenius Kabi.

SALES GROWTH ANALYSIS



Sales growth by region was as follows:

The most important regions in the Group are North America and Europe, contributing 43% and 40% of total sales, followed by Asia-Pacific with 9%, and Latin America and Africa with 6% and 2%, respectively. Germany contributed 21% to Group sales.

In North America, organic sales growth was 4%. In constant currency, sales increased by 9%. In Europe, organic sales growth was 3% (6% in constant currency). In the Asia-Pacific region, organic sales growth was 4% (7% in constant currency). Excellent organic sales growth was achieved in Latin America with 13% and in Africa with 23%. In these regions, sales growth in constant currency was 16% and 24%, respectively.

SALES BY REGION

€ in millions	2013	2012	Change	Organic sales growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America	**8,834**	8,362	6%	4%	-3%	5%	43%
Europe	**8,216**	7,797	5%	3%	-1%	3%	40%
Asia-Pacific	**1,945**	1,899	2%	4%	-5%	3%	9%
Latin America	**1,174**	1,126	4%	13%	-12%	3%	6%
Africa	**376**	324	16%	23%	-8%	1%	2%
Total	**20,545**	19,508	5%	4%	-3%	4%	100%

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2013 before integration costs for Fenwal (€40 million); 2012 before a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as one-time costs (€29 million) related to the offer to the shareholders of Rhön-Klinkum AG

Sales growth in the business segments was as follows:

- Fresenius Medical Care achieved sales of €11,000 million in 2013 (2012: €10,741 million). Organic sales growth was 5%, while acquisitions contributed 2%. Divestitures reduced sales by 1%. Currency translation had a negative effect of 4%.
- Fresenius Kabi increased sales by 10% to €4,996 million (2012: €4,539 million). The company achieved organic sales growth of 5%. Acquisitions contributed 10% to sales growth. Divestitures reduced sales by 1%. Currency translation had a negative effect of 4%. Ongoing supply constraints at competitors and product launches again had a positive effect in the United States. Significant price cuts in China and restrictions in the use of blood volume substitutes had an adverse effect.
- Fresenius Helios increased sales by 6% to €3,393 million (2012: €3,200 million). An increase in admissions and price increases for hospital services contributed to organic sales growth of 3%. Acquisitions contributed 4% to sales growth. Divestitures reduced sales growth by 1%.
- Fresenius Vamed increased sales by 21% to €1,020 million (2012: €846 million). Organic sales growth was 13%. Acquisitions contributed 8% to sales growth. Sales in the project business were €583 million (2012: €506 million). Sales in the service business grew strongly by 29% to €437 million, primarily due to acquisitions (2012: €340 million). **Order intake** in the project business again developed well; it increased by 13% to €744 million (2012: €657 million). Fresenius Vamed increased its **order backlog** by 15% to €1,139 million (December 31, 2012: €987 million). Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly determined by order intake and order backlog.

Earnings structure

Group net income (before special items)[1] rose by 9% to €1,028 million (2012: €944 million). Growth in constant currency was 11%. Excluding impairment losses from capitalized in-process R & D activities of €25 million (2012: €1 million), the currency adjusted increase was 14%. **Earnings per share (before special items)**[1] rose to €5.75 (2012: €5.45). This represents an increase of 6% at actual rates and of 7% in constant currency. The weighted average number of shares was 178.7 million.

Including special items, Group net income was €988 million (2012: €932 million) and earnings per share were €5.53 (2012: €5.38).

Inflation had no significant effect on results of operations in 2013.

Group EBITDA[1] was €3,902 million (2012: €3,801 million). This corresponds to an increase of 3% in constant currency. **Group EBIT**[1] was €3,000 million (2012: €3,088 million). In constant currency, Group EBIT remained at the

SALES BY BUSINESS SEGMENT[2]

€ in millions	**2013**	2012	Change	Organic sales growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**11,000**	10,741	2%	5%	-4%	1%	54%
Fresenius Kabi	**4,996**	4,539	10%	5%	-4%	9%	24%
Fresenius Helios	**3,393**	3,200	6%	3%	0%	3%	17%
Fresenius Vamed	**1,020**	846	21%	13%	0%	8%	5%

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED[3]

€ in millions	**2013**	2012	2011	2010	2009
Order intake	**744**	657	604	625	539
Order backlog (December 31)	**1,139**	987	845	801	679

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA; 2013 before integration costs for Fenwal (€40 million). 2012 before a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as one-time costs (€29 million) related to the offer to the shareholders of Rhön-Klinikum AG
[2] All business segment data according to U.S. GAAP
[3] All segment data according to U.S. GAAP

previous year's level. Group EBIT includes impairment losses from capitalized in-process R & D activities of €43 million (2012: €2 million).

The EBIT development by business segment was as follows:

- Fresenius Medical Care EBIT was €1,699 million (2012: €1,813 million), a decrease of 3% in constant currency. The EBIT margin was 15.4% (2012: 16.9%), primarily due to lower reimbursement rates for Medicare dialysis patients based on budget cuts in the United States (sequestration).
- Fresenius Kabi EBIT was €926 million (2012: €934 million), an increase of 1% in constant currency. EBIT includes €31 million remediation costs (net of Calea book gain) to meet FDA requirements at the Grand Island, USA, and Kalyani, India, plants. The EBIT margin was 19.8% (2012: 20.6%) excluding Fenwal, and 18.5% including Fenwal.
- Fresenius Helios achieved excellent EBIT growth of 21% to €390 million (2012: €322 million). The EBIT margin was 11.5% and clearly exceeded the previous year's level (2012: 10.1%).
- Fresenius Vamed increased EBIT by 8% to €55 million (2012: €51 million). The EBIT margin was 5.4% (2012: 6.0%).

Reconciliation to Group net income

The Group's IFRS financial results as of December 31, 2013 include a special item. Net income attributable to shareholders of Fresenius SE & Co. KGaA in 2013 was adjusted for the integration costs for Fenwal. Group net income in 2012 was adjusted for a non-taxable investment gain and other one-time costs at Fresenius Medical Care, as well as one-time costs related to the public takeover offer (offer) to the shareholders of Rhön-Klinikum AG. The table below shows the special items and the reconciliation from net income (before special items) to earnings according to IFRS.

Development of other major items in the statement of income

Group gross profit rose to €6,602 million, exceeding the previous year's gross profit of €6,513 million by 1% (4% in constant currency). The gross margin was 32.1% (2012: 33.4%). The **cost of sales** rose by 7% to €13,943 million (2012: €12,995 million). Cost of sales as a percentage of Group sales increased to 67.9% in 2013, compared to 66.6% in 2012. **Selling, general, and administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 2% to €3,266 million (2012:

RECONCILIATION

€ in millions	Q1–4/2013 before special items	Fenwal integration costs	Q1–4/2013 according to IFRS (incl. special items)	Q1–4/2012 before special items	Non-taxable investment gain at Fresenius Medical Care	One-time costs related to the takeover offer to the shareholders of Rhön-Klinikum AG	Other one-time costs at Fresenius Medical Care	Q1–4/2012 according to IFRS (incl. special items)
Sales	**20,545**		**20,545**	19,508				19,508
EBIT	**3,000**	-54	**2,946**	3,088	0	-6	-86	2,996
Investment gain	**0**		**0**	0	109			109
Interest result	**-584**		**-584**	-666				-666
Other financial result	**0**		**0**	0		-35		-35
Net income before taxes	**2,416**	-54	**2,362**	2,422	109	-41	-86	2,404
Income taxes	**-678**	14	**-664**	-708		12	31	-665
Net income	**1,738**	-40	**1,698**	1,714	109	-29	-55	1,739
Less noncontrolling interest	**-710**		**-710**	-770	-75		38	-807
Net income[2]	**1,028**	-40	**988**	944	34	-29	-17	932

[1] 2013 before integration costs for Fenwal (€54 million);
2012 before one-time costs (€6 million) related to the offer to the shareholders of Rhön-Klinikum AG as well as other one-time costs (€86 million) at Fresenius Medical Care.
[2] 2013 Net income attributable to shareholders of Fresenius SE & Co. KGaA

€3,212 million). Their ratio as a percentage of Group sales decreased to 15.9% (2012: 16.5%). **Depreciation and amortization** was €902 million (2012: €792 million). The ratio as a percentage of sales was 4.4% (2012: 4.1%). Group **Personnel costs** increased to €7,340 million (2012: €6,888 million). The personnel cost ratio was 35.7% (2012: 35.3%). The chart beside shows the earnings structure in 2013.

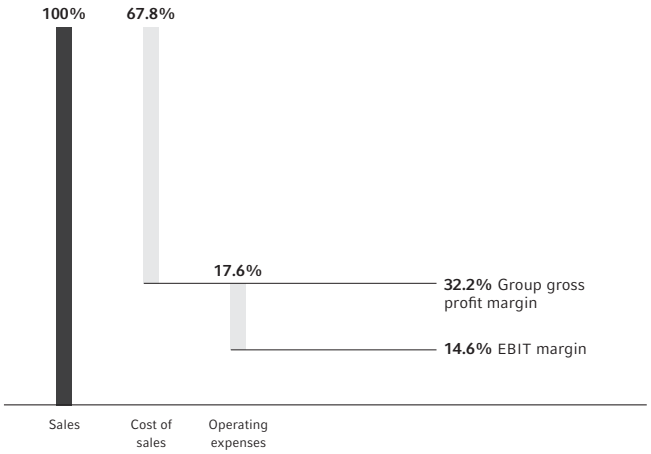
Group net interest decreased to -€584 million (2012: -€666 million). This includes one-time costs (€14 million) related to the early redemption of Senior Notes due in 2016. Lower average interest rates had a positive effect.

The **Group tax rate** (before special items) improved to 28.1% (2012: 29.2%).

Noncontrolling interest was €710 million (2012: €807 million). Of this, 94% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table on page 30 shows the profit margin development.

EARNINGS STRUCTURE (BEFORE SPECIAL ITEMS)



Value added

The value added statement on page 30 shows Fresenius' total output in 2013, less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group reached €10,461 million (2012: €10,064 million). This is an increase of 4% over 2012. The distribution statement shows that, at €7,340 million or 70%, the largest portion of our value added went to our employees.Governments came next with €839 million (8%) and lenders with

STATEMENT OF INCOME (SUMMARY)

€ in millions	2013	2012	Change	Change in constant currency
Sales	**20,545**	19,508	5%	8%
Cost of goods sold	**-13,943**	-12,995	-7%	-10%
Gross profit	**6,602**	6,513	1%	4%
Selling, general, and administrative expenses	**-3,266**	-3,212	-2%	-5%
Research and development expenses	**-390**	-305	-28%	-31%
EBIT (operating result)	**2,946**	2,996	-2%	1%
Investment gain	**0**	109	-100%	-100%
Net interest	**-584**	-666	12%	10%
Other financial result	**0**	-35	100%	100%
Income taxes	**-664**	-665	0%	-3%
Noncontrolling interest in profit	**-710**	-807	12%	9%
Net income (before special items)[1]	**1,028**	944	9%	11%
Net income[2]	**988**	932	6%	8%
Earnings per ordinary share in € (before special items)[1]	**5.75**	5.45	6%	7%
Earnings per ordinary share in €[2]	**5.53**	5.38	3%	4%
EBITDA	**3,848**	3,788	2%	4%
Depreciation and amortization	**902**	792	14%	17%

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA; 2013 before integration costs for Fenwal (€40 million); 2012 before a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as one-time costs (€29 million) related to the offer to the shareholders of Rhön-Klinikum AG

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

VALUE ADDED STATEMENT

€ in millions	2013	%	2012	%
Creation				
Company output	**20,637**	**100**	19,536	100
Materials and services purchased	**9,274**	**45**	8,680	44
Gross value added	**11,363**	**55**	10,856	56
Depreciation and amortization	**902**	**4**	792	4
Net value added	**10,461**	**51**	10,064	52
Distribution				
Employees	**7,340**	**70**	6,888	68
Governments	**839**	**8**	845	8
Lenders	**584**	**6**	666	7
Shareholders	**225**	**2**	196	2
Company and noncontrolling interest	**1,473**	**14**	1,469	15
Net value added	**10,461**	**100**	10,064	100

€584 million (6%). Shareholders receive €225 million and noncontrolling interests €710 million. The Company retained €763 million of value added to strengthen its business.

FINANCIAL POSITION

Financial management policies and goals

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

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

Ensuring financial flexibility is key to the financing strategy of the Fresenius Group. This is achieved through a broad spectrum of financing instruments, taking market capacity, investor diversification, utilization flexibility, credit covenants, and the current maturity profile into consideration. The Group's **maturity profile** is characterized by a broad spread of maturities with a large proportion of mid- to long-term financing. We also take into account the currency in which our earnings and cash flows are generated when selecting the **financing instruments**, and match them with appropriate debt structures in the respective currencies. The Group's main financing instruments are illustrated in the chart on page 31.

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

in %	2013	2012	2011	2010	2009
EBITDA margin[1]	**19.0**	19.9	19.7	19.2	18.6
EBIT margin[1]	**14.6**	15.8	15.4	15.1	14.1
Return on sales (before taxes and noncontrolling interest)[2]	**11.8**	12.4	12.2	11.5	10.1

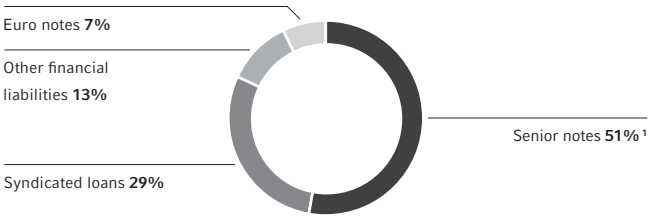
[1] 2013 before integration for Fenwal (€54 million); 2012 before one-time costs (€6 million) related to the offer to the shareholders of Rhön-Klinikum AG as well as other one-time costs (€86 million) at Fresenius Medical Care

[2] 2013 before integration costs for Fenwal (€54 million);
2012 before a non-taxable investment gain (€109 million) and other one-time costs (€86 million) at Fresenius Medical Care as well as one-time costs (€41 million) related to the offer to the shareholders of Rhön-Klinikum AG;
2009-2011 before the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights

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

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

FINANCING MIX OF THE FRESENIUS GROUP



Dec. 31, 2013: €12,716 million

[1] Pro-forma incl. senior notes issued in January/February 2014

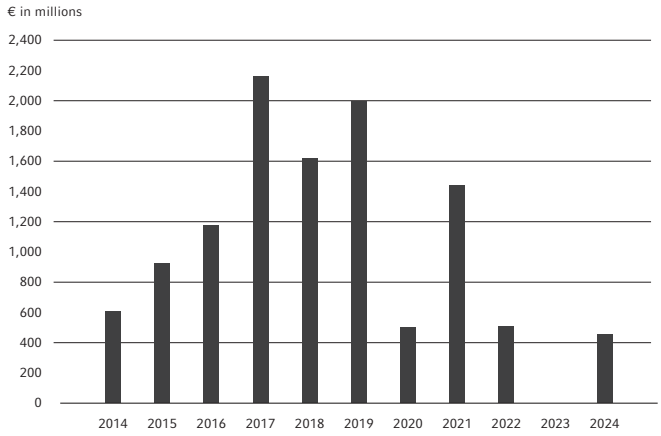
Financing

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

In 2013, the Group's **financing activities** mainly involved the refinancing of existing and maturing financing instruments and the long-term financing for acquisitions (mainly the acquisition of hospitals and outpatient facilities from Rhön-Klinikum AG) and general corporate purposes. In addition, financing measures were implemented that had previously been initiated in order to reduce future interest expense and to further improve the company's maturity profile.

- In January 2013, Fresenius Finance B.V. placed Senior Notes in the amount of €500 million with a 2.875% coupon. The Senior Notes were issued at par and mature in 2020. Net proceeds were used to refinance the Senior Notes which were due in January 2013.
- In February 2013, Fresenius exercised the call option for its 5.5% Senior Notes due in 2016. The principal amount of €650 million was redeemed in full. Initially, the redemption was financed by utilizing existing credit lines. From the end of June 2013, drawings under the syndicated credit agreement ("2013 Senior Credit Agreement") arranged in December 2012 were utilized.
- In February 2013, Fresenius SE & Co. KGaA issued a total of €125 million in Euro Notes. The proceeds were used for general corporate purposes.
- The disbursement of the 2013 Senior Credit Agreement was made in June 2013. At this time, it had a total volume of €2.25 billion. It comprised of revolving facilities of US$300 million and €600 million as well as loans of US$1.0 billion and €650 million. These tranches mature in 2018. Proceeds from the credit facilities were used to refinance the company's syndicated credit facilities, which otherwise would have matured in September 2013 and September 2014, and for general corporate purposes.
- In August 2013, the 2013 Senior Credit Agreement was extended by a US$500 term loan tranche maturing in 2019. The proceeds from this additional tranche were used to refinance short-term debt.
- In October 2013, Fresenius SE & Co. KGaA entered into a Bridge Financing Facility in the amount of €1.8 billion with a term of one year. Of this amount, €1.5 billion were used for advance payments in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2013, major long-term financing instruments; pro-forma incl. Senior Notes issued in January/February 2014

The net proceeds of the Senior Notes issued in January and February 2014 were used to largely refinance the drawing under the Bridge Financing Facility. On February 27, 2014, the Bridge Financing Facility was voluntarily cancelled prior to maturity and the remaining amount outstanding was repaid.

- In November 2013, the 2013 Senior Credit Agreement was extended to include additional facilities amounting to €1.2 billion. These facilities consist of a revolving credit facility of €300 million and a loan of €600 million – both maturing in 2018 – and a loan of €300 million that matures in 2019. These additional facilities were also used to finance the acquisition of hospitals and outpatient facilities from Rhön-Klinikum AG.

The chart beside shows the maturity profile of the Fresenius Group.

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 fully utilized.

The Fresenius Group has drawn about €5.9 billion of bilateral and syndicated credit lines. In addition, as of December 31, 2013, the Group had approximately €2.2 billion in unused credit lines available (including committed credit lines of €1.7 billion). These credit facilities are generally used for covering working capital needs and – with the exception of the syndicated credit agreements of Fresenius SE & Co. KGaA and Fresenius Medical Care – are usually unsecured.

As of December 31, 2013, both Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under all the credit agreements.

Detailed information on the Fresenius Group's financing can be found on pages 96 ff. of the Notes. Further information on financing requirements in 2014 is included in the outlook section on page 44.

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

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

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

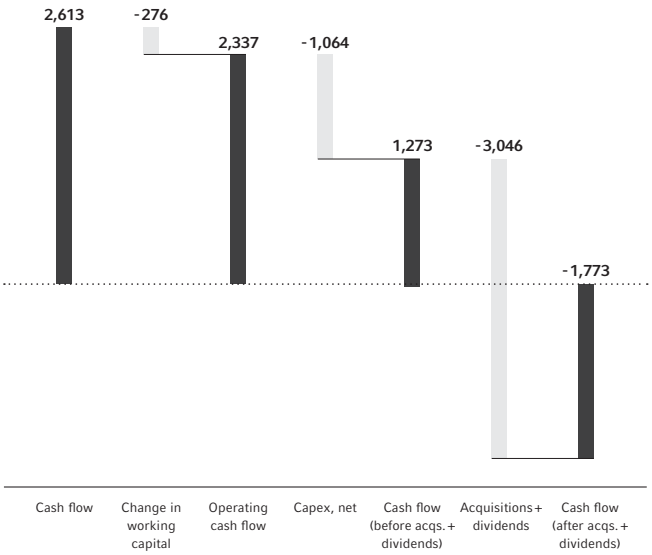
€ in millions	2013	2012	2011	2010	2009
Operating cash flow	**2,337**	2,453	1,699	1,921	1,564
as % of sales	**11.4**	12.6	10.3	12.0	11.0
Working capital [1]	**4,579**	4,474	4,067	3,577	3,088
as % of sales	**22.3**	22.9	24.6	22.4	21.8
Investments in property, plant and equipment, net	**1,064**	967	772	743	672
Cash flow before acquisitions and dividends	**1,273**	1,486	927	1,178	892
as % of sales	**6.2**	7.6	5.6	7.4	6.3

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

Liquidity analysis

In 2013, key sources of liquidity were **operating cash flows** and short-, mid-, and long-term debt. Cash flow from operations is influenced by the profitability of the business of Fresenius and by net working capital, especially accounts receivable. Cash flow can be generated from short-term borrowings through the sale of receivables under the Fresenius Medical Care accounts receivable securitization program, by using the commercial paper program, and by drawing on bilateral bank credit agreements. Mid- and long-term funding are mostly provided by the syndicated credit facilities of Fresenius SE & Co. KGaA and Fresenius Medical Care, and by Senior Notes. Fresenius is convinced that its existing credit facilities, inflows from Senior Note issues, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

CASH FLOW IN € MILLIONS



Dividend

The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2013, a dividend of €1.25 per share is proposed. This is an increase of about 14%. The total dividend distribution will increase by about 15% to €224.6 million (2012: €196.0 million).

Cash flow analysis

Cash flow was €2,613 million (2012: €2,551 million) and above the previous year's level. The change in working capital was -€276 million (2012: -€-98 million), mainly due to business expansion.

Operating cash flow was €2,337 million in 2013 (2012: €2,453 million). The decrease relates primarily to a one-time payment (US$100 million) by Fresenius Medical Care regarding the amendment of the supply agreement for the iron product Venofer. The cash flow margin was 11.4% (2012: 12.6%). Operating cash flow was more than sufficient to meet all financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was €1,088 million, and proceeds from the sale of property, plant and equipment were €24 million (2012: €985 million and €18 million, respectively).

CASH FLOW STATEMENT (SUMMARY)

€ in millions	2013	2012	Change	Margin
Earnings after tax	**1,698**	1,739	-2%	
Depreciation and amortization	**902**	792	14%	
Change in pension provisions	**13**	20	-35%	
Cash flow	**2,613**	2,551	2%	**12.7%**
Change in working capital	**-276**	-98	-182%	
Operating cash flow	**2,337**	2,453	-5%	**11.4%**
Property, plant and equipment	**-1,088**	-985	-10%	
Proceeds from the sale of property, plant and equipment	**24**	18	33%	
Cash flow before acquisitions and dividends	**1,273**	1,486	-14%	**6.2%**
Cash used for acquisitions/proceeds from disposals	**-2,555**	-2,298	-11%	
Dividends	**-491**	-446	-10%	
Cash flow after acquisitions and dividends	**-1,773**	-1,258	-41%	
Cash provided by/used for financing activities (without dividends paid)	**1,795**	1,520	18%	
Effect of exchange rate changes on cash and cash equivalents	**-43**	-12	--	
Change in cash and cash equivalents	**-21**	250	-108%	

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

Cash flow before acquisitions and dividends was €1,273 million (2012: €1,486 million). This was sufficient to finance the Group dividends of €491 million. Group dividends consisted of dividend payments of €196 million to the shareholders of Fresenius SE & Co. KGaA, payments of €230 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €136 million (primarily relating to Fresenius Medical Care). These payments were offset by the dividend of €71 million, which Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care. Net acquisition expenditures of €2,555 million were financed by cash flow and by debt.

The cash inflow from financing activities (without dividend payments) was €1,795 million (2012: €1,520 million). In 2013, it was predominantly characterized by refinancing measures, the debt financing of acquisitions, and the share buy-back of Fresenius Medical Care. Cash and cash equivalents as of December 31, 2013 were €864 million (December 31, 2012: €885 million).

Investments and acquisitions

In 2013, the Fresenius Group continued its growth path and invested €3,843 million (2012: €4,193 million). **Investments in property, plant and equipment** increased to €1,090 million (2012: €1,022 million). At 5.3% of sales (2012: 5.2%), that was in line with the targeted level of approximately 5%. This was well above the depreciation level of €902 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. A total of €2,753 million was invested in **acquisitions** (2012: €3,171 million). Of the total capital expenditure in 2013, 28% was invested in property, plant and equipment, 72% was spent on acquisitions.

