Fresenius SE & Co. KGaA

Bad Homburg v.d.H.

2013

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

- Convenience Translation -
The German version of these Financial Statements is legally binding
Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

Balance Sheet as of December 31, 2013

**Assets**

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

<table>
<thead>
<tr>
<th>Note</th>
<th>Dec 31, 2013</th>
<th>Dec 31, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>kEUR</td>
<td>kEUR</td>
</tr>
</tbody>
</table>

A. Shareholders' equity

I. Subscribed capital
   (7, 8, 9, 10, 11)
   Ordinary shares | 179,695 | 178,188 |

II. Capital reserves
    (12) | 3,012,026 | 2,944,992 |

III. Other reserves
     (13) | 1,763,395 | 1,555,495 |

IV. Retained earnings
    (14) | 224,650 | 196,036 |
      | 5,179,766 | 4,874,711 |

B. Special reserve for investment government grants
   (15) | 11 | 12 |

C. Accruals
   (16)
   1. Pensions and similar obligations | 40,228 | 36,772 |
   2. Accruals for income taxes | 48,445 | 42,150 |
   3. Other accruals | 25,860 | 82,472 |
      | 114,533 | 161,394 |

D. Liabilities
   (17)
   1. Convertible bonds | 115 | 194 |
   2. Bank loans | 2,707,306 | 596,002 |
   3. Trade accounts payable | 6,218 | 5,204 |
   4. Accounts payable to related parties | 1,930,018 | 1,520,333 |
   5. Other liabilities | 13,975 | 14,680 |
      | 4,657,632 | 2,136,413 |
      | 9,951,942 | 7,172,530 |
### Profit and Loss Statement
January 1 to December 31, 2013

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

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

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

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

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

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

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

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

The following useful lives were used for calculating depreciation:

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

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

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

Extraordinary depreciation is carried out, provided that the carrying book value is other than temporarily impaired.
**Financial assets** are valued at purchase price or, if the asset is other than temporarily impaired, the lower market value.

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

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

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

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

**Subscribed capital** is accounted for at its nominal amount.

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

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

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

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

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

**Liabilities** are valued at their settlement amounts.

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

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB.
Assets and liabilities with a remaining life of over one year and carried at foreign currencies are basically translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued using the exchange rate at inception (Einfrierungsmethode). Changes in the value of the hedged risks are not recognized in the balance sheet or statement of income.

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

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

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

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

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

(3) Fixed assets

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

<table>
<thead>
<tr>
<th>Acquisition and manufacturing costs</th>
<th>As of Jan. 01, 2013</th>
<th>Additions</th>
<th>Disposals</th>
<th>As of Dec. 31, 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ in thousands</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Concessions, industrial and similar rights and assets as well as licenses acquired for consideration</td>
<td>1,088</td>
<td>645</td>
<td>0</td>
<td>1,733</td>
</tr>
<tr>
<td></td>
<td>1,088</td>
<td>645</td>
<td>0</td>
<td>1,733</td>
</tr>
<tr>
<td><strong>Tangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, leasehold and buildings including buildings on third party property</td>
<td>112,875</td>
<td>57</td>
<td>0</td>
<td>112,932</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>467</td>
<td>153</td>
<td>0</td>
<td>620</td>
</tr>
<tr>
<td>Other fixtures and fittings, tools and equipment</td>
<td>12,865</td>
<td>1,378</td>
<td>1,535</td>
<td>12,708</td>
</tr>
<tr>
<td>Payments on account and tangible assets in course of construction</td>
<td>81</td>
<td>250</td>
<td>0</td>
<td>331</td>
</tr>
<tr>
<td></td>
<td>126,288</td>
<td>1,838</td>
<td>1,535</td>
<td>126,591</td>
</tr>
<tr>
<td><strong>Financial assets</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Shares in related parties</td>
<td>4,485,431</td>
<td>157,283</td>
<td>230,500</td>
<td>4,412,214</td>
</tr>
<tr>
<td>Loans to related parties</td>
<td>894,862</td>
<td>425,051</td>
<td>370,000</td>
<td>949,913</td>
</tr>
<tr>
<td>Security investments</td>
<td>49,526</td>
<td>0</td>
<td>0</td>
<td>49,526</td>
</tr>
<tr>
<td></td>
<td>5,429,819</td>
<td>582,334</td>
<td>600,500</td>
<td>5,411,653</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td>5,557,195</td>
<td>584,817</td>
<td>602,035</td>
<td>5,539,977</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>Carrying amount</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>----------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>€ in thousands</strong></td>
<td><strong>Cumulated depreciation as of Jan. 01, 2013</strong></td>
<td><strong>Additions</strong></td>
<td><strong>Disposals</strong></td>
<td><strong>Cumulated depreciation as of Dec. 31, 2013</strong></td>
</tr>
<tr>
<td>Concessions, industrial and similar rights and assets as well as licenses acquired for consideration</td>
<td>580</td>
<td>229</td>
<td>0</td>
<td>809</td>
</tr>
<tr>
<td>Tangible Assets</td>
<td>580</td>
<td>229</td>
<td>0</td>
<td>809</td>
</tr>
<tr>
<td>Land, leasehold and buildings including buildings on third party property</td>
<td>55,009</td>
<td>2,823</td>
<td>0</td>
<td>57,832</td>
</tr>
<tr>
<td>Plant and machinery</td>
<td>376</td>
<td>35</td>
<td>0</td>
<td>411</td>
</tr>
<tr>
<td>Other fixtures and fittings, tools and equipment</td>
<td>9,328</td>
<td>1,201</td>
<td>1,520</td>
<td>9,009</td>
</tr>
<tr>
<td>Payments on account and tangible assets in course of construction</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Financial assets</td>
<td>64,713</td>
<td>4,059</td>
<td>1,520</td>
<td>67,252</td>
</tr>
<tr>
<td>Shares in related parties</td>
<td>72,393</td>
<td>71,625</td>
<td>128,110</td>
<td>15,908</td>
</tr>
<tr>
<td>Loans to related parties</td>
<td>0</td>
<td>8,017</td>
<td>0</td>
<td>8,017</td>
</tr>
<tr>
<td>Security investments</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Non-current Assets</td>
<td>72,393</td>
<td>79,642</td>
<td>128,110</td>
<td>23,925</td>
</tr>
<tr>
<td><strong>Non-current Assets</strong></td>
<td>137,686</td>
<td>83,930</td>
<td>129,630</td>
<td>91,986</td>
</tr>
</tbody>
</table>
Financial assets

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

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

The percentage of Fresenius Medical Care AG & Co. KGaA’s ("FMC-AG & Co. KGaA") subscribed capital (ordinary shares) held by Fresenius SE & Co. KGaA at the end of fiscal year 2013 was 31.31% (previous year including preference shares 30.77%). Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2013. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG.

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

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

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

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

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

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

(4) Accounts receivable and other assets

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>€ in thousands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trade accounts receivable</td>
<td>6</td>
<td>0</td>
</tr>
<tr>
<td>(amount with a remaining term of more than one year)</td>
<td>(-)</td>
<td>(-)</td>
</tr>
<tr>
<td>Accounts receivable from related parties</td>
<td>4,398,762</td>
<td>1,643,969</td>
</tr>
<tr>
<td>(amount with a remaining term of more than one year)</td>
<td>(24,786)</td>
<td>(27,315)</td>
</tr>
<tr>
<td>Other assets</td>
<td>44,230</td>
<td>53,698</td>
</tr>
<tr>
<td>(amount with a remaining term of more than one year)</td>
<td>(-)</td>
<td>(-)</td>
</tr>
<tr>
<td></td>
<td>4,442,998</td>
<td>1,697,667</td>
</tr>
</tbody>
</table>

The Accounts receivable from related parties are composed of loans and finance-related accounts of €4,398,460 thousand (previous year €1,643,631 thousand) and trade accounts receivable of €302 thousand (previous year €338 thousand). The increase of accounts receivable from related parties is mainly a result of Fresenius SE & Co. KGaA issuing loans to several companies of the Fresenius Group. With these loans the companies financed advances made in the amount €2,178 million under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG.
Other assets mainly contain claims for tax credits, which relate to the tax calculation for the years 2006 to 2013 (€32,659 thousand), as well as derivatives with a positive fair value as of December 31, 2013 (€10,689 thousand). Also included are social security related receivables of €1 thousand (previous year €1 thousand).

(5) Cash and cash equivalents

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

(6) Deferred expense

Deferred expense of €1,442 thousand (previous year €1,116 thousand) mainly concerns the prepayment of the Directors&Officers-Insurance (D&O-Insurance).
During the fiscal year 2013, 1,506,569 stock options were exercised. Consequently, as of December 31, 2013, the subscribed capital of Fresenius SE & Co. KGaA consisted of 179,694,829 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

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

The subscribed capital developed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1</td>
<td>178,188</td>
<td>163,237</td>
</tr>
<tr>
<td>Increase due to issuance of</td>
<td>0</td>
<td>13,800</td>
</tr>
<tr>
<td>bearer ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase due to exercise of</td>
<td>1,507</td>
<td>1,151</td>
</tr>
<tr>
<td>stock options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of December 31</td>
<td>179,695</td>
<td>178,188</td>
</tr>
</tbody>
</table>

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

The agreement reached between the Works Council and the Management Board in February 2012 is the basis for distributing the shares. The agreement awards €2,164.25 of profit-sharing to each full-time employee for 2012 as well as the employer contribution for social security payments. About two-thirds of the profit-sharing payment is settled in shares and employees are given a choice of cash or additional shares for the remaining third. Employees that opt for additional shares are awarded one additional share. The price determination for the shares and bonus shares in the profit-sharing program was made on June 10, 2013.
To be eligible for the program, employees must have had three years of continuous employment at Fresenius SE & Co. KGaA on December 31, 2012, its direct affiliated companies or affiliated companies of Fresenius Kabi and certain other affiliated companies as identified in the Works Council agreement. At that time, eligible employees must have not been under notice or in an executive position, as defined by Fresenius. Intercompany transfers are counted in full.

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

<table>
<thead>
<tr>
<th>Date</th>
<th>Number</th>
<th>Price in € per share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchase</td>
<td>June 10, 2013</td>
<td>24,900</td>
</tr>
<tr>
<td>Disbursement</td>
<td>June 10, 2013</td>
<td>24,727</td>
</tr>
<tr>
<td>Sale</td>
<td>Oct. 31, 2013</td>
<td>173</td>
</tr>
</tbody>
</table>

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

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

As of December 31, 2013, no own shares were held.
**(9) Notification by shareholders**

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

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

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.


