FRESENIUS

2014

Consolidated Financial Statements and Management Report

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

at December 31, 2014

applying Section 315a HGB in accordance with

International Financial Reporting Standards

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MANAGEMENT REPORT. 2014 was a successful year for Fresenius. We fully met our guidance, achieving €23.5 billion in sales and €1.1 billion in net income. Operating cash flow margin was 10.9%.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

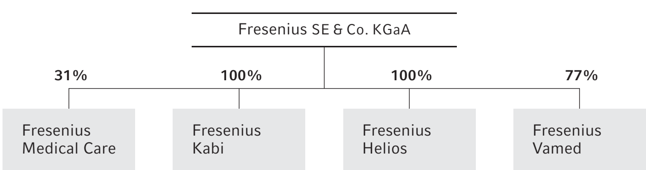
THE GROUP'S BUSINESS MODEL

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

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

- **Fresenius Medical Care** offers services and products for patients with chronic kidney failure. As of December 31, 2014, Fresenius Medical Care treated 286,312 patients at 3,361 dialysis clinics. Dialyzers, dialysis machines, and renal pharmaceuticals are among the most important product lines. In addition, Fresenius Medical Care offers dialysis-related services, among others in the field of Care Coordination.
- **Fresenius Kabi** specializes in intravenously administered generic drugs (IV drugs), clinical nutrition, and infusion therapies. The company is also a supplier of medical devices and products of transfusion technology. The company sells its products mainly to hospitals.
- **Fresenius Helios** is the largest hospital operator in Germany. At the end of 2014, Fresenius Helios operated a total of 110 hospitals with more than 34,000 beds in Germany. In addition to 86 acute care hospitals, including seven maximum care hospitals in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, Wiesbaden, and Wuppertal, the HELIOS Group has 24 post-acute care clinics.
- **Fresenius Vamed** manages projects and provides services for hospitals and other health care facilities worldwide. The portfolio ranges along the entire value chain – from project development, planning, and turnkey construction, via maintenance, and technical management, to total operational management.
- The segment **Corporate/Other** comprises the holding activities of Fresenius SE & Co. KGaA and the IT service provider Fresenius Netcare, which operates mainly for Group companies. In addition, Corporate/Other includes the consolidation measures conducted among the business segments.

GROUP STRUCTURE



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

IMPORTANT MARKETS AND COMPETITIVE POSITION

Fresenius operates in about 80 countries through its subsidiaries. The **main markets** are North America and Europe with 41% and 43% of sales, respectively.

Fresenius Medical Care holds the leading position worldwide in dialysis care as it serves about 11% of all dialysis patients, as well as in dialysis products, with a market share of about 35%. **Fresenius Kabi** holds leading market positions in Europe and has significant market shares in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading suppliers of generic IV drugs. **Fresenius Helios** is the largest hospital operator in Germany. **Fresenius Vamed** is one of the world's leading companies in its field.

LEGAL AND ECONOMIC FACTORS

Overall, the legal and economic factors for the Fresenius Group were largely unchanged. The life-saving and life-sustaining products and therapies that the Group offers are of intrinsic importance for people worldwide. Therefore, our markets are fundamentally stable and relatively independent of economic cycles. For detailed information on our markets, please see pages 15 ff.

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate between the U.S. dollar and the euro. In 2014, the average annual exchange rate between the U.S. dollar and the euro of 1.33 was unchanged compared to 2013, and had therefore no effect on the income statement. The changed spot rate of 1.21 as of December 31, 2014 – compared to 1.38 as of December 31, 2013 – had a significant effect on the balance sheet.

There were no legal aspects that significantly affected business performance in 2014.

MANAGEMENT AND CONTROL

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

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

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

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

The Supervisory Board must meet at least twice per calendar half-year. The Supervisory Board of Fresenius SE & Co. KGaA has two permanent **committees**: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The members of the committees are listed on page 160 of this Annual Report. The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on the website www.fresenius.com.

The description of both the **compensation system** and individual amounts paid to the Management Board and Supervisory Board of Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA, are included in the Compensation Report on pages 139 to 151 of the Group's Managment Report. The Compensation Report is part of the Group's Management Report.

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

The subscribed capital of Fresenius SE & Co. KGaA amounted to 541,532,600 ordinary shares as of December 31, 2014 (December 31, 2013: 179,694,829). On May 16, 2014, the Annual General Meeting approved the issuance of new shares (stock split) through the conversion of capital reserves from company funds. In accordance with the proposed stock split, various authorizations were adjusted accordingly. These resolutions were recorded in the commercial register on August 1, 2014. The subscribed capital and the number of shares were tripled. Every shareholder has received two additional shares for each share held (three-for-one stock split). The stock exchange listing was converted on August 4, 2014.

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

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

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

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

- The subscribed capital is conditionally increased by up to €5,773,056.00 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 €10,901,188.00 through the issuance of new bearer ordinary shares **(Conditional Capital II)**. The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own shares to service the subscription rights or does not exercise its right to make payment in cash.
- The general partner is authorized, with the approval of the Supervisory Board, until May 15, 2019, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €48,971,202.00 through issuance of new bearer ordinary shares **(Conditional Capital III)**. The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash, or of warrants from option bonds issued for cash, exercise their conversion or option rights and as long as no other forms of settlement are used.

- The share capital is conditionally increased by up to €25,200,000.00 by the issuance of new ordinary bearer shares **(Conditional Capital IV)**. The conditional capital increase will only be implemented to the extent that subscription rights have been, or will be, issued in accordance with the Stock Option Program 2013 and the holders of subscription rights exercise their rights, and the Company does not grant own shares to satisfy the subscription rights.

The Company is authorized, until May 15, 2019, to purchase and use its **own shares** up to a maximum amount of 10% of the subscribed capital. In addition, when purchasing own shares, the Company is authorized to use equity derivatives with possible exclusion of any tender right. The Company had not utilized these authorizations as of December 31, 2014.