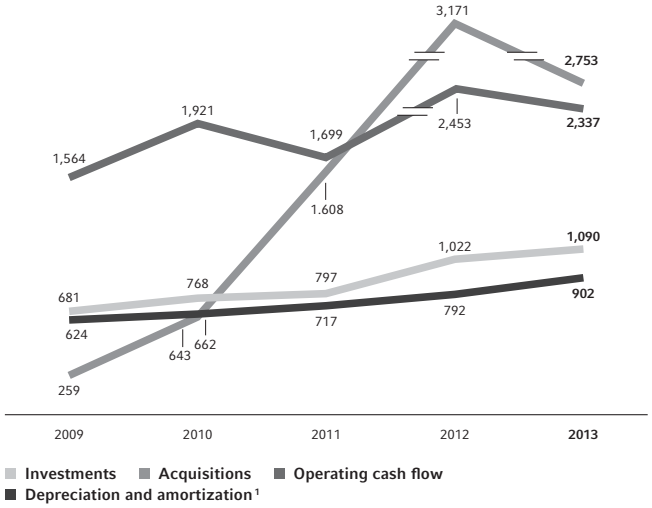
The table on page 35 shows the distribution of investments by business segment. The chart on page 35 shows the regional breakdown.

The cash outflows for acquisitions related to all four business segments.

Fresenius Medical Care mainly invested in the acquisition of dialysis clinics and the expansion of the laboratory services business.

Fresenius Kabi acquired production sites in India and China as well as compounding centers in Germany.

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



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

Fresenius Helios has made advances in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG. In addition, Fresenius Helios acquired a hospital in North Rhine-Westphalia.

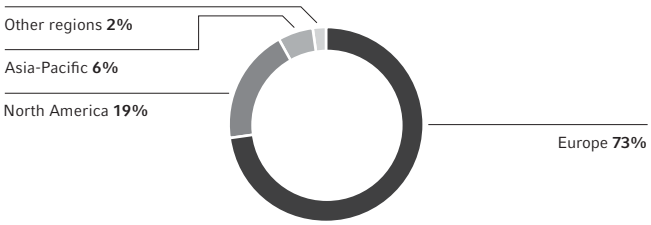
Fresenius Vamed purchased three hospitals in the Czech Republic.

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

- modernization of existing, and equipping of new, dialysis clinics at Fresenius Medical Care
- optimization and expansion of production facilities, primarily in Germany, North America, France, and China for Fresenius Medical Care, and for Fresenius Kabi, primarily in Europe, the United States, and Asia
- hospital modernization at Fresenius Helios. The most significant individual projects were the hospitals in Hamburg, Damp, and Krefeld.

Investments in property, plant and equipment of €309 million will be made in 2014, to continue with major ongoing **investment projects on the reporting date**. These are investment obligations mainly for hospitals at Fresenius Helios as well as

INVESTMENTS BY REGION



2013: €3,843 million

INVESTMENTS AND ACQUISITIONS

€ in millions	2013	2012	Change
Investment in property, plant and equipment	**1,090**	1,022	7%
thereof maintenance	**48%**	49%	
thereof expansion	**52%**	51%	
Investment in property, plant and equipment as % of sales	**5.3**	5.2	
Acquisitions	**2,753**	3,171	-13%
Total investments and acquisitions	**3,843**	4,193	-8%

investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

ASSETS AND LIABILITIES

Asset and liability structure

The **total assets** of the Group rose by 6% to €32,859 million (Dec. 31, 2012: €30,899 million). In constant currency, this was an increase of 10%. The increase in total assets can be mainly attributed to advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG. The expansion of the existing business accounted for 2%. Inflation had no significant impact on the assets of Fresenius in 2013.

Non-current assets increased by 9% to €25,259 million (Dec. 31, 2012: €23,198 million). The increase was due mainly to advances made mentioned above. The goodwill in the amount of €14,921 million (Dec. 31, 2012: €15,114 million) has proven sustainable. The change compared to the previous year is mainly due to currency effects.

Current assets were €7,600 million (Dec. 31, 2012: €7,701 million). Within current assets, trade accounts receivable decreased by 5% to €3,481 million (Dec. 31, 2012: €3,650 million). At 63 days, average days sales outstanding was below the previous year's level of 67 days. Through strict accounts receivable management, we were able to improve days sales outstanding.

Inventories rose by 9% to €2,015 million (Dec. 31, 2012: €1,844 million). The scope of inventory in 2013 increased to 53 days (Dec. 31, 20112: 50 days). The ratio of inventories to total assets remained at the previous year's level of 6.1% (Dec. 31, 2012: 6.0%).

Shareholders' equity rose by 3%, or €446 million, to €13,595 million (Dec. 31, 2012: €13,149 million). Group net income attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €988 million. The equity ratio, including noncontrolling interest, was 41.4% as of December 31, 2013 (Dec. 31, 2012: 42.6%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity covers equity, noncontrolling interest, and long-term liabilities cover all non-current assets and 3% of inventories.

INVESTMENTS BY BUSINESS SEGMENT [1]

€ in millions	2013	2012	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**987**	1,934	563	424	-49%	26%
Fresenius Kabi	**448**	1,153	317	131	-61%	12%
Fresenius Helios	**2,357**	759	172	2,185	--%	61%
Fresenius Vamed	**27**	55	11	16	-51%	1%
Corporate/Other [2]	**8**	278	10	-2	-97%	0%
IFRS Reconciliation	**16**	14	17	-1	14%	0%
Total	**3,843**	4,193	1,090	2,753	-8%	100%

[1] All business segment data according to U.S. GAAP
[2] Including the purchase of Fresenius Medical Care ordinary shares in 2012

Long-term liabilities decreased by 2% to €11,732 million as of December 31, 2013 (Dec. 31, 2012: €12,015 million).

Short-term liabilities increased by 31% to €7,532 million (Dec. 31, 2012: €5,735 million). The increase was mainly due to the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG.

The Group has no **accruals** that are of material significance as individual items. The largest single accrual is to cover the settlement of fraudulent conveyance claims and all other legal matters relating to the National Medical Care transaction in 1996 that resulted from the bankruptcy of W.R. Grace. The accrual amounts to US$115 million (€83 million). Please see page 94 f. of the Notes for further information.

Group debt rose by 16% to €12,716 million (Dec. 31, 2012: €10,923 million). Of this amount, €2.18 billion are advances made under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG. In constant currency, the increase was 19%. Its relative weight in the balance sheet was 39% (Dec. 31, 2012: 35%). Approximately 46% of the Group's debt is in U.S. dollars. Liabilities due in less than 1 year were €3,237 million (Dec. 31, 2012: €1,229 million), while liabilities with a remaining term of 1 to 5 years and over 5 years were €9,479 million (Dec. 31, 2012: €9,694 million).

The net debt to equity ratio[1] (gearing) is 71% (Dec. 31, 2012: 76%). The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) was 12.3% (Dec. 31, 2012: 12.0%). The return on total assets after taxes and before noncontrolling interest of 5.7% improved slightly (2012: 5.5%). The return on assets for 2013 was calculated before special items. These include the integration costs for Fenwal.

The table below provides a 5-year overview of other key assets and capital ratios.

Group ROIC was 8.6% (2012: 9.0%), and Group ROOA was 10.3% (2012: 11.0%). The strong earnings growth corresponds with an increase in total assets. This increase is a result of the expansion of the existing business and acquisitions. Within the position invested capital, the goodwill of €14.9 billion had a significant effect on the calculation of ROIC. It is important to take into account that approximately 64% of the goodwill is attributable to the strategically significant acquisitions of National Medical Care in 1996, Renal Care Group and HELIOS Kliniken in 2006, APP Pharmaceuticals in 2008, and Liberty Dialysis Holdings in 2012. Those have significantly strengthened the competitive position of the Fresenius Group.

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	**2013**	2012	2011	2010	2009
Total assets	**32,859**	30,899	26,510	23,831	21,148
Shareholders' equity	**13,595**	13,149	11,031	9,219	7,908
as % of total assets	**41**	43	42	39	37
Shareholders' equity/non-current assets, in %	**54**	57	56	52	49
Debt	**12,716**	10,923	9,703	8,677	8,196
as % of total assets	**39**	35	37	36	39
Gearing in %	**71**[1]	76	82	86	98

[1] Excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2013**	2012	**2013**	2012
Fresenius Medical Care [1]	**7.7**	8.1	**10.5**	11.4
Fresenius Kabi [1]	**9.9**	10.3	**11.9**	12.3
Fresenius Helios [1, 3]	**9.0**	8.4	**9.3**	8.2
Fresenius Vamed [1, 2]	**–**	–	**11.6**	12.8
Group [3] (IFRS)	**8.6**	9.0	**10.3**	11.0

[2] All business segment data according to U.S. GAAP
[2] ROIC: Invested capital is insignificant due to prepayments, cash and cash equivalents.
[3] 2013: Excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG

In 2013, the Fresenius Group delivered a return on invested capital (ROIC) of 8.6%, substantially exceeding our cost of capital. The WACC (weighted average cost of capital) of Fresenius Medical Care was 6.2%, the WACC of the other business segments was 5.3%

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was €1,451 million as of December 31, 2013. These contracts had a market value of €18 million. The nominal value of interest rate hedging contracts was €703 million. These contracts had a market value of -€9 million. Please see the Risk Report on pages 52 f. and the Notes on pages 124 f. for further details.

CORPORATE RATING

The credit quality of Fresenius is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch.

In 2013, all rating agencies have adjusted their outlook on the corporate credit rating. In March 2013, Standard & Poor's raised the outlook from stable to positive. In June 2013, Fitch changed the outlook from stable to positive. In August 2013, Moody's also changed the outlook from stable to positive.

After the announcement of the planned acquisition of hospitals from Rhön-Klinikum AG in September 2013, Fitch put the rating on "watch evolving," stating that the outlook could, at worst, be changed to stable, however that the company's credit rating would remain unchanged. Moody's adjusted the outlook from positive to negative. Standard & Poor's confirmed the positive outlook in October 2013.

RATING OF FRESENIUS SE & CO. KGAA

	31.12.2013	31.12.2012
Standard & Poor's		
Corporate Credit Rating	**BB +**	BB +
Outlook	**positive**	stable
Moody's		
Corporate Credit Rating	**Ba1**	Ba1
Outlook	**negative**	stable
Fitch		
Corporate Credit Rating	**BB+**	BB +
Outlook	**watch evolving**	stable

	Dec. 31, 2013 [1]	Dec. 31, 2012 [2]	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009
Debt/EBITDA	**2.7**	2.7	3.0	2.8	3.1
Net debt/EBITDA	**2.5**	2.5	2.8	2.6	3.0
EBITDA/interest ratio	**6.7**	5.8	6.1	5.4	4.5

[1] Excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG and before integration costs for Fenwal (€54 million)
[2] Before special items

SUBSEQUENT EVENTS

On February 20, 2014, Fresenius Helios has received antitrust approval for the acquisition of 40 hospitals and 13 outpatient facilities from Rhön-Klinikum AG. The majority of the transaction was closed on February 27, 2014. For two hospitals, HSK Dr. Horst Schmidt Kliniken in Wiesbaden and Klinikum Salzgitter, the approval of municipal 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%. 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 were 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 voluntarily cancelled prior to maturity and the remaining amount outstanding was repaid.

Besides the items mentioned, 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 46 ff. The Management Board controls the business segments by setting strategic and operating targets and through financial ratios according U.S GAAP. Therefore, in the following outlook, all ratios of the business segments and of the Group are according to U.S. GAAP.

GENERAL AND MID-TERM OUTLOOK

The outlook for the Fresenius Group for the coming years continues to be positive. We are 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-in-class 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 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 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.

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.

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.

THE DIALYSIS MARKET

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 in 2014.

Further information is provided on page 20 ff. of the Management Report.

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

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 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 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 Europe and the United States to grow by about 3% to 5% in 2014.

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

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 cost 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.

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

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 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. 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.

GROUP SALES AND EARNINGS

With its international production and sales platform and its market-oriented products and services, the Fresenius Group is well positioned for continued growth in the coming years. Specific opportunities for profitable growth are indicated by the developments described in the section Health Care Sector and Markets.

While our traditional markets in Europe and North America are growing at average low- to mid-single-digit rates, we see stronger growth potential in the Asia-Pacific region and in Latin America. Here, the demand for our life-saving and life-sustaining products continues to be high as access to medical care is still limited. This will also be reflected in sales.

In 2014, we expect to increase **Group sales** by 12% to 15% in constant currency. Besides organic sales growth in all business segments, sales growth is driven by the first-time consolidation of the acquired hospitals from Rhön-Klinikum AG.

We expect to increase **Group net income**[1] by 2% to 5% in constant currency. The earnings forecast primarily reflects lower reimbursement rates for Medicare dialysis patients and substantial uncertainties regarding the IV drug shortage situation in the U.S. market.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs for Fenwal (€30million-€40million) and the hospitals acquired from Rhön-Klinikum AG (~€65 million in total; thereof vast majority in 2014); 2013 before integration costs for Fenwal (€40 million)

GROUP FINANCIAL TARGETS

	Targets 2014 (U.S. GAAP)	Fiscal year 2013 (U.S. GAAP)	Fiscal year 2013 (IFRS)
Sales growth (in constant currency)	12% – 15%	€20,331 m	€20,545 m
Net income[1], growth (in constant currency)	2% – 5%	€1,051 m	€1,028 m
Capital expenditure	~6% of sales	€1,073 m	€1,090 m
Dividend	Profit-driven dividend policy	Proposal +14% per share	Proposal +14% per share

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs for Fenwal (€30 million – €40 million) and the hospitals acquired from Rhön-Klinikum AG (~€65 million in total; thereof vast majority in 2014); 2013 before integration costs for Fenwal (€40 million)

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2014, we expect sales and earnings development in our business segments as shown below:

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2014 (U.S. GAAP)	Fiscal year 2013 (U.S. GAAP)
Fresenius Medical Care		
Sales	~ US$15.2 bn	US$14.610 bn
Net income[1]	US$1.0 bn – US$1.05 bn	US$1.110 bn
Fresenius Kabi		
Sales growth (organic)	3% – 7%	€4,996 m
EBIT margin	16% – 18%	18.5%
Fresenius Helios[2]		
Sales growth (organic)	3% – 5%	€3,393 m
EBIT	€390 m – €410 m	€390 m
Fresenius Vamed		
Sales growth (organic)	5% – 10%	€1,020 m
EBIT growth	5% – 10%	€55 m

[1] Net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA
[2] Excluding hospitals acquired from Rhön-Klinikum AG

The number of dialysis patients worldwide should rise by about 6% again in 2014, leading to continued growth in demand for dialysis products and a higher number of treatments. For 2014, **Fresenius Medical Care** expects sales of approximately US$15.2 billion, EBIT of approximately US$2.2 billion, and net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA in the range of of US$1.0 to US$1.05 billion. Performance in 2014 will be impacted by lower reimbursement rates for Medicare dialysis patients. The company initiated a global efficiency program designed to enhance the company's performance over a multi-year period. Potential cost savings before income taxes of up to US$60 million generated from this program are not included in the outlook for 2014.

Fresenius Kabi expects organic sales growth between 3% and 7% for 2014. In addition, the business segment is forecasting an EBIT margin in a range between 16% and 18%. These ranges primarily reflect substantial uncertainties regarding the IV drug shortage situation in the U.S. market as well as full-year effects from the restrictions on the use of our blood volume substitutes and prior-year price cuts in China. The outlook for Fresenius Kabi does not include integration costs for Fenwal (€40 – €50 million pre-tax and €30 – €40 million after tax). These costs will be reported in the Group Corporate/Other segment.

Fresenius Helios expects to continue its excellent performance. 2014 will be significantly influenced by the first-time consolidation of the hospitals and outpatient facilities acquired from Rhön-Klinikum AG. Fresenius Helios projects organic sales growth of 3% to 5%. EBIT (excluding the acquired hospitals) is expected to increase to €390 to €410 million. The guidance considers the sale of the clinics Borna and Zwenkau. The outlook for Fresenius Helios does not include integration costs for the acquired hospitals. Total integration costs for the newly acquired hospitals are projected to be approximately €80 million pre-tax and €65 million after tax (thereof vast majority in 2014). These costs will be reported in the Group Corporate/Other segment.

Given an excellent order backlog of €1,139 million in its project business and long-term agreements in its service business, **Fresenius Vamed** has an excellent base for further growth. In 2014, Fresenius Vamed expects to achieve organic sales growth of 5% to 10% and EBIT growth of 5% to 10%.

FINANCING

For 2014, we expect continued strong cashflow with a **cash flow margin** between 9% and 11%.

In addition, unused credit lines under syndicated or bilateral credit facilities from banks will generally provide us with a sufficient financial cushion. In 2014, in addition to the conclusion of the financing for the acquisition of hospitals from Rhön-Klinikum AG, a limited number of refinancing measures for existing facilities are also planned. This includes the refinancing of the Euro Notes maturing in April and July 2014 with a total volume of €300 million.

The acquisition of hospitals from Rhön-Klinikum AG led to appreciably higher Group debt. At the end of 2014, we expect **Group net debt/EBITDA** to be in the range of 3.0 to 3.25 and thus above the target range of 2.5 to 3.0.

INVESTMENTS

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

The regional focus of the Group's investment spending will be on Europe and North America, which will account for about 55% and 30%, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 38% of total funds will be invested in Germany.

We assume that the return on operating assets (ROOA) and the return on invested capital (ROIC) will be below the level of 2013.

PROCUREMENT

We will continue optimizing our procurement management in 2014; prices, terms, and especially quality are key factors for securing further earnings growth.

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

RESEARCH AND DEVELOPMENT

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

We plan to increase the Group's R & D spending in 2014. About 4% to 5% of our product sales will be reinvested in research and development.

Market-oriented research and development with strict time-to-market management processes is crucial for the success of new products. We continually review our R & D results using clearly defined milestones. Innovative ideas, product development, and therapies with a high level of quality will continue to be the basis for future market-leading positions. Given the continued cost-containment efforts in the health care sector, cost efficiency combined with a strong quality focus is acquiring ever-greater importance in product development, and in the improvement of treatment concepts.

In 2013, **Fresenius Medical Care** has reorganized its R & D department. In three steps, we plan to build up a global R & D function that can efficiently develop outstanding products.

- **Global portfolio management**
  The new organization will allow us to concentrate our development pipeline more on growth areas and growing markets.
- **Global product platforms**
  We want to unify the basic functions of our therapy systems internationally through the global management of product development and the creation of a modular system. We want to shorten development times, use economies of scale in purchasing, and increasingly focus development resources on innovation and new technology.
- **Global project management and global development processes**
  The introduction of global project management standards, structures, and development processes will allow us to further increase the efficiency of our project management.

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

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

CORPORATE STRUCTURE AND ORGANIZATION

The Fresenius Group is divided into four business segments, each of which is a legally independent entity. The business segments are organized on a regional and decentralized basis to provide the greatest flexibility for meeting the demands of their respective markets. The "entrepreneur in the enterprise" principle, with clearly defined responsibilities, has proven itself over many years. We will continue to follow this principle.

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future as a result of the expected expansion. We expect that the number of employees will increase to more than 200,000. This is mainly the result of the acquisition of hospitals from Rhön-Klinikum AG. As of December 31, 2013, the Group had 178,337 employees. The number of employees is expected to increase in all business segments. The regional distribution of our employees will change due to the aforementioned acquisition – approximately 55% (2013: 48%) will be located in Europe, approximately 30% (2013: 34%) in North America, and approximately 15% in Asia-Pacific, Latin America, and Africa.

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 38.

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 **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, 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.

OPERATING RISKS

Our business and operations around the world are 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, semifinished products, and components mainly by requiring our suppliers to meet strict quality standards. Besides certification by external institutes and regular supplier audits, this includes an exhaustive evaluation of advance samples and regular quality controls. We only purchase high-quality products with proven safety and suitability from qualified suppliers that conform to our specifications and standards.

Performing **medical treatments** on patients in our hospitals, rehabilitation clinics, and dialysis clinics presents inherent risks. For example, disruptions to processes involve risks for patients and the clinic. In addition, there are operational risks, for example regarding hygiene and sterile conditions. We counteract these risks with strict operating procedures, continuous personnel training, and patient-oriented working procedures. Furthermore, 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 health care 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 (US$ 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 health care 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; 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. Further details on financial risks can be found on pages 119 ff. in the Notes.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for **impairment** each year. Further information can be found on page 91 ff. of the Notes.

By normally assessing the creditworthiness of new customers, we limit the **risk of late payment and defaults** by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. Receivables outstanding from existing customers are monitored, and the risk of defaults is assessed. This particularly applies to countries with budgetary problems. 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. Information on the status of the tax audits can be found on page 87 of the Notes.

Fresenius' debt was €12,716 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 on pages 96 ff. of the Notes as well as on page 31 f. of the Management Report.

Legal risks

Risks that arise from **legal disputes** are continually identified, analyzed, and communicated within the Company. Companies in the health care industry are regularly exposed to actions for breach of their duties of due care, product liability, breach of warranty obligations, patent infringements, treatment errors, and other claims. This can result in high claims for damages and substantial costs for legal defense, regardless of whether a claim for damages is actually justified. Legal disputes can also result in an inability to insure against risks of this kind at acceptable terms in future. Products from the

health care industry can also be subject to recall actions. This could have a negative effect on the assets and liabilities, financial position, and results of operations of the Group.

Information regarding legal matters and an ongoing internal compliance review at Fresenius Medical Care can be found on pages 113 ff. of the Notes.

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

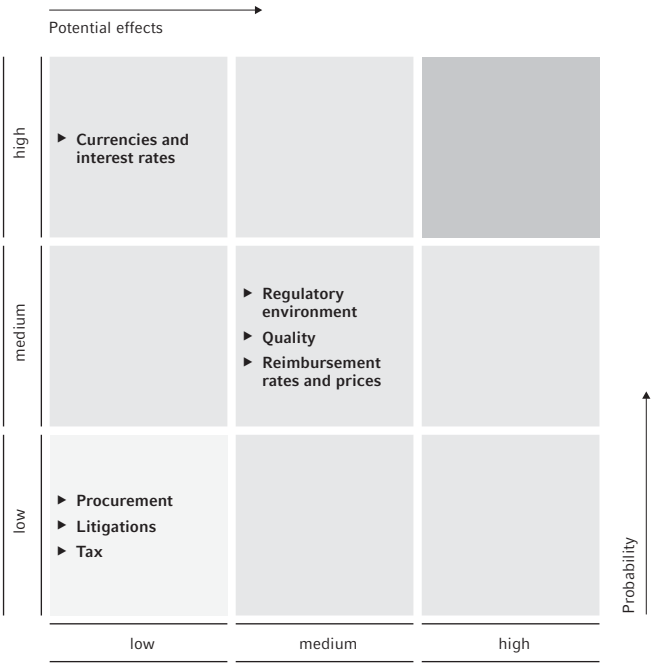
Other risks

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

Risks 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.

RISKS AFFECTING THE 1-YEAR FORECAST PERIOD



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.