**(10) Authorized capital**

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

In accordance with the new provision in the articles of association of Fresenius SE & Co. KGaA, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 16, 2018, to increase Fresenius SE & Co. KGaA’s subscribed capital by a total amount of up to €40,320,000 through a single issue or multiple issues of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital I). A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders’ subscription right (e.g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization. In the case of a contribution in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company. The authorizations granted concerning the exclusion of
subscription rights can be used by the general partner only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 20% of the subscribed capital, neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization.

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

The Authorized Capital I developed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1</td>
<td>26,520</td>
<td>40,320</td>
</tr>
<tr>
<td>Revocation of previous Authorized Capital I due to resolution of the Annual General Meeting</td>
<td>-26,520</td>
<td>0</td>
</tr>
<tr>
<td>Creation of a new Authorized Capital I due to resolution of the Annual General Meeting</td>
<td>40,320</td>
<td>0</td>
</tr>
<tr>
<td>Decrease due to issuance of bearer ordinary shares</td>
<td>0</td>
<td>-13,800</td>
</tr>
<tr>
<td>As of December 31</td>
<td>40,320</td>
<td>26,520</td>
</tr>
</tbody>
</table>
(11) Conditional Capital

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

By resolution of the Annual General Meeting on May 17, 2013, the previous Conditional Capital I was revoked. Additionally, the change of the previous Conditional Capital II in Conditional Capital I, the change of the previous Conditional Capital III in Conditional Capital II as well as the change of the previous Conditional Capital IV in Conditional Capital III were resolved. By resolution on May 17, 2013, the Annual General Meeting of Fresenius SE & Co. KGaA authorized the general partner until May 16, 2018, to issue up to 8,400,000 subscription rights for up to 8,400,000 non-par value bearer ordinary shares of Fresenius SE & Co. KGaA in the framework of the 2013 Stock Option Plan. The authorization shall fall to the Supervisory Board alone, if members of the Management Board of the general partner are concerned. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €8,400,000 through issuing of up to 8,400,000 new bearer ordinary shares (Conditional Capital IV). The change of Fresenius SE & Co. KGaA's articles of association with regard to the Conditional Capital I, II, III and IV became effective upon registration with the commercial register on June 3, 2013. The conditional capital increase shall only be implemented to the extent that subscription rights were or are issued according to the 2013 Stock Option Plan, the holders of subscription rights exercise their option rights and as long as no other forms of settlement are used. The new bearer ordinary shares shall participate in the profits from the start of the fiscal year in which they are issued.

The Conditional Capital I for the Fresenius AG Stock Option Plan 1998 (until June 3, 2013) developed as follows:

<table>
<thead>
<tr>
<th>Ordinary shares</th>
<th>in €</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2013</td>
<td>857,970</td>
</tr>
<tr>
<td>Decrease due to revocation of previous Conditional Capital I</td>
<td>-857,970</td>
</tr>
<tr>
<td>As of December 31, 2013</td>
<td>0</td>
</tr>
</tbody>
</table>
The Conditional Capital I for the Fresenius AG Stock Option Plan 2003 (until June 3, 2013: Conditional Capital II) developed as follows:

<table>
<thead>
<tr>
<th>Ordinary shares in €</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2013</td>
<td>2,497,254</td>
</tr>
<tr>
<td>Decrease due to exercise of stock options</td>
<td>-385,737</td>
</tr>
<tr>
<td>As of December 31, 2013</td>
<td>2,111,517</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Ordinary shares in €</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2013</td>
<td>5,383,434</td>
</tr>
<tr>
<td>Decrease due to exercise of stock options</td>
<td>-1,120,832</td>
</tr>
<tr>
<td>As of December 31, 2013</td>
<td>4,262,602</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Ordinary shares in €</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2013</td>
<td>16,323,734</td>
</tr>
<tr>
<td>As of December 31, 2013</td>
<td>16,323,734</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Ordinary shares in €</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1, 2013</td>
<td>0</td>
</tr>
<tr>
<td>Increase due to resolution of the Annual General Meeting</td>
<td>8,400,000</td>
</tr>
<tr>
<td>As of December 31, 2013</td>
<td>8,400,000</td>
</tr>
</tbody>
</table>
Fresenius SE & Co. KGaA stock option plans

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

As of December 31, 2013, Fresenius SE & Co. KGaA had three stock option plans in place: the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds, the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan) and the Fresenius SE & Co. KGaA Long Term Incentive Program 2013 (2013 LTIP) which is based on stock options and phantom stocks. On June 30, 2012, the term of the options granted under the Fresenius AG Stock Option Plan 1998 expired. In 2013, stock options were solely granted under the 2013 LTIP.

Long Term Incentive Program 2013 (2013 LTIP)

The 2013 LTIP comprises the Fresenius SE & Co. KGaA Stock Option Plan 2013 (2013 SOP) and the Fresenius SE & Co. KGaA Phantom Stock Plan 2013 (2013 PSP). It combines the granting of stock options with the granting of phantom stock awards which entitle the holder to receive cash payments upon exercising the phantom stock. Each of the 2013 SOP and 2013 PSP making up the 2013 LTIP have been established under a stand-alone legal documentation.

Stock Option Plan 2013 (2013 SOP)

Under the 2013 SOP, which was approved by the Annual General Meeting of Fresenius SE & Co. KGaA on May 17, 2013, Fresenius Management SE is authorized to issue up to 8.4 million subscription rights for an amount of 8.4 million non-par value ordinary bearer shares of Fresenius SE & Co. KGaA until May 16, 2018. Of the up to 8.4 million options, up to 1.6 million options are designated for members of the Management Board of Fresenius Management SE; up to 4.4 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 2.4 million options are designated for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care). The granting of the options shall occur in five annual tranches, each to the last Monday in July or the first Monday in December. With respect to new options, the Supervisory Board of Fresenius Management SE determines the stock options granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determines the other participants in the 2013 Stock Option Plan and the stock options granted to them. The exercise price of an option shall equal the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic XETRA trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, on the last 30 calendar days prior to the respective grant date. Options granted have an eight-year term but can be exercised only after a four-year vesting period. The exercise of options is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the options to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not
achieved for the individual years or for the compounded annual growth rate, the options issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting period, i.e. by one quarter, two quarters, three quarters, or completely. The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA (currency adjusted) and changes thereto compared to the adjusted net income (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares in lieu of increasing capital by the issuance of new shares. After the expiration of the waiting period, all options in respect of which the success target has been achieved may be exercised at any time outside the designated black-out periods.

Phantom Stock Option Plan 2013 (2013 PSP)

Fresenius SE & Co. KGaA’s 2013 PSP was established in May 2013, together with the 2013 SOP. Awards of phantom stock can be granted on each stock option grant date. Phantom stock awarded under the 2013 PSP may be granted to the members of Fresenius Management SE’s Management Board, the members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care). As under the 2013 Stock Option Plan, the Supervisory Board of Fresenius Management SE determines the phantom stock granted to members of Fresenius Management SE’s Management Board, whereas the Management Board of Fresenius Management SE determines the other participants in the 2013 PSP and the phantom stock granted to them. Phantom stock awards under the 2013 PSP entitle the holder to receive a cash payment. Each phantom stock award shall entitle the holder to receive the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic XETRA trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, during the last three months prior to the date the phantom stock is exercised. The exercise of phantom stock is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the subscription rights to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the phantom stock awards issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting-period, i.e. by one quarter, two quarters, three quarters, or completely. The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA (currency adjusted) and changes thereto compared to the adjusted net income (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. After the expiration of the waiting period, all exercisable phantom stock will be deemed to be exercised and cashed out on March 1 following the end of the waiting period (or the following banking day).
Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and executive employees of the Company and affiliated companies. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was amended and completely adapted to ordinary shares. Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to exclusively obtain 6.2 million ordinary shares (originally 3.1 million ordinary shares and 3.1 million preference shares). Up to 1.2 million options are designated for members of the Management Board of Fresenius Management SE (originally Management Board of Fresenius SE), up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for executive employees of Fresenius SE & Co. KGaA (originally of Fresenius SE) and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius Management SE’s Management Board, the Supervisory Board of Fresenius Management SE now holds the sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius Management SE now has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE & Co. KGaA’s (originally Fresenius SE's) ordinary shares (originally ordinary and preference shares) on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price during the 30 calendar days immediately prior to the grant date, if this is higher. Options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved, if the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects, has increased by at least 8% compared to the respective adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA of the previous fiscal year. For each year, in which the success target has not been met, one third of the options granted shall forfeit. The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA shall be calculated on the basis of the calculation method of the accounting principles according to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA is determined and will be verified with binding effect by Fresenius SE & Co. KGaA’s auditor during the audit of the consolidated financial statements. The performance targets for 2008 to 2012 were met. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods. Former options for preference shares are now exclusively options for ordinary shares.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan, which is based on convertible bonds, was replaced by the 2008 Plan and no options have been granted since 2008. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was also amended.
and completely adapted to ordinary shares. Under the 2003 Plan, eligible employees have the right to acquire ordinary shares (originally ordinary and preference shares) of Fresenius SE & Co. KGaA (originally of Fresenius AG or of Fresenius SE, respectively). The bonds expire in 10 years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary shares (originally ordinary or preference shares, respectively) upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: one third of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares (originally three ordinary shares or three preference shares, respectively) is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of the ordinary shares (originally ordinary shares or preference shares, respectively) during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee was 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split in 2007 entitles to subscribe one ordinary share (originally one ordinary or one preference share, respectively), subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary share (originally one ordinary or one preference share, respectively), conversion after the share split entitles to three ordinary shares (originally three ordinary or three preference shares, respectively). In addition, due to the elimination of the preference shares, after the change of legal form, the success target of the 2003 Plan had to be adjusted to the effect that it is deemed to be achieved if and when the aggregate of the following price increases amounts to at least 25%: (1) increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day when the change of legal form took effect and (2) increase of the stock exchange price of ordinary shares since the change of legal form took effect.