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed on page 105 f. of the Notes. As the largest shareholder, Else Kröner-Fresenius-Stiftung informed the Company on December 16, 2014, that it held 144,695,094 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 26.72% as of December 31, 2014.

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 that only concern their wording without a resolution of the General Meeting.

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

GOALS AND STRATEGY

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

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

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

  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, as well as the expansion in the field of Care Coordination. In this area, Fresenius Medical Care offers additional services for dialysis patients. These include, e.g., laboratory and vascular care services. In 2014, Fresenius Medical Care has significantly strengthened this area through several acquisitions. By expanding its business, the company addresses a growing need for integrated patient care.

  Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs. In addition, Fresenius Kabi is one of the most important providers of transfusion technology. Fresenius Kabi plans to roll out products from its existing portfolio to the growth markets and to launch existing products in the United States. In 2014, Fresenius Kabi was granted US approval for products in the fields of clinical nutrition and medical devices. 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.

Including the 41 hospitals acquired from Rhön-Klinikum AG, Fresenius Helios is operating in nearly the whole of Germany. Building on this, Fresenius Helios is now in the position to develop new patient care models and take advantage of further growth opportunities arising from the privatization process in the German hospital market.

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

- **Strengthen innovation**: Fresenius' strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We want to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet our requirements of best-in-class medical standards by developing and offering more effective products and treatment methods for the critically and chronically ill. The goal of Fresenius Helios is to systematically foster interdisciplinary knowledge sharing and to use innovation to develop the best health care services and innovative therapies for our patients. 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 the present capital market conditions, we optimize our cost of capital if we hold the net debt/EBITDA ratio according to U.S GAAP within a range of 2.5 to 3.0. Please see pages 7, 21, and 32 for more details.

We report on our goals in detail in the Outlook section on pages 37 to 39.

CORPORATE PERFORMANCE CRITERIA

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

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

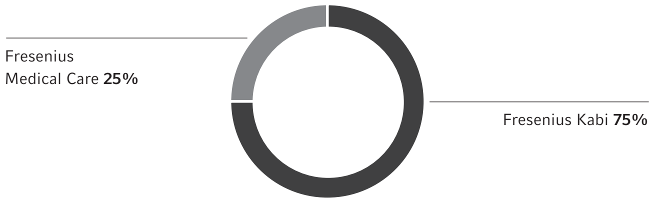
At Group level, **operating cash flow** and the **cash flow margin** are also used as key performance figures. With regard to the operating cash flow contributions of our business segments, we also analyze the key performance indicators days sales outstanding (DSO) and scope of inventory (SOI).

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

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

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

R & D EXPENSES BY SEGMENT [1]



2014: €365 million

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

RESEARCH AND DEVELOPMENT

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

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

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

Research and development **expenses** were €365 million (2013: €390 million), approximately 4.7% of our product sales (2013: 4.6%). They include € 2 million (2013: €43 million) impairment losses from capitalized in-process R & D activities. Fresenius Medical Care decreased its R & D spending by 3%, Fresenius Kabi increased its R & D spending by 10%. Detailed figures are included in the segment reporting on pages 56 f.

As of December 31, 2014, there were 2,107 employees in research and development (2013: 1,969). Of that number, 628 were employed at Fresenius Medical Care (2013: 583) and 1,479 at Fresenius Kabi (2013: 1,386).

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

FRESENIUS MEDICAL CARE

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

With our **global R & D portfolio management,** we seek to standardize basic functions and single components of our therapy systems internationally and to standardize process and control structures. At the same time, it allows us to address local requirements, to reduce development time, and to pool our resources.

In 2014, we moved forward with the development of our products and have introduced several innovative products onto the markets in which we are active. This includes the new devices Sleepsafe Harmony and Liberty PDx for peritoneal dialysis. Both machines feature improved user interfaces and expanded therapy options. In hemodialysis, we introduced a new version of our Critline system, which automatically administers the liquid draw according to a doctor's specification. With the market introduction of an automatic sodium balancing system during dialysis treatment, we are contributing to improvements in this area.

In 2014, we also pushed the development of the portable artificial kidney (PAK). The product is scheduled for introduction in the United States in 2015. Major advantages of PAK are the miniaturization and portability, as well as the significant reduction of water usage per treatment from an average of 120 to between six and ten liters.

Going forward, we want to strengthen our development pipeline and focus on growth markets. We plan to introduce basic therapy systems specifically designed for the Chinese market. In order to do so, we laid the foundation for a development center in Shanghai.

FRESENIUS KABI

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

In the area of **IV drugs**, we are developing an extensive portfolio of active drugs that are expected to come on the market in the next few years. In 2014, we worked on more than 120 development projects for generic drugs. Worldwide, many of our drugs were approved in 2014. We develop generic drug formulations ready to launch at the time of market formation as well as new formulations for non-patented drugs.

In an ongoing development effort, we aim to provide ready-to-use solutions for IV drugs, which currently exist only in lyophilized or powder form. In addition, we are working on offering our IV drugs in our innovative primary packagings, which are especially user-friendly and safe, e.g., freeflex infusion bags.

In **clinical nutrition,** our focus is on nutrition products that improve the therapy of patients in hospitals and innovative containers, e.g., multi-chamber bags that allow maximum application safety and convenience in everyday use.

Among other things, our efforts focused on the early and correct use of parenteral nutrition in order to avoid malnutrition and its consequences. One focus is on the clinical benefits of individual nutrients. For example, a cooperative research effort conclusively established that a supplementation of omega-3 fatty acids is associated with a significant reduction in infection rate and length of hospital stay for critically ill patients.[1] In enteral nutrition, we focus on products for malnourished – often geriatric – patients and on therapeutic products for dysphagia (difficulties in swallowing), diabetes, oncology, and critical illness.