TABLE OF CONTENTS CONSOLIDATED FINANCIAL STATEMENTS

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2013	2012[1]
Sales	4	**20,545**	19,508
Cost of sales	5	**-13,943**	-12,995
Gross profit		**6,602**	6,513
Selling, general and administrative expenses	9	**-3,266**	-3,212
Research and development expenses	8	**-390**	-305
Operating income (EBIT)		**2,946**	2,996
Investment gain	10	**0**	109
Interest income	11	**50**	54
Interest expenses	11	**-634**	-720
Other financial result	12	**0**	-35
Financial result		**-584**	-592
Income before income taxes		**2,362**	2,404
Income taxes	13	**-664**	-665
Net income		**1,698**	1,739
Noncontrolling interest	26	**710**	807
Net income attributable to shareholders of Fresenius SE & Co. KGaA		**988**	932
Earnings per ordinary share in €	14	**5.53**	5.38
Fully diluted earnings per ordinary share in €	14	**5.49**	5.32

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2013	2012[1]
Net income		**1,698**	1,739
Other comprehensive income (loss)			
Positions which will be reclassified into net income in subsequent years			
Foreign currency translation	28, 30	**-588**	-166
Cash flow hedges	28, 30	**35**	41
Change of fair value of available for sale financial assets	28, 30	**41**	-9
Income taxes on positions which will be reclassified	28	**-2**	-18
Positions which will not be reclassified into net income in subsequent years			
Actuarial gains/losses on defined benefit pension plans	25, 28	**12**	-164
Income taxes on positions which will not be reclassified	28	**-11**	47
Other comprehensive loss, net		**-513**	-269
Total comprehensive income		**1,185**	1,470
Comprehensive income attributable to noncontrolling interest		**436**	684
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA		**749**	786

[1] Previous year's figures have been adjusted, see note 1. III. c, Classifications

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

as of December 31, € in millions	Note	2013	2012[1]
Cash and cash equivalents	15	**864**	885
Trade accounts receivable, less allowance for doubtful accounts	16	**3,481**	3,650
Accounts receivable from and loans to related parties		**28**	18
Inventories	17	**2,015**	1,844
Other current assets	18	**1,212**	1,304
I. Total current assets		**7,600**	7,701
Property, plant and equipment	19	**5,083**	4,919
Goodwill	20	**14,921**	15,114
Other intangible assets	20	**1,408**	1,499
Other non-current assets	18	**3,318**	983
Deferred taxes	13	**529**	683
II. Total non-current assets		**25,259**	23,198
Total assets		**32,859**	30,899

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2013	2012[1]
Trade accounts payable		**885**	961
Short-term accounts payable to related parties		**2**	2
Short-term accrued expenses and other short-term liabilities	21, 22	**3,197**	3,313
Short-term debt	23	**2,376**	205
Short-term loans from related parties		**6**	4
Current portion of long-term debt and capital lease obligations	23	**855**	520
Current portion of Senior Notes	24	**0**	500
Short-term accruals for income taxes		**211**	230
A. Total short-term liabilities		**7,532**	5,735
Long-term debt and capital lease obligations, less current portion	23	**4,366**	4,330
Senior Notes, less current portion	24	**5,113**	5,364
Long-term accrued expenses and other long-term liabilities	21, 22	**600**	531
Pension liabilities	25	**714**	703
Long-term accruals for income taxes		**180**	213
Deferred taxes	13	**759**	874
B. Total long-term liabilities		**11,732**	12,015
I. Total liabilities		**19,264**	17,750
A. Noncontrolling interest	26	**5,212**	5,293
Subscribed capital	27	**180**	178
Capital reserve	27	**3,456**	3,342
Other reserves	27	**5,071**	4,421
Accumulated other comprehensive loss	28	**-324**	-85
B. Total Fresenius SE & Co. KGaA shareholders' equity		**8,383**	7,856
II. Total shareholders' equity		**13,595**	13,149
Total liabilities and shareholders' equity		**32,859**	30,899

[1] Previous year's figures have been adjusted, see note 1. III. c, Classifications

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2013	2012[1]
Operating activities			
Net income		**1,698**	1,739
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	18, 19, 20	**902**	792
Gain on sale of investments and divestitures	2	**-55**	0
Change in deferred taxes	13	**-3**	-13
Gain/loss on sale of fixed assets		**-14**	11
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	16	**18**	-193
Inventories	17	**-266**	-41
Other current and non-current assets	18	**78**	-63
Accounts receivable from/payable to related parties		**-8**	-23
Trade accounts payable, accrued expenses and other short-term and long-term liabilities		**49**	266
Accruals for income taxes		**-62**	-22
Net cash provided by operating activities		**2,337**	2,453
Investing activities			
Purchase of property, plant and equipment		**-1,088**	-985
Proceeds from sales of property, plant and equipment		**24**	18
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 32	**-2,702**	-2,499
Proceeds from sale of investments and divestitures		**147**	201
Net cash used in investing activities		**-3,619**	-3,265

[1] Previous year's figures have been adjusted, see note 1. III. c, Classifications

January 1 to December 31, € in millions	Note	2013	2012[1]
Financing activities			
Proceeds from short-term loans	23	**2,498**	161
Repayments of short-term loans	23	**-319**	-168
Proceeds from short-term loans from related parties		**–**	–
Repayments of short-term loans from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	23	**2,400**	2,937
Repayments of long-term debt and capital lease obligations	23	**-2,043**	-3,882
Proceeds from the issuance of bearer ordinary shares	27	**0**	1,014
Payments of additional costs of the capital increase	27	**0**	-16
Proceeds from the issuance of Senior Notes	24	**500**	1,755
Repayments of liabilities from Senior Notes	24	**-1,150**	0
Payments for the share buy-back program of Fresenius Medical Care	27	**-385**	0
Changes of accounts receivable securitization program	23	**142**	-290
Proceeds from the exercise of stock options	34	**152**	140
Dividends paid		**-491**	-446
Change in noncontrolling interest	26	**-2**	-131
Exchange rate effect due to corporate financing		**2**	–
Net cash provided by financing activities		**1,304**	1,074
Effect of exchange rate changes on cash and cash equivalents		**-43**	-12
Net decrease/increase in cash and cash equivalents		**-21**	250
Cash and cash equivalents at the beginning of the reporting period	15	**885**	635
Cash and cash equivalents at the end of the reporting period	15	**864**	885

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

January 1 to December 31, € in millions	Note	2013	2012
Received interest		**45**	44
Paid interest		**-563**	-580
Income taxes paid		**-648**	-659

[1] Previous year's figures have been adjusted, see note 1. III. c, Classifications

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

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

		Subscribed Capital			Reserves	
	Note	Number of ordinary shares in thousand	Amount € in thousands	Amount € in millions	Capital reserve € in millions	Other reserves € in millions
As of December 31, 2011		163,237	163,237	163	2,257	3,732
Restatements due to the first time adoption of IAS 19R	1. III. c	0	0	0	0	-2
As of December 31, 2011, restated		163,237	163,237	163	2,257	3,730
Issuance of bearer ordinary shares	27	13,800	13,800	14	989	
Proceeds from the exercise of stock options	34	1,151	1,151	1	74	
Compensation expense related to stock options	34				22	
Dividends paid	27					-155
Purchase of noncontrolling interest	26					
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2					-71
Liabilities for noncontrolling interest subject to put provisions	22, 30					-15
Comprehensive income (loss)						
Net income						932
Other comprehensive income (loss)						
Cash flow hedges	28, 30					
Change of fair value of available for sale financial assets	28, 30					
Foreign currency translation	28, 30					
Actuarial losses on defined benefit pension plans	25, 28					
Comprehensive income						932
As of December 31, 2012		178,188	178,188	178	3,342	4,421
Proceeds from the exercise of stock options	34	1,507	1,507	2	93	
Compensation expense related to stock options	34				21	
Dividends paid	27					-196
Purchase of noncontrolling interest	26					
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	27					-121
Liabilities for noncontrolling interest subject to put provisions	22, 30					-21
Comprehensive income (loss)						
Net income						988
Other comprehensive income (loss)						
Cash flow hedges	28, 30					
Change of fair value of available for sale financial assets	28, 30					
Foreign currency translation	28, 30					
Actuarial gains on defined benefit pension plans	25, 28					
Comprehensive income (loss)						988
As of December 31, 2013		**179,695**	**179,695**	**180**	**3,456**	**5,071**

	Note	Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest € in millions	Total shareholders' equity € in millions
As of December 31, 2011		99	6,251	4,780	11,031
Restatements due to the first time adoption of IAS 19R	1. III. c	-38	-40	-52	-92
As of December 31, 2011, restated		61	6,211	4,728	10,939
Issuance of bearer ordinary shares	27		1,003	0	1,003
Proceeds from the exercise of stock options	34		75	65	140
Compensation expense related to stock options	34		22	14	36
Dividends paid	27		-155	-291	-446
Purchase of noncontrolling interest	26		0	170	170
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2		-71	-43	-114
Liabilities for noncontrolling interest subject to put provisions	22, 30		-15	-34	-49
Comprehensive income (loss)					
Net income			932	807	1,739
Other comprehensive income (loss)					
Cash flow hedges	28, 30	23	23	-2	21
Change of fair value of available for sale financial assets	28, 30	-9	-9	–	-9
Foreign currency translation	28, 30	-83	-83	-81	-164
Actuarial losses on defined benefit pension plans	25, 28	-77	-77	-40	-117
Comprehensive income		-146	786	684	1,470
As of December 31, 2012		-85	7,856	5,293	13,149
Proceeds from the exercise of stock options	34		95	57	152
Compensation expense related to stock options	34		21	7	28
Dividends paid	27		-196	-295	-491
Purchase of noncontrolling interest	26		0	25	25
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	27		-121	-264	-385
Liabilities for noncontrolling interest subject to put provisions	22, 30		-21	-47	-68
Comprehensive income (loss)					
Net income			988	710	1,698
Other comprehensive income (loss)					
Cash flow hedges	28, 30	15	15	12	27
Change of fair value of available for sale financial assets	28, 30	34	34	–	34
Foreign currency translation	28, 30	-272	-272	-303	-575
Actuarial gains on defined benefit pension plans	25, 28	-16	-16	17	1
Comprehensive income (loss)		-239	749	436	1,185
As of December 31, 2013		**-324**	**8,383**	**5,212**	**13,595**

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

BY BUSINESS SEGMENT

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios		
€ in millions	**2013**	2012[1]	Change	**2013**[2]	2012	Change	**2013**	2012	Change
Sales	**11,000**	10,741	2%	**4,996**	4,539	10%	**3,393**	3,200	6%
thereof contribution to consolidated sales	**10,978**	10,724	2%	**4,956**	4,489	10%	**3,393**	3,200	6%
thereof intercompany sales	**22**	17	29%	**40**	50	-20%	**0**	0	
contribution to consolidated sales	**54%**	56%		**24%**	23%		**17%**	17%	
EBITDA	**2,187**	2,282	-4%	**1,143**	1,101	4%	**508**	432	18%
Depreciation and amortization	**488**	469	4%	**217**	167	30%	**118**	110	7%
EBIT	**1,699**	1,813	-6%	**926**	934	-1%	**390**	322	21%
Net interest	**-308**	-332	7%	**-236**	-286	17%	**-48**	-67	28%
Income taxes	**-446**	-502	11%	**-178**	-166	-7%	**-60**	-42	-43%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**836**	870	-4%	**487**	444	10%	**275**	203	35%
Operating cash flow	**1,532**	1,587	-3%	**488**	596	-18%	**258**	240	8%
Cash flow before acquisitions and dividends	**984**	1,069	-8%	**177**	357	-50%	**91**	69	32%
Total assets	**16,764**	16,921	-1%	**8,598**	8,662	-1%	**6,597**	4,408	50%
Debt	**6,103**	6,290	-3%	**4,735**	4,964	-5%	**3,538**	1,293	174%
Other operating liabilities	**2,749**	2,731	1%	**1,439**	1,436	0%	**813**	958	-15%
Capital expenditure, gross	**563**	526	7%	**317**	276	15%	**172**	180	-4%
Acquisitions, gross/investments	**424**	1,408	-70%	**131**	877	-85%	**2,185**	579	--
Research and development expenses	**95**	87	9%	**250**	194	29%	**–**	–	--
Employees (per capita on balance sheet date)	**95,637**	90,866	5%	**31,961**	30,214	6%	**42,913**	42,881	0%
Key figures									
EBITDA margin	**19.9%**	21.2%		**22.9%**	24.3%		**15.0%**	13.5%	
EBIT margin	**15.4%**	16.9%		**18.5%**	20.6%		**11.5%**	10.1%	
Depreciation and amortization in % of sales	**4.4%**	4.4%		**4.3%**	3.7%		**3.5%**	3.4%	
Operating cash flow in % of sales	**13.9%**	14.8%		**9.8%**	13.1%		**7.6%**	7.5%	
ROOA	**10.5%**	11.4%		**11.9%**	12.3%		**9.3%**	8.2%	

[1] Excluding special items from the acquisition of Liberty Dialysis Holdings, Inc., from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology
[2] Excluding one-time integration costs of Fenwal Holdings, Inc.
[3] Including one-time integration costs of Fenwal Holdings, Inc.
[4] Including one-time costs related to the takeover offer to the shareholders of Rhön-Klinikum AG and special items from the acquisition of Liberty Dialysis Holdings, Inc., from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology
[5] The underlying pro forma EBIT does not include one-time integration costs of Fenwal Holdings, Inc.
[6] Before one-time costs related to the takeover offer to the shareholders of Rhön-Klinikum AG, special items from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology
[7] The underlying pro forma EBIT does not include one-time costs related to the takeover offer to the shareholders of Rhön-Klinikum AG, special items from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology.

BY REGION

	Europe			North America		
€ in millions	**2013**	2012	Change	**2013**	2012	Change
Sales	**8,216**	7,797	5%	**8,834**	8,362	6%
contribution to consolidated sales	**40%**	39%		**43%**	43%	
EBIT	**813**	755	8%	**1,632**	1,702	-4%
Depreciation and amortization	**381**	368	4%	**424**	333	27%
Total assets	**13,473**	11,095	21%	**15,990**	16,635	-4%
Capital expenditure, gross	**532**	543	-2%	**375**	329	14%
Acquisitions, gross/investments	**2,256**	913	147%	**347**	2,238	-84%
Employees (per capita on balance sheet date)	**85,706**	81,777	5%	**60,600**	58,264	4%

Fresenius Vamed			Corporate/Other			IFRS-Reconciliation			Fresenius Group		
2013	2012	Change	**2013**[3]	2012[4]	Change	**2013**	2012	Change	**2013**	2012	Change
1,020	846	21%	**-78**	-36	-117%	**214**	218	-2%	**20,545**	19,508	5%
987	846	17%	**17**	31	-45%	**214**	218	-2%	**20,545**	19,508	5%
33	–	--	**-95**	-67	-42%	**0**	0		**0**	0	
5%	4%		**0%**	0%		**0%**	0%		**100%**	100%	
65	59	10%	**-69**	-115	40%	**14**	29	-52%	**3,848**	3,788	2%
10	8	25%	**10**	22	-55%	**59**	16	--	**902**	792	14%
55	51	8%	**-79**	-137	42%	**-45**	13	--	**2,946**	2,996	-2%
-3	-1	-200%	**11**	20	-45%	**0**	0		**-584**	-666	12%
-14	-14	0%	**29**	65	-55%	**5**	-6	183%	**-664**	-665	0%
37	35	6%	**-624**	-626	0%	**-23**	6	--	**988**	932	6%
31	35	-11%	**11**	-20	155%	**17**	15	13%	**2,337**	2,453	-5%
20	24	-17%	**1**	-33	103%	**0**	0		**1,273**	1,486	-14%
726	676	7%	**73**	-3	--	**101**	235	-57%	**32,859**	30,899	6%
117	74	58%	**-1,689**	-1,593	-6%	**-88**	-105	16%	**12,716**	10,923	16%
327	349	-6%	**155**	258	-40%	**306**	221	38%	**5,789**	5,953	-3%
11	11	0%	**10**	14	-29%	**17**	15	13%	**1,090**	1,022	7%
16	44	-64%	**-2**	264	-101%	**-1**	-1	0%	**2,753**	3,171	-13%
0	0		**3**	24	-88%	**42**	0		**390**	305	28%
7,010	4,432	58%	**816**	931	-12%	**0**	0		**178,337**	169,324	5%
6.4%	7.0%								**19.0%**[2]	19.9%[6]	
5.4%	6.0%								**14.6%**[2]	15.8%[6]	
1.0%	0.9%								**4.4%**	4.1%	
3.0%	4.1%								**11.4%**	12.6%	
11.6%	12.8%								**10.3%**[5]	11.0%[7]	

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

Asia-Pacific			Latin America			Africa			Fresenius Group		
2013	2012	Change	**2013**	2012	Change	**2013**	2012	Change	**2013**	2012	Change
1,945	1,899	2%	**1,174**	1,126	4%	**376**	324	16%	**20,545**	19,508	5%
9%	10%		**6%**	6%		**2%**	2%		**100%**	100%	
299	322	-7%	**160**	159	1%	**42**	58	-28%	**2,946**	2,996	-2%
56	52	8%	**36**	33	9%	**5**	6	-17%	**902**	792	14%
2,306	2,094	10%	**950**	938	1%	**140**	137	2%	**32,859**	30,899	6%
112	84	33%	**62**	59	5%	**9**	7	29%	**1,090**	1,022	7%
126	11	--	**21**	9	133%	**3**	–	--	**2,753**	3,171	-13%
15,859	14,315	11%	**14,474**	13,485	7%	**1,698**	1,483	14%	**178,337**	169,324	5%

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

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a global health care group with products and services for dialysis, hospitals and outpatient medical care. In addition, the Fresenius Group focuses on hospital operations and also manages projects and provides services for hospitals and other health care facilities worldwide. Besides the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. H., the operating activities were split into the following legally independent business segments (subgroups) in the fiscal year 2013:

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

Fresenius Medical Care is the world's leading provider of services and products for patients with chronic kidney failure. As of December 31, 2013, Fresenius Medical Care was treating 270,122 patients in 3,250 dialysis clinics.

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

Fresenius Helios is Germany's largest hospital operator. At December 31, 2013, Fresenius Helios owned 74 hospitals, thereof 51 acute care clinics including 6 maximum care hospitals in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin and Wuppertal and 23 post-acute care clinics. Fresenius Helios treats more than 2.9 million patients per year, thereof more than 780,000 inpatients, and operates more than 23,000 beds.

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

Fresenius SE & Co. KGaA owned 31.31% of the subscribed capital of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) at the end of the fiscal year 2013. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly owned subsidiary of Fresenius SE & Co. KGaA. Therefore, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group. Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2013. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. In addition, Fresenius SE & Co. KGaA holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology.

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

II. BASIS OF PRESENTATION

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union (EU), fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE & Co. KGaA at December 31, 2013 have been prepared and will be published in accordance with the Standards valid on the date of the statement of financial position issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), formerly the Standing Interpretations Committee (SIC), and as binding to be applied in the EU. The financial statements are also in accordance with IFRS as issued by the IASB. Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP).

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

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

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

At February 27, 2014, the Management Board of Fresenius Management SE authorized the consolidated financial statements for issue and passed it to the Supervisory Board of Fresenius SE & Co. KGaA. The Supervisory Board has to review the consolidated financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods.

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

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

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

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

b) Composition of the Group

Besides Fresenius SE & Co. KGaA, the consolidated financial statements include all material subsidiaries in which Fresenius SE & Co. KGaA, directly or indirectly, holds a majority investment or the majority of the voting power and has the possibility of control. Special purpose entities (SPEs) are consolidated if they are controlled by a Fresenius Group company, i. e. risk and rewards remain with the Group.

Fresenius Medical Care has entered into various arrangements with certain dialysis clinics and a dialysis product distributor to provide management services, financing and product supply. The dialysis clinics and the dialysis product

distributor have either negative equity or are unable to provide their own funding for their operations. Therefore, Fresenius Medical Care has agreed to fund their operations through loans.

The compensation for the funding can carry interest, exclusive product supply agreements or entitle Fresenius Medical Care to a prorata share of profits, if any. Fresenius Medical Care has a right of first refusal in the event the owners sell the business or assets. These clinics and the dialysis product distributor are SPEs which are controlled by Fresenius Medical Care and therefore have been fully consolidated. They generated approximately €153 million (US$203 million) and €160 million (US$206 million) in sales in 2013 and 2012, respectively. Fresenius Medical Care provided funding to these SPEs through loans and accounts receivable of €109 million (US$150 million) and €111 million (US$147 million) in 2013 and 2012, respectively. The interest held by the other shareholders in the consolidated SPEs is reported as noncontrolling interest in the consolidated statement of financial position.

Fresenius Vamed participates in long-term project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. These project entities are SPEs, which are not controlled by Fresenius Vamed and therefore are not consolidated. The project entities generated approximately €88 million in sales in 2013 (2012: €86 million). The SPEs finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the SPEs are not material. Fresenius Vamed made no payments to the SPEs other than contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these SPEs.

The consolidated financial statements of 2013 included, in addition to Fresenius SE & Co. KGaA, 1,863 companies and 27 companies were accounted for under the equity method. In 2013, there were no material changes in the scope of consolidated entities.

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

In 2013, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

Name of the company	Registered office
Corporate/Other	
Fresenius Biotech Beteiligungs GmbH	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG	Bad Homburg v. d. H.
Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG	Bad Homburg v. d. H.
Fresenius Netcare GmbH	Bad Homburg v. d. H.
Fresenius ProServe GmbH	Bad Homburg v. d. H.
FPS Beteiligungs AG	Düsseldorf
FPS Immobilien Verwaltungs GmbH & Co. Reichenbach KG	Bad Homburg v. d. H.
ProServe Krankenhaus Beteiligungs-gesellschaft mbH & Co. KG	München
ProServe Zweite Krankenhaus Beteiligungsgesellschaft mbH & Co. KG	München
Fresenius Kabi	
CFL GmbH	Frankfurt am Main
Fresenius Kabi AG	Bad Homburg v. d. H.
Fresenius Kabi Deutschland GmbH	Bad Homburg v. d. H.
Hosped GmbH	Friedberg
Rheinische Compounding GmbH	Bonn
V. Krütten Medizinische Einmalgeräte GmbH	Idstein

Name of the company	Registered office
Fresenius Helios	
Akademie Damp GmbH i. L.	Damp
Betriebsführungsgesellschaft Schloß Schönhagen GmbH	Schönhagen
Damp Diagnostik und Physio Holding GmbH	Hamburg
Damp Holding GmbH	Damp
Gesundheitszentrum Buch GmbH	Berlin
HELIOS Agnes-Karll-Krankenhaus GmbH	Bad Schwartau
HELIOS Care GmbH	Berlin
HELIOS Gesundheitsmanagement GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Ahrenshoop GmbH	Ahrenshoop
HELIOS Klinik Berching GmbH	Berching
HELIOS Klinik Blankenhain GmbH	Blankenhain
HELIOS Klinik Bleicherode GmbH	Bleicherode
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Lehmrade GmbH	Lehmrade
HELIOS Klinik Leisnig GmbH	Leisnig
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Klinik Schkeuditz GmbH	Schkeuditz
HELIOS Klinik Schloss Schönhagen GmbH	Damp
HELIOS Klinik Volkach GmbH	Volkach
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Kliniken Mansfeld-Südharz GmbH	Sangerhausen
HELIOS Klinikum Aue GmbH	Aue
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Berlin-Buch GmbH	Berlin
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Schwelm GmbH	Schwelm
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Ostseeklinik Damp GmbH	Damp
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Rehaklinik Damp GmbH	Damp
HELIOS-SERVICE GmbH	Berlin
HELIOS Spital Überlingen GmbH	Überlingen
HELIOS St. Josefs-Hospital GmbH	Bochum
HELIOS Therapiecentrum Damp GmbH i. L.	Damp
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Medizinisches Versorgungszentrum am HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
ostsee resort damp GmbH	Damp
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
Verwaltungsgesellschaft ENDO-Klinik mbH	Hamburg
Zentrale Service-Gesellschaft Damp mbH	Damp

c) Classifications

Certain items in the consolidated financial statements of 2012 have been reclassified to conform with the presentation in 2013.

In June 2011, the IASB issued an amended version of IAS 19, Employee Benefits (IAS 19R), which was endorsed by the EU Commission in June 2012. As a result of the first time adoption of IAS 19R at January 1, 2013, the Fresenius Group was required to restate the prior year and carried forward amounts as of January 1, 2013 and January 1, 2012. This change in accounting policy resulted in an increase in pension liabilities of €304 million as of December 31, 2012. Furthermore, deferred tax assets increased by €101 million. As a result of the new calculation of net periodic benefit cost, the net income attributable to shareholders of Fresenius SE & Co. KGaA increased by €2 million in 2012. This increase in net income attributable to shareholders of Fresenius SE & Co. KGaA in 2012 is due to the reduction in cost of sales and selling, general and administrative expenses of €4 million and €5 million, respectively. These changes also resulted in a contrasting effect on tax assets of €3 million. Furthermore, noncontrolling interest increased by €4 million in 2012. In 2012, earnings per share increased by 1 cent. In 2013, there were also no material effects on net income attributable to shareholders of Fresenius SE & Co. KGaA and on earnings per share.

d) Sales recognition policy

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

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

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

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

e) Government grants

Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. Initially, the grant is recorded as a liability and as soon as the asset is acquired, the grant is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

f) Research and development expenses

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research findings and occurs before the start of the commercial production or use. Research expenses are expensed as incurred. Development expenses that fully meet the criteria for the recognition of an intangible asset are capitalized as intangible asset.

g) Impairment

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

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

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

h) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2013 and 2012, interest of €5 million and €3 million, based on an average interest rate of 5.92% and 4.53%, respectively, was recognized as a component of the cost of assets.

i) Income taxes

Current taxes are calculated based on the earnings of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account.