Stock Option Plan 1998

During 1998, Fresenius AG adopted the 1998 Plan for members of the Management Board and executive employees. This stock incentive plan was replaced by the 2003 Plan and no options have been granted since 2003. Under the 1998 Plan, eligible employees had the right to acquire ordinary and preference shares of Fresenius SE. After the change of legal form and the conversion of all preference shares into ordinary shares, the options exclusively granted the right to acquire ordinary shares of Fresenius SE & Co. KGaA. Options granted under this plan had a 10-year term which expired on June 30, 2012.
Transactions during 2013

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

Stock option transactions are summarized as follows:

<table>
<thead>
<tr>
<th>Ordinary shares</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Number as of December 31, 2012</td>
<td>5,384,752</td>
</tr>
<tr>
<td>plus new issues</td>
<td>720,206</td>
</tr>
<tr>
<td>less forfeited options</td>
<td>-101,888</td>
</tr>
<tr>
<td>less exercises</td>
<td>-1,506,569</td>
</tr>
<tr>
<td>Number as of December 31, 2013</td>
<td>4,496,501</td>
</tr>
</tbody>
</table>
(12) Capital reserves

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

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1</td>
<td>2,944,992</td>
<td>1,899,796</td>
</tr>
<tr>
<td>Increase due to issuance of bearer</td>
<td>0</td>
<td>1,000,500</td>
</tr>
<tr>
<td>ordinary shares</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase due to exercise of stock</td>
<td>67,034</td>
<td>44,696</td>
</tr>
<tr>
<td>options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>As of December 31</td>
<td>3,012,026</td>
<td>2,944,992</td>
</tr>
</tbody>
</table>

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

(13) Other reserves

Other reserves developed as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>As of January 1</td>
<td>1,555,495</td>
<td>1,308,995</td>
</tr>
<tr>
<td>Additions to other reserves from net</td>
<td>207,900</td>
<td>0</td>
</tr>
<tr>
<td>income of the period</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Additions to other reserves by the</td>
<td>0</td>
<td>299,700</td>
</tr>
<tr>
<td>Annual General Meeting from retained</td>
<td></td>
<td></td>
</tr>
<tr>
<td>earnings</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deduction of other reserves</td>
<td>0</td>
<td>-53,200</td>
</tr>
<tr>
<td>As of December 31</td>
<td>1,763,395</td>
<td>1,555,495</td>
</tr>
</tbody>
</table>

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

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

(15) Special reserve for investment government grants

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

(16) Accrued expenses

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

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

<table>
<thead>
<tr>
<th>Dec. 31, 2013</th>
<th>€ in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to be paid for partial retirement agreements</td>
<td>880</td>
</tr>
<tr>
<td>Fair value of matching securities</td>
<td>828</td>
</tr>
<tr>
<td>Funded status (surplus of obligations over assets)</td>
<td>52</td>
</tr>
<tr>
<td>Acquisition cost of securities</td>
<td>867</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Dec 31, 2013</th>
<th>€ in thousands</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to be paid for obligations from the demography fund</td>
<td>819</td>
</tr>
<tr>
<td>Fair value of matching insurance</td>
<td>819</td>
</tr>
<tr>
<td>Funded status (surplus of assets over obligations)</td>
<td>0</td>
</tr>
<tr>
<td>Acquisition cost of insurance</td>
<td>775</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th></th>
<th>Dec 31, 2013</th>
<th>Thereof with a remaining term of</th>
<th>Dec 31, 2012</th>
<th>Thereof with a remaining term of up to 1 year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total</td>
<td>up to 1 year</td>
<td>Total</td>
<td>up to 1 year</td>
</tr>
<tr>
<td>Convertible bonds</td>
<td>115</td>
<td>115</td>
<td>194</td>
<td>194</td>
</tr>
<tr>
<td>Bank loans (thereof secured)</td>
<td>2,707,306</td>
<td>2,182,306</td>
<td>596,002</td>
<td>196,002</td>
</tr>
<tr>
<td></td>
<td>(525,000)</td>
<td>(0)</td>
<td>(525,000)</td>
<td>(0)</td>
</tr>
<tr>
<td>Trade accounts payable</td>
<td>6,218</td>
<td>6,218</td>
<td>5,204</td>
<td>5,204</td>
</tr>
<tr>
<td>Accounts payable to related parties</td>
<td>1,930,018</td>
<td>444,966</td>
<td>1,520,333</td>
<td>488,056</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>13,975</td>
<td>13,873</td>
<td>14,680</td>
<td>14,680</td>
</tr>
<tr>
<td>(thereof secured)</td>
<td>4,657,632</td>
<td>2,647,478</td>
<td>2,136,413</td>
<td>704,136</td>
</tr>
<tr>
<td></td>
<td>(525,000)</td>
<td>(0)</td>
<td>(525,000)</td>
<td>(0)</td>
</tr>
</tbody>
</table>

| € in thousands                |              |                                |              |                                               |

Convertible bonds

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

Bank loans

Bridge Financing Facility

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

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

On February 27, 2014, the bridge financing facility was 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.

**European Investment Bank Agreement**

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

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

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

**Euro Notes**

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

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

**Commercial-Paper-Program**

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

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

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

Other liabilities

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

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

(18) Contingent Liabilities

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Contingencies from indemnity agreements and guarantees</td>
<td>5,815,444</td>
<td>4,371,146</td>
</tr>
<tr>
<td>(thereof amount in favor of and from affiliated companies)</td>
<td>(5,815,444)</td>
<td>(4,371,146)</td>
</tr>
</tbody>
</table>

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

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

Fresenius SE & Co. KGaA guarantees the liabilities of its wholly-owned subsidiaries Fresenius Finance B.V. and Fresenius US Finance II, Inc. – both wholly-owned subsidiaries of Fresenius SE & Co. KGaA. The following table shows these liabilities of the two companies as of December 31, 2013:
<table>
<thead>
<tr>
<th>Issuer</th>
<th>Nominal Value</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Euro Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2007/2014</td>
<td>€38 million</td>
<td>July 2, 14</td>
<td>5.75%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2007/2014</td>
<td>€62 million</td>
<td>July 2, 14</td>
<td>variable</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2008/2014</td>
<td>€112 million</td>
<td>Apr. 2, 14</td>
<td>5.98%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2008/2014</td>
<td>€88 million</td>
<td>Apr. 2, 14</td>
<td>variable</td>
</tr>
<tr>
<td>Senior Notes</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2013/2020</td>
<td>€500 million</td>
<td>July 15, 20</td>
<td>2.875%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2012/2019</td>
<td>€500 million</td>
<td>Apr. 15, 19</td>
<td>4.25%</td>
</tr>
<tr>
<td>Fresenius US Finance II, Inc. 2009/2015</td>
<td>€275 million</td>
<td>July 15, 15</td>
<td>8.75%</td>
</tr>
<tr>
<td>Fresenius US Finance II, Inc. 2009/2015</td>
<td>US$500 million</td>
<td>July 15, 15</td>
<td>9.00%</td>
</tr>
</tbody>
</table>

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

The Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. described above are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. On February 7, 2013, the 5.5% Senior Notes due in 2016 that were issued in 2006 by Fresenius B.V. were early and completely repaid at a price of 100.916% plus accrued and unpaid interest. All other Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. may be redeemed prior to their maturity at the option of the issuers at a price of 100% plus accrued interest and a premium calculated pursuant to the terms of the indentures under observance of certain notice periods.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective Notes reaches investment grade. In the event of non-compliance with certain terms of the Senior Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayment plus interest. As of December 31, 2013, the Fresenius Group was in compliance with all of its covenants.

As part of the purchase agreement, signed in September 2013, between several entities of the Fresenius Group (Buyers) and of the Rhön-Klinikum Group (Sellers) referring to the shares of the Rhön-Klinikum AG’s companies, Fresenius SE & Co. KGaA guarantees all obligations and liabilities of the Buyers to the Seller deriving from or are related to this purchase agreement, including the obligation to pay the purchase price.
For funding the Rhôn transaction, in January and February 2014 the following unsecured Senior Notes were issued which are guaranteed by Fresenius SE & Co. KGaA together with Fresenius Kabi AG and Fresenius ProServe GmbH.

<table>
<thead>
<tr>
<th>Issuer</th>
<th>Nominal Value</th>
<th>Maturity Date</th>
<th>Interest Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fresenius Finance B.V. 2014/2019</td>
<td>€300 million</td>
<td>Feb. 1, 19</td>
<td>2.375%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2014/2021</td>
<td>€450 million</td>
<td>Feb. 1, 21</td>
<td>3.00%</td>
</tr>
<tr>
<td>Fresenius Finance B.V. 2014/2024</td>
<td>€450 million</td>
<td>Feb. 1, 24</td>
<td>4.00%</td>
</tr>
</tbody>
</table>

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Senior Credit Agreement) in the original amount of US$1,300 million and €1,250 million. The 2013 Senior Credit Agreement was funded on June 28, 2013 and replaced the 2008 Senior Credit Agreement. On August 7, 2013, the 2013 Senior Credit Agreement was extended by a term loan B facility in the amount of US$500 million.

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

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

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

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

The 2013 Senior Credit Agreement allows for establishment of incremental facilities if certain conditions are met. In line with these provisions, the 2013 Senior Credit Agreement has been increased on November 27, 2013 by facilities of €1,200 million in total. They consist of an incremental term loan facility A of €600 million, an incremental term loan facility B of €300 million (both can be utilized by Fresenius Finance II B.V.), and an incremental revolving facility of €300 million which can be utilized by Fresenius SE Co. KGaA. These incremental facilities were drawn down on February 27, 2014 and used to fund the acquisition of hospitals from Rhôn-Klinikum AG. The 2013 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH, Fresenius Kabi AG and certain U.S. subsidiaries of Fresenius Kabi AG. Obligations under the 2013 Senior Credit Agreement are secured by pledges of capital stock of certain material subsidiaries of Fresenius Kabi AG, and upon funding of the incremental facilities are additionally secured by a pledge of the capital stock of HELIOS Kliniken GmbH, in favor of the lenders.
Moreover, Fresenius SE & Co. KGaA together with Kabi AG guarantee a loan of €24.1 million from Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG entered into in 2010 and that has a value of €18.1 million on December 31, 2013.