In the development of our **medical devices / transfusion technology**, we focus on the application of IV drugs and infusion therapies as well as enteral and parenteral nutrition products. Our medical devices significantly contribute to the safe and effective application of infusion solutions and clinical nutrition. In 2014, we worked on the technical enhancement of our Agilia infusion pumps and plan to introduce the latest generation in 2015. In addition, we have been working on the development of a new infusion pump, specifically designed for the demands of hospitals and health care facilities in emerging markets, which we plan to introduce during 2015. In transfusion technology our R & D focus is on medical devices and disposables to support the secure, user-friendly, and efficient production of blood products.

KEY FIGURES RESEARCH AND DEVELOPMENT

	2014	2013	2012	2011	2010
R & D expenses, € in millions	**365**	390	305	296	256
as % of product sales [1]	**4.7**	4.6	4.3	4.3	4.2
R & D employees	**2,107**	1,969	1,903	1,592	1,449

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

[1] Pradelli L et al. Cost-effectiveness of omega-3 fatty acid supplements in parenteral nutrition therapy in hospitals: a discrete event simulation model. Clinical Nutrition 2014;33(5):785-92.

EMPLOYEES

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

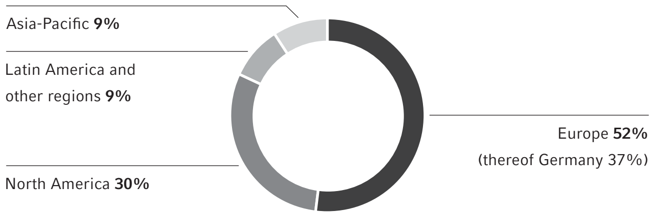
The **number of employees** increased significantly to 216,275 employees at the end of 2014, which was 37,938 or 21% more than last year. The increase applies to all business segments, and 19% is attributable to acquisitions, mainly at Fresenius Medical Care and Fresenius Helios.

Personnel expenses for the Fresenius Group were €8,979 million in 2014 (2013: €7,340 million), equivalent to 38.3% of sales (2013: 35.7%). The increase of 22% is mainly attributable to acquisitions but also affected by wage scale progression. Personnel expenses per employee were at €42.6 thousand (2013: €42.0 thousand) and at €42.2 thousand in constant currency. In Germany, Fresenius companies have signed tariff agreements with IG BCE, Marburger Bund, as well as ver.di (labor union for services). There were no significant structural changes to compensation or employment agreements in 2014.

HUMAN RESOURCES MANAGEMENT

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

EMPLOYEES BY REGION



2014: 216,275

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

EMPLOYEE RECRUITMENT AND PERSONNEL DEVELOPMENT

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

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

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

Number of employees	**Dec. 31, 2014**	Dec. 31, 2013	Change	% of total
Fresenius Medical Care	**105,917**	95,637	11%	49%
Fresenius Kabi	**32,899**	31,961	3%	15%
Fresenius Helios	**68,852**	42,913	60%	32%
Fresenius Vamed	**7,746**	7,010	10%	4%
Corporate/Other	**861**	816	6%	0%
Total	**216,275**	178,337	21%	100%

Fresenius promotes the long-term, sustainable **advancement of women**, to derive greater benefit from their strengths and abilities now and in the future. However, we do not set any fixed quotas for management positions. At Fresenius, qualifications are the only thing that matters in the selection of personnel. Consequently, at Fresenius women and men with comparable qualifications will continue to have the same career opportunities. As of December 31, 2014, the proportion of female employees within the Fresenius Group was 68%. Women also held 30% of senior management positions, based on the number of worldwide participants in the stock option plans.

The Fresenius Group devotes a lot of attention to **vocational training**. We trained more than 3,650 young people in 49 different occupations at our German locations in 2014, and also put more than 70 university students through 12 degree programs in cooperation with dual institutions of higher learning. Alongside the traditional channel of direct job entry, Fresenius offers trainee programs for university graduates.

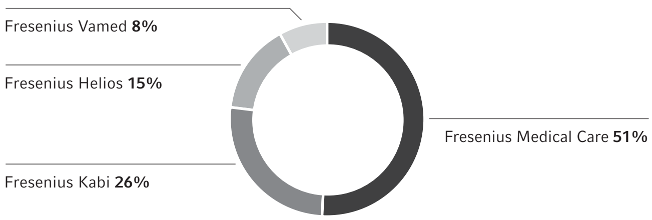
You can visit our award-winning **careers portal** at www.fresenius.com in the "Career" section.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

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

With our **Long Term Incentive Program 2013**, we have a global compensation instrument linking management's entrepreneurial responsibility to future opportunities and risks. It comprises the Stock Option Plan 2013, as well as the Phantom Stock Plan 2013, and combines the granting of stock options with the granting of phantom stock awards. For further information on stock options, please see pages 126 ff. of this Report.

COST OF MATERIAL BY BUSINESS SEGMENT[1]



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

2014: € 7,054 million

PROCUREMENT

In 2014, the cost of raw materials and supplies and of purchased components and services was €7,054 million (2013: €6,384 million). The cost of raw materials and supplies were 10% above the previous year's level. The increase was mainly due to higher sales volume.

€ in millions	2014	2013
Cost of raw materials and supplies	**6,079**	5,566
Reversals of write-downs of raw materials, supplies and purchased component	**1**	-1
Cost of purchased components and services	**974**	819
Total	**7,054**	6,384

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

PROFIT-SHARING BONUS

	2013	2012	2011	2010	2009
Profit-sharing bonus[1] in €	2,134	2,164	2,036	2,000	1,749
Eligible employees[2]	2,155	2,313	2,220	1,790	1,710

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

QUALITY MANAGEMENT

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

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

FRESENIUS MEDICAL CARE

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

Our UltraCare brand in North America and our NephroCare brand in the other regions are part of an integrated therapy concept that sets **quality standards** in our clinics as well as for home dialysis. The **NephroCare Excellence program** defines mid- and long-term operating and quality goals. These goals pertain to medical quality, but also relate to the effective use of staff and staff development, enhancing efficiency, standardizing processes, and the sustainable use of natural resources.