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

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

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

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

It is Fresenius Group's policy that assets on uncertain tax positions are recognized to the extent it is more likely than not the tax will be recovered. It is also Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense.

j) Earnings per ordinary share

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

k) Cash and cash equivalents

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

l) Trade accounts receivable

Trade accounts receivable are stated at their nominal value less an allowance for doubtful accounts. The allowances are estimates comprised of customer-specific evaluations regarding their payment history, current financial stability, and applicable country-specific risks for receivables that are overdue more than one year. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

m) Inventories

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

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

n) Available for sale financial assets

Investments in equity instruments, debt instruments and fund shares are classified as available for sale financial assets and measured at fair value provided that this fair value can be determined reliably. Equity instruments that do not have a quoted price in an active market and a reliably measurable fair value, are recognized at acquisition cost. The Fresenius Group regularly reviews if objective substantial evidence occurs that would indicate an impairment of a financial asset or a portfolio of financial assets. After testing the recoverability of these assets, a possible impairment loss is recorded in the consolidated statement of financial position. Gains and losses of available for sale financial assets are recognized directly in the consolidated statement of equity until the financial asset

is disposed of or if it is considered to be impaired. In the case of an impairment, the accumulated net loss is retrieved from the consolidated statement of equity and recognized in the consolidated statement of income.

o) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Repairs and maintenance costs are recognized in profit and loss as incurred. The costs for the replacement of components or the general overhaul of property, plant and equipment are recognized, if it is probable that future economic benefits will flow to the Fresenius Group and this costs can be measured reliably. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years for buildings and improvements (with a weighted-average life of 16 years) and 2 to 15 years for machinery and equipment (with a weighted-average life of 11 years).

p) Intangible assets with finite useful lives

Intangible assets with finite useful lives, such as patents, product and distribution rights, non-compete agreements, technology as well as licenses to manufacture, distribute and sell pharmaceutical drugs, are amortized using the straight-line method over their respective useful lives to their residual values and reviewed for impairment (see note 1. III. g, Impairment). The useful lives of patents, product and distribution rights range from 5 to 20 years, the average useful life is 13 years. Non-compete agreements with finite useful lives have useful lives ranging from 2 to 25 years with an average useful life of 8 years. The useful life of management contracts with finite useful lives ranges from 5 to 40 years. Technology has a finite useful live of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs are amortized over the contractual license period based upon the annual estimated units of sale of the licensed product. All other intangible assets are amortized over their individual estimated useful lives between 3 and 15 years.

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

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

For development costs of dialysis machines manufactured by Fresenius Medical Care, the timing of the recognition as assets is based on the technical utilizability of the machines. Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years.

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. Costs are depreciated on a straight-line basis over an expected utilization period. In 2013 and 2012, impairment losses were recorded on in-process R & D projects, whose earnings prospects have been decreased or which are not pursued (see note 8, Research and development expenses).

q) Goodwill and other intangible assets with indefinite useful lives

The Fresenius Group identified intangible assets with indefinite useful lives because, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Group. The identified intangible assets with indefinite useful lives such as tradenames and certain qualified management contracts acquired in a purchase method business combination are recognized and reported apart from goodwill. They are recorded at acquisition costs. Goodwill and intangible assets with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment (impairment test).

To perform the annual impairment test of goodwill, the Fresenius Group identified several cash generating units (CGUs) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level based on regions or legal entities. Four CGUs were identified in the segments Fresenius Medical Care and Fresenius Kabi,

respectively (Europe, Latin America, Asia-Pacific and North America). According to the regional organizational structure, the segment Fresenius Helios consists of eight CGUs, which are managed by a central division. The segment Fresenius Vamed consists of two CGUs (Project business and Service business). At least once a year, the Fresenius Group compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount as its value in use of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

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

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2013 and 2012.

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

r) Leases

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

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

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

s) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The following categories (according to IAS 39, Financial Instruments: Recognition and Measurement) are relevant for the Fresenius Group: loans and receivables, financial liabilities measured at amortized cost, available for sale financial assets as well as financial liabilities/assets measured at fair value in the consolidated statement of income. Other categories are immaterial or not existing in the Fresenius Group. According to their character, the Fresenius Group classifies its financial instruments into the following classes: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount, derivatives for hedging purposes as well as assets recognized at fair value, liabilities recognized at fair value and noncontrolling interest subject to put provisions recognized at fair value.

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

The Fresenius Group has potential obligations to purchase noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of the third-party owners' noncontrolling interests at already defined purchase prices or at the appraised fair value at the time of exercise. To estimate the fair values of the noncontrolling interest subject to put provisions, the Fresenius Group recognizes the higher of net book value or a multiple of earnings, based on historical earnings, the development stage of the underlying business and other factors. When

applicable, the obligations are discounted at a pre-tax discount rate which reflects the market valuation of the interest effect and the specific risk of the obligation. Depending on the market conditions, the estimated fair values of the noncontrolling interest subject to these put provisions can also fluctuate and the implicit multiple of earnings at which the noncontrolling interest subject to put provisions may ultimately be settled could vary significantly from Fresenius Group's current estimates.

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

t) Liabilities

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

u) Legal contingencies

In the ordinary course of Fresenius Group's operations, the Fresenius Group is involved in litigation, arbitration, administrative procedure and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate. The Fresenius Group utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for a loss accrual, the Fresenius Group considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

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

v) Accrued expenses

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

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

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

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

w) Pension liabilities and similar obligations

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

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

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

Remeasurements include actuarial gains and losses resulting from the evaluation of the defined benefit obligation as well as from the difference between actual return on plan assets and the expected return on plan assets at the beginning of the year used to calculate the net interest costs. In

the event of a surplus for a defined benefit pension plan remeasurements can also contain the effect from Asset Ceiling, as far as this effect is not included in net interest costs.

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

x) Debt issuance costs

Debt issuance costs are offset against debt and are amortized over the term of the related obligation.

y) Stock option plans

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

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

z) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the largest subsidiary of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA), located in North America, is partially self-insured for professional liability claims. For all other coverage, FMC-AG & Co. KGaA assumes responsibility for incurred claims up to predetermined amounts, above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

aa) Foreign currency translation

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

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. In the fiscal year 2013, only immaterial losses resulted out of this translation.

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

	Year-end exchange rate[1]		Average exchange rate	
	Dec. 31, 2013	Dec. 31, 2012	**2013**	2012
U.S. dollar per €	**1.3791**	1.3194	**1.3281**	1.2848
Pound sterling per €	**0.8337**	0.8161	**0.8493**	0.8109
Swedish krona per €	**8.8591**	8.5820	**8.6515**	8.7041
Chinese renminbi per €	**8.3491**	8.2207	**8.1646**	8.1052
Japanese yen per €	**144.72**	113.61	**129.66**	102.49

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

bb) Fair value hierarchy

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

cc) Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

dd) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 18% of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2013 and 2012, respectively.

ee) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2013 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2013, or IFRS that can be applied earlier on a voluntary basis.

The Fresenius Group applied the following standards, as far as they are relevant for Fresenius Group's business, for the first time:

- Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)
- Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 and IFRS 7)
- Amendments to IAS 19, Employee Benefits
- Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)
- IFRS 13, Fair Value Measurement

In May 2013, the IASB issued **Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)**. Accordingly, disclosures about a recoverable amount, if that amount is based on fair value less costs of disposal, are only required for impaired assets or cash generating units. The amendments of IAS 36 are effective for fiscal years beginning on or after January 1, 2014. Earlier adoption is permitted. The Fresenius Group has already applied the amendments to IAS 36 as of January 1, 2013. There has not been a material impact on the consolidated financial statements of the Fresenius Group.

In December 2011, the IASB issued **Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32 and IFRS 7)**. The amendments to IAS 32 clarify several requirements for offsetting financial assets and financial liabilities in the statement of financial position. The amendments to IFRS 7 require disclosing and reconciling gross and net amounts for financial instruments that are offset in the statement of financial position, and amounts for financial instruments that are subject to master netting arrangements and other similar clearing and repurchase arrangements. The amendments to IAS 32 are effective for annual periods beginning on or after January 1, 2014 and interim periods within those annual periods. The Fresenius Group will apply the amended version of IAS 32 as of January 1, 2014. The amendments to IFRS 7 are effective for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The Fresenius Group has applied the amended version of IFRS 7 as of January 1, 2013. For further information see note 30, Financial instruments.

In June 2011, the IASB issued an amended version of **IAS 19, Employee Benefits**. Among other amendments, this version eliminates the corridor approach to accounting for actuarial gains and losses and requires their recognition in Other Comprehensive Income (OCI) without recycling to profit and loss. Another change in pension accounting according to IAS 19 relates to the return on plan assets. Until now, this return was comprised of the expected profit out of plan assets. In the future, the return will be calculated by discounting the fair value of a plan asset at the beginning of a period. Additionally, several new disclosures are required. The amended version of IAS 19 is effective retrospectively for fiscal years beginning on or after January 1, 2013 with a few simplifications to retrospective implementation. Earlier adoption is permitted. The Fresenius Group has applied the amended version of IAS 19 as of January 1, 2013.

In June 2011, the IASB issued **Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)**. According to the amendments, the statement of comprehensive income shall present items of OCI that can be reclassified to profit and loss separately from items that can not be reclassified. Tax shall be allocated to each of these two groups if OCI items are presented before tax. The amended version of IAS 1 is effective retrospectively for fiscal years beginning on or after July 1, 2012. Earlier adoption is permitted. The Fresenius Group has implemented the amendments to IAS 1 as of January 1, 2013.

In May 2011, the IASB issued **IFRS 13, Fair Value Measurement**. IFRS 13 defines fair value as an exit price in a transaction between market participants at the measurement date and enhances disclosures related to fair value measurements. The new standard gives guidance on performing fair value measurements required by other IFRS. IFRS 13 increases convergence with the U.S. GAAP guidance in the field of fair value measurements. IFRS 13 is effective for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted. The Fresenius Group has applied IFRS 13 as of January 1, 2013. There has not been a material impact on the consolidated financial statements of the Fresenius Group.

ff) Recent pronouncements, not yet applied

The IASB issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2014:

- Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)
- Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)
- IFRS 10, Consolidated Financial Statements
- IFRS 11, Joint Arrangements
- Amendments to IAS 28, Investments in Associates and Joint Ventures
- IFRS 12, Disclosure of Interests in Other Entities
- IFRS 9, Financial Instruments

In June 2013, the IASB issued **Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39)**. Due to the amendments to IAS 39, a novation of a derivative from one counterparty to a central counterparty, as a consequence of new laws or regulations if specific conditions are met, is not resulting in the discontinuation of hedge accounting. The amendments of IAS 39 are effective for fiscal years beginning on or after January 1, 2014. Earlier adoption is permitted. The Fresenius Group does not expect any impact on its consolidated financial statements.

In December 2011, the IASB issued **Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)**. The amendments to IFRS 9 defer the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. Earlier adoption is permitted. This mandatory effective

date has been cancelled in connection with another amendment which was issued in November 2013. The amendments to IFRS 7 relieve entities from restating comparative financial statements. Instead, additional disclosures about the transition from IAS 39 to IFRS 9 are required when an entity first applies IFRS 9. The Fresenius Group will apply this guidance when applying IFRS 9 for the first time.

In May 2011, the IASB issued **IFRS 10, Consolidated Financial Statements**, and in June 2012 amended its transition guidance. The new standard provides one single definition of "control". The new standard replaces the previously relevant consolidation guidance in IAS 27 (2008), Consolidated and Separate Financial Statements and SIC-12, Consolidation – Special Purpose Entities. According to IFRS 10, an entity (subsidiary) is controlled by an investor, who is exposed or has rights to variable returns from the involvement with the entity (subsidiary), when the investor has existing rights that give it the ability to direct the activities that significantly affect the investee's returns. In accordance with the standards of the IASB, IFRS 10 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 11, IFRS 12 and IAS 28 (as amended in 2011). According to EU law, the date of the first time adoption was postponed to January 1, 2014. The Fresenius Group will apply IFRS 10 as of January 1, 2014. The Fresenius Group does not expect any impact on its consolidated financial statements.

In May 2011, the IASB issued **IFRS 11, Joint Arrangements**, and in June 2012 amended its transition guidance. The standard defines and regulates the accounting of arrangements under common control (joint arrangements). The new standard replaces the guidance on accounting for joint ventures previously included in IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. Joint arrangements are defined as arrangements for which two or more parties have contractually agreed joint control. Joint control exists if decisions about relevant activities must be taken unanimously by all parties. Additionally, IFRS 11 classifies joint arrangements in joint operations and joint ventures and gives guidance on how to account for both types. Parties to a joint operation have rights to the assets and obligations for the liabilities of the arrangement and shall include them in their consolidated financial statements proportionally to their interest. Parties to a joint venture have a right to the net position (asset or liability) of the arrangement and it will be accounted for using the equity method. The option to consolidate using the proportional method of accounting has been eliminated. In accordance with the standards of the IASB, IFRS 11 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 10, IFRS 12 and IAS 28 (as amended in 2011). According to EU law, the date of the first time adoption was postponed to January 1, 2014. The Fresenius Group will apply IFRS 11 as of January 1, 2014. The Fresenius Group does not expect any impact on its consolidated financial statements.

In May 2011, the IASB issued an amended version of **IAS 28, Investments in Associates and Joint Ventures**. This version stipulates that joint ventures as described in IFRS 11, Joint Arrangements, shall be accounted for using the equity method guidance in IAS 28, among others. In accordance with the standards of the IASB, the amended version of IAS 28 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 10, IFRS 11 and IFRS 12. According to EU law, the date of the first time adoption was postponed to January 1, 2014. The Fresenius Group will apply the amended version of IAS 28 as of January 1, 2014. The Fresenius Group does not expect any impact on its consolidated financial statements.

In May 2011, the IASB issued **IFRS 12, Disclosure of Interests in Other Entities**, and in June 2012 amended its transition guidance. The standard gathers all disclosure requirements for interests held in other entities including joint arrangements. In accordance with the standards of the IASB, IFRS 12 is effective retrospectively for fiscal years beginning on or after January 1, 2013. Earlier adoption is permitted concurrently with IFRS 10, IFRS 11 and IAS 28 (as amended in 2011). According to EU law, the date of the first time adoption was postponed to January 1, 2014. The Fresenius Group will apply IFRS 12 as of January 1, 2014. The Fresenius Group does not expect any impact on its consolidated financial statements.

In November 2009, the IASB issued **IFRS 9, Financial Instruments for the accounting of financial assets**, which replaces the IAS 39 financial asset categories with two categories. Financial assets that have basic loan features and are managed on a contractual yield basis must be measured at amortized cost. All other financial assets are measured at fair value through profit and loss, whereby for strategic equity investments there is an option to record changes in fair value through other comprehensive income (loss). In October 2010, the IASB issued **additions to IFRS 9, Financial Instruments for the accounting of financial liabilities**. These additions complete the classification and measurement of financial instruments phase of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new guidance requires entities that choose to measure financial liabilities at fair value to generally present changes in the entity's own credit risk within other comprehensive income (loss). Other current accounting guidance for financial liabilities has been maintained. In November 2013, the IASB issued **additions to IFRS 9, Financial Instruments,** by introducing a new hedge accounting model. This new model enables entities to reflect their risk management activities more flexibly. For liabilities elected to be measured at fair value, the changes to IFRS 9 introduce the possibility to recognize gains and losses, caused by a worsening in an entity's own credit risk, no longer in profit or loss. The accounting for liabilities can be changed before applying any of the other requirements in IFRS 9. Furthermore, the IASB cancelled the mandatory date of January 1, 2015. A new effective date should be decided upon when the entire IFRS 9 project is closer to completion. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

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

The IASB issued various other pronouncements throughout the year. After the review of these recent pronouncements, the Fresenius Group expects there will not be any material impact on the Fresenius Group's consolidated financial statements as a result of these accounting changes.

IV. CRITICAL ACCOUNTING POLICIES

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

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2013 and December 31, 2012, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €15,108 million and €15,295 million, respectively. This represented 46% and 50%, respectively, of total assets.

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

To determine possible impairments of these assets, the recoverable amount as its value in use of the cash generating units (CGUs) is compared to their carrying amount. The value in use of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its approved three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. These growth rates are 0% to 4% for Fresenius Medical Care, 3% for Fresenius Kabi and 1% for Fresenius Helios and Fresenius Vamed. Projections for up to 10 years are possible

due to historical experience and the stability of Fresenius Group's business, which is largely independent from the economic cycle. The discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 6.17% and the WACC in the business segment Fresenius Kabi consisted of a basic rate of 5.26% for 2013, respectively. This basic rate is then adjusted by a country-specific risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions, until they are appropriately integrated, within each CGU. In 2013, WACCs (after tax) for the CGUs of Fresenius Medical Care ranged from 6.12% to 13.83% and for the CGUs of Fresenius Kabi from 5.26% to 7.26%. In the business segments Fresenius Helios and Fresenius Vamed, the WACC (after tax) was 5.26%, country-specific adjustments did not occur. If the value in use of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC (after tax) by 0.5% would not have resulted in the recognition of an impairment loss in 2013.

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

b) Legal contingencies

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

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were €3,481 million and €3,650 million in 2013 and 2012, respectively, net of allowance. Approximately 63% of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were U.S. Medicare and Medicaid health care programs with 17% as well as private insurers in the United States with 10%, at December 31, 2013. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogeneous customer structure.

The allowance for doubtful accounts was €487 million and €406 million as of December 31, 2013 and December 31, 2012, respectively.

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

A valuation allowance is calculated if specific circumstances indicate that amounts will not be collectible. When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

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

d) Self-insurance programs

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

2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions and investments of €2,753 million and €3,171 million in 2013 and 2012, respectively. Of this amount, €2,688 million was paid in cash and €65 million was assumed obligations in 2013. Furthermore, in 2013, €14 million was paid in cash for acquisitions made in 2012.

Fresenius Medical Care

In 2013, Fresenius Medical Care spent €424 million on acquisitions, mainly for the purchase of dialysis clinics and the expansion in the laboratory services business.

In 2012, Fresenius Medical Care spent €1,408 million on acquisitions, mainly for the acquisition of Liberty Dialysis Holdings, Inc., United States.

Acquisition of Liberty Dialysis Holdings, Inc.

On February 28, 2012, Fresenius Medical Care acquired 100% of the equity of Liberty Dialysis Holdings, Inc., the owner of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC (the Liberty Acquisition). Fresenius Medical Care accounted for this transaction as a business combination and finalized the acquisition accounting on February 28, 2013.

Total consideration for the Liberty Acquisition was US$2,181 million, consisting of US$1,696 million cash, net of cash acquired and US$485 million non-cash consideration. Accounting standards for business combinations require previously held equity interests to be fair valued at the time of the acquisition with the difference to book value to be recognized as a gain or loss in income. Prior to the Liberty Acquisition, Fresenius Medical Care had a 49% equity investment in Renal Advantage Partners, LLC, the fair value of which, US$202 million, was included as part of the non-cash consideration. The fair value was determined based on the discounted cash flow method, utilizing a discount rate of approximately 13%. In addition to Fresenius Medical Care's investment, it also had a loan receivable from Renal Advantage Partners, LLC of US$279 million, at a fair value of US$283 million, which was retired as part of the transaction.

The following table summarizes the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting from December 31, 2012 until finalization on February 28, 2013, net of related income tax effects, were recorded with a corresponding adjustment to goodwill.

	US$ in millions	€ in millions
Assets held for sale	164	122
Trade accounts receivable	150	111
Other current assets	17	13
Deferred tax assets	15	11
Property, plant and equipment	168	125
Intangible assets and other assets	85	63
Goodwill	2,003	1,489
Accounts payable, accrued expenses and other short-term liabilities	-105	-78
Income tax payable and deferred taxes	-34	-25
Short-term borrowings and other financial liabilities and long-term debt and capital lease obligations	-72	-54
Other liabilities	-40	-30
Noncontrolling interests (subject and not subject to put provisions)	-170	-126
Total acquisition cost	**2,181**	1,621
Less, at fair value, non-cash contributions		
Investment at acquisition date	-202	-150
Long-term Notes Receivable	-283	-210
Total non-cash items	-485	-360
Net Cash paid	**1,696**	1,261

The amortizable intangible assets acquired in this acquisition have weighted-average useful lives of 6–8 years.

Goodwill in the amount of US$2,003 million was acquired as part of the Liberty Acquisition. Of this goodwill, approximately US$436 million is deductible for tax purposes and is being amortized over a 15 year period which began on the date of the acquisition.

The noncontrolling interests acquired as part of the acquisition are stated at fair value based upon contractual multiples typically utilized by Fresenius Medical Care for such arrangements as well as Fresenius Medical Care's overall experience.

The fair valuation of Fresenius Medical Care's investment at the time of the Liberty Acquisition resulted in a non-taxable gain of US$140 million (€109 million). The retirement of the loan receivable resulted in a benefit of US$9 million (€7 million).

Divestitures

In connection with the United States Federal Trade Commission consent order relating to regulatory clearance of the Liberty Acquisition under the Hart-Scott-Rodino Antitrust Improvements Act, Fresenius Medical Care agreed to divest a total of 62 renal dialysis centers. During 2012, 61 clinics were sold 24 of which were Fresenius Medical Care AG & Co. KGaA legacy clinics, which generated a gain of US$33.5 million (€26.0 million). During 2013, the remaining clinic required to be sold was sold for a gain of US$7.7 million (€5.9 million). The 38 clinics acquired and subsequently sold were categorized as assets held for sale in the preceding table at the time of the Liberty Acquisition.

Fresenius Kabi

In 2013, Fresenius Kabi spent €131 million on acquisitions, mainly for a 51% stake in PT Ethica Industri Farmasi, Indonesia, production plants in India and China as well as for compounding companies in Germany.

In 2012, Fresenius Kabi spent €877 million on acquisitions, mainly for the acquisition of Fenwal Holdings, Inc., United States.

Acquisition of Fenwal Holdings, Inc.

On July 20, 2012, Fresenius Kabi announced the signing of a purchase agreement to acquire 100% of the share capital in Fenwal Holdings, Inc. (Fenwal), a leading U.S.-based provider of transfusion technology products for blood collection, separation and processing.

The transaction could be closed on December 13, 2012 after approval by the antitrust authorities. The Fresenius Group has consolidated Fenwal as of December 2012.

The transaction was accounted for as a business combination. The following table summarizes the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting from December 31, 2012 until finalization on November 30, 2013, net of related income tax effects, were recorded with a corresponding adjustment to goodwill.

€ in millions	
Trade accounts receivable	61
Working capital and other assets	224
Assets	120
Liabilities	-549
Goodwill	399
Identifiable immaterial assets	331
Consideration transferred	**586**
Net debt acquired	259
Transaction amount	**845**

The amortizable intangible assets acquired in this acquisition have weighted-average useful lives of 10 to 15 years. The acquired amortizable intangible assets primarily consist of customer relationships in the amount of €70 million and technology in the amount of €237 million.

The goodwill in the amount of €399 million that was acquired as part of the Fenwal Acquisition is not deductible for tax purposes.

Divestitures

In December 2012, Fresenius Kabi announced that it had signed an agreement to sell its subsidiary Calea France SAS (Calea) to The Linde Group. Calea is active in the French homecare market and focuses on respiratory therapy, which is not a core business of Fresenius Kabi.

The assets and liabilities of Calea were thus shown as held for sale in the consolidated statement of financial position as of December 31, 2012 under other assets and other liabilities.