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

(19) Other financial commitments

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

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

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

(20) Income from participations

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income from profit transfer agreements</td>
<td>427,035</td>
<td>275,295</td>
</tr>
<tr>
<td>Income from participations</td>
<td>150,134</td>
<td>147,512</td>
</tr>
<tr>
<td>(thereof amount from affiliated companies)</td>
<td>(149,443)</td>
<td>(147,512)</td>
</tr>
<tr>
<td>Expenses from loss transfer agreements</td>
<td>0</td>
<td>53,106</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>577,169</td>
<td>369,701</td>
</tr>
</tbody>
</table>

(21) Other operating income

Other operating income of €180,073 thousand in total (previous year €128,283 thousand) is comprised primarily of foreign currency gains of €97,770 thousand (previous year €62,383 thousand), of cost transfers to group companies of €75,733 thousand (previous year €57,938 thousand), service contracts with other subsidiaries, sales of property, plant and equipment from other accounting periods of €49 thousand (previous year €72 thousand), as well as other income from other accounting periods mainly income from the dissolution of short-term accruals in the amount of €4,777 thousand (previous year €7,233 thousand). The main reason for the increase in other operating income is an increase in foreign currency gains and in cost transfers to group companies.

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>₹ in thousands</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and wages</td>
<td>22,676</td>
<td>21,401</td>
</tr>
<tr>
<td>Social security and costs</td>
<td>5,521</td>
<td>4,678</td>
</tr>
<tr>
<td>of retirement pensions</td>
<td>(2,326)</td>
<td>(1,596)</td>
</tr>
<tr>
<td>and social assistance</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>28,197</td>
<td>26,079</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wage earners</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Salaried employees</td>
<td>246</td>
<td>240</td>
</tr>
<tr>
<td>Apprentices</td>
<td>134</td>
<td>122</td>
</tr>
<tr>
<td></td>
<td>398</td>
<td>380</td>
</tr>
</tbody>
</table>

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

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

(24) Other operating expenses

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

Total expenses from other accounting periods were ₹653 thousand in the fiscal year (previous year ₹984 thousand).
(25) Earnings before interest and taxes (EBIT)

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

(26) Net interest

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

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

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

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

(29) Income Taxes

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

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

(30) Derivatives

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

Foreign exchange risk

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

Fresenius SE & Co. KGaA entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had mainly US$ and € currency derivatives with a nominal value of €587,717 thousand and fair value of €10,553 thousand with a maximum maturity of 12 months.
For foreign exchange forward contracts contracted with banks that were closed to hedge the foreign exchange risk of Fresenius SE & Co. KGaA Group companies’ and that were passed down to the affected Group companies via Group internal transactions, hedges were built for the forward contracts and the underlying transactions with an offsetting fair value. The Company does not revaluate these hedges for financial reporting purposes until maturity (Einfrierungsmethode). The positive net fair value of internal and external hedges was €38 thousand. As of December 31, 2013, the notional amount of these transactions totaled €61,782 thousand. A provision for contingent losses of €16 thousand has been built within “Other provisions”. The offsetting cash flows will level after 12 months the latest.

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

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

**Interest rate risk**

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

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

**Standards of valuation**

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

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

- To determine the market value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the balance sheet. The result is then
discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

- The value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the balance sheet.

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

(31) Compensation of the Management Board and Supervisory Board

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see exhibit Compensation Report), which is part of the Management Report.

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

- non-performance-based compensation (fixed compensation and fringe benefits)
- short-term performance-based compensation (one-year variable compensation)
- components with long-term incentive effects (several-year variable compensation comprising stock options, share-based compensation with cash settlement (phantom stocks) and postponed payments of the one-year variable compensation).

The cash compensation paid to the Management Board for the performance of its responsibilities was €11,044 thousand (2012: €11,080 thousand). Thereof, €5,044 thousand (2012: €5,053 thousand) is not performance-based and €6,000 thousand (2012: €6,027 thousand) is performance-based. The amount of the performance-based compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 105,000 stock options under the Fresenius SE Co. KGaA Stock Option Plan 2013 and 74,700 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based compensation with cash settlement in an amount of €3,632 thousand.

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

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was €2,920 thousand in 2013 (2012: €2,592 thousand). Of this amount, €213 thousand was fixed compensation (2012: €213
In 2013, based on pension commitments to former members of the Management Board, €1,064 thousand (2012: €778 thousand) was paid. The pension obligation for these persons amounted to €17,389 thousand in 2013 (2012: €11,310 thousand).

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

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

(32) Corporate Governance

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA www.fresenius.com under Who we are – Corporate Governance – Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA www.fmc-ag.com under Investor Relations – Corporate Governance – Declaration of Compliance, respectively.

(33) Consolidated Financial Statements

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

(34) Proposal for the distribution of earnings

The General Partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2013 of Fresenius SE & Co. KGaA be distributed as follows:

Payment of a dividend of €1.25 per ordinary share on the 179,694,829 ordinary shares entitled to dividend €224,618,536.25

Balance to be carried forward €31,207.40

Retained earnings €224,649,743.65
(35) Responsibility Statement

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

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

Fresenius SE & Co. KGaA,

represented by:

Fresenius Management SE, its General Partner

The Management Board

Dr. U. M. Schneider Dr. F. De Meo Dr. J. Götz

M. Henriksson R. Powell S. Sturm Dr. E. Wastler
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)
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 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)
WMF EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausegleichsfonds

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 Betriebsführungs ges. m.b.H.
Chairman of the Group Works Council of VAMED AG
Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

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
Vice Chairman Investment Banking

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

<table>
<thead>
<tr>
<th>Name</th>
<th>Location</th>
<th>Position</th>
<th>Corporate Offices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stefan Schubert</td>
<td>Limburg-Staffel</td>
<td>Hospital nurse and full-time Works Council Member</td>
<td>Wittgensteiner Kliniken GmbH</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chairman of the Works Council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chairman of the Group Works Council of HELIOS Kliniken GmbH</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chairman of the European Works Council of Fresenius SE &amp; Co. KGaA</td>
<td></td>
</tr>
<tr>
<td>Rainer Stein</td>
<td>Berlin</td>
<td>Full-time Works Council Member</td>
<td>HELIOS Kliniken GmbH</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chairman of the Group Works Council of HELIOS Kliniken GmbH</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Chairman of the European Works Council of Fresenius SE &amp; Co. KGaA</td>
<td></td>
</tr>
<tr>
<td>Niko Stumpfögger</td>
<td>Zeuthen</td>
<td>Secretary of the Trade Union ver.di, Head of Company and Industry Politics in Health Care and Social Affairs, Deputy Chairman</td>
<td>HELIOS Kliniken GmbH (Deputy Chairman)</td>
</tr>
</tbody>
</table>

## COMMITTEES OF THE SUPERVISORY BOARD

<table>
<thead>
<tr>
<th>Committee</th>
<th>Chairman</th>
<th>Members</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Audit Committee</strong></td>
<td>Prof. Dr. h. c. Roland Berger  (Chairman)</td>
<td>Prof. Dr. h. c. Roland Berger, Dr. Gerhard Rupprecht, Rainer Stein</td>
</tr>
<tr>
<td><strong>Nomination Committee</strong></td>
<td>Dr. Gerd Krick (Chairman)</td>
<td>Dr. Gerd Krick, Dr. Gerhard Rupprecht, Dr. Karl Schneider</td>
</tr>
<tr>
<td><strong>Joint Committee</strong></td>
<td>Dr. Dieter Schenk (Chairman)</td>
<td>Dr. Gerd Krick, Dr. Gerhard Rupprecht, Dr. Karl Schneider</td>
</tr>
</tbody>
</table>

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-Sudharz 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 (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
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)
Sinor-Swed Pharmaceutical Corp., Ltd., China
Administrative Board
Fresenius Kabi France Groupe 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)
Andover, Massachusetts (USA)

Rice Powell (since Jan. 1, 2013)
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
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

Dr. Karl Schneider
Mannheim
Former Spokesman of Südzucker AG

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)

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)
Management Report for Fresenius SE & Co. KGaA

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

Fundamental information about the group

The group’s business model

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

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

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

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

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

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

- The segment Corporate/Other comprises the holding activities of Fresenius SE & Co. KGaA and the IT service provider Fresenius Netcare, which operates mainly for Group companies. Fresenius Biotech, a division active in research and development in the field of antibody therapies, was sold with effect from June 28, 2013. As announced in December 2012, Fresenius will focus on its four established business segments going forward. In addition, Corporate/Other includes the consolidation measures conducted among the business segments.

The Fresenius Group operates globally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company’s “entrepreneur in the enterprise” management principle. Additionally, management acc-
countability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains about 90 production sites. Large production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries and in Latin America, Asia-Pacific, and South Africa.

Management and control

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

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

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

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

The Supervisory Board of Fresenius SE & Co. KGaA has six shareholder representatives and six employee representatives. A Nomination Committee of the Supervisory Board of Fresenius SE & Co. KGaA has been instituted for election proposals for the shareholder representatives. Its activities are aligned with the provisions of law and the Corporate Governance Code. The shareholder representatives are elected by the Annual General Meeting. The European works council elects the employee representatives to the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board must meet at least twice per calendar half-year.

The Supervisory Board of Fresenius SE & Co. KGaA has two permanent committees: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The members of the committees are listed in the exhibit to the Notes. The Company’s annual corporate governance declaration describes the procedures of the

Management Report

2
Supervisory Board’s committees. The declaration can be found on our website www.fresenius.com, see Who we are – Corporate Governance.

The description of both the compensation structure and individual amounts paid to the Management Board and Supervisory Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA are included in the Compensation Report (see exhibit Compensation Report). The Compensation Report is part of the Group’s Management Report.

Key products and services

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

**Important markets and competitive position**

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

**Fresenius Medical Care** holds the leading position in dialysis care as it serves about 11% of all dialysis patients, as well as in dialysis products, with a market share of about 34%. **Fresenius Kabi** holds leading market positions in Europe and has strong positions in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading suppliers of generic IV drugs. **Fresenius Helios** is the largest private hospital operator in Germany. **Fresenius Vamed** is also one of the world’s leading companies in its field.

**Legal and economic factors**

Overall, the legal and economic factors for the Fresenius Group were largely unchanged, meaning the Group’s operating business was not materially affected.

The life-saving and life-sustaining products and therapies that the Group offers are of intrinsic importance for people worldwide. Therefore, our markets are fundamentally stable and relatively independent of economic cycles.

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

There were no legal aspects that significantly affected business performance in 2013.
Capital, shareholders, articles of association

The subscribed capital of Fresenius SE & Co. KGaA amounts to 179,694,829 ordinary shares as of December 31, 2013 (December 31, 2012: 178,188,260). The shares of Fresenius SE & Co. KGaA are non-par-value bearer shares. Each share represents €1.00 of the capital stock. Shareholders’ rights are regulated by the German Stock Corporation Act (AktG – Aktiengesetz).