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

FRESENIUS KABI

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

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

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

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

In 2014, we migrated the customer complaint management process to new web-based technology. In addition, we have strengthened our quality management organization with new employees.

FRESENIUS HELIOS

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

We have defined specific targets for 46 of the G-IQI quality indicators. These targets are set at a level above the national average for Germany. In 2014, we achieved this target for 42[1] quality indicators, a **success rate of 91%[1]** (2013: 91%). If targets are not met, HELIOS analyzes the cases in the hospitals concerned in order to identify opportunities for improvement and to implement appropriate measures for all HELIOS hospitals.

In addition, HELIOS is involved in the **Initiative of Quality Medicine (IQM)**. The members of this initiative have a share of approximately 19% for acute care in Germany. The 250 IQM members are committed to observing three principles: quality measurement with administrative data, publication of results, and peer review processes.

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

A new national quality institute is intended to further increase the focus on quality of care in German hospitals. With its own quality management system, HELIOS is well prepared.

FRESENIUS VAMED

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

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)[1]

Indications/standardized mortality ratio (SMR[2])	2014 SMR	2013 SMR[3]
Chronic obstructive pulmonary disease (COPD)	**0.63**	0.72
Acute myocardial infarction (AMI)	**0.74**	0.77
Heart failure	**0.53**	0.65
Ischemic stroke	**0.81**	0.91
Pneumonia	**0.66**	0.73
Hip fracture	**0.88**	0.81

[1] Excluding acquired Rhön hospitals
[2] SMR 1 corresponds to the German average.
SMR < 1 = means that mortality is below the German average.
[3] Adjusted for the current reference value of the German Federal Statistical Office, excluding hospitals divested in 2014.

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

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

In the hospital area, VAMED uses the certification model **JCI (Joint Commission International)**. In 2014, this certification was awarded to a facility in Austria for the fourth time. In total, four facilities managed by VAMED in the Czech Republic and Austria received this certification. These hospitals were certified to have the highest level of quality, firstly regarding patient care, secondly regarding hygiene and safety, and thirdly regarding patient and employee satisfaction.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

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

[1] Excluding acquired Rhön hospitals

The international ISO Standard 14001 is an important benchmark for **environmental management** in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site's impact on the environment, for example with respect to emissions and waste. This international standard is implemented at our various production plants and most of our dialysis clinics. Key environmental performance indicators are, for instance, not only energy and water consumption, but also the volumes of waste and recycling rates at our locations.

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

FRESENIUS MEDICAL CARE

We work on designing our products and processes to be as environmentally compatible as possible by employing new materials with improved environmental properties, pushing the development of new technologies that further reduce the resource consumption of our dialysis machines, and, not least, by using energy and raw materials efficiently in production.

In Europe, the Middle East, and Africa (EMEA), TÜV-certified **environmental management** is part of the integrated management system. At the end of 2014, nine European production sites (2013: eight) and our medical device development department were certified according to ISO 14001.

We further implemented **our environmental program** in Europe and Latin America, with the aim of improving environmental awareness and environmentally responsible behavior, enhancing knowledge relating to strategic and operational environmental issues, improving our eco-efficiency, reinforcing measures to control environmental risks, and ensuring that environmental regulations are complied with. Those goals are measured by a number of **environmental objectives** for the individual stages of the value chain, e.g., R & D, logistics, or at our dialysis clinics. We set environmental improvement targets for production sites. For example, in the EMEA region we aim to recycle or thermally recover at least 85% of production waste by 2015. In 2014, we exceeded our targets for reducing electricity consumption and minimizing waste ahead of schedule.

We developed key performance indicators for energy use and consumption of raw materials in order to demonstrate the eco-efficiency of our production processes. This has allowed us to identify further potential in an already largely optimized production process. We use an energy management system as per ISO 50001 at our German production sites in St. Wendel and Schweinfurt.

One of our central concerns is to further reduce the environmental effects of dialysis treatments in a resource- and cost-efficient manner. We are succeeding in doing so by using environmentally sound dialysis products and by building eco-friendly dialysis centers. We gather data on our eco-efficiency, such as our water and energy consumption, and on waste disposal in 501 (2013: 497) of our European, and 168 (2013: 126) of our Latin American **dialysis clinics**. Our goal over time is to establish a comprehensive **environmental data management system**. We are able to compare the ecological efficiency of clinics on a monthly basis, and quickly identify potential for improvement. In the United States, the energy and water consumption of our dialysis clinics is documented within our environmental management and analyzed using key performance indicators such as greenhouse gas emissions and climate balance.

FRESENIUS KABI

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

We continued to implement measures at our **German production sites** to reduce **energy consumption, CO_2 emissions**, and the consumption of **raw materials**: In July 2014, we installed a combined heat and power plant at our Friedberg location in Germany. This plant allows us to produce energy significantly more efficiently and to reduce CO_2 emissions by approximately 30% compared to conventional combustion power plants.

At the site in Graz, in **Austria**, we were able to keep **energy consumption** at the previous year's level despite the growth in production area. We were able to reduce natural gas consumption by 3% and steam consumption by 30% by introducing new production technologies. Additional **recycling** and the implementation of technical measures, such as the reuse of cooling water, minimizes waste and waste water volumes, and will continue to do so in the future even with rising production volumes. The **recycling rate** remained stable at above 80%.

At our production sites in Uppsala and Brunna, in **Sweden**, our **waste tonnage** was 5,646 t (2013: 5,253 t), and our total recycling rate was 97.0% (2013: 98.4%). The percentage of waste used to generate energy was on previous year's level of 37%. Approximately 41% of the **energy** needed is provided by renewable energies. **Water consumption** was 286,043 m^3 (2013: 282,000 m^3).