The transaction was completed in January 2013. The gain on disposal in the amount of €48 million is included in selling, general and administrative expenses in the consolidated statement of income.

Fresenius Helios

In 2013, Fresenius Helios spent €2,185 million on acquisitions, mainly 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.

Acquisition of hospitals of Rhön-Klinikum AG

On September 13, 2013, Fresenius Helios announced the signing of a binding agreement to purchase 43 hospitals as well as 15 outpatient facilities of Rhön-Klinikum AG, Germany, for a purchase price of €3,070 million.

The acquisition was subject to antitrust approval as well as certain approvals of former municipal owners or current minority shareholders. The majority of the transaction was closed on February 27, 2014 (see note 36, Subsequent events).

In 2012, Fresenius Helios spent €579 million on acquisitions, mainly for the acquisition of Damp Holding AG.

Acquisition of Damp Holding AG

In March 2012, Fresenius Helios closed the acquisition of Damp Holding AG (Damp), Germany. 100% of the share capital was acquired.

The Fresenius Group has consolidated Damp as of March 31, 2012. The transaction was accounted for as a business combination and the acquisition accounting was finalized on March 31, 2013.

The following table summarizes the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting from December 31, 2012 until finalization, net of related income tax effects, were recorded with a corresponding adjustment to goodwill.

€ in millions	
Trade accounts receivable	43
Working capital and other assets	56
Assets	241
Liabilities	-431
Goodwill	445
Consideration transferred	**354**
Net debt acquired	207
Transaction amount	**561**

The goodwill in the amount of €445 million that was acquired as part of the Damp Acquisition is not deductible for tax purposes.

Fresenius Vamed

In 2013, Fresenius Vamed spent €16 million on acquisitions, mainly for the purchase of the hospitals Nemocnice sv. Zdislavy a. s. and Mělnická zdravotní a. s., Czech Republic.

In 2012, Fresenius Vamed spent €44 million on acquisitions, mainly for the acquisition of H.C. Hospital Consulting S.p.A., Italy, and the intercompany acquisition of the HELIOS Klinik Zihlschlacht AG, Switzerland, from HELIOS Kliniken GmbH.

Corporate/Other

In November and December 2011, Fresenius SE & Co. KGaA purchased 1,399,996 ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA). In January and February 2012, Fresenius SE & Co. KGaA purchased further 2,100,004 ordinary shares of FMC-AG & Co. KGaA. Therefore, the voting rights in FMC-AG & Co. KGaA increased to 31.18% at December 31, 2012. A total of 3.5 million ordinary shares were acquired with a total transaction volume of approximately €184 million, whereof €113 million were spent in the year 2012.

Divestitures

During 2013, German government securities with a carrying amount of €37 million were divested.

On June 28, 2013, the sale of Fresenius Biotech to the Fuhrer family, owners of Neopharm, Israel's second-largest pharmaceutical company, was closed. The transaction includes both the trifunctional antibody Removab as well as the immunosuppressive drug ATG-Fresenius S. The gain on disposal amounted to €0 million.

Already in December 2012, Fresenius has decided to focus on its four established business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed.

As a result of this decision, the assets and liabilities of Fresenius Biotech were shown as held for sale in the consolidated statement of financial position as of December 31, 2012 under other assets and other liabilities.

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

In the fiscal year 2013, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. The excess of the total acquisition costs over the fair value of the net assets acquired was €509 million and €3,030 million in 2013 and 2012, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was €354 million and the other intangible assets were €155 million. Of this goodwill, €194 million is attributable to the acquisitions of Fresenius Medical Care, €138 million to Fresenius Kabi's acquisitions, €14 million to the acquisitions of Fresenius Helios and €8 million to the acquisitions of Fresenius Vamed.

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill arises principally due to the fair value placed on an established stream of future cash flows versus building a similar business.

The acquisitions completed in 2013 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

€ in millions	2013
Sales	674
EBITDA	40
EBIT	-14
Net interest	-23
Net income attributable to shareholders of Fresenius SE & Co. KGaA	-38

The acquisitions increased the total assets of the Fresenius Group by €2,603 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2013 in the amount of €988 million includes special items relating to the integration of Fenwal Holdings, Inc.

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

€ in millions	EBIT	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2013, adjusted		1,028
Integration of Fenwal Holdings, Inc.	-54	-40
Earnings 2013 according to IFRS		**988**

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2012 in the amount of €932 million included several special items.

An expense in the amount of €17 million resulted from Fresenius Medical Care's renegotiation of the license, distribution, manufacturing and supply agreement for iron products sold under the Venofer brand and from a donation to the American Society of Nephrology.

The special item relating to the acquisition of Liberty Dialysis Holdings, Inc. by Fresenius Medical Care in an amount of €34 million is described in note 10, Investment gain.

Furthermore, net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2012 included special items in the amount of -€29 million relating to the takeover offer to the shareholders of Rhön-Klinikum AG.

The special items were comprised of the following:

€ in millions	EBIT	Investment gain	Other financial result	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2012, adjusted				944
Venofer/donation Fresenius Medical Care	-86			-17
Investment gain Fresenius Medical Care		109		34
Financing costs Rhön-Klinikum AG			-35	-25
Other costs Rhön-Klinikum AG	-6			-4
Total special items	**-92**	**109**	**-35**	**-12**
Earnings 2012 according to IFRS				**932**

4. SALES

Sales by activity were as follows:

€ in millions	2013	2012
Sales of services	**12,441**	11,990
Sales of products and related goods	**7,507**	7,007
Sales from long-term production contracts	**587**	510
Other sales	**10**	1
Sales	**20,545**	19,508

A sales analysis by business segment and region is shown in the segment information on pages 62 to 63.

5. COST OF SALES

Cost of sales was comprised of the following:

€ in millions	2013	2012
Cost of services	**9,450**	8,996
Manufacturing cost of products and related goods	**3,976**	3,559
Cost of long-term production contracts	**514**	440
Other cost of sales	**3**	–
Cost of sales	**13,943**	12,995

6. COST OF MATERIALS

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

€ in millions	2013	2012
Cost of raw materials, supplies and purchased components	**5,566**	5,097
Reversals of write-downs of raw materials, supplies and purchased components	**-1**	-4
Cost of purchased services	**819**	741
Cost of materials	**6,384**	5,834

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €7,340 million and €6,888 million in 2013 and 2012, respectively.

Personnel expenses were comprised of the following:

€ in millions	2013	2012
Wages and salaries	**5,834**	5,463
Social security contributions, cost of retirement pensions and social assistance	**1,506**	1,425
thereof retirement pensions	**188**	174
Personnel expenses	**7,340**	6,888

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

	2013	2012
Production	**34,247**	29,669
Service	**107,539**	102,997
Administration	**21,439**	20,518
Sales and marketing	**9,580**	8,813
Research and development	**1,928**	1,749
Total employees (per capita)	**174,733**	163,746

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €390 million (2012: €305 million) included expenditures for research and non-capitalizable development costs as well as depreciation and amortization expenses relating to capitalized development costs of €59 million (2012: €16 million). In 2013 and 2012, research and development expenses included impairments on capitalized development expenses of €43 million and €2 million, respectively. These related to in-process R & D of product approval projects, which were acquired through the acquisition of Fresenius Kabi USA, Inc., and whose earnings prospects have been decreased or which are not pursued.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were €802 million (2012: €746 million) and mainly included expenditures for sales personnel of €388 million (2012: €366 million).

General and administrative expenses amounted to €2,464 million (2012: €2,466 million) and were related to expenditures for administrative functions not attributable to research and development, production or selling.

10. INVESTMENT GAIN

Fresenius Medical Care's acquisition of the remaining 51% stake in Renal Advantage Partners, LLC, in addition to its 49% equity investment held previously, represents a business combination achieved in stages in the course of the acquisition of Liberty Dialysis Holdings, Inc. The previous equity investment was measured at its fair value at the date of the acquisition of Liberty Dialysis Holdings, Inc. by Fresenius Medical Care. In 2012, the resultant non-taxable income of US$140 million (€109 million) was presented in the separate line item investment gain in the consolidated statement of income.

11. NET INTEREST

Net interest of -€584 million included interest expenses of €634 million and interest income of €50 million. The main portion of the interest expenses resulted from Fresenius Group's financial liabilities, which are not recognized at fair value in the consolidated statement of income (see note 30, Financial instruments).

12. OTHER FINANCIAL RESULT

In 2012, the item other financial result in the amount of -€35 million was comprised of financing costs, mainly costs for the financing commitment, related to the takeover offer to the shareholders of Rhön-Klinikum AG.

13. TAXES

INCOME TAXES

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

€ in millions	2013	2012
Germany	**502**	414
International	**1,860**	1,990
Total	**2,362**	2,404

Income tax expenses (benefits) for 2013 and 2012 consisted of the following:

€ in millions	Current taxes	Deferred taxes	**Income taxes**
2013			
Germany	**111**	**-14**	**97**
International	**557**	**10**	**567**
Total	**668**	**-4**	**664**
2012			
Germany	81	-14	67
International	599	-1	598
Total	680	-15	665

In 2013 and 2012, Fresenius SE & Co. KGaA was subject to German federal corporation income tax at a base rate of 15% plus a solidarity surcharge of 5.5% on federal corporation taxes payable.

A reconciliation between the expected and actual income tax expense is shown in the following table. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 29.5% for the fiscal years 2013 and 2012, respectively.

€ in millions	2013	2012
Computed "expected" income tax expense	**697**	706
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**37**	18
Tax rate differential	**42**	37
Tax-free income	**-76**	-64
Taxes for prior years	**-11**	21
Noncontrolling interests	**-41**	-38
Other	**16**	-18
Income tax	**664**	662
Effective tax rate	**28.1%**	27.6%

DEFERRED TAXES

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

€ in millions	2013	2012
Deferred tax assets		
Accounts receivable	**16**	15
Inventories	**95**	96
Other current assets	**35**	73
Other non-current assets	**127**	147
Accrued expenses	**222**	228
Other short-term liabilities	**54**	61
Other liabilities	**31**	35
Benefit obligations	**125**	140
Losses carried forward from prior years	**172**	154
Deferred tax assets	**877**	949
Deferred tax liabilities		
Accounts receivable	**32**	15
Inventories	**26**	23
Other current assets	**14**	16
Other non-current assets	**797**	813
Accrued expenses	**101**	120
Other short-term liabilities	**33**	50
Other liabilities	**104**	103
Deferred tax liabilities	**1,107**	1,140
Net deferred taxes	**-230**	-191

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

€ in millions	2013	2012
Deferred tax assets	**529**	683
Deferred tax liabilities	**759**	874
Net deferred taxes	**-230**	-191

As of December 31, 2013, Fresenius Medical Care has not recognized a deferred tax liability on approximately €4.5 billion of undistributed earnings of its foreign subsidiaries, because those earnings are considered indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	€ in millions
2014	36
2015	35
2016	44
2017	49
2018	49
2019	35
2020	30
2021	29
2022	29
2023 and thereafter	120
Total	**456**

The total remaining operating losses of €356 million can mainly be carried forward for an unlimited period. The total amount of the existing operating losses as of December 31, 2013 includes an amount of €198 million (2012: €228 million) that will probably not be realizable. For these operating losses, deferred tax assets were not recognized.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2013.

TAX AUDITS

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

In Germany, for Fresenius Medical Care, the tax years 2002 through 2009 are currently under audit by the tax authorities. The other entities of the Fresenius Group are currently subject to tax audits for the tax years 2006 through 2009. The Fresenius Group recognized and recorded the current proposed adjustments of this audit period in the consolidated financial statements. All proposed adjustments are deemed immaterial. Fiscal years 2010 until 2013 are open to audit.

In the United States, the tax years 2009 and 2010 are currently under audit by the tax authorities. Fiscal years 2011 until 2013 are open to audit. Fresenius Medical Care Holdings, Inc. (FMCH) is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the consolidated financial statements.

Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions for civil settlement payments taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, Fresenius Medical Care received a partial refund in September 2008 of US$37 million, inclusive of interest, and preserved its right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately US$126 million. On December 22, 2008, Fresenius Medical Care filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of US$95 million. On May 31, 2013, the District Court entered final judgment for FMCH in the amount of US$50 million. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston).

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

14. EARNINGS PER SHARE

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

	2013	2012
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**988**	932
less effect from dilution due to Fresenius Medical Care shares	**1**	2
Income available to all ordinary shares	**987**	930
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**178,672,652**	172,977,633
Potentially dilutive ordinary shares	**1,231,688**	1,547,170
Weighted-average number of ordinary shares outstanding assuming dilution	**179,904,340**	174,524,803
Basic earnings per ordinary share in €	**5.53**	5.38
Fully diluted earnings per ordinary share in €	**5.49**	5.32

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

15. CASH AND CASH EQUIVALENTS

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

€ in millions	2013	2012
Cash	**846**	865
Time deposits and securities (with a maturity of up to 90 days)	**18**	20
Total cash and cash equivalents	**864**	885

As of December 31, 2013 and December 31, 2012, earmarked funds of €22 million and €38 million, respectively, were included in cash and cash equivalents.

16. TRADE ACCOUNTS RECEIVABLE

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

€ in millions	2013	2012
Trade accounts receivable	**3,968**	4,056
less allowance for doubtful accounts	**487**	406
Trade accounts receivable, net	**3,481**	3,650

All trade accounts receivable are due within one year.

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

€ in millions	2013	2012
Allowance for doubtful accounts at the beginning of the year	**406**	383
Change in valuation allowances as recorded in the consolidated statement of income	**284**	251
Write-offs and recoveries of amounts previously written-off	**-185**	-221
Foreign currency translation	**-18**	-7
Allowance for doubtful accounts at the end of the year	**487**	406

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

€ in millions	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	2,278	675	276	335	404	**3,968**
less allowance for doubtful accounts	28	78	52	68	261	**487**
Trade accounts receivable, net	2,250	597	224	267	143	**3,481**

17. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2013	2012
Raw materials and purchased components	**446**	437
Work in process	**323**	291
Finished goods	**1,314**	1,216
less reserves	**68**	100
Inventories, net	**2,015**	1,844

In 2013, reversals of write-downs of inventory in an amount of €1 million were made (2012: €4 million).

The companies of the Fresenius Group are obliged to purchase approximately €720 million of raw materials and purchased components under fixed terms, of which €453 million was committed at December 31, 2013 for 2014. The terms of these agreements run one to eight years. Advance payments from customers of €248 million (2012: €174 million) have been offset against inventories.

Inventories as of December 31, 2013 and December 31, 2012 included approximately €24 million and approximately €23 million, respectively, of the product Erythropoietin (EPO). On January 1, 2012, Fresenius Medical Care entered into a three-year sourcing and supply agreement with its EPO supplier.

18. OTHER CURRENT AND NON-CURRENT ASSETS

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

	2013		2012	
€ in millions		thereof short-term		thereof short-term
Purchase price deposits	**2,178**	**0**	0	0
Investments, securities and long-term loans	**791**	**43**	761	54
Tax receivables	**254**	**233**	257	235
Accounts receivable resulting from German hospital law	**168**	**153**	164	149
Cost report receivable from Medicare and Medicaid	**94**	**94**	66	66
Leasing receivables	**78**	**36**	81	36
Discounts	**78**	**78**	47	47
Advances made	**60**	**60**	75	74
Prepaid expenses	**60**	**28**	56	25
Prepaid rent and insurance	**55**	**55**	61	61
Deposits	**48**	**19**	52	20
Derivative financial instruments	**32**	**30**	53	52
Assets held for sale	**0**	**0**	55	55
Other assets	**634**	**383**	559	430
Other assets, net	**4,530**	**1,212**	2,287	1,304
allowances	**11**	**9**	8	7
Other assets, gross	**4,541**	**1,221**	2,295	1,311

The purchase price deposits contain 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.

As of December 31, 2013, investments, securities and long-term loans were comprised of investments of €482 million (2012: €484 million), mainly regarding the joint venture between Fresenius Medical Care and Galenica Ltd., that were accounted for under the equity method. In 2013, income of €20 million (2012: €14 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income. Moreover, investments, securities and long-term loans included €197 million financial assets available for sale as of December 2013 (2012: €182 million). These mainly refer to shares in Rhön-Klinikum AG with acquisition costs of €124 million and a fair value of €147 million. Furthermore, investments and long-term loans included €120 million as of December 31, 2013 that Fresenius Medical Care loaned to a middle-market dialysis provider.

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

Depreciation on other non-current assets in an immaterial amount was recognized in the fiscal year 2013 (2012: €2 million).

19. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2013	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2013
Land and land facilities	285	-7	4	17	2	7	**294**
Buildings and improvements	3,672	-113	1	93	231	59	**3,825**
Machinery and equipment	4,675	-196	4	459	195	166	**4,971**
Machinery, equipment and rental equipment under capital leases	139	-1	–	10	–	3	**145**
Construction in progress	542	-25	8	489	-422	8	**584**
Property, plant and equipment	9,313	-342	17	1,068	6	243	**9,819**

DEPRECIATION

€ in millions	As of Jan. 1, 2013	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2013
Land and land facilities	6	–	0	1	–	1	**6**
Buildings and improvements	1,597	-50	-3	226	5	44	**1,731**
Machinery and equipment	2,751	-107	-9	472	-4	149	**2,954**
Machinery, equipment and rental equipment under capital leases	39	-1	–	9	-1	2	**44**
Construction in progress	1	–	0	–	–	–	**1**
Property, plant and equipment	4,394	-158	-12	708	–	196	**4,736**

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Land and land facilities	230	-1	55	7	2	8	**285**
Buildings and improvements	3,270	-29	202	86	181	38	**3,672**
Machinery and equipment	4,167	-37	147	442	132	176	**4,675**
Machinery, equipment and rental equipment under capital leases	105	-1	35	3	1	4	**139**
Construction in progress	430	-4	18	438	-331	9	**542**
Property, plant and equipment	8,202	-72	457	976	-15	235	**9,313**

DEPRECIATION

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Land and land facilities	5	–	0	–	1	–	**6**
Buildings and improvements	1,429	-15	–	215	2	34	**1,597**
Machinery and equipment	2,513	-16	-3	422	-6	159	**2,751**
Machinery, equipment and rental equipment under capital leases	42	-1	-8	10	–	4	**39**
Construction in progress	1	–	0	0	–	–	**1**
Property, plant and equipment	3,990	-32	-11	647	-3	197	**4,394**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2013	Dec. 31, 2012
Land and land facilities	**288**	279
Buildings and improvements	**2,094**	2,075
Machinery and equipment	**2,017**	1,924
Machinery, equipment and rental equipment under capital leases	**101**	100
Construction in progress	**583**	541
Property, plant and equipment	**5,083**	4,919

Depreciation on property, plant and equipment for the years 2013 and 2012 was €708 million and €647 million, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2013 and 2012 included peritoneal dialysis cycler machines which Fresenius Medical Care leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which Fresenius Medical Care leases to physicians under operating leases in an amount of €433 million and €403 million, respectively.

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

For details of minimum lease payments see note 23, Debt and capital lease obligations.

20. GOODWILL AND OTHER INTANGIBLE ASSETS

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

ACQUISITION COST

€ in millions	As of Jan. 1, 2013	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2013
Goodwill	15,114	-543	325	29	–	4	**14,921**
Patents, product and distribution rights	585	-23	–	16	1	8	**571**
Capitalized development costs	375	-13	0	17	0	1	**378**
Technology	321	-12	2	1	-8	1	**303**
Tradenames	175	-10	17	–	–	–	**182**
Non-compete agreements	242	-11	8	1	0	3	**237**
Management contracts	6	–	-1	0	–	0	**5**
Other	689	-33	78	33	31	22	**776**
Goodwill and other intangible assets	17,507	-645	429	97	24	39	**17,373**

AMORTIZATION

€ in millions	As of Jan. 1, 2013	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2013
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	216	-8	–	35	–	8	**235**
Capitalized development costs	160	-7	0	59	0	1	**211**
Technology	32	-2	0	20	-2	0	**48**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	162	-8	0	23	0	3	**174**
Management contracts	0	0	0	0	0	0	**0**
Other	324	-14	-1	57	17	7	**376**
Goodwill and other intangible assets	894	-39	-1	194	15	19	**1,044**

ACQUISITION COST

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Goodwill	12,773	-217	2,553	6	0	1	**15,114**
Patents, product and distribution rights	582	-9	13	2	1	4	**585**
Capitalized development costs	366	-5	0	15	0	1	**375**
Technology	86	-2	240	0	-3	0	**321**
Tradenames	178	-3	0	–	–	–	**175**
Non-compete agreements	201	-5	46	–	0	0	**242**
Management contracts	6	–	0	0	0	–	**6**
Other	601	-14	122	48	-58	10	**689**
Goodwill and other intangible assets	14,793	-255	2,974	71	-60	16	**17,507**

AMORTIZATION

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	182	-3	1	41	-1	4	**216**
Capitalized development costs	147	-2	0	16	0	1	**160**
Technology	25	-1	0	8	–	0	**32**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	144	-3	-1	22	0	0	**162**
Management contracts	0	0	0	0	0	0	**0**
Other	322	2	–	56	-47	9	**324**
Goodwill and other intangible assets	820	-7	–	143	-48	14	**894**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2013	Dec. 31, 2012
Goodwill	**14,921**	15,114
Patents, product and distribution rights	**336**	369
Capitalized development costs	**167**	215
Technology	**255**	289
Tradenames	**182**	175
Non-compete agreements	**63**	80
Management contracts	**5**	6
Other	**400**	365
Goodwill and other intangible assets	**16,329**	16,613

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

AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2013			Dec. 31, 2012		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**571**	**235**	**336**	585	216	369
Capitalized development costs	**378**	**211**	**167**	375	160	215
Technology	**303**	**48**	**255**	321	32	289
Non-compete agreements	**237**	**174**	**63**	242	162	80
Other	**776**	**376**	**400**	689	324	365
Total	**2,265**	**1,044**	**1,221**	2,212	894	1,318

Fresenius Medical Care capitalized development costs in an amount of €5 million for the fiscal year 2013 (2012: €6 million). Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years. The amortization expense for the fiscal year 2013 amounted to €2 million (2012: €2 million). In the case of Fresenius Kabi, development costs capitalized amounted to €162 million at December 31, 2013 (December 31, 2012: €209 million). The amortization is recorded on a straight-line basis over a useful life of 5 years and amounted to €14 million for the fiscal year 2013 (2012: €12 million). These are included in the preceding amortization tables in the columns additions. Furthermore, in 2013, an impairment loss of €43 million (2012: €2 million) was recorded (see note 8, Research and development expenses).

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

€ in millions	2014	2015	2016	2017	2018
Estimated amortization expenses	141	134	127	122	121

NON-AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2013			Dec. 31, 2012		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**182**	**0**	**182**	175	0	175
Management contracts	**5**	**0**	**5**	6	0	6
Goodwill	**14,921**	**0**	**14,921**	15,114	0	15,114
Total	**15,108**	**0**	**15,108**	15,295	0	15,295

Amortization on intangible assets amounted to €194 million and €143 million for the years 2013 and 2012, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2012	**7,095**	**3,909**	**1,715**	**48**	**6**	**12,773**
Additions	1,705	396	447	11	0	2,559
Disposals	0	-1	–	0	0	-1
Reclassifications	0	0	-18	18	0	0
Foreign currency translation	-150	-67	0	0	0	-217
Carrying amount as of December 31, 2012	**8,650**	**4,237**	**2,144**	**77**	**6**	**15,114**
Additions	194	138	14	8	0	354
Disposals	0	-4	0	0	0	-4
Reclassifications	–	0	0	0	0	–
Foreign currency translation	-398	-145	0	0	0	-543
Carrying amount as of December 31, 2013	**8,446**	**4,226**	**2,158**	**85**	**6**	**14,921**

As of December 31, 2013 and December 31, 2012, the carrying amounts of the other non-amortizable intangible assets were €158 million and €165 million, respectively, for Fresenius Medical Care as well as € 29 million and €16 million, respectively, for Fresenius Kabi.