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

- to increase the subscribed capital of Fresenius SE & Co. KGaA by a total amount of up to €40.32 million, until May 16, 2018, through a single or multiple issuance of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital I). Shareholders’ pre-emptive rights of subscription can be excluded.

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

- The subscribed capital is conditionally increased by up to €2,497,254.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that convertible bonds for ordinary shares have been issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.

- The subscribed capital is conditionally increased by up to €5,383,434.00 through the issuance of new bearer ordinary shares (Conditional Capital II). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash.

- The general partner is authorized, with the approval of the Supervisory Board, until May 10, 2017, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €16,323,734.00 through issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash or of warrants from option bonds issued for cash exercise their conversion or option rights and as long as no other forms of settlement are used.

- The share capital is conditionally increased by up to €8,400,000.00 by the issuance of new ordinary bearer shares (Conditional Capital IV). The conditional capital increase will only be implemented to the extent that subscription rights have been, or will be, issued in accordance with the Stock Option Program 2013 and the holders of subscription rights exercise their rights and the Company does not grant treasury shares to satisfy the subscription rights.
The Company is authorized, until May 10, 2017, to purchase and use its own shares up to a maximum amount of 10% of the capital stock. As of December 31, 2013, the Company had not utilized this authorization.

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

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

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

**Goals and strategy**

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

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

- **expand market position and worldwide presence**: Fresenius seeks to ensure and expand its long-term position as a leading international provider of products and services in the health care industry. To this end, and to geographically expand our business, we plan to grow organically as well as through selective small and medium-sized acquisitions. We focus on markets with strong growth rates. Fresenius Medical Care is the worldwide leader in dialysis, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs. In addition, the Company is one of the most important providers of transfusion technology. Fresenius Kabi plans to roll out products from its existing
portfolio to the growth markets and to launch existing products in the United States. Market share is to be expanded further through the launch of new products in the field of IV drugs and medical devices for infusion therapy and clinical nutrition as well as in transfusion technology. With the acquired hospitals from Rhön-Klinikum AG, Fresenius Helios is now present across Germany. Building on this, the Company is now in the position to offer additional patient care models and take advantage of further growth opportunities arising from the ongoing privatization process in the German hospital market. Fresenius Vamed will further strengthen its position as a global specialist for projects and services for hospitals and other health care facilities.

- **strengthen innovation**: Fresenius’ strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We want to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet the requirements of best-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 within a range of 2.5 to 3.0.

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

**Corporate performance criteria**

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

**Research and development**

Product and process development as well as the improvement of therapies are at the core of our growth strategy. Fresenius focuses its R & D efforts on its core competencies in the following areas:
Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services.

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

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

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

Employees

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

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

Human resources management

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

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

Personnel development

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

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

Personnel marketing

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

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

Profit-sharing

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

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

These programs support the entrepreneurial focus of our employees to continually increase the value of the company and safeguard the interests of our shareholders.
Responsibility, environmental management, sustainability

We orient our activities within the Fresenius Group to long-term goals, and thus ensure that our work is aligned to the needs of patients and employees, as well as shareholders and business partners, in a sustainable manner. Our responsibility as a health care group goes beyond our business operations. We are committed to protecting nature as the basis of life and using its resources responsibly. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, and product responsibility and logistics, and to comply with legal requirements. The international ISO Standard 14001 is an important benchmark for environmental management in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site’s impact on the environment, for example, with respect to emissions and waste. This international standard is implemented at our various production plants and most of our dialysis clinics. Key environmental performance indicators are, for instance, not only energy and water consumption but also the volumes of waste and recycling rates at our locations.

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

Health care industry

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

The main growth factors are:

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

In the emerging countries, drivers are:

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

At the same time, the cost of health care is rising and claiming an ever-increasing share of national income. Health care spending averaged 9.3% of GDP in the OECD countries in 2011, with an average of US$3,339 spent per capita. As in previous years, the United States had the highest per capita spending (US$8,508). Germany ranked ninth among the OECD countries with per capita spending of US$4,495.

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

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

Source: OECD Health Data 2013; Bank research
Most of the OECD countries have enjoyed large gains in life expectancy over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2011, average life expectancy in the OECD countries was 80.1 years.

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

Our most important markets developed as follows:

**The dialysis market**

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

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

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

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

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

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

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

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

Dialysis reimbursement systems differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the Centers for Medicare & Medicaid Services (CMS), cover the medical services for the majority of all dialysis patients in the United States.

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

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

Dialysis products

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

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

Of the more than 80,000 hemodialysis machines that were sold onto the market in 2013, about 55% were from Fresenius Medical Care. In the United States, more than 94% of the dialysis machines sold there were made by Fresenius Medical Care. In 2013, China was our second-largest market, where we delivered about 6,800 new hemodialysis machines. Almost half of all hemodialysis machines currently in use in China were produced by Fresenius Medical Care.
The market for infusion therapy and clinical nutrition, intravenously administered drugs, medical devices, and transfusion technology.

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

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

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

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

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

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

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

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

Sources: German Society for Nutritional Medicine (DGEM) 2009; Ljungqvist O., Clin Nutr 2010, 29:149-150; Company research, market data refer to Fresenius Kabi’s potential relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among others; IMS; Orange Book
In Europe, Fresenius Kabi is the market leader in infusion therapies as well as in parenteral nutrition. Competitors include Baxter and B. Braun. In the market for enteral nutrition, the company competes internationally with, among others, Danone, Nestlé and Abbott. In the market for IV drugs, our global competitors include generic drug manufacturers like Hospira, Sandoz, and Teva Pharmaceutical Industries. In the medical devices segment, our international competitors include CareFusion, Baxter, B. Braun, and Hospira, and in transfusion technology competitors include Haemonetics and Terumo. In all product segments, we also compete with smaller local providers.

The German hospital market

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

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

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

Many hospitals are facing a difficult economic and financial situation as well as significant **investment needs**. This is due in large part to an investment backlog that has accumulated because, in the past, the federal states failed to meet their statutory obligation to finance necessary investments and major maintenance measures sufficiently due to budget constraints. Moreover, investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the investment gap at German hospitals is about €34 billion.

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

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\(^1\) Total costs, gross of the German hospitals less academic research and teaching

**Sources:**
- German Federal Statistical Office
- German Hospital Institute (DKI), Krankenhaus Barometer 2013
- OECD Health Data 2013
- Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2013
According to our research, about €318 million in hospital transaction revenues were acquired in 2013.

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

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

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

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

**The market for projects and services for hospitals and other health care facilities**

The market for projects and services for hospitals and other health care facilities is very country-specific and depends, to a large extent, on factors such as public health care policies, government regulation, levels of privatization, economic conditions, and demographics.

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

Fresenius Vamed is one of the world’s leading companies in this market. The company has no competitors that cover its comprehensive portfolio of services across the entire life cycle worldwide. Competitors offer only parts of Fresenius Vamed’s service portfolio. Depending on the service, the company competes with international companies and with smaller local providers.

**Overall business development**

**The management Board’s assessment of the effect of general economic developments and those in the health care sector for Fresenius**

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

**Significant factors affecting operating performance**

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

**The Management Board’s assessment of the business results**

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

Results of operations

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

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

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

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

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

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

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

The write-offs of financial assets and marketable securities mainly include depreciation on the shares of GIF (Luxemburg) Société d’Investissement à Capital Variable-SIF in the amount of €69 million (2012: €72 million) due to dividend payment. The dividend payment of an equal amount was reported in the income from participations.
In 2012, other financial result comprised the financing costs, mainly the costs for the financing commitment, related to the takeover offer to the shareholders of Rhön-Klinikum AG.

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

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<td>Net Income</td>
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<td>Depreciation and amortization of non-current assets and financial assets</td>
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<td>Increase in pension liabilities</td>
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<td><strong>Cash flow</strong></td>
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<td><strong>Decrease/Increase in working capital</strong></td>
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**Net Cash provided by operating activities** | **479** | **282**

Payments for purchasing shares of subsidiaries, equity contributions to subsidiaries and investments in financial assets | -144 | -1,005 |
Proceeds from sale of shares in subsidiaries | 102 | 0 |
Payments for investments in intangible assets and property plant and equipment | -2 | -3 |

**Net Cash used in investing activities** | **-44** | **-1,008**

Dividends paid | -196 | -155 |
Proceeds from bank loans | 2,307 | 400 |
Repayment of bank loans | -196 | -10 |
Change in financing activities with related parties | -2,413 | -537 |
Proceeds from capital increase | 0 | 1,014 |
Proceeds from exercise of stock options | 68 | 46 |

**Net Cash used in/provided by financing activities** | **-430** | **758**

**Change of cash and cash equivalents** | **5** | **32**

Cash and cash equivalents at the beginning of the year | 54 | 22 |
Cash and cash equivalents at the end of the year | 59 | 54 |
The following paragraphs “financial situation” and “investments, divestments and acquisitions” describe material positions of the cash flow statements in more detail.

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

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

Financial position

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

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

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

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

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

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

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

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

The equity ratio decreased from 68.0% to 52.0%.
Investments, divestments and acquisitions

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

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

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

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

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

Subsequent events

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

On January 27, 2014, Fresenius had announced that Fresenius Helios meets the conditions set by the German antitrust authority. The German antitrust authority required that three Rhôn-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 Rhôn-Klinikum. Annual sales of these five hospitals are approximately €160 million.

In January 2014, Fresenius successfully placed €750 million of senior unsecured notes. The €300 million tranche due 2019 has a coupon of 2.375% and was issued at a price of 99.647%. The €450 million tranche due 2021 has a coupon of 3.00% and was issued at a
price of 98.751%. In January 2014, Fresenius also successfully placed €300 million of senior unsecured notes with a maturity of 10 years. The notes have a coupon of 4.00% and were issued at par. In February 2014, the bond was increased by a nominal amount of €150 million at a price of 102%, resulting in a yield to maturity of 3.758%. In February 2014, Fresenius placed US$300 million of senior unsecured notes with a maturity of 7 years. The notes have a coupon of 4.25% and were issued at par.

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

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

Besides the items mentioned above, there were no significant changes in the Fresenius Group’s operating environment following the close of fiscal year 2013. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred after the close of the year.