We also expanded our environmental activities outside of Europe. At our Brazilian production site for infusion bags we implemented a polyethylene regranulation system, which recycles 85% of the scrap generated.

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

FRESENIUS HELIOS

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

The structural condition of a hospital building has an important influence on **energy consumption**. All new construction projects and modernizations conform to the latest standards of efficient heat insulation pursuant to the currently valid energy savings regulations. In addition to the environmental campaign, HELIOS has introduced a controlling system for its facility management. Results are released on a monthly basis and allow for timely analysis of targets against figures achieved, and corresponding optimization measures.

In 2014, HELIOS has installed combined heat and power plants and gas turbines in 30 hospitals, doubling the Company's number of heat and power plants. In addition, HELIOS is successively switching the heating of its hospitals over to **renewable energies**, for instance wood pellets. This form of heating is CO_2-neutral and therefore more environmentally friendly than gas or oil heating. Thanks to the steps taken, we generated approximately 34,500 t (2013: 13,100 t) less CO_2 in 2014. We surpassed our energy savings target by 10,000 t of CO_2 in 2014.

Water consumption[1] in all HELIOS hospitals was 4,152,704 m^3 (2013: 2,805,000 m^3). The majority of all water is consumed for sterilization processes, process cooling, and water recycling plants. To reduce consumption, some hospitals are using well water, for instance for the cooling towers of air-conditioning systems.

Proper **waste disposal** is of great importance to hospitals. HELIOS views waste disposal management as a process. It starts with avoiding any future waste, and ends with the consistent recycling or environmentally friendly disposal of the same. Requirements pertaining to environmental protection, occupational health and safety, as well as infection protection and hospital hygiene are taken into account. That relates particularly to major waste groups such as clinical waste, i. e., from the diagnosis and treatment of human diseases. In 2014, the total amount of waste[1] generated in all HELIOS hospitals was 21,125 t (2013: 12,845 t).

FRESENIUS VAMED

In our **project business**, we already integrate national environmental standards and regulations into the planning and construction of a hospital or other health care facility.

VAMED's extensive expertise in environmental management is an important success factor, especially in growth markets in Africa and Asia. For instance, VAMED built and now operates a hospital in Gabon, which features a modern sewage treatment plant and a high-temperature incineration plant designed to European standards.

We also achieved success in the **service business** in the area of environmental protection. VAMED, for instance, has been responsible for the technical management of the Vienna General Hospital and University Hospital AKH for over 25 years. During the period, energy and water consumption were significantly reduced: energy consumption decreased by 13%, demand for long-distance heat by 22%, and drinking water consumption by 40%. The volume of waste classified as hazardous medical waste at AKH fell by about 70%.

[1] The increase is primarily due to the acquisition of 41 hospitals from Rhön-Klinikum AG.

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 2012, with an average of US$3,484 spent per capita.

As in previous years, the United States had the highest per capita spending (US$8,745). Germany ranked sixth among the OECD countries with per capita spending of US$4,811.

The public sector is the main source of **health funding** in nearly all OECD countries. In Germany, 77% of **health spending** was funded by public sources in 2012, above the average of 72% in the OECD countries.

Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2012, average life expectancy in the OECD countries was 80.2 years.

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

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

HEALTH CARE SPENDING AS % OF GDP

in %	2012	2000	1990	1980	1970
USA	16.9	13.1	11.9	8.7	6.8
France	11.6	10.1	8.4	7.0	5.4
Germany	11.3	10.4	8.3	8.4	6.0
Switzerland	11.4	9.9	8.0	7.2	5.3

Source: OECD Health Data 2014

Sources: OECD Health Data 2014

THE DIALYSIS MARKET

In 2014, the global **dialysis market** (products and services) was worth approximately US$77 billion. In constant currency, the global dialysis market grew by 4%.

The number of **dialysis patients** worldwide increased by about 6% to approximately 2.7 million in 2014. Of these, about 89% were treated with hemodialysis and approximately 11% with peritoneal dialysis. The major growth driver is the growing number of patients suffering from diabetes and high blood pressure, two diseases that often precede the onset of chronic kidney failure.

The United States, Japan, and Western and Central Europe recorded below-average growth in the number of patients in 2014. In economically weaker regions, growth was above average.

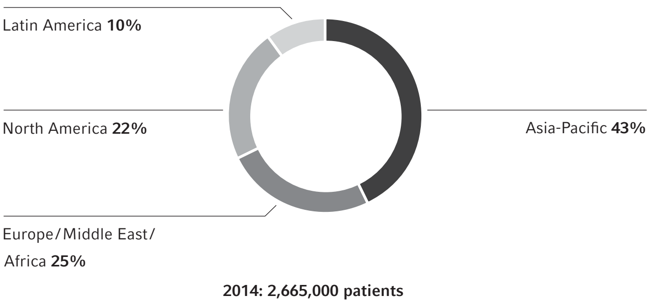
The **prevalence rate**, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region. In developing countries it can be well below 100. It averages just over 1,100 in the countries of the European Union. Prevalence is very high in countries such as Japan and the United States, being well over 2,000. The significant divergence in prevalence rates is due, on the one hand, to differences in age demographics, incidence of renal risk factors, 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.

Dialysis care

In 2014, the global **dialysis care market** (including renal pharmaceuticals) was worth approximately US$63 billion.

11% of worldwide dialysis patients were treated by Fresenius Medical Care. With 3,361 dialysis clinics and 286,312 dialysis patients in over 45 countries, Fresenius Medical Care operates by far the largest and most international network of hospitals. In the United States, Fresenius Medical Care maintained its market-leading position of approximately 37% (~171,000) dialysis patients in 2014. The market for dialysis care in the United States is already highly consolidated.