21. ACCRUED EXPENSES

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

	2013		2012	
€ in millions		**thereof short-term**		thereof short-term
Personnel expenses	**693**	**591**	663	568
Invoices outstanding	**253**	**253**	279	279
Self-insurance programs	**147**	**147**	142	142
Bonuses and discounts	**115**	**115**	122	122
Special charge for legal matters	**83**	**83**	87	87
Warranties and complaints	**67**	**66**	59	58
Legal matters, advisory and audit fees	**57**	**57**	56	56
Commissions	**30**	**30**	29	29
Other accrued expenses	**573**	**503**	545	508
Accrued expenses	**2,018**	**1,845**	1,982	1,849

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

€ in millions	As of Jan. 1, 2013	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Utilized	Reversed	**As of Dec. 31, 2013**
Personnel expenses	663	-17	3	508	10	-426	-48	**693**
Invoices outstanding	279	-3	-2	209	5	-211	-24	**253**
Self-insurance programs	142	-7	0	53	–	-2	-39	**147**
Bonuses and discounts	122	-3	–	119	-1	-108	-14	**115**
Special charge for legal matters	87	-4	0	0	0	0	0	**83**
Warranties and complaints	59	–	–	24	–	-12	-4	**67**
Legal matters, advisory and audit fees	56	-3	-1	43	-2	-33	-3	**57**
Commissions	29	-1	–	28	–	-23	-3	**30**
Other accrued expenses	545	-17	40	456	-8	-334	-109	**573**
Total	1,982	-55	40	1,440	4	-1,149	-244	**2,018**

Accruals for personnel expenses mainly refer to bonus, severance payments, contribution of partial retirement and holiday entitlements. For details regarding accruals for self-insurance programs, please see note 1. III. z, Self-insurance programs.

In 2001, Fresenius Medical Care recorded a US$258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG, estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care had agreed to pay US$115 million (€83 million), without interest, upon plan confirmation. On February 3, 2014, the plan was confirmed and became effective. Fresenius Medical Care paid the US$115 million at that time. All other matters included in the special charge have now been resolved (see note 29, Commitments and contingent liabilities).

22. OTHER LIABILITIES

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

	2013		2012	
€ in millions		thereof short-term		thereof short-term
Noncontrolling interest subject to put provisions	**378**	**132**	321	116
Debtors with credit balances	**227**	**227**	158	158
Personnel liabilities	**223**	**218**	193	188
Interest liabilities	**145**	**145**	163	163
Tax liabilities	**145**	**144**	162	160
Accounts payable resulting from German hospital law	**130**	**130**	174	168
Accounts receivable credit balance	**75**	**41**	44	29
Leasing liabilities	**72**	**72**	66	66
Advance payments from customers	**32**	**32**	59	58
Derivative financial instruments	**23**	**17**	96	76
Liabilities held for sale	**0**	**0**	36	36
All other liabilities	**329**	**194**	390	246
Other liabilities	**1,779**	**1,352**	1,862	1,464

The Fresenius Group has potential obligations to purchase noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of third-party owners' noncontrolling interests at already defined purchase prices or the appraised fair value at the time of exercise.

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

At December 31, 2013, the total amount of other noncurrent liabilities was €427 million, thereof €203 million was due between one and five years and €224 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €600 million also included other long-term accrued expenses of €173 million as of December 31, 2013.

23. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €2,376 million and €205 million at December 31, 2013 and December 31, 2012, respectively. As of December 31, 2013, this debt consisted of borrowings by certain entities of the Fresenius Group under lines of credit with commercial banks. Furthermore, €500 million were outstanding under the commercial paper program of Fresenius SE & Co. KGaA. The average interest rates on these borrowings at December 31, 2013 and 2012 were 1.15% and 5.98%, respectively. Moreover, short-term debt includes the Bridge Financing Facility in an amount of € 1,500 million described in the following.

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 majority of 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 €1,200 million Senior Notes issuances as well as the US$300 million Senior Notes issuance that were made in January and February 2014. For more information, see note 36, Subsequent events. On February 27, 2014, the Bridge Financing Facility was voluntarily 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.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

€ in millions	2013	2012
Fresenius Medical Care 2012 Credit Agreement	**1,963**	2,016
2013 Senior Credit Agreement	**1,709**	0
2008 Senior Credit Agreement	**0**	1,170
Euro Notes	**859**	739
European Investment Bank Agreements	**188**	498
Accounts receivable facility of Fresenius Medical Care	**255**	123
Capital lease obligations	**94**	94
Other	**248**	316
Subtotal	**5,316**	4,956
less current portion	**855**	520
less financing cost	**95**	106
Long-term debt and capital lease obligations, less current portion	**4,366**	4,330

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

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Fresenius Medical Care 2012 Credit Agreement	145	290	1,528	0
2013 Senior Credit Agreement	127	282	956	344
Euro Notes	334	285	240	0
European Investment Bank Agreements	148	16	16	8
Accounts receivable facility of Fresenius Medical Care	0	255	0	0
Capital lease obligations	7	21	8	58
Other	94	79	50	25
Long-term debt and capital lease obligations	**855**	**1,228**	**2,798**	**435**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2013 are:

for the fiscal years	€ in millions
2014	855
2015	355
2016	873
2017	1,826
2018	972
Subsequent years	435
Total	**5,316**

Fresenius Medical Care 2012 Credit Agreement

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

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

	2013			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit (in US$)	US$600 million	435	**US$138 million**	**100**
Revolving Credit (in €)	€500 million	500	**€50 million**	**50**
Term Loan A	US$2,500 million	1,813	**US$2,500 million**	**1,813**
Total		2,748		**1,963**

	2012			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit (in US$)	US$600 million	454	**US$59 million**	**45**
Revolving Credit (in €)	€500 million	500	**€0 million**	**0**
Term Loan A	US$2,600 million	1,971	**US$2,600 million**	**1,971**
Total		2,925		**2,016**

As of December 31, 2013, the Fresenius Medical Care 2012 Credit Agreement consisted of:

- A 5-year revolving credit facility of approximately US$1,250 million comprising a US$400 million multicurrency revolving facility, a US$200 million revolving facility and a €500 million revolving facility which will be due and payable on October 30, 2017.
- A 5-year term loan facility (Term Loan A) of US$2,500 million, also scheduled to mature on October 30, 2017. The Fresenius Medical Care 2012 Credit Agreement requires quarterly payments of US$50 million each, which began in the third quarter of 2013 that permanently reduce the term loan facility. The remaining balance is due on October 30, 2017.

Interest on the credit facilities is, at Fresenius Medical Care's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the Fresenius Medical Care 2012 Credit Agreement plus an applicable margin. As of December 31, 2013, the U.S. dollar-denominated tranches outstanding under the Fresenius Medical Care 2012 Credit Agreement had a weighted-average interest rate of 2.00%. The euro-denominated tranche had an interest rate of 1.95%.

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

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

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

The Fresenius Medical Care 2012 Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €330 million for dividends to be paid in 2014, and increases in subsequent years. In default, the outstanding balance under the Fresenius Medical Care 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

As of December 31, 2013, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2012 Credit Agreement.

In addition, at December 31, 2013 and December 31, 2012, Fresenius Medical Care had letters of credit outstanding in the amount of US$9 million and US$77 million, respectively, which were not included above as part of the balance outstanding at those dates but which reduce available borrowings under the Revolving Credit Facility.

2013 Senior Credit Agreement

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Senior Credit Agreement) in the original amount of US$1,300 million and €1,250 million. 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.

The following tables show the available and outstanding amounts under the 2013 Senior Credit Agreement at December 31, 2013 and under the 2008 Senior Credit Agreement at December 31, 2012:

2013 SENIOR CREDIT AGREEMENT

	2013			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities (in €)	€600 million	600	**€0 million**	**0**
Revolving Credit Facilities (in US$)	US$300 million	218	**US$0 million**	**0**
Term Loan A (in €)	€637 million	637	**€637 million**	**637**
Term Loan A (in US$)	US$980 million	710	**US$980 million**	**710**
Term Loan B (in US$)	US$499 million	362	**US$499 million**	**362**
Total		2,527		**1,709**

2008 SENIOR CREDIT AGREEMENT

	2012			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities	US$550 million	416	**US$0 million**	**0**
Term Loan A	US$375 million	284	**US$375 million**	**284**
Term Loan D (in US$)	US$959 million	728	**US$959 million**	**728**
Term Loan D (in €)	€158 million	158	**€158 million**	**158**
Total		1,586		**1,170**

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.
- 5-year term loan facilities in the aggregate principal amount of US$980 million and €637 million (together Term Loan A). 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). 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 an incremental term loan facility A of €600 million, an incremental term loan facility B of €300 million and an incremental revolving facility of €300 million. These incremental facilities were drawn down on February 27, 2014 and used to fund the acquisition of hospitals from Rhön-Klinikum AG.

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

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

The 2013 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH, Fresenius Kabi AG and certain U.S. subsidiaries of Fresenius Kabi AG. Obligations under the 2013 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries of Fresenius Kabi AG, and 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.

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

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

Euro Notes

As of December 31, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

			Book value/nominal value € in millions	
	Maturity	Interest rate	**2013**	2012
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98%	**112**	112
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**	88
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75%	**38**	38
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**	62
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	3.36%	**156**	156
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	variable	**129**	129
Fresenius SE & Co. KGaA 2013/2017	Aug. 22, 2017	2.65%	**51**	0
Fresenius SE & Co. KGaA 2013/2017	Aug. 22, 2017	variable	**74**	0
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	4.09%	**72**	72
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	variable	**43**	43
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	8.38%	**11**	12
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	**23**	27
Euro Notes			**859**	739

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.

The Euro Notes issued by Fresenius Finance B.V. in the amount of €200 million and €100 million, which are due on April 2, 2014 and on July 2, 2014, respectively, as well as the Euro Notes of FMC-AG & Co. KGaA due on October 27, 2014 of €34 million are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position.

The Euro Notes of Fresenius Finance B.V. are guaranteed by Fresenius SE & Co. KGaA. The Euro Notes of FMC-AG & Co. KGaA are guaranteed by Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH).

As of December 31, 2013, the Fresenius Group was in compliance with all of its covenants under the Euro Notes.

European Investment Bank Agreements

Various subsidiaries of the Fresenius Group maintain credit facilities with the European Investment Bank (EIB). The following table shows the amounts outstanding under the EIB facilities as of December 31:

		Book value € in millions	
	Maturity	2013	2012
Fresenius SE & Co. KGaA	2013	**0**	196
Fresenius Medical Care AG & Co. KGaA	2013/2014	**140**	246
HELIOS Kliniken GmbH	2019	**48**	56
Loans from EIB		**188**	498

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 projects. The facilities were granted to finance certain research and development projects, to invest in the expansion and optimization of existing production facilities in Germany and for the construction of a hospital.

Repayment of the loan of HELIOS Kliniken GmbH already started in December 2007 and will continue through December 2019 with constant half-yearly payments.

At June 14, 2013, €96 million borrowings of Fresenius SE & Co. KGaA and US$91 million borrowings of FMC-AG & Co. KGaA were due. The loans were repaid as scheduled. In addition, loans borrowed by Fresenius SE & Co. KGaA of €100 million and FMC-AG & Co. KGaA of US$49 million, which were due at September 10 and 13, 2013, respectively, were repaid as scheduled.

The loans borrowed by FMC-AG & Co. KGaA, which were due at February 3 and 17, 2014, respectively, are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position. They were repaid as scheduled.

The above mentioned loans had variable interest rates which were based on EURIBOR or LIBOR plus applicable margin. These interest rates changed quarterly. The loans under the EIB Agreements entered before 2009 were secured by bank guarantees. The 2009 loan of Fresenius SE & Co. KGaA was guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH. The 2009 loan of FMC-AG & Co. KGaA was guaranteed by FMCH and FMC D-GmbH. All credit agreements with the EIB had customary covenants. As of December 31, 2013, the Fresenius Group was in compliance with the respective covenants.

Accounts receivable facility of Fresenius Medical Care

On January 17, 2013, the asset securitization facility (accounts receivable facility) of Fresenius Medical Care was refinanced for a term expiring on January 15, 2016 with available borrowings of US$800 million.

At December 31, 2013, there were outstanding borrowings under the accounts receivable facility of US$351 million (€255 million) (2012: US$162 million (€123 million)). The fair value and the net book value of the assigned accounts receivable was US$925 million (€671 million) at December 31, 2013 (2012: US$1,008 million (€764 million)). Fresenius Medical Care also had letters of credit outstanding in the amount of US$66 million (€48 million) at December 31, 2013. These letters of credit were not included above as part of the balance outstanding at December 31, 2013, however, they reduce available borrowings under the accounts receivable facility.

Under the accounts receivable facility, certain receivables are sold to NMC Funding Corp. (NMC Funding), a wholly owned subsidiary of Fresenius Medical Care. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the accounts receivable facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the consolidated statement of financial position and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2013 was 1.04%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part, as of the reporting date. At December 31, 2013, the additional financial cushion resulting from unutilized credit facilities was approximately €2.2 billion.

Syndicated credit facilities accounted for €1.6 billion. This portion is comprised of the Fresenius Medical Care 2012 Credit Agreement in the amount of US$1,073 million (€778 million) and the 2013 Senior Credit Agreement in the amount of US$1,128 million (€818 million). Furthermore, bilateral facilities of approximately €650 million were available. They include credit facilities which certain entities of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

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

Additional financing of up to US$800 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized in the amount of US$417 million as of December 31, 2013.

24. SENIOR NOTES

As of December 31, Senior Notes of the Fresenius Group consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**2013**	2012
Fresenius Finance B.V. 2006/2013	€500 million	Jan. 31, 2013	5.00%	**0**	500
Fresenius Finance B.V. 2006/2016	€650 million	Jan. 31, 2016	5.50%	**0**	645
Fresenius Finance B.V. 2012/2019	€500 million	Apr. 15, 2019	4.25%	**500**	500
Fresenius Finance B.V. 2013/2020	€500 million	July 15, 2020	2.875%	**500**	0
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8.75%	**270**	267
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**357**	369
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**249**	248
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**295**	294
FMC Finance VIII S.A. 2011/2016	€100 million	Oct. 15, 2016	variable	**100**	100
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**396**	396
FMC Finance VIII S.A. 2012/2019	€250 million	July 31, 2019	5.25%	**243**	243
Fresenius Medical Care US Finance, Inc. 2007/2017	US$500 million	July 15, 2017	6.875%	**360**	376
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**468**	489
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**287**	300
Fresenius Medical Care US Finance II, Inc. 2012/2019	US$800 million	July 31, 2019	5.625%	**580**	606
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**508**	531
Senior Notes				**5,113**	5,864

On January 7, 2013, Fresenius announced the early redemption of the 5.5% Senior Notes due in 2016 that were issued in 2006. The aggregate principal amount of €650 million was completely repaid on February 7, 2013 at a price of 100.916% plus accrued and unpaid interest. Initially, the redemption was financed by utilizing existing credit lines. Starting end of June 2013, the 2013 Senior Credit Agreement was used for the refinancing.

On January 24, 2013, Fresenius Finance B.V. issued unsecured Senior Notes of €500 million at par which are due in 2020. Net proceeds were used to refinance the Senior Notes which were due in January 2013.

On March 28, 2012, Fresenius Finance B.V. issued unsecured Senior Notes of €500 million at par which are due in 2019. Net proceeds were used for acquisitions, including the acquisition of the Damp Group, to refinance short-term debt and for general corporate purposes.

The Senior Notes issued by Fresenius Finance B.V. which were due on January 31, 2013 were shown as current portion of Senior Notes in the consolidated statement of financial position as of December 31, 2012.

All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. may be redeemed prior to their maturity at the option of the issuers at a price of 100% plus accrued interest and a premium calculated pursuant to the terms of the indentures under observance of certain notice periods.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, investments, 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.

On January 26, 2012, Fresenius Medical Care US Finance II, Inc. issued unsecured Senior Notes of US$800 million with a coupon of 5.625% at par and unsecured Senior Notes of US$700 million with a coupon of 5.875% at par. In addition, FMC Finance VIII S.A. issued unsecured Senior Notes of €250 million with a coupon of 5.25% at par. The Senior Notes issued by Fresenius Medical Care US Finance II, Inc. in the amount of US$800 million are due on July 31, 2019 and the US$700 million Senior Notes are due on January 31, 2022. The Senior Notes issued by FMC Finance VIII S.A. are due on July 31, 2019. Net proceeds were used for acquisitions and for general corporate purposes.

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

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of FMC-AG & Co. KGaA and its subsidiaries to, among other things, incur debt, incur liens, engage in sale and leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2013, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes.

25. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

The Fresenius Group recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Fresenius Group. Fresenius Group's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in each country. The Fresenius Group currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the

employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Fresenius Group is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Fresenius Group has funded defined benefit plans in particular in the United States, Norway, the United Kingdom, the Netherlands and Austria. Unfunded defined benefit plans are located in Germany and France.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefit obligations and the return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

Related to defined benefit plans, the Fresenius Group is exposed to certain risks. Besides general actuarial risks, e. g. the longevity risk and the interest rate risk, the Fresenius Group is exposed to market risk as well as to investment risk.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets (funded status). A pension liability is recognized in the consolidated statement of financial position if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the consolidated statement of financial position if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund.

Under defined contribution plans, the Fresenius Group pays defined contributions to an independent third party as directed by the employee during the employee's service life which satisfies all obligations of the Fresenius Group to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Fresenius Group paid contributions upon leaving the Fresenius Group. The Fresenius Group has a main defined contribution plan in the United States.

DEFINED BENEFIT PENSION PLANS

At December 31, 2013, the defined benefit obligation (DBO) of the Fresenius Group of €1,020 million (2012: €986 million) included €312 million (2012: €294 million) funded by plan assets and €708 million (2012: €692 million) covered by pension provisions. Furthermore, the pension liability contains benefit obligations offered by other subsidiaries of Fresenius Medical Care in an amount of €21 million (2012: €25 million). The current portion of the pension liability in an amount of €15 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €714 million is recorded as pension liability.

The major part of pension liabilities relates to Germany. At December 31, 2013, 72% of the pension liabilities were recognized in Germany and 28% predominantly in the rest of Europe and North America. 57% of the beneficiaries were located in North America, 31% in Germany and the remainder throughout the rest of Europe and other continents.

62% of the pension liabilities in an amount of €729 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the German entities of the Fresenius Group are unfunded. The German Pension Plan 1988 does not have a separate pension fund.

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year, FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2013, FMCH's minimum funding requirement was US$6 million (€5 million). In addition to the compulsory contributions, FMCH voluntarily provided US$5 million (€4 million) to the defined benefit plan. Expected funding for 2014 is US$43 million (€31 million).

Benefit plans offered by other subsidiaries of Fresenius Medical Care outside of the United States and Germany contain separate benefit obligations. The total pension liability for these other plans was €21 million and €25 million at December 31, 2013 and 2012, respectively, and consists of a pension asset of €56 thousand (2012: €177 thousand) recognized as other non-current assets and a current pension liability of €1 million (2012: €1 million), which is recognized as a current liability in the line item short-term accrued expenses and other short-term liabilities. The non-current pension liability of €20 million (2012: €24 million) for these plans is recorded as pension liability in the consolidated statement of financial position.

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €437 million. Benefit obligations relating to unfunded pension plans were €583 million.

The following table shows the changes in benefit obligations, the changes in plan assets, the funded status of the pension plans and the pension liability. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from Fresenius Group's funded benefit plans.

The pension liability has developed as follows:

€ in millions	2013	2012
Benefit obligations at the beginning of the year	**986**	753
Changes in entities consolidated	**6**	18
Foreign currency translation	**-15**	-5
Service cost	**30**	20
Past service cost	**1**	7
Settlements	**-5**	-3
Interest cost	**39**	39
Contributions by plan participants	**2**	2
Transfer of plan participants	**3**	–
Remeasurements	**–**	188
Actuarial losses (gains) arising from changes in financial assumptions	**2**	171
Actuarial losses (gains) arising from changes in demographic assumptions	**–**	0
Actuarial losses (gains) arising from experience adjustments	**-2**	17
Benefits paid	**-27**	-31
Divestitures	**0**	-2
Benefit obligations at the end of the year	**1,020**	986
thereof vested	**868**	849
Fair value of plan assets at the beginning of the year	**294**	260
Changes in entities consolidated	**–**	15
Foreign currency translation	**-9**	-3
Actual return on plan assets	**25**	26
Interest income from plan assets	**12**	13
Actuarial gains (losses) arising from experience adjustments	**13**	13
Contributions by the employer	**15**	14
Contributions by plan participants	**2**	1
Settlements	**-4**	-1
Transfer of plan participants	**3**	0
Gains from divestitures	**0**	0
Benefits paid	**-14**	-18
Fair value of plan assets at the end of the year	**312**	294
Funded status as of December 31	**708**	692
Benefit plans offered by other subsidiaries	**21**	25
Pension liability as of December 31	**729**	717

The plan assets are neither invested in the Fresenius Group nor in related parties of the Fresenius Group.

As of December 31, 2013 and 2012, the fair value of plan assets did not exceed the benefit obligations in any pension plan. Furthermore, for the years 2013 and 2012, there were no effects from asset ceiling.

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

in %	2013	2012
Discount rate	**4.09**	4.04
Rate of compensation increase	**3.09**	3.11
Rate of pension increase	**1.67**	1.67

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2013 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €290 million (2012: €302 million).

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability as of December 31, 2013 as follows:

Development of pension liability € in millions	0.5 pp increase	0.5 pp decrease
Discount rate	-94	108
Rate of compensation increase	29	-28
Rate of pension increase	59	-53

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2013. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately. The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan, because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

Defined benefit pension plans' net periodic benefit costs of €59 million (2012: €51 million) were comprised of the following components:

€ in millions	2013	2012
Service cost	**31**	25
Net interest cost	**28**	26
Net periodic benefit cost	**59**	51

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling, general and administrative expenses as well as research and development expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

in %	2013	2012
Discount rate	**4.10**	5.07
Rate of compensation increase	**3.13**	3.29
Rate of pension increase	**1.68**	1.74

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2014	28
2015	30
2016	32
2017	36
2018	36
2019 to 2023	225
Total expected benefit payments	**387**

At December 31, 2013 and December 31, 2012, the weighted-average duration of the defined benefit obligation was 20 years, respectively.

The fair values of plan assets by categories were as follows:

€ in millions	December 31, 2013 Quoted prices in active markets for identical assets Level 1	December 31, 2013 Significant observable inputs Level 2	December 31, 2013 Total	December 31, 2012 Quoted prices in active markets for identical assets Level 1	December 31, 2012 Significant observable inputs Level 2	December 31, 2012 Total
Categories of plan assets						
Equity investments	**45**	**45**	**90**	38	44	82
Index funds[1]	**37**	**45**	**82**	32	44	76
Other equity investments	**8**	**0**	**8**	6	0	6
Fixed income investments	**69**	**115**	**184**	63	117	180
Government securities[2]	**28**	**1**	**29**	29	1	30
Corporate bonds[3]	**19**	**113**	**132**	21	116	137
Other fixed income investments[4]	**22**	**1**	**23**	13	–	13
Other[5]	**33**	**5**	**38**	30	2	32
Total	**147**	**165**	**312**	131	163	294

[1] This category is mainly comprised of low-cost equity index funds not actively managed that track the S & P 500, S & P 400, Russell 2000, the MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.
[2] This category is primarily comprised of fixed income investments by the U.S. government and government sponsored entities.
[3] This category primarily represents investment grade bonds of U.S. issuers from diverse industries.
[4] This category is mainly comprised of private placement bonds as well as collateralized mortgage obligations and funds that invest in treasury obligations directly or in treasury backed obligations.
[5] This category mainly represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

The methods and inputs used to measure the fair value of plan assets are as follows:

Index funds are valued based on market quotes.

Other equity investments are valued at their market prices as of the date of the statement of financial position.

Government bonds are valued based on both market prices (Level 1) and market quotes (Level 2).

Corporate bonds and other bonds are valued based on market quotes as of the date of the statement of financial position.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market prices.

Plan investment policy and strategy

For the U.S. funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class.