Overall assessment of the business situation

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Fresenius Group as positive. Demand for our products and services continues to grow steadily around the world. Operating performance in the first weeks of 2014 has been in line with our expectations.

Outlook

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future and on the basis of our mid-term planning. Such forward-looking statements are subject, as a matter of course, to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 28ff.

General and mid-term outlook

The outlook for the Fresenius Group for the coming years continues to be positive. We are continuously striving to optimize our costs, to adjust our capacities to be able to treat patients and supply customers reliably, and to improve our product mix. We expect these efforts to improve our earnings in the coming years. In addition, good growth opportunities for Fresenius are, above all, presented by the following factors:
• The sustained **growth of the markets** in which we operate: Fresenius sees very good opportunities to benefit from the growing health care needs arising from aging populations and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Efficient health care systems with appropriate reimbursement structures will evolve over time in these countries as economic conditions improve. We will strengthen our activities in these regions and successively introduce further products from our portfolio to these markets.

• The **development of innovative products and therapies**: these will create the potential to further expand our market position in the regions. In addition to innovation, best-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 midsized acquisitions that extend our product portfolio and strengthen our regional presence.

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

The outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2014 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.
Future markets

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

New markets will open up as **Fresenius Medical Care** successively rolls out its product and services portfolio, especially in emerging countries.

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

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

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

Health care sector and markets

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

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

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

Source: Company research; German Bundestag, Research Papers, Health Care Reform in the USA, June 2010; Website of the White House (www.whitehouse.gov)
Basic health insurance is to be compulsory in the United States from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance. The reform allows for health insurance coverage to be phased in for the approximately 46 million people – about 15% of the population – who are not insured.

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

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

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 by 2014.

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 original drugs going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Europe and the United States to grow by about 3 to 5% in 2014.
The worldwide market for **medical devices** for infusion therapy, intravenously administered drugs, and clinical nutrition is expected to grow in 2014 by about 3%.

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

**The German hospital market**

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

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

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

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

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

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

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

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

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

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

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

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 nonmedical services, which are outsourced from public facilities to private service providers.

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

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

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

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

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

Opportunities and risk report

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

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

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

Opportunities management

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the Company’s long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group’s decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and scientific institutions and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 22.
Risk management

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

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

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

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

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

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

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

- local entity
- region
- business segment
- Group

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

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

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

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

General economic risks

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2014, we largely expect overall economic growth to continue. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We expect demand for our life-saving and life-sustaining products and services to continue to grow.

Risks in the general operating framework

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

Risks in the health care sector

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

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

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

Reductions in health care spending could also negatively affect the pricing of Fresenius Kabi products.
Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

In the United States, almost all Fresenius Kabi’s injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations (GPOs)** and distributors. The majority of hospitals contract with the GPO of their choice for their purchasing needs. Fresenius Kabi currently derives a large percentage of its revenue through a small number of GPOs, and expects to continue to do so in the future. Currently, fewer than ten GPOs control a large majority of sales to hospital customers. Fresenius Kabi has purchasing agreements with the major GPOs. To maintain these business relationships, Fresenius Kabi believes it needs to be a reliable supplier, offer a comprehensive high quality product line, remain price-competitive, and comply with the regulations of the U.S. Food and Drug Administration (FDA). The GPOs also have purchasing agreements with other manufacturers and the bidding process for products is highly competitive. Most of Fresenius Kabi’s GPO agreements can be terminated at short or mid-term notice. The main customers in the area of transfusion technology are plasma companies and blood centers.

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

**Operating risks**

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

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

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

Production, products, and services

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

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

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

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

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

Further risks arise from increasing pressure on our product prices. On the procurement side, we counter risks – which mainly involve possible price increases and the availability of raw materials and goods – by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group.
Under the Medicare bundled reimbursement system, payment for Erythropoietin stimulating agents (ESA) is generally included in the bundled rate. An interruption of supply or material increases in the utilization or acquisition costs for ESAs could materially adversely affect sales and profitability.

Growing competition could materially adversely affect the future pricing and sale of our products and services. The introduction of new products and services or the development of new technologies by competitors could render one or more of our products and services less competitive or even obsolete, and thus have a significant negative impact on future sales, the prices of products, and our range of services. This includes the introduction of generic or patented drugs by competitors, which may have an impact on the sale and distribution of drugs by Fresenius Medical Care, because in some cases drugs have minimum annual royalty payments.

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

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

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

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

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

Government reimbursement payments

Fresenius is subject to comprehensive government regulation in nearly all countries. This is especially true in the United States and Germany. In addition, Fresenius must comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions should Fresenius fail to comply with these laws or regulations.
A large part of Group revenue derives from government reimbursement programs. In 2013, approximately 32% of Fresenius Medical Care’s sales were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid.

Effective January 1, 2011, Medicare implemented a new end stage renal disease (ESRD) prospective payment system ("ESRD PPS") that expanded the scope of the products and services covered by the bundled rate and resulted in lower reimbursement per treatment than under the reimbursement system in place until December 31, 2010. ESRD-related drugs with only an oral form are expected to be reimbursed under the ESRD PPS starting in January 2016 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications.

The ESRD PPS payment amount is subject to annual adjustment based on increases in the costs of a “market basket” of certain healthcare items and services less a productivity adjustment. The centers for Medicare and Medicaid Services ("CMS") increased ESRD PPS base rates by 2.8% for 2014.

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

The American Taxpayer Relief Act of 2012 ("American Taxpayer Relief Act"), which was enacted on January 3, 2013, directed CMS to reduce the ESRD PPS payment rate, effective January 1, 2014, to account for changes in the utilization of certain drugs and biologicals that are included in the ESRD PPS. On November 22, 2013 CMS issued the final rule regarding the 2014 ESRD PPS payment rate. CMS decided to split the settled reduction of the ESRD PPS payment rate ($29.93 reduction) over a period between three and four years (2014-2017), whereat material deviations between the ESRD PPS payment rates for 2013 and 2014 are not expected.

The Company mitigated the impact of the ESRD PPS and the other legislative initiatives referenced above with two broad measures. First, it worked with medical directors and treating physicians to make clinical protocol changes used in treating patients consistent with the QIP and good clinical practices, and it negotiated pharmaceutical acquisition cost savings. In addition, the Company achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in its clinics.

On February 4, 2013, CMS announced plans to test a new Comprehensive End-Stage Renal Disease (ESRD) Care Model and issued a solicitation for applications. As currently proposed, CMS will work with up to 15 healthcare provider groups, known as ESRD
Seamless Care Organizations ("ESCOs"), to test a new system of payment and care delivery that seeks to deliver better health outcomes for ESRD patients while lowering CMS’s costs. ESCOs that achieve the program’s minimum quality thresholds and generate reductions in CMS’s cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and reimburse CMS a share of any such increases. Applications must be approved by CMS to participate in the program. In August 2013, FME submitted an application for an ESCO.

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

Research and development

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

Risks from the integration of acquisitions

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

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

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

Financial risks

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

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

The Fresenius Group is protected to a large extent against currency and interest rate risks. As of December 31, 2013, approximately 61% of the Fresenius Group’s debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 39%, or €4,935 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1.5% impact on Group net income. For the determination of the interest rate risk the senior notes issued in January and February 2014 are included.

As a global company, Fresenius is widely exposed to translation effects due to foreign exchange rate fluctuations. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. A sensitivity analysis shows that a one cent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of about €65 million on Group sales and about €3 million on Group net income.

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The Fresenius
Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The foreign currency cash flows that are reasonably expected to arise within the following twelve months, less any hedges, form the basis for the analysis of the currency risk. As of December 31, 2013, the Fresenius Group’s cash flow at risk was €56 million. Hence, with a probability of 95% a potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months will not be higher than €56 million.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group’s consolidated balance sheet are tested for impairment each year.

By normally assessing the creditworthiness of new customers, we limit the risk of late payment and defaults by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. Receivables outstanding from existing customers are monitored, and the risk of defaults is assessed. This particularly applies to countries with budgetary problems. In 2013, we again worked on our receivables, taking certain measures such as factoring or selling through product distributors.

As a global corporation, Fresenius is subject to numerous tax codes and regulations. The Fresenius Group’s companies are subject to regular tax audits. Any changes in tax regulations or resulting from tax audits could lead to higher tax payments.

Fresenius’ debt was €12.804 million as of December 31, 2013. The debt could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius in case of an ongoing general financial market crisis. We reduce these risks through a high proportion of mid- and long-term funding with a balanced maturity profile. Furthermore, our financing agreements contain covenants requiring us to comply with certain financial figures and additional financial measures. Should we not comply with the covenants, this could lead to an early redemption of the debt.

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

Legal risks

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

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

Other risks, such as environmental risks and risks involving management and control systems, or our IT systems, were not considered to be significant. IT risks are countered through security measures, controls, and monitoring. In addition, we counter these risks with constant investment in hardware and software as well as by improving our system knowhow. Potential risks are covered by a detailed contingency plan, which is continuously improved and tested. Redundant systems are maintained for all key systems, such as IT systems or communications infrastructure. A password system is in place to minimize organizational risks, such as manipulation and unauthorized access. In addition, there are Company guidelines regulating the granting of access authorization, and compliance with these rules is monitored. We also conduct operational and security-related audits.
Risks with effect on the 1-year forecast period

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

<table>
<thead>
<tr>
<th>Potential effects</th>
<th>Probability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Currencies and interest rates</td>
<td>high</td>
</tr>
<tr>
<td>Regulatory environment</td>
<td>medium</td>
</tr>
<tr>
<td>Quality</td>
<td>medium</td>
</tr>
<tr>
<td>Reimbursement rates and prices</td>
<td>low</td>
</tr>
<tr>
<td>Procurement</td>
<td>low</td>
</tr>
<tr>
<td>Litigations</td>
<td>low</td>
</tr>
<tr>
<td>Taxes</td>
<td>low</td>
</tr>
</tbody>
</table>

*Note: The matrix represents the potential effects and their corresponding probabilities.*
Assessment of overall risk

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

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

The compensation report summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Management SE as the general partner of Fresenius SE & Co. KGaA and in this regard notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management report of the annual financial statements and the annual consolidated financial statements of Fresenius SE & Co. KGaA. The compensation report is prepared on the basis of the recommendations of the German Corporate Governance Code as well as under consideration of the declaration of conformity of Fresenius SE & Co. KGaA of December 2013 and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code.