DIALYSIS PATIENTS BY REGION



Taken together, Fresenius Medical Care and the second-largest provider of dialysis care – DaVita – treat over 70% of all U.S. dialysis patients.

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

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

Dialysis products

In 2014, the global **dialysis products market** was worth approximately US$14 billion.

Fresenius Medical Care is the leading provider of dialysis products in the world, with a market share of about 34%, followed by its largest **competitor,** Baxter, with 29%. Each of the other competitors, mainly from Japan, held a single-digit percentage market share.

Fresenius Medical Care is the leading supplier worldwide of hemodialysis products with a **market share** of 38%. With a market share of 21%, Fresenius Medical Care is the second-largest provider worldwide of products for peritoneal dialysis after Baxter. In the United States, Fresenius Medical Care's share of the peritoneal dialysis market is 43%.

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

The global market for generic IV drugs, clinical nutrition, infusion therapy and medical devices/transfusion technology was worth about €29 billion in 2014.

Thereof, the global **market for generic IV drugs** was worth about €13 billion. In Europe and the United States, the market grew by about 5% to 6%. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. The market is characterized by moderate volume growth, steady price erosion, and fierce competition. In the United States, the most important market for Fresenius Kabi, the company is one of the leading suppliers. Competitors include Hospira, Sandoz, and Teva Pharmaceutical Industries.

The global **market for clinical nutrition** was worth about €6 billion in 2014. In Europe, the market for clinical nutrition grew by about 3%. In the emerging markets of Asia-Pacific, Latin America, and Africa, the clinical nutrition market saw growth of up to 10%. Growth potential is offered by the often insufficient administration of nutrition therapies within patient care – although studies have demonstrated the medical and economical benefit. In cases of health or age-induced nutritional deficiencies, for example, the administration of clinical nutrition can reduce hospital costs through shorter stays and less nursing care. Estimates regarding the European Union situation indicate that as many as 20 million individuals are at risk for malnutrition. In the market for clinical nutrition, Fresenius Kabi is one of the leading companies worldwide. In parenteral nutrition, the company is the leading supplier worldwide. In the market for enteral nutrition, Fresenius Kabi is one of the leading suppliers in Europe. In parenteral nutrition, competitors include Baxter and B. Braun. In the market for enteral nutrition, Fresenius Kabi competes with, among others, Abbott, Danone, and Nestlé.

Fresenius Kabi considers its global **market for infusion therapy** to have been worth about €5 billion in 2014. In Europe, the market remained at the prior year's level in 2014. Growth in the standard solutions business could not fully offset the sales decline in blood volume substitutes. In the regions Asia-Pacific, Latin America, and Africa, the market grew by 4%. Infusion therapies, such as electrolytes, are standard medical products to hospitals worldwide. Market growth is mainly driven by increasing product demand in the emerging markets. Fresenius Kabi is the market leader in infusion therapy in Europe. Competitors include Baxter and B. Braun.

We estimate that the global **market for medical devices/transfusion technology** to have been worth about €5 billion in 2014, including about €3 billion for medical devices and about €2 billion for transfusion technology. The market for medical devices worldwide grew by about 4% in 2014, while the market for transfusion technology showed growth of about 1% to 2%. In the medical devices market, the main growth drivers are technical innovations that focus on application safety and therapy efficiency. In the transfusion technology market, growth is driven by increased demand in emerging markets. Moreover, growth is driven by the growing demand for plasma-collection devices. Reduced demand for blood bags and related price reductions have a negative effect. In the medical devices segment, Fresenius Kabi ranks among the leading suppliers worldwide. International competitors include Baxter, B. Braun, CareFusion, and Hospira. In transfusion technology, Fresenius Kabi is one of the world's leading companies. Competitors include Haemonetics and Terumo. In all product segments, Fresenius Kabi also competes with smaller local providers.

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

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

THE GERMAN HOSPITAL MARKET

In 2013[1], the market of acute care hospitals in Germany was about €87 billion[2]. Personnel costs accounted for about 61% of hospital costs, and material costs for 38%. Personnel and material costs each rose by approximately 4%.

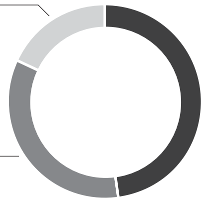
Through the increase in admissions, the organic growth of the acute care hospital market was around 1%. In addition, potential for growth for private hospital operators arises from hospital acquisitions or privatization.

The financial situation at hospitals in Germany remained difficult in 2013, despite a slight easing. 42% of all hospitals reported a loss at year-end (2012: 51%). The difficult economic and financial situation is often accompanied by significant **investment needs**. This is due in large part to an investment backlog that has accumulated because, in the past, the federal states failed to meet their statutory obligation to finance necessary investments and major maintenance measures sufficiently due to budget constraints. At the same time, investment needs are driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the investment gap at German hospitals is about €37 billion.

The **number of hospitals** in 2013 was 1,996 and the **number of beds** was 500,671. For further figures on the German hospital market please see the table below.

Fresenius Helios is the leading hospital operator in Germany, with a market share of about 6%. The hospitals of Fresenius Helios compete mainly with individual hospitals or local and regional hospital associations. Among private hospital chains, our main competitors are Asklepios, Rhön-Klinikum, and Sana Kliniken.

HOSPITAL BEDS BY OPERATOR



2013: 500,671

Source: German Federal Statistical Office 2014

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

In 2013, the **post-acute care market** in Germany comprised of 1,187 **clinics** with a total of 166,889 **beds**. Of these, nearly two-thirds (65.2%) were in private preventive or post-acute care clinics, 16.3% were in independent non-profit clinics, and 18.5% in public clinics. The number of treated patients decreased nationwide by about 11,000 to 1.95 million. The average length of stay declined slightly and was 25.3 days (2012: 25.5 days).