The overall investment strategy for the U.S. pension plan is to achieve a mix of approximately 96% of investments for long-term growth and 4% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The target allocations for plan assets in the United States are 30% equity securities and 70% long-term U.S. bonds. The investment policy considers that there will be a time horizon for invested funds of more than five years. The total portfolio will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of Fresenius Medical Care AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital U.S. Strips 20+ Year Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	Allocation 2013	Allocation 2012	Target allocation
Equity investments	**28.83**	27.99	32.84
Fixed income investments	**58.98**	61.24	60.44
Other incl. real estate	**12.19**	10.77	6.72
Total	**100.00**	100.00	100.00

Contributions to plan assets for the fiscal year 2014 are expected to amount to €37 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2013 was €86 million (2012: €84 million). Of this amount, €47 million related to contributions by the Fresenius Group to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds for employees of Fresenius Helios. Further €29 million related to contributions to the U.S. savings plan, which employees of Fresenius Medical Care Holdings, Inc. (FMCH) can join.

Following applicable collective bargaining agreements, the Fresenius Group pays contributions for a given number of employees of Fresenius Helios to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds (together referred to as ZVK ÖD) to complement statutory retirement pensions. Given that employees from multiple participating entities are insured by these ZVK ÖDs, these plans are Multi-Employer plans.

ZVK ÖDs are defined benefit plans according to IAS 19 since employees are entitled to the statutory benefits regardless of the amounts contributed. The plan assets of the fund necessary to evaluate and calculate the funded status of the Group cannot be obtained from the supplementary pension funds. The calculation of a pension liability according to IAS 19 is not possible due to missing information about future payment obligations. Therefore, the obligation is accounted for as defined contribution plan according to IAS 19.30a.

The plan operates on a pay-as-you-earn system based on applying a collection rate to given parts of gross remuneration. Paid contributions are accounted for as personnel expenses within cost of sales and selling, general and administrative expenses and amounted to €47 million in 2013 (2012: €45 million). Thereof €15 million were payments to the Rheinische Zusatzversorgungskasse (2012: €13 million). The Group expects to contribute €50 million in 2014.

Under the U.S. savings plan, employees can deposit up to 75% of their pay up to an annual maximum of US$17,500 if under 50 years old (US$23,000 if 50 or over). Fresenius Medical Care will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2013 and 2012 was €29 million and €30 million, respectively.

26. NONCONTROLLING INTEREST

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

€ in millions	2013	2012
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**4,528**	4,641
Noncontrolling interest in VAMED AG	**38**	36
Noncontrolling interest in the business segments		
Fresenius Medical Care	**399**	417
Fresenius Kabi	**127**	86
Fresenius Helios	**117**	111
Fresenius Vamed	**3**	2
Total noncontrolling interest	**5,212**	5,293

Noncontrolling interest changed as follows:

€ in millions	2013
Noncontrolling interest as of January 1, 2013	**5,293**
Noncontrolling interest in profit	710
Stock options	64
Purchase of noncontrolling interest	25
Dividend payments	-295
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	-264
Currency effects, first-time consolidations and other changes	-321
Noncontrolling interest as of December 31, 2013	**5,212**

27. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of 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.

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.

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.

Due to the capital increase, the Authorized Capital I decreased by €13.8 million to €26,520,000 at December 31, 2012.

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 (see note 34, Stock options).

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 following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 1998 (until June 3, 2013)	857,970
Conditional Capital I Fresenius AG Stock Option Plan 2003 (until June 3, 2013: Conditional Capital II)	2,497,254
Conditional Capital II Fresenius SE Stock Option Plan 2008 (until June 3, 2013: Conditional Capital III)	5,383,434
Conditional Capital III, approved on May 11, 2012 (until June 3, 2013: Conditional Capital IV)	16,323,734
Total Conditional Capital as of January 1, 2013	**25,062,392**
Cancellation of the previous Conditional Capital I Fresenius AG Stock Option Plan 1998	-857,970
Fresenius AG Stock Option Plan 2003 – options exercised	-385,737
Fresenius SE Stock Option Plan 2008 – options exercised	-1,120,832
Creation of Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	8,400,000
Total Conditional Capital as of December 31, 2013	**31,097,853**

CAPITAL RESERVES

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

In the second quarter of 2012, the capital reserves increased by €989 million in connection with Fresenius SE & Co. KGaA's capital increase. The accrued expenses less applicable tax benefit were charged in an amount of €11 million against the capital reserves.

OTHER RESERVES

Other reserves are comprised of earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE & Co. KGaA as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2013, a dividend of €1.10 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid. The total dividend payment was €196 million.

SHARE BUY-BACK PROGRAM OF FRESENIUS MEDICAL CARE

Fresenius Medical Care completed a share buy-back program during the third quarter of 2013. When the program ended on August 14, 2013, 7,548,951 ordinary shares had been repurchased in the intended amount of €385 million (US$505 million).

At December 31, 2013, Fresenius SE & Co. KGaA owned 31.31% of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (December 31, 2012: 31.18%).

28. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) is comprised of all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2013 and 2012 were as follows:

€ in millions	Amount before taxes	Tax effect	Total before noncontrolling interest after taxes	Noncontrolling interest	Total after noncontrolling interest after taxes
Positions which will be reclassified into net income in subsequent years					
Cash flow hedges	28	-5	23	-2	21
Change in unrealized gains/losses	15	-4	11	-9	2
Realized gains/losses due to reclassifications	13	-1	12	7	19
Change of fair value of available for sale financial assets	-9	–	-9	–	-9
Foreign currency translation	-85	2	-83	-81	-164
Positions which will not be reclassified into net income in subsequent years					
Actuarial losses on defined benefit pension plans	-106	29	-77	-40	-117
Total changes 2012	-172	26	-146	-123	-269
Positions which will be reclassified into net income in subsequent years					
Cash flow hedges	20	-5	15	12	27
Change in unrealized gains/losses	2	0	2	3	5
Realized gains/losses due to reclassifications	18	-5	13	9	22
Change of fair value of available for sale financial assets	41	-7	34	–	34
Foreign currency translation	-285	13	-272	-303	-575
Positions which will not be reclassified into net income in subsequent years					
Actuarial gains/losses on defined benefit pension plans	-18	2	-16	17	1
Total changes 2013	**-242**	**3**	**-239**	**-274**	**-513**

Changes in accumulated other comprehensive income (loss) net of tax by component in 2013 and 2012 were as follows:

€ in millions	Cash flow hedges	Change of fair value of available for sale financial assets	Foreign currency translation	Actuarial gains/losses on defined benefit pension plans	Total, before non-controlling interest	Non-controlling interest	Total after non-controlling interest
Balance as of December 31, 2011	-143	-8	250	-38	61	141	202
Other comprehensive income (loss) before reclassifications	11	-9	-83	-77	-158	-130	-288
Amounts reclassified from accumulated other comprehensive income (loss)	12	0	–	0	12	7	19
Other comprehensive income (loss), net	23	-9	-83	-77	-146	-123	-269
Balance as of December 31, 2012	-120	-17	167	-115	-85	18	-67
Other comprehensive income (loss) before reclassifications	2	34	-272	-16	-252	-283	-535
Amounts reclassified from accumulated other comprehensive income (loss)	13	0	–	0	13	9	22
Other comprehensive income (loss), net	15	34	-272	-16	-239	-274	-513
Balance as of December 31, 2013	**-105**	**17**	**-105**	**-131**	**-324**	**-256**	**-580**

Reclassifications out of accumulated other comprehensive income (loss) in 2013 and 2012 were as follows:

	Amount of gain or loss reclassified from accumulated other comprehensive (income) loss		
€ in millions	**2013**	2012	Affected line item in the consolidated statement of income
Details about accumulated other comprehensive (income) loss components			
Cash flow hedges			
Interest rate contracts	**32**	29	Interest income/expense
Foreign exchange contracts	**-2**	-4	Cost of sales
Foreign exchange contracts	**–**	-3	Selling, general and administrative expenses
Foreign exchange contracts	**–**	–	Interest income/expense
Other comprehensive income (loss)	**30**	22	
Tax expense or benefit	**-8**	-3	
Other comprehensive income (loss), net	**22**	19	
Total reclassifications for the period	**22**	19	

OTHER NOTES

29. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2013 and 2012 was €621 million and €565 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2013 are:

for the fiscal years	€ in millions
2014	500
2015	419
2016	360
2017	289
2018	229
Thereafter	942
Total	**2,739**

As of December 31, 2013, future investment commitments existed up to the year 2017 from the acquisition contracts for hospitals at projected costs of up to €260 million. Thereof €121 million relates to the year 2014.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL AND REGULATORY MATTERS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products.

Legal matters that the Fresenius Group currently deems to be material are described below. For the matters described below in which the Fresenius Group believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Fresenius Group believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

W.R. Grace & Co. lawsuit

Fresenius Medical Care was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH), and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging, among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been dismissed as part of the Grace Chapter 11 Proceedings.

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. The District Court approved the terms of the settlement agreement as amended (Settlement Agreement) in 2003, and included the terms of the Settlement Agreement within the First Amended Plan of reorganization (Grace Bankruptcy Plan) that was ultimately approved and confirmed by the District Court. On February 3, 2014, the Court of Appeals dismissed the last of the appeals of the District Court order confirming the plan of reorganization, and the Grace Bankruptcy Plan went effective on that date. Pursuant to the terms of the Settlement Agreement and the Grace Bankruptcy Plan, all actions asserting fraudulent conveyance and other claims raised on behalf of asbestos claimants were dismissed with prejudice and Fresenius Medical Care received protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims by operation of injunctions and releases and Fresenius Medical Care also received indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group. Also, pursuant to the Settlement Agreement on February 3, 2014, Fresenius Medical Care paid a total of US$115 million, which had previously been accrued and is included on Fresenius Group's consolidated statement of financial position, to the asbestos personal injury and property damage trusts created under the Grace Bankruptcy Plan. No admission of liability was made.

Baxter patent dispute "touchscreen interfaces" (1)
On April 4, 2003, Fresenius Medical Care Holdings, Inc. (FMCH) filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International, Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding all asserted claims of Baxter patents invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following

a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$14.3 million. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. Upon remand, the district court reduced the post-verdict damages award to US$10 million. Separately, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. On May 17, 2012, the Federal Circuit affirmed the USPTO's ruling and invalidated the final remaining Baxter patent. Baxter appealed to the Federal Circuit claiming that approximately US$20 million of damages awarded to it by the District Court before the Federal Circuit affirmed the USPTO ruling constituted a final judgment that may be collected. On July 2, 2013, the Federal Circuit denied Baxter's appeal and ordered the District Court to dismiss the case. The court-approved escrow account has been terminated and the escrow funds have been returned to FMCH.

Baxter patent dispute "Liberty Cycler"

On August 27, 2012, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, styled Baxter International, Inc., et al., v. Fresenius Medical Care Holdings, Inc., Case No. 12-cv-06890, alleging that Fresenius Medical Care Holdings, Inc.'s Liberty™ cycler infringes certain U.S. patents that were issued to Baxter between October 2010 and June 2012. Fresenius Medical Care believes it has valid defenses to these claims, and will defend this litigation vigorously.

Product liability litigation

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits filed and anticipated to be filed in various federal courts alleging wrongful death and personal injury claims against Fresenius Medical Care Holdings, Inc.'s (FMCH) and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and Granuflo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts, styled In Re: Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation, Case No. 2013-md-02428. The Massachusetts state courts subsequently established a similar consolidated litigation for such cases filed in Massachusetts county courts, styled In Re: Consolidated Fresenius Cases, Case No. MICV-2013-03400-O (Massachusetts Superior Court, Middlesex County). These lawsuits allege generally that inadequate labeling and warnings for these products caused harm to patients. In addition, similar cases have been filed

in several state courts that may or may not eventually be formally consolidated with the federal multidistrict litigation. FMCH believes that these lawsuits are without merit, and will defend them vigorously.

In several cases with the same subject matter in dispute, complaints were formally served on Fresenius SE & Co. KGaA and Fresenius Management SE causing both companies to become formally involved in the litigation. Also for these cases, both companies believe the lawsuits to be without merit and intend to defend them vigorously.

Other litigation and potential exposures

Fresenius Medical Care Holdings – Qui tam complaint (Massachusetts)

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against Fresenius Medical Care Holdings, Inc. (FMCH) was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that FMCH seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a subpoena seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH has cooperated fully in responding to the subpoena, and will vigorously contest the relator's complaint.

Subpoena "American Access Care, LLC"

Subpoenas, or search warrants have been issued by federal and state law enforcement authorities under the supervision of the United States Attorneys for the Districts of Connecticut, Southern Florida, Southern New York, Eastern Virginia and Rhode Island to American Access Care, LLC (AAC), which Fresenius Medical Care acquired in October 2011, and to Fresenius Medical Care's Fresenius Vascular Access subsidiary which now operates former AAC centers as well as its own original facilities. Subpoenas have also been issued to certain of Fresenius Medical Care's outpatient hemodialysis facilities for records relating to vascular access treatment and monitoring. Fresenius Medical Care is cooperating fully in these investigations. Communications with certain of the investigating United States Attorney Offices indicate that the inquiry encompasses invoicing and coding for procedures commonly performed in vascular access centers and the documentary support for the medical necessity of such procedures. The AAC acquisition agreement contains customary indemnification obligations with respect to breaches of representations, warranties or covenants and certain other specified matters. As of October 18, 2013, a group of the prior owners of AAC exercised their right pursuant to the terms of the acquisition agreement to assume responsibility for responding to certain of the subpoenas. Pursuant to the AAC acquisition agreement, the prior owners are obligated to indemnify Fresenius Medical Care for certain liabilities that might arise from those subpoenas.

Internal review

Fresenius Medical Care has received communications alleging certain conduct in certain countries outside the United States and Germany that may violate the U.S. Foreign Corrupt

Practices Act (FCPA) or other anti-bribery laws. The Audit and Corporate Governance Committee of Fresenius Medical Care's Supervisory Board is conducting an internal review with the assistance of independent counsel retained for such purpose. Fresenius Medical Care voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) that allegations have been made and of Fresenius Medical Care's internal review. Fresenius Medical Care's review and dialogue with the SEC and DOJ are ongoing.

The review has identified conduct that raises concerns under the FCPA or other anti-bribery laws that may result in monetary penalties or other sanctions. In addition, Fresenius Medical Care's ability to conduct business in certain jurisdictions could be negatively impacted. Given the current status of the internal review, Fresenius Medical Care cannot reasonably estimate the possible loss or range of possible loss that may result from the identified matters or from the final outcome of the continuing internal review. Accordingly, no provision with respect to these matters has been made in the accompanying consolidated financial statements.

Fresenius Medical Care's independent counsel, in conjunction with Fresenius Medical Care's Compliance Department, have reviewed Fresenius Medical Care's anti-corruption compliance program, including internal controls related to compliance with international anti-bribery laws, and appropriate enhancements are being implemented. Fresenius Medical Care is fully committed to FCPA compliance.

Subpoenas "Massachusetts and Louisiana"

In December 2012 and January 2013, Fresenius Medical Care Holdings, Inc. (FMCH) received subpoenas from the United States Attorneys for the District of Massachusetts and the Western District of Louisiana requesting production of a broad range of documents. Communications with the investigating United States Attorney Offices indicate that the inquiry relates to products manufactured by FMCH, which encompasses the Granuflo® and Naturalyte® acid concentrate products that are also the subject of personal injury litigation described above, as well as electron-beam sterilization of dialyzers, the Liberty peritoneal dialysis cycler, and 2008 series hemodialysis machines as related to the use of Granuflo® and Naturalyte®. FMCH is cooperating fully in the government's investigation.

In the ordinary course of Fresenius Group's operations, the Fresenius Group is subject to litigation, arbitration and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

The Fresenius Group, like other health care providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Fresenius Group could be subject to significant adverse regulatory actions by the U.S. Food and Drug Administration (FDA) and comparable regulatory authorities outside the United States. These regulatory actions could include warning letters or other enforcement notices from the FDA and/or comparable foreign regulatory authority, which may require the Fresenius Group to expend significant time and resources in order to implement appropriate corrective actions. If the Fresenius Group does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the United States, these regulatory authorities could take additional actions, including product recalls injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of Fresenius Group's products and/or criminal prosecution. The Fresenius

Group must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from Fresenius Group's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "qui tam" or "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, Fresenius Group's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to Fresenius Group's compliance with applicable laws and regulations. The Fresenius Group may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Fresenius Group operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Fresenius Group relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Fresenius Group may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene Fresenius Group's policies or violate applicable law. The actions of such persons may subject the Fresenius Group and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act and the Foreign Corrupt Practices Act, among other laws and comparable laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Fresenius Group has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Fresenius Group maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Fresenius Group or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on Fresenius Group's reputation and business.

The Fresenius Group has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Fresenius Group has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Fresenius Group or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on Fresenius Group's reputation and business.

30. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

		Categories				
		Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value in the consolidated statement of income	Available for sale financial assets	Relating to no category
Classes	Cash and cash equivalents					▶ Cash and cash equivalents
	Assets recognized at carrying amount	▶ Trade accounts receivable (incl. receivables from and loans to related parties) ▶ Other non-current assets (loan to a dialysis provider)				
	Assets recognized at fair value				▶ European government bonds ▶ Shares ▶ Shares in funds	
	Liabilities recognized at carrying amount		▶ Trade accounts payable ▶ Short-term accounts payable to related parties ▶ Short-term debt (incl. short-term loans from related parties) ▶ Long-term debt excluding capital lease obligations ▶ Senior Notes			▶ Long-term capital lease obligations
	Liabilities recognized at fair value			▶ Other long-term liabilities		
	Noncontrolling interest subject to put provisions recognized at fair value					▶ Other short-term liabilities ▶ Other long-term liabilities
	Derivatives for hedging purposes			▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities		▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories according to IAS 39, were as follows:

€ in millions	2013	2012
Loans and receivables	**3,629**	3,668
Financial liabilities measured at amortized cost	**13,509**	11,792
Assets measured at fair value in the consolidated statement of income [1]	**16**	37
Liabilities measured at fair value in the consolidated statement of income [1]	**10**	17
Available for sale financial assets	**197**	182
Relating to no category	**395**	407

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition according to IAS 39.

The following table presents the carrying amounts and fair values as well as the fair value hierarchy levels of Fresenius Group's financial instruments as of December 31, classified into classes:

		2013		2012	
€ in millions	Fair value hierarchy level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	1	**864**	**864**	885	885
Assets recognized at carrying amount	3	**3,629**	**3,636**	3,668	3,668
Assets recognized at fair value	1	**197**	**197**	182	182
Liabilities recognized at carrying amount	2	**13,603**	**14,137**	11,886	12,488
Liabilities recognized at fair value	2	**1**	**1**	8	8
Noncontrolling interest subject to put provisions recognized at fair value	3	**378**	**378**	321	321
Derivatives for hedging purposes	2	**10**	**10**	-35	-35

The significant methods and assumptions used to estimate the fair values of financial instruments as well as classification of fair value measurements according to the three-tier fair value hierarchy are as follows:

Cash and cash equivalents are stated at nominal value, which equals the fair value.

The nominal value of short-term financial instruments such as accounts receivable and payable and short-term debt represents its carrying amount, which is a reasonable estimate of the fair value due to the relatively short period to maturity for these instruments.

The fair values of major long-term financial instruments are calculated on the basis of market information. Financial instruments for which market quotes are available are measured with the market quotes at the reporting date. The fair values of the other long-term financial liabilities are calculated at the present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used.

The class assets recognized at carrying amount consists of trade accounts receivable and a loan which Fresenius Medical Care granted to a middle-market dialysis provider. The fair value of the loan is based on significant unobservable inputs of comparable instruments and thus the class is classified as fair value hierarchy Level 3.

The class assets recognized at fair value is comprised of European government bonds and shares as well as shares in funds. The fair values of these assets are calculated on the basis of market information. Therefore, this class is classified as Level 1.

The class liabilities recognized at carrying amount is classified as hierarchy Level 2.

The class liabilities recognized at fair value is classified as hierarchy Level 2.

The valuation of the class noncontrolling interest subject to put provisions recognized at fair value is determined using significant unobservable inputs. It is therefore classified as Level 3.

Following is a roll forward of noncontrolling interest subject to put provisions:

€ in millions	2013
Noncontrolling interest subject to put provisions as of January 1, 2013	**321**
Noncontrolling interest subject to put provisions in profit	82
Purchase of noncontrolling interest subject to put provisions	19
Dividend payments	-89
Curreny effects, first-time consolidations and other changes	45
Noncontrolling interest subject to put provisions as of December 31, 2013	**378**

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit risk adjustments are factored into the valuation of derivatives that are assets. The Fresenius Group monitors and analyses the credit risk from derivative financial instruments on a regular basis. For the valuation of derivative financial instruments, the credit risk is considered in the fair value of every individual instrument. The basis for the default probability are Credit Default Swap Spreads of each counterparty appropriate for the duration. The calculation of the credit risk considered in the valuation is done by multiplying the default probability appropriate for the duration with the expected discounted cash flows of the derivative financial instrument.

For the fair value measurement of the class derivatives for hedging purposes, significant other observable inputs are used. Therefore, they are classified as Level 2 in accordance with the defined fair value hierarchy levels.

Currently, there is no indication that a decrease in the value of Fresenius Group's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2013		Dec. 31, 2012	
€ in millions	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts (current)	**0**	**4**	0	50
Interest rate contracts (non-current)	**0**	**4**	0	18
Foreign exchange contracts (current)	**15**	**5**	15	11
Foreign exchange contracts (non-current)	**1**	**–**	1	–
Derivatives designated as hedging instruments[1]	**16**	**13**	16	79
Interest rate contracts (current)	**0**	**–**	0	6
Interest rate contracts (non-current)	**0**	**1**	0	2
Foreign exchange contracts (current)[1]	**15**	**8**	37	9
Foreign exchange contracts (non-current)[1]	**1**	**1**	–	–
Derivatives not designated as hedging instruments	**16**	**10**	37	17

[1] Derivatives designated as hedging instruments and foreign exchange contracts not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely entered into to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes were recognized at gross value within other assets in an amount of €32 million and other liabilities in an amount of €22 million.

The current portion of interest rate contracts and foreign exchange contracts indicated as assets in the preceding table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively.

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of €284 million and foreign currency transactions of -€29 million. Interest income of €50 million resulted mainly from trade accounts receivable and loans to related parties. Interest expense of €634 million resulted mainly from financial liabilities, which are not recognized at fair value in the consolidated statement of income.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2013		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	21	32	3
Foreign exchange contracts	-16	-2	–
Derivatives in cash flow hedging relationships[1]	**5**	**30**	**3**
Foreign exchange contracts			–
Derivatives in fair value hedging relationships			**–**
Derivatives designated as hedging instruments	**5**	**30**	**3**

	2012		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	-20	29	2
Foreign exchange contracts	39	-7	0
Derivatives in cash flow hedging relationships[1]	**19**	**22**	**2**
Foreign exchange contracts			4
Derivatives in fair value hedging relationships			**4**
Derivatives designated as hedging instruments	**19**	**22**	**6**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gain or loss recognized in the consolidated statement of income	
€ in millions	**2013**	2012
Interest rate contracts	**7**	–
Foreign exchange contracts	**31**	-23
Derivatives not designated as hedging instruments	**38**	-23

Gains from derivatives in fair value hedging relationships and from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by losses from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €1 million of the existing losses for foreign exchange contracts deferred in accumulated other comprehensive income (loss) in the consolidated statement of income within the next 12 months. For interest rate contracts, the Fresenius Group expects to recognize €34 million of losses in the course of normal business during the next 12 months in interest expense.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income.

In 2013, gains of €34 million (2012: losses of €9 million) for available for sale financial assets were recognized in other comprehensive income (loss).

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes and commercial papers and enters into mainly long-term credit agreements and euro notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not entered into for trading purposes.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling. Risk limits are continuously monitored and, where appropriate, the use of hedging instruments is adjusted to that extent.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and generally implemented by means of micro hedges.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Securities, which are predominantly held as European government bonds, shares and shares in funds, are generally subject to the risk of changing stock exchange prices. Therefore, the stock exchange prices of these securities are continuously monitored to identify possible price risks on time.