COMPENSATION OF THE MANAGEMENT BOARD

The entire Supervisory Board of Fresenius Management SE is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee. In the fiscal year 2013, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Karl Schneider.

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

The objective of the compensation system is to enable the members of the Management Board to participate reasonably in the sustainable development of the Company’s business and to reward them based on their duties and performance as well as their successes in managing the Company’s economic and financial position giving due regard to the peer environment.

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

- non-performance-based compensation (fixed compensation and fringe benefits)
- short-term performance-based compensation (one-year variable compensation)
- components with long-term incentive effects (several-year variable compensation comprising stock options, share-based compensation with cash settlement (phantom stocks) and postponed payments of the one-year variable compensation)

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

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

The fixed compensation was paid in 12 monthly installments in the fiscal year 2013. Mr. Rice Powell was paid a part of his fixed compensation from Fresenius Medical Care North America in 24 monthly installments. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of a company car, special payments such as rent supplements and reimbursement of certain other charges, tuition fees, as well as contributions to pension and health insurance.

The performance-based compensation will also be granted for the fiscal year 2013 as a short-term cash component (one-year variable compensation) and as compensation component with long-term incentive effects (stock options, share-based compensation with cash settlement (phantom stocks), postponed payments of the one-year variable compensation). The amount of the one-year variable compensation in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm and Dr. Götz – the amount of the one-year variable compensation is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of non-controlling interest). For Mr. Henriksson and Dr. De Meo, circa half of the amount of the one-year variable compensation depends on the development of the net income attributable to Fresenius SE & Co. KGaA and for the remainder on the development of the net income of the business segment (in each case after
deduction of non-controlling interest) for which the respective member of the Management Board is responsible. Circa half of the amount of the one-year variable compensation of Dr. Wastler is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of non-controlling 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:

<table>
<thead>
<tr>
<th>€ in thousands</th>
<th>Non-performance-based compensation</th>
<th>Performance-based compensation</th>
<th>Cash compensation (without long-term incentive components)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>990</td>
<td>990</td>
<td>64</td>
</tr>
<tr>
<td>Rainer Baule (up to December 31, 2012)</td>
<td>0</td>
<td>650</td>
<td>0</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>550</td>
<td>550</td>
<td>19</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>415</td>
<td>415</td>
<td>34</td>
</tr>
<tr>
<td>Mats Henriksson (since January 1, 2013)</td>
<td>550</td>
<td>0</td>
<td>217</td>
</tr>
<tr>
<td>Dr. Ben Lipps 1 (up to December 31, 2012)</td>
<td>0</td>
<td>973</td>
<td>0</td>
</tr>
<tr>
<td>Rice Powell 1 (since January 1, 2013)</td>
<td>941</td>
<td>0</td>
<td>169</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>550</td>
<td>550</td>
<td>40</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>470</td>
<td>470</td>
<td>35</td>
</tr>
<tr>
<td>Total</td>
<td>4,466</td>
<td>4,498</td>
<td>578</td>
</tr>
</tbody>
</table>

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.
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:

<table>
<thead>
<tr>
<th>€ in thousands</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>1,200</td>
<td>1,750</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>750</td>
<td>1,250</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>250</td>
<td>750</td>
</tr>
<tr>
<td>Mats Henriksson</td>
<td>750</td>
<td>1,250</td>
</tr>
<tr>
<td>Rice Powell</td>
<td>212</td>
<td>1,864</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>850</td>
<td>1,150</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>350</td>
<td>750</td>
</tr>
</tbody>
</table>

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 expira-
tion 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 inter-
est) 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 con-
verted portion of the one-year variable compensation. No
interest is payable on the converted one-year variable com-
ensation claim from the time when it first arises until the
time of its effective payment. In this way, the one-year vari-
able 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 nega-
tive 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 Man-
agement 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 mem-
bers to be granted is determined by the Supervisory Board at
the Supervisory Board’s own discretion, provided that gener-
ally all Management Board members receive the same
amount of stock options and phantom stocks, with the excep-
tion 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 sub-
ject to several conditions, such as expiry of a four-year wait-
ing 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 Phan-
tom Stock Plan 2013 is based on the volume-weighted aver-
age 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 compar-
ison to the previous year within the waiting period, after
adjustment for foreign currency effects. The performance tar-
get has also been achieved if the average annual growth rate
of the adjusted consolidated net income of the Company dur-
ing 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
The principles of LTIP 2013 of Fresenius SE & Co. KGaA and of LTIP 2011 of Fresenius Medical Care AG & Co. KGaA are described in more detail in note 33 of the notes of the Fresenius Group, Stock options.

The previous share-based compensation component with cash settlement (performance shares) has been combined with the current share-based compensation component with cash settlement (phantom stocks). The members of the Management Board, with the exception of Mr. Rice Powell, were granted an entitlement to further share-based compensation with cash settlement (further phantom stocks, previously performance shares) in the fiscal year 2013. With regard to the performance target and waiting period, the same conditions that pertain to the phantom stocks granted under LTIP 2013 apply to them.

For the fiscal years 2013 and 2012, the number and value of stock options issued, the value of the share-based compensation with cash settlement (phantom stocks) and the value of the postponed performance-based compensation is shown in the following table.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2013 correspond to their fair value at the time of grant, namely a value of €27.24 (2012: €21.19) per stock option of Fresenius SE & Co. KGaA and €8.92 (2012: €12.68) per stock option of Fresenius Medical Care AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €99.29 (2012: €78.33).

**LONG-TERM INCENTIVE COMPONENTS**

<table>
<thead>
<tr>
<th>Stock options</th>
<th>Postponed payment of the one-year variable compensation</th>
<th>Share-based compensation with cash settlement (phantom stocks)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>30,000</td>
<td>56,760</td>
<td>817</td>
</tr>
<tr>
<td>Rainer Baule (up to Dec. 31, 2012)</td>
<td>0</td>
<td>28,380</td>
<td>0</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>15,000</td>
<td>28,380</td>
<td>409</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>15,000</td>
<td>28,380</td>
<td>409</td>
</tr>
<tr>
<td>Mats Henriksson (since Jan. 1, 2013)</td>
<td>15,000</td>
<td>0</td>
<td>409</td>
</tr>
<tr>
<td>Dr. Ben Lipps (up to Dec. 31, 2012)</td>
<td>74,700</td>
<td>0</td>
<td>666</td>
</tr>
<tr>
<td>Rice Powell (since Jan. 1, 2013)</td>
<td>0</td>
<td>28,380</td>
<td>409</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>15,000</td>
<td>28,380</td>
<td>409</td>
</tr>
<tr>
<td>Total</td>
<td>179,700</td>
<td>273,360</td>
<td>3,528</td>
</tr>
</tbody>
</table>

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.
Exhibit Compensation Report

The development and the status of the stock options of the Management Board in the fiscal year 2013 are shown in the following table:

<table>
<thead>
<tr>
<th>Options outstanding on January 1, 2013</th>
<th>Dr. Ulf M. Schneider</th>
<th>Dr. Francesco De Meo</th>
<th>Dr. Jürgen Götz</th>
<th>Mats Henriksson</th>
<th>Rice Powell</th>
<th>Stephan Sturm</th>
<th>Dr. Ernst Wastler</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>number</td>
<td>315,400</td>
<td>166,740</td>
<td>144,060</td>
<td>57,400</td>
<td>336,150</td>
<td>224,460</td>
<td>164,340</td>
<td>1,072,400</td>
</tr>
<tr>
<td>average exercise price in €</td>
<td>57.61</td>
<td>57.08</td>
<td>58.78</td>
<td>59.96</td>
<td>42.80</td>
<td>51.19</td>
<td>56.41</td>
<td>56.28</td>
</tr>
</tbody>
</table>

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           | 99.29       | 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                | 53.48                | 71.28           | 53.48           | 31.97       | 33.81          | 53.48            | 33.81 |

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:

<table>
<thead>
<tr>
<th>€ in thousands</th>
<th>Cash compensation (without long-term incentive components)</th>
<th>Long-term incentive components</th>
<th>Total compensation (including long-term incentive components)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>2,456</td>
<td>2,191</td>
<td>1,681</td>
</tr>
<tr>
<td>Rainer Baule (up to December 31, 2012)</td>
<td>0</td>
<td>1,377</td>
<td>0</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>1,567</td>
<td>1,269</td>
<td>999</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>1,139</td>
<td>1,049</td>
<td>891</td>
</tr>
<tr>
<td>Mats Henriksson (since January 1, 2013)</td>
<td>1,723</td>
<td>0</td>
<td>956</td>
</tr>
<tr>
<td>Dr. Ben Lipps (up to December 31, 2012)</td>
<td>0</td>
<td>2,713</td>
<td>0</td>
</tr>
<tr>
<td>Rice Powell (since January 1, 2013)</td>
<td>1,483</td>
<td>0</td>
<td>1,024</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>1,511</td>
<td>1,390</td>
<td>921</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>1,165</td>
<td>1,091</td>
<td>891</td>
</tr>
<tr>
<td>Total</td>
<td>11,044</td>
<td>11,080</td>
<td>7,363</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Stock options</th>
<th>Share-based compensation with cash settlement</th>
<th>Total expenses for share-based compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Stock options</td>
<td>(phantom stocks(^1))</td>
</tr>
<tr>
<td>Dr. Ulf M. Schneider</td>
<td>902</td>
<td>877</td>
</tr>
<tr>
<td>Rainer Baule (up to December 31, 2012)</td>
<td>0</td>
<td>439</td>
</tr>
<tr>
<td>Dr. Francesco De Meo</td>
<td>451</td>
<td>439</td>
</tr>
<tr>
<td>Dr. Jürgen Götz</td>
<td>451</td>
<td>439</td>
</tr>
<tr>
<td>Mats Henriksson (since January 1, 2013)</td>
<td>239</td>
<td>0</td>
</tr>
<tr>
<td>Dr. Ben Lipps (up to December 31, 2012)</td>
<td>0</td>
<td>2,136</td>
</tr>
<tr>
<td>Rice Powell (since January 1, 2013)</td>
<td>325</td>
<td>0</td>
</tr>
<tr>
<td>Stephan Sturm</td>
<td>451</td>
<td>439</td>
</tr>
<tr>
<td>Dr. Ernst Wastler</td>
<td>451</td>
<td>439</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,270</strong></td>
<td><strong>5,208</strong></td>
</tr>
</tbody>
</table>

\(^1\) 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:

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

...
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 duties 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:

<table>
<thead>
<tr>
<th>Name</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Fresenius SE &amp; Co. KGaA</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dr. Gerd Krick</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>13</td>
<td>10</td>
<td>10</td>
<td>20</td>
<td>20</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Dr. Dieter Schenk</td>
<td>0</td>
<td>0</td>
<td>19</td>
<td>19</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>0</td>
<td>237</td>
</tr>
<tr>
<td>Niko Stumpfogger</td>
<td>19</td>
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<td>0</td>
<td>0</td>
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<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>Prof. Dr. med. D. Michael Albrecht</td>
<td>13</td>
<td>13</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>138</td>
</tr>
<tr>
<td>Prof. Dr. h. c. Roland Berger</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>20</td>
<td>20</td>
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<td>69</td>
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<tr>
<td>Dario Illosi</td>
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<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Konrad Kölbl</td>
<td>13</td>
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<td>0</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Klaus-Peter Müller</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>79</td>
<td>69</td>
</tr>
<tr>
<td>Dieter Reuß</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Gerhard Roggemann</td>
<td>13</td>
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<td>0</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Dr. Gerhard Rupprech</td>
<td>13</td>
<td>13</td>
<td>6</td>
<td>6</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Dr. Karl Schneider</td>
<td>0</td>
<td>0</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Stefan Schubert</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<td>158</td>
<td>138</td>
</tr>
<tr>
<td>Rainer Stein</td>
<td>13</td>
<td>13</td>
<td>0</td>
<td>0</td>
<td>10</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>158</td>
<td>138</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>150</strong></td>
<td><strong>150</strong></td>
<td><strong>63</strong></td>
<td><strong>63</strong></td>
<td><strong>60</strong></td>
<td><strong>60</strong></td>
<td><strong>40</strong></td>
<td><strong>40</strong></td>
<td><strong>1,817</strong></td>
<td><strong>1,588</strong></td>
</tr>
</tbody>
</table>

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.
**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, 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 Komplementär-aktionär), 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.

**ROIC (Return on Invested Capital)**
Calculated by: \( \text{ROIC} = \frac{\text{EBIT} \times (1 - \text{tax rate})}{\text{Invested capital}} \)
Invested capital = total assets + amortization of goodwill (accumulated) + depreciation – cash and cash equivalents – trade accounts payable – accrued liabilities (without pension accruals) – other liabilities not bearing interest.

**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.

**Working Capital**
Current assets (including deferred assets) – accruals – trade accounts payable – other liabilities – deferred charges.

**Xetra (Exchange Electronic Trading)**
Electronic trading system of Deutsche Börse AG to buy or sell stocks, foreign currencies, or other financial instruments.
REPORT OF THE SUPERVISORY BOARD

In 2013, the Supervisory Board of Fresenius SE & Co. KGaA fulfilled its obligations in its respective terms in accordance with the provisions of the law, the articles of association, and the rules of procedure. It regularly advised the Management Board of the general partner, Fresenius Management SE, regarding the management of the Company, and has supervised the management in accordance with its Supervisory Board responsibilities.

COOPERATION BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Management Board regularly kept the Supervisory Board informed – in a timely and comprehensive oral and written manner – about all important matters relating to business policy, business development, profitability, the economic and financial position of the Company and the Group, the corporate strategy and planning, risk situation, risk management, and compliance, as well as important business events. Based on the reports submitted from the Management Board of the general partner, the Supervisory Board discussed all business transactions that were important for the Company in its committees and at its meetings. The Management Board of the general partner discussed the Company’s strategic direction with the Supervisory Board. The Supervisory Board passed resolutions within the framework of its legal and Company statutory authority.

The Supervisory Board of Fresenius SE & Co. KGaA convened for four regular meetings in 2013 – in March, May, October, and December. In addition, the Supervisory Board had an extraordinary meeting in September in which the members of the Supervisory Board were informed about the planned acquisition of hospitals from Rhön-Klinikum Aktiengesellschaft. Before the meetings, the Management Board of the general partner
sent detailed reports and comprehensive approval documents to the members of the Supervisory Board. At the meetings, the Supervisory Board discussed in detail the business development and any important corporate decisions based on the reports from the general partner’s Management Board.

All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the related approval documents and detailed consultation with the Management Board of the general partner, the Supervisory Board approved all matters submitted to it.

The Supervisory Board was also informed about any important business events occurring between meetings. In a few cases, it passed resolutions by written proceeding in lieu of a meeting. In addition, the Chairman of the general partner’s Management Board regularly informed the Chairman of the Supervisory Board in separate meetings about the latest development of the business and forthcoming decisions and discussed them with him.

Every member of the Supervisory Board of Fresenius SE & Co. KGaA attended at least half of the regular Supervisory Board Meetings in 2013.

MAIN FOCUS OF THE SUPERVISORY BOARD’S ACTIVITIES
In 2013, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments by the business segments. Furthermore, the Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. One main consulting focus was on acquisitions, especially the acquisition of hospitals from Rhön-Klinikum Aktiengesellschaft. The Supervisory Board discussed in detail the 2014 budget and the mid-term planning of the Fresenius Group. It also focused on the strategies of the business segments, especially on the business perspectives for Fresenius Medical Care in the U.S. market. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group’s risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE
The Supervisory Board and the Management Board of the general partner jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 20, 2013.

The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal
interests or bestow unjustified benefits on others. Any sideline activities or transactions with the Company by members of the corporate bodies must be reported to, and approved by, the Supervisory Board.

Prof. Dr. med. D. Michael Albrecht is a member of the Supervisory Board of our Company and is medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden as well as a member of the supervisory board of the University Hospital in Aachen. He was also a member of the supervisory boards of the University Hospitals in Magdeburg and Rostock. The Fresenius Group maintains regular business relationships with these hospitals in the ordinary course under customary conditions. Klaus-Peter Müller is a member of the Supervisory Boards of our Company and of Fresenius Management SE, as well as Chairman of the supervisory board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. In 2013, the Fresenius Group paid €1.4 million to Commerzbank AG for financing commitments, in connection with Senior Notes issuances and the share conversion at Fresenius Medical Care. Dr. Gerhard Rupprecht is a member of the Supervisory Board of our Company and of Fresenius Management SE, as well as a member of the supervisory board of Allianz France SA. In 2013, the Fresenius Group paid €5.3 million for insurance premiums to Allianz under customary conditions.

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

Furthermore, various companies of the Fresenius Group were advised by affiliated companies of the internationally acting law firm Noerr. Dr. Dieter Schenk, member of the Supervisory Board of Fresenius Management SE and Deputy Chairman of the same, is also a partner of the law firm Noerr LLP. In 2013, the Fresenius Group paid or processed for payment in December about €1.5 million to the law firm Noerr (2012: €1.8 million). This corresponds to 1% of the total amount paid by the Fresenius Group for services and legal advice in 2013 (2012: 2%). Not included in the amount paid or processed for payment are such payments made in 2013 that had already been processed for payment in 2012, and have therefore already been reported for the
2012 fiscal year. Thereof, about €0.5 million were attributable to services for Group companies not related to the business segment Fresenius Medical Care. The services rendered for Group companies of the business segment Fresenius Medical Care require a separate approval by the Supervisory Boards of Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA. The Supervisory Board of Fresenius Management SE, of which Dr. Schenk is a member, closely examined this mandate and approved it. Dr. Schenk abstained from voting. The Supervisory Board of Fresenius SE & Co. KGaA, of which Dr. Schenk is not a member, dealt with the amounts for legal services paid to the law firm Noerr in relation to the amounts paid to other law firms.

The payments mentioned in this section are net amounts in Euro. VAT was paid also.

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

WORK OF THE COMMITTEES
The Audit Committee held three meetings and four conference calls in 2013. The main focus of its monitoring activities was on the preliminary audit of the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2012 and discussions with the auditors about their reports and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board on which auditing firm to propose to the Annual General Meeting for election as auditor for the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2013. The Supervisory Board’s proposal to the Annual General Meeting in 2013 to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor was based on a recommendation to this effect by the Audit Committee. The Audit Committee also reviewed the 2013 quarterly reports, the controlling reports on the development of the acquisitions, the compliance, the risk management system, the internal control system, and the internal auditing system. The chairman of the Audit Committee reported regularly in the following Supervisory Board meetings on the work of the committee.

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

The Joint Committee, whose approval is necessary for certain important transactions of Fresenius SE & Co. KGaA and for certain legal acts between the Company and the Else Kröner-Fresenius Foundation, did not meet in 2013 because no transactions were effected that required the Joint Committee’s approval.
There is no Mediation Committee because the Supervisory Board of Fresenius SE & Co. KGaA does not appoint the Management Board members of Fresenius Management SE.

For more information about the committees, their composition, and their work methods, please refer to the Corporate Governance Declaration and Report on pages 15, 16, and 193 of the Annual Report.

PERSONNEL

In 2012, there were no changes in the composition of the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner Fresenius Management SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the 2013 Management Report of the Company were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The firm was elected as auditor in accordance with the resolution passed at the Annual General Meeting of Fresenius SE & Co. KGaA on May 17, 2013, and was subsequently commissioned by the Supervisory Board. The auditors of KPMG issued their unqualified audit opinion for these statements. The same applies to the Company’s consolidated financial statements, prepared according to IFRS accounting principles, and to the regulations that govern these statements pursuant to Section 315a of the German Commercial Code (HGB). It also applies to the Company’s consolidated financial statements, which are prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditor’s reports were submitted to each member of the Company’s Supervisory Board within the required time. At their meetings on March 13 and 14, 2014, the Audit Committee and then the Supervisory Board discussed all the documents in detail.

The auditors delivered a detailed report on the results of the audit at each of these meetings. They found no weaknesses in the risk management system and the internal control system with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and all meetings and conference calls of the Audit Committee.
The Audit Committee and the Supervisory Board approved the auditor’s findings. Also the Audit Committee’s and the Supervisory Board’s own review found no objections to the Company’s financial statements and Management Report or the consolidated financial statements and the Group Management Reports. At its meeting on March 14, 2014, the Supervisory Board approved the financial statements and Management Reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner’s proposal on the allocation of the 2013 distributable profit.

The Supervisory Board would like to thank the members of the Management Board of the general partner and all employees for their outstanding achievements.

Bad Homburg v. d. H., March 14, 2014

The Supervisory Board

Dr. Gerd Krick
Chairman