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2013	2012	2011	2010	2009	Change 2013/2012
Hospitals	**1,996**	2,017	2,045	2,064	2,084	-1.0%
Beds	**500,671**	501,475	502,029	502,749	503,341	-0.2%
Beds per 1,000 population	**6.21**	6.24	6.26	6.15	6.15	-0.5%
Length of stay (days)	**7.5**	7.6	7.7	7.9	8.0	-1.3%
Number of admissions (millions)	**18.79**	18.62	18.34	18.03	17.82	0.9%
Average costs per admission in €[1]	**4,792**	4,663	4,547	4,432	4,327	2.8%

[1] Total costs, gross

Source: German Federal Statistical Office 2014

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

Sources: German Federal Statistical Office 2014; German Hospital Institute (DKI), Krankenhaus Barometer 2014; OECD Health Data 2014; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2014

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

The **market for projects and services for hospitals and other health care facilities** is very fragmented. Therefore, an overall market size cannot be determined. The market is country-specific and depends, to a large extent, on factors such as public health care policies, government regulation, 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 consortia as well as with smaller local providers.

OVERALL BUSINESS DEVELOPMENT

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

Overall, the development of the world economy had an only negligible impact on our industry in 2014. On the whole, the health care sector, both in mature and growth markets, developed positively, with continued increasing demand for health services. This had a positive effect on our business development.

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

The Management Board is of the opinion that the Fresenius Group's performance in 2014 was successful. Fresenius Medical Care achieved organic sales growth of 5%. Despite the rebasing of Medicare´s reimbursement rate in the United States, Fresenius Medical Care´s EBIT was at the previous year's level. Fresenius Kabi achieved organic sales growth of 4% and EBIT [2] of €873 million. EBIT [2] was influenced by lower sales of HES blood volume substitutes as well as by the easing of IV drug shortages in the United States. Fresenius Helios increased sales by 55%. The strong increase was mainly due to the first-time consolidation of the acquired hospitals from Rhön-Klinikum AG. The integration of the acquired hospitals is progressing as planned. Organic sales growth of Fresenius Helios was 4%. The company increased EBIT [3] significantly by 42% to €553 million. Fresenius Vamed increased sales slightly by 2%. Due to project delays in Russia and Ukraine organic sales growth was flat. EBIT grew by 7% to €59 million.

[1] All business segment data according to U.S. GAAP
[2] Before special items
[3] 2014 before special items

For a detailed overview of special items please see the reconciliation table on page 23. The special items are reported in the Group Corporate/Other segment.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS[1]

For 2014, we had assumed that strong demand for our products and services would continue despite ongoing cost-containment efforts in the health care sector. This proved to be the case.

The table below shows our initial guidance according to US-GAAP for 2014 as communicated in February 2014. In May, we provided more details on the outlook for Fresenius Kabi. In July, we were able to increase the forecast for Group sales based on acquisitions at Fresenius Medical Care. In addition, we forecast that the newly acquired hospitals would make a contribution to sales at Fresenius Helios of €1.8 billion. In addition, an EBIT[2] including the acquired hospitals of €540 to €560 million was expected for Fresenius Helios. In November, we adjusted the forecast for organic sales growth of Fresenius Vamed due to project delays in Russia and Ukraine. The outlook for the EBIT margin[3] at Fresenius Kabi was set at around 17% at this time.

The forecast for the currency-adjusted **sales growth** of 14% to 16% was achieved by Fresenius Group. At 16%, this was at the upper end of the target range. **Net income (before special items)**[4] increased by 4% in constant currency and was fully within the targeted range of 2% to 5%.

ACHIEVED GROUP TARGETS 2014[1]

	Targets for 2014 announced in February 2014	Guidance announced in May 2014	Guidance announced in July 2014	Guidance announced in November 2014	Achieved in 2014
Group					
Sales (growth, in constant currency)	12% – 15%[2]		14% – 16%[3]		16%
Net income[4] (growth, in constant currency)	2% – 5%				4%
Fresenius Medical Care[5]					
Sales	~US$15.2 bn				US$15.8 bn[7]
Net income[6]	US$1.0 bn – US$1.05 bn				US$1.05 bn[8]
Fresenius Kabi[9]					
Sales (growth, organic)	3% – 7%	4% – 6%			4%
EBIT margin	16% – 18%	16.5% – 18%		~17%	17%
Fresenius Helios[10]					
Sales (growth, organic)	3% – 5%				4%
Sales contribution acquired hospitals			~€1.8 bn		€1.8 bn
EBIT	€390 m – €410 m[11]		€540 m – €560 m[12]		€553 m[12]
Fresenius Vamed					
Sales (growth, organic)	5% – 10%			0%	0%
EBIT (growth)	5% – 10%				7%

[1] All Group targets according to U.S. GAAP
[2] Includes acquisition of hospitals from Rhön-Klinikum AG
[3] Includes acquisition of hospitals from Rhön-Klinikum AG and acquisitions at Fresenius Medical Care
[4] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs (hospitals of Rhön-Klinikum AG €41 million; Fenwal €33 million) and disposal gains (two HELIOS hospitals €21 million; Rhön stake €34 million); 2013 before integration costs for Fenwal (€40 million).
[5] This outlook excludes sales of approximately US$500 million from acquisitions. Potential cost savings before income taxes of up to US$60 million are not included in the outlook for 2014.
[6] Net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA
[7] Including acquisitions
[8] Including cost savings from the global efficiency program
[9] Before integration costs for Fenwal (2014: €50 million; 2013: € 54 million).
[10] Before integration costs (hospitals of Rhön-Klinikum AG €51 million) and disposal gains (two HELIOS hospitals €22 million).
[11] Excluding acquired Rhön hospitals
[12] Including acquired Rhön hospitals

[1] All Group targets and target achievements in this chapter according to U.S. GAAP
[2] 2014 before special items
[3] Before special items
[4] Net income attributable to the shareholders of Fresenius SE & Co. KGaA

For a detailed overview of special items please see the reconciliation table on page 23. The special items are reported in the Group Corporate/Other segment.