Derivative financial instruments

Classification

To reduce the credit risk arising from derivatives, the Fresenius Group concluded master netting agreements with banks. Through such agreements, positive and negative fair values of the derivative contracts could be offset against one another if a partner becomes insolvent. This offsetting is valid for transactions where the aggregate amount of obligations owed to and receivable from are not equal. If insolvency occurs, the party which owes the larger amount is obliged to pay the other party the difference between the amounts owed in the form of one net payment.

These master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the consolidated statement of financial position as the offsetting criteria under International Financial Reporting Standards are not satisfied.

At December 31, 2013 and December 31, 2012, the Fresenius Group had €29 million and €51 million of derivative financial assets subject to netting arrangements and €22 million and €92 million of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €22 million and €34 million as well as net liabilities of €15 million and €75 million at December 31, 2013 and December 31, 2012, respectively.

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as projects and services provided by the Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, U.S. dollars and yens. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. To ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2013, the notional amounts of foreign exchange contracts totaled €1,451 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair value of cash flow hedges was €11 million. As of December 31, 2013, no fair value hedges were recognized in the Fresenius Group.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2013, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 23 months.

The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following 12 months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95% and a holding period of up to one year. The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i. e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. As of December 31, 2013, the Fresenius Group's cash flow at risk amounts to €56 million, this means, with a probability of 95%, a potential loss in relation to the forecasted foreign exchange cash flows of the next 12 months will be not higher than €56 million.

The following table shows the net positions in foreign currencies at December 31, 2013 which have a significant influence on Fresenius Group's foreign currency risk.

Nominal € in millions	2013
Chinese renminbi	265.2
U.S. dollar	169.0
Swedish krona	-120.8
Hong Kong dollar	-77.5
Russian ruble	62.7

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to protect against the risk of rising interest rates. These interest rate derivatives are mainly designated as cash flow hedges and have been entered into in order to convert payments based on variable interest rates into payments at a fixed interest rate. The U.S. dollar interest rate swaps with a notional volume of US$600 million (€435 million) and a fair value of -US$3 million (-€2 million) expire in 2014. The euro interest rate swaps with a notional volume of €268 million and a fair value of -€7 million expire in the years 2014 to 2022. The U.S. dollar interest rate swaps bear an average interest rate of 2.16% and the euro interest rate swaps bear an average interest rate of 3.37%.

In addition, the Fresenius Group also enters into interest rate hedges (pre-hedges) in anticipation of future debt issuance to effectively convert the variable interest rate related to the future debt to a fixed interest rate. These pre-hedges are settled at the issuance date of the corresponding debt with the settlement amount recorded in accumulated other comprehensive income (loss) amortized to interest expense over the life of the pre-hedges. At December 31, 2013 and December 31, 2012, the Fresenius Group had € 113 million and € 138 million, respectively, related to such settlements of pre-hedges deferred in accumulated other comprehensive income (loss), net of tax.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date. Concerning interest rate contracts, unscheduled repayments or the renegotiation of hedged items may in some cases lead to the de-designation of the hedging instrument, which existed up to that point. From that date, the respective hedging transactions are recognized in the consolidated statement of income.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to shareholders of Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of less than 1.5% on the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA and Fresenius SE & Co. KGaA shareholders' equity. The Senior Notes issued in January and February 2014 were included in this analysis.

Stock price risk management

Price risks arise from changing stock prices of available for sale financial assets. Gains and losses arising from available for sale financial assets are recognized directly in the consolidated statement of equity until the asset is disposed of or if it is considered to be impaired. A decline of 10% in prices of the recognized assets would have an effect of less than 0.2% on Fresenius SE & Co. KGaA shareholders' equity.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €32 million for foreign exchange derivatives at December 31, 2013. No credit exposure existed from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments

is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see note 16, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 23, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Long-term debt and capital lease obligations (including accounts receivable securitization program)[1]	969	1,405	2,884	463
Short-term debt	2,403	0	0	0
Senior Notes	298	1,527	1,475	3,406
Trade accounts payable	885	0	0	0
Noncontrolling interest subject to put provisions	129	81	128	62
Derivative financial instruments – designated as cash flow hedge	9	4	0	0
Derivative financial instruments – not designated as hedging instruments	8	1	–	1
Total	**4,701**	**3,018**	**4,487**	**3,932**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2013.

31. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Shareholders' equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2013	Dec. 31, 2012
Shareholders' equity[1]	**13,595**	13,149
Total assets	**32,859**	30,899
Equity ratio	**41.4%**	42.6%

[1] Previous year's figures have been adjusted, see note 1. III. c, Classifications

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998 (until June 30, 2012), 2003, 2008 and 2013 stock option plans (see note 34, Stock options).

DEBT

€ in millions	Dec. 31, 2013	Dec. 31, 2012
Debt	**12,716**	10,923
Total assets	**32,859**	30,899
Debt ratio	**38.7%**	35.4%

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The net debt/EBITDA ratio is a key financial figure for the Fresenius Group, which is measured on the basis of U.S. GAAP figures. As of December 31, 2013, the net debt/EBITDA ratio excluding 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 and before integration costs of Fenwal (€54 million) was 2.5.

Fresenius Group's financing strategy is reflected in its credit ratings. The Fresenius Group is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

	Standard & Poor's	Moody's	Fitch
Company rating	BB+	Ba1	BB+
Outlook	positive	negative	watch evolving

In 2013, all rating agencies have adjusted their outlook on the corporate credit rating. In March 2013, Standard & Poor's raised the outlook from stable to positive. In June 2013, Fitch changed the outlook from stable to positive. In August 2013, Moody's also changed the outlook from stable to positive.

After the announcement of the planned acquisition of hospitals from Rhön-Klinikum AG in September 2013, Fitch put the rating on "watch evolving", stating that the outlook could at worst be changed to stable, however that the Company's corporate credit rating would remain unchanged. Moody's adjusted the outlook from positive to negative. Standard & Poor's has confirmed the positive outlook in October 2013.

32. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statements of cash flows of the Fresenius Group for the fiscal years 2013 and 2012 are shown on pages 58 and 59.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position are comprised of cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	2013	2012
Assets acquired	**2,780**	3,979
Liabilities assumed	**-67**	-444
Noncontrolling interest	**-73**	-178
Notes assumed in connection with acquisitions	**-60**	-551
Cash paid	**2,580**	2,806
Cash acquired	**-34**	-184
Cash paid for acquisitions, net	**2,546**	2,622
Cash paid for investments, net of cash acquired	**147**	–
Cash paid for intangible assets, net	**9**	7
Total cash paid for acquisitions and investments, net of cash acquired, and net purchases of intangible assets	**2,702**	2,629

33. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 62 to 63 of this annual report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed, which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2013.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other is mainly comprised of the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology and, until June 28, 2013, Fresenius Biotech, which did not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items (see note 3, Special items).

Details on the business segments are shown on page 65 of the notes.

The key data used by the Management Board of Fresenius Management SE (the general partner of Fresenius SE & Co. KGaA) to control the segments are based on U.S. GAAP. Therefore, the segment information is given in accordance with U.S. GAAP. The column IFRS-Reconciliation provides a reconciliation from the U.S. GAAP segment data to the IFRS key data. The differences between the U.S. GAAP and the IFRS key data are mainly due to the differing recognition of in-process R & D, the different classification of certain bad debt expenses, gains from sale and leaseback transactions with an operating lease agreement, development costs, cumulative actuarial gains and losses for pensions and contingent considerations.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2012 Credit Agreement, the 2008 Senior Credit Agreement or the 2013 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment and intangible assets with definite useful lives of the respective business segment.

Net interest is comprised of interest expenses and interest income.

Net income attributable to shareholders of Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt is comprised of bank loans, senior notes, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities.

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures

shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2013	2012
Total EBIT of reporting segments	**3,024**	3,134
General corporate expenses Corporate/Other (EBIT)	**-78**	-138
Group EBIT	**2,946**	2,996
Investment gain	**0**	109
Interest expenses	**-634**	-720
Interest income	**50**	54
Other financial result	**0**	-35
Income before income taxes	**2,362**	2,404

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2013	Dec. 31, 2012
Short-term debt	**2,376**	205
Short-term loans from related parties	**6**	4
Current portion of long-term debt and capital lease obligations	**855**	520
Current portion of Senior Notes	**0**	500
Long-term debt and capital lease obligations, less current portion	**4,366**	4,330
Senior Notes, less current portion	**5,113**	5,364
Debt	**12,716**	10,923
less cash and cash equivalents	**864**	885
Net debt	**11,852**	10,038

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2013	Dec. 31, 2012
Germany	**6,830**	4,489
Europe (excluding Germany)	**2,896**	2,774
North America	**13,264**	13,729
Asia-Pacific	**1,223**	1,071
Latin America	**472**	404
Africa	**43**	47
Total non-current assets[1]	**24,728**	22,514

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets, derivative financial instruments and capitalized pension assets.

In 2013, the Fresenius Group generated sales of €4,403 million (2012: €4,191 million) in Germany. Sales in the United States were €8,628 million at actual rates and €8,919 million in constant currency in 2013 (2012: €8,148 million).

34. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2013, the Fresenius Group recognized compensation cost in an amount of €28 million for stock options granted since 2010. For stock incentive plans which are performance-based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius

Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE & Co. KGaA Stock Option Plan 2013 made during 2013 and grants of the Fresenius SE Stock Option Plan 2008 made during 2012 are as follows:

	2013		2012	
€ in millions	**December Grant**	**July Grant**	December Grant	July Grant
Expected dividend yield	**1.50%**	**1.47%**	1.40%	1.52%
Risk-free interest rate	**1.41%**	**1.33%**	0.90%	1.00%
Expected volatility	**27.43%**	**27.75%**	28.55%	28.93%
Life of options	**8 years**	**8 years**	7 years	7 years
Exercise price per option in €	**99.29**	**96.35**	87.36	78.40

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

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

As of December 31, 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.

2013 LTIP

The 2013 LTIP is comprised of the Fresenius SE & Co. KGaA Stock Option Plan 2013 (2013 SOP) and the Fresenius SE & Co. KGaA Phantom Stock Plan 2013 (2013 PSP). It combines the granting of stock options with the granting of phantom stock awards which entitle the holder to receive cash payments upon exercising the phantom stock. Each of the 2013 SOP and 2013 PSP making up the 2013 LTIP have been established under a stand-alone legal documentation.

2013 SOP

Under the 2013 SOP, which was approved by the Annual General Meeting of Fresenius SE & Co. KGaA on May 17, 2013, Fresenius Management SE 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.

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 2013 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.

This stock incentive plan was replaced by the 2013 SOP and no options have been granted since 2013.

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 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, which will be amortized over the four-year vesting period. Fresenius SE & Co. KGaA also awarded 111,294 phantom stocks, including 27,272 phantom stocks granted to members of the Management Board of Fresenius Management SE, at a 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.

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 convertible bonds and stock 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 LTIP 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 stock options.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2011	**5,494,127**	**50.25**	**2,248,083**
Granted	1,206,145	78.54	
Exercised	1,150,924	39.83	
Forfeited	164,596	55.90	
Balance 2012	**5,384,752**	**58.72**	**2,061,329**
Granted	720,206	96.78	
Exercised	1,506,569	45.49	
Forfeited	101,888	65.73	
Balance 2013	**4,496,501**	**69.17**	**1,552,460**

The following table provides a summary of fully vested options outstanding and exercisable for ordinary shares at December 31, 2013:

OPTIONS FOR ORDINARY SHARES

	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
20.01 – 25.00	21,818	0.50	21.96	21,818	0.50	21.96
25.01 – 30.00	64,392	1.44	28.54	64,392	1.44	28.54
30.01 – 35.00	269,990	2.50	33.81	269,990	2.50	33.81
35.01 – 40.00	155,262	2.39	39.23	155,262	2.39	39.23
40.01 – 45.00	5,072	1.92	41.62	5,072	1.92	41.62
45.01 – 50.00	10,248	2.50	48.81	10,248	2.50	48.81
50.01 – 55.00	726,576	3.07	53.76	726,576	3.07	53.76
55.01 – 60.00	280,060	3.50	56.43	280,060	3.50	56.43
60.01 – 65.00	9,000	3.92	63.53	9,000	3.92	63.53
70.01 – 75.00	1,070,907	4.49	71.28	10,042	3.50	70.79
75.01 – 80.00	1,146,835	5.50	78.39	0		
85.01 – 90.00	18,760	5.92	87.36	0		
95.01 – 100.00	717,581	7.63	96.78	0		
	4,496,501	**4.70**	**69.17**	**1,552,460**	**2.88**	**47.92**

At December 31, 2013, the aggregate intrinsic value of exercisable options for ordinary shares was €99 million.

At December 31, 2013, total unrecognized compensation cost related to non-vested options granted under the 2008 Plan and the 2013 LTIP was €30 million. This cost is expected to be recognized over a weighted-average period of 2.5 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of Fresenius Medical Care Management AG's (FMC Management AG) Management and Supervisory Boards, forms FMC-AG & Co. KGaA's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five-year period and can be granted on the last Monday in July and/or the first Monday in December each year. Prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following FMC-AG & Co. KGaA's AGM and with respect to the grants made in December, on the first Monday in October. The awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets. The 2011 Incentive Program was established with a conditional capital increase up to €12 million subject to the issue of up to 12 million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

Members of the Management Board of FMC Management AG, members of the management boards of FMC-AG & Co. KGaA's affiliated companies and the managerial staff members of FMC-AG & Co. KGaA and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of FMC Management AG's Management Board, FMC Management AG's Supervisory Board has sole authority to grant awards and exercise other decision making powers under the 2011 Incentive Program (including decisions regarding certain adjustments and forfeitures). FMC Management AG has such authority with respect to all other participants in the 2011 Incentive Program.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock under the 2011 Incentive Program entitles the holders to receive payment in euro from FMC-AG & Co. KGaA upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the closing stock exchange price on the Frankfurt Stock Exchange of one of FMC-AG & Co. KGaA's ordinary shares on the exercise date. Phantom stock will have a five-year term and can be exercised only after a four-year vesting period, beginning with the grant date, except when otherwise expressly stipulated in the plan. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

Stock Option Plan 2006

The Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established with a conditional capital increase up to €12.8 million subject to the issue of up to 5 million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. In connection with the share split affected in 2007, the principal amount was adjusted to the same proportion as the share capital out of the capital increase up to €15 million by the issue of up to 15 million new non-par value bearer ordinary shares.

After December 2010, no further grants were issued under the Amended 2006 Plan. Options granted under this plan are exercisable through December 2017.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to €10.24 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 4 million non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%. In connection with the share split affected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate.

Based on the resolution of the Annual General Meeting and the separate Meeting of the Preference Shareholders on May 16, 2013 regarding the conversion of all bearer preference shares into bearer ordinary shares, the 2001 Plan was amended accordingly. The partial amount of the capital increase which was formerly referred to as the issuance of bearer preference shares will now be referred exclusively to the issuance of bearer ordinary shares.

Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under this plan after 2005. The outstanding options will expire before 2016.

Transactions during 2013

During 2013, FMC-AG & Co. KGaA awarded 2,141,076 options under the 2011 Incentive Program, including 328,680 stock options granted to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €49.75, a weighted-average fair value of €8.95 each and a total fair value of €19 million, which will be amortized over the four-year vesting period. FMC-AG & Co. KGaA awarded 186,392 shares of phantom stock, including 25,006 shares of phantom stock granted to members of the Management Board of FMC Management AG, at a measurement date (December 31, 2013) weighted-average fair value of €48.22 each and a total fair value of €9 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During 2013, FMC-AG & Co. KGaA received cash of €77 million from the exercise of stock options. The intrinsic value of convertible bonds and stock options exercised in 2013 was €39 million. FMC-AG & Co. KGaA recorded a related tax benefit of €7 million for 2013. In connection with cash-settled share-based payment transactions under the 2011 Incentive Plan, FMC-AG & Co. KGaA recognized expenses of €3 million and €4 million for the years ending December 31, 2013 and 2012, respectively.

At December 31, 2013, the Management Board members of FMC Management AG held 1,993,305 stock options and employees of FMC-AG & Co. KGaA held 8,797,450 stock options under the various stock-based compensation plans of Fresenius Medical Care.

At December 31, 2013, the Management Board members of FMC Management AG held 77,886 shares of phantom stock and employees of FMC-AG & Co. KGaA held 474,901 shares of phantom stock under the 2011 Incentive Program.

The table below provides reconciliations for options outstanding at December 31, 2013 as compared to December 31, 2012:

	Number of options in thousands	Weighted-average exercise price in €
Balance at December 31, 2012 (options for ordinary shares)	**11,147**	**42.66**
Granted	2,141	49.75
Exercised	2,280	33.76
Converted from preference shares	32	18.86
Forfeited	249	44.75
Balance at December 31, 2013 (options for ordinary shares)	**10,791**	**45.83**
Balance at December 31, 2012 (options for preference shares)	**38**	**19.26**
Exercised	2	18.35
Forfeited	4	23.56
Converted into ordinary shares	32	18.86
Balance at December 31, 2013 (options for preference shares)	**0**	

The following table provides a summary of fully vested options for ordinary shares outstanding and exercisable at December 31, 2013:

	Number of options in thousands	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value € in millions
Options for ordinary shares	4,711	2.51	36.41	72

At December 31, 2013, total unrecognized compensation cost related to non-vested options granted under all plans was €36 million. This cost is expected to be recognized over a weighted-average period of 2 years.

35. RELATED PARTY TRANSACTIONS

Prof. Dr. med. D. Michael Albrecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is medical director and spokesman of the management board of the University Hospital Carl Gustav Carus Dresden and a member of the supervisory board of the University Hospital Aachen. Furthermore, he was a member of the supervisory board of the University Hospital Magdeburg until October 3, 2013 and a member of the supervisory board of the University Hospital Rostock until February 28, 2013. The Fresenius Group maintains business relations with these hospitals in the ordinary course and under customary conditions.

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is a partner of Roland Berger Strategy Consultants Holding GmbH. In 2013, after discussion and approval by the Supervisory Board of Fresenius Management SE and Fresenius SE & Co. KGaA, the Fresenius Group paid €2.9 million to affiliated companies of the Roland Berger group for consulting services rendered (2012: €0.6 million).

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions. In 2013, the Fresenius Group paid in aggregate €1.4 million to Commerzbank for financing commitments, in connection with the issuance of Senior Notes and the share conversion of Fresenius Medical Care AG & Co. KGaA (2012: €1.9 million).

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is a member of the supervisory board of Allianz France SA. In 2013, the Fresenius Group paid €5.3 million (2012: €4.7 million) for insurance premiums to the Allianz group under customary conditions.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius Management SE, is a partner in the international law firm Noerr LLP, which provides legal services to the Fresenius Group. In 2013, after discussion and approval of each mandate by the Supervisory Board of Fresenius Management SE, the Fresenius Group paid or processed for payment in December 2013 about €1.5 million to this law firm for legal services rendered (2012: €1.8 million). Not included in the amount paid or processed for payment are such payments made in the fiscal year 2013 that had already been processed for payment in 2012 and have therefore already been reported for the fiscal year 2012.

In 2013, €9 million (2012: €8 million) were paid to Fresenius Management SE as compensation for the Management Board and the Supervisory Board, general partners' fees and other reimbursements of out-of pocket expenses. At December 31, 2013, there were outstanding liabilities payable to Fresenius Management SE in the amount of €21 million (December 31, 2012: €16 million).

The payments mentioned in this note are net amounts. In addition, VAT and insurance tax were paid.

36. SUBSEQUENT EVENTS

On January 23, 2014, Fresenius Finance B.V. issued unsecured Senior Notes of €750 million. The €300 million tranche due 2019 has a coupon of 2.375% and was issued at a price of 99.647%. The €450 million tranche which has a coupon of 3.00% was issued at a price of 98.751% and is due in 2021. In a further step to fund the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG, Fresenius Finance B.V. placed €300 million of unsecured Senior Notes with a maturity of 10 years on January 28, 2014. The Senior Notes have a coupon of 4.00% and were placed at par. On February 6, 2014, the Senior Notes were increased by an amount of €150 million at a price of 102%. The Senior Notes in the nominal amount of €450 million were issued on February 11, 2014.

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

Net proceeds of the Senior Notes issued in January and February 2014 were used to partially refinance the drawing under the Bridge Financing Facility. On February 27, 2014, the Bridge Financing Facility was voluntarily cancelled before maturity and the remaining outstanding amount of €90 million was repaid.

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 in Wiesbaden and Klinikum 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 in Germany.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2013 until February 27, 2014. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

37. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 142 ff.), which is part of the Management Report.

The compensation of the Management Board is, as a whole, performance-based and was composed of three elements in the fiscal year 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 shareholders of Fresenius SE & Co. KGaA of the years 2014 and 2015. The total compensation of the Management Board was €18,407 thousand (2012: €17,751 thousand).

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.

38. AUDITOR'S FEES

In 2013 and 2012, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2013		2012	
€ in millions	**Total**	**Germany**	Total	Germany
Audit fees	**15**	**5**	17	6
Audit-related fees	**2**	**1**	3	3
Tax consulting fees	**1**	**–**	1	–
Other fees	**4**	**4**	2	1
Total auditor's fees	**22**	**10**	23	10

39. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA www.fresenius.com 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.

40. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2013 of Fresenius SE & Co. KGaA are distributed as follows:

in €	
Payment of a dividend of €1.25 per bearer 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**

41. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 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

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.

In 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 34 of the notes of the Fresenius Group, Stock options.

The previous share-based compensation component with cash settlement (performance shares) has been combined with the current share-based compensation component with cash settlement (phantom stocks). The members of the Management Board, with the exception of Mr. Rice Powell, were granted an entitlement to further share-based compensation with cash settlement (further phantom stocks, previously performance shares) in the 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.

The 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:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
€ in thousands	**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

	Stock options		Share-based compensation with cash settlement (phantom stocks[1])		Total expenses for share-based compensation	
€ in thousands	**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.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 27, 2014

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rohrbach
German Public Auditor

Walter
German Public Auditor

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

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)

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.

FINANCIAL CALENDAR

Report on 1st quarter 2014	
Conference call, Live webcast	May 6, 2014
Annual General Meeting, Frankfurt am Main, Germany	May 16, 2014
Payment of dividend[1]	May 19, 2014
Report on 1st half 2014	
Conference call, Live webcast	August 5, 2014
Report on 1st – 3rd quarters 2014	
Conference call, Live webcast	November 4, 2014

[1] Subject to prior approval by the Annual General Meeting

FRESENIUS SHARE / ADR

	Ordinary share		ADR
Securities identification no.	578 560	CUSIP	35804M105
Ticker symbol	FRE	Ticker symbol	FSNUY
ISIN	DE0005785604	ISIN	US35804M1053
Bloomberg symbol	FRE GR	Structure	Sponsored Level 1 ADR
Reuters symbol	FREG.de	Ratio	8 ADR = 1 Share
Main trading location	Frankfurt/Xetra	Trading platform	OTCQX

Corporate Headquarters
Else-Kröner-Straße 1
Bad Homburg v. d. H.
Germany

Postal address
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61346 Bad Homburg v. d. H.
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E-mail: ir-fre@fresenius.com

Contact for journalists
Corporate Communications
Telephone: ++49 61 72 6 08-23 02
Telefax: ++49 61 72 6 08-22 94
E-mail: pr-fre@fresenius.com

Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Dr. Ulf M. Schneider (President and CEO), Dr. Francesco De Meo, Dr. Jürgen Götz, Mats Henriksson, Rice Powell, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Financial Report is legally binding.
The editorial closing date of this annual report was on March 19, 2014, and it was published on March 20, 2014.

The Annual Report, the financial statements of Fresenius SE & Co. KGaA, and the consolidated statements in accordance with IFRS accounting principles are available on our website and may be obtained upon request under Investor Relations.

You will find further information and current news about our company on our website at: http://www.fresenius.com.