Fresenius invested €1,345 million in **property, plant and equipment** (2013: €1,073 million). That was well in line with the budgeted level of about 6% as percentage of sales.

Operating cash flow was €2,585 million (2013: €2,320 million). The cash flow margin was 11.1% (2013: 11.4%) and hence slightly above our expectations. We had expected to achieve a cash flow margin between 9% and 11%.

Group **net debt/EBITDA** was 3.41[1] (3.26[1] at 2014 average exchange rates for both net debt and EBITDA) and thus above the targeted range of 3.0 to 3.25, mainly due to the acquisitions at Fresenius Medical Care in the fourth quarter of 2014.

Group ROIC was 7.5%[1] (2013: 8.8%[2]), and Group ROOA was 9.1%[1] (2013: 10.6%[2]) and hence as expected below the level of 2013.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

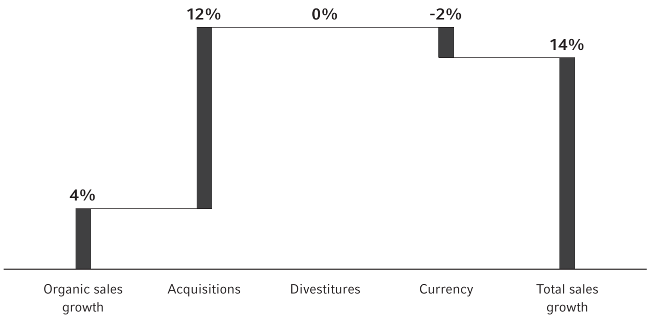
Sales

In 2014, we increased Group sales by 16% in constant currency and by 14% at actual rates to €23,459 million (2013: €20,545 million). The chart on the right shows the various influences on Fresenius' Group sales.

In 2014, the main effects of changes in **product mix** took place in the first half of the year at Fresenius Kabi as a result of lower sales of blood volume substitutes based on hydroxyethyl starch (HES).

Price effects were seen at Fresenius Medical Care. Medicare reimbursement rates decreased slightly in 2014. In addition, price cuts made in China in February 2013 continued to have an impact at Fresenius Kabi in the first quarter of 2014.

SALES GROWTH ANALYSIS



In 2015, we expect no significant effects from changes in product mix. However, we expect pricing effects for Fresenius Kabi and Fresenius Medical Care. The Medicare reimbursement rate in the United States will also remain virtually unchanged in 2015.

Sales growth by region was as follows:
The most important regions in the Group are North America and Europe, contributing 41% and 43% of total sales, respectively, followed by Asia-Pacific with 9%, and Latin America and Africa with 5% and 2%, respectively. Germany contributed 27% to Group sales.

In North America, organic sales growth was 4%. In constant currency, sales increased by 8%. In Europe, organic sales growth was 3% (24% in constant currency). In the Asia-Pacific region, organic sales growth was 6% (16% in constant currency). Strong organic sales growth of 10% was achieved in Latin America (15% in constant currency). In Africa organic sales growth was 2% (2% in constant currency).

SALES BY REGION

€ in millions	2014	2013	Change	Organic sales growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America	**9,535**	8,834	8%	4%	0%	4%	41%
Europe	**10,162**	8,216	24%	3%	0%	21%	43%
Asia-Pacific	**2,205**	1,945	13%	6%	-3%	10%	9%
Latin America	**1,186**	1,174	1%	10%	-14%	5%	5%
Africa	**371**	376	-1%	2%	-3%	0%	2%
Total	**23,459**	20,545	14%	4%	-2%	12%	100%

[1] Pro forma acquisitions; before special items
[2] Pro forma excluding advances made in the amount of €2.18 billion under a fiduciary agreement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG; before special items

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

- Fresenius Medical Care achieved sales of €11,917 million in 2014 (2013: €11,000 million). Organic sales growth was 5%, while acquisitions contributed 5%. Divestitures had no effect on sales growth. Currency translation had a negative effect of 2%.
- Fresenius Kabi increased sales by 3% to €5,146 million (2013: €4,996 million). Sales growth was affected by lower sales of HES blood volume substitutes as well as by easing of IV drug shortages in the United States. The company achieved organic sales growth of 4%. Acquisitions contributed 1% to sales growth. Divestitures had no effect. Currency translation had a negative effect of 2%.
- Fresenius Helios increased sales by 55% to €5,244 million (2013: €3,393 million). The strong increase is due to the first-time consolidation of the acquired hospitals from Rhön-Klinikum AG contributing €1,791 million. An increase in admissions and price increases for hospital services contributed to organic sales growth of 4%. Divestitures reduced sales growth by 2%.
- Fresenius Vamed increased sales by 2% to €1,042 million (2013: €1,020 million). Due to project delays in Russia and Ukraine organic sales growth was flat. Acquisitions contributed 2% to sales growth. Sales in the project business decreased by 4% to €558 million (2013: €583 million). Sales in the service business grew by 11% to €484 million (2013: €437 million). **Order intake** in the project business again developed well; it increased by 13% to €840 million (2013: €744 million), mainly driven by the modernization contract with the University Hospital Schleswig-Holstein in Germany. Fresenius Vamed increased its **order backlog** by 23% to €1,398 million (December 31, 2013: €1,139 million). Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly determined by order intake and order backlog.

Earnings structure

Group net income (before special items)[2] rose by 6% to €1,088 million (2013: €1,028 million). Growth in constant currency was 6%. This includes impairment losses from

SALES BY BUSINESS SEGMENT[1]

€ in millions	2014	2013	Change	Organic sales growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**11,917**	11,000	8%	5%	-2%	5%	51%
Fresenius Kabi	**5,146**	4,996	3%	4%	-2%	1%	22%
Fresenius Helios	**5,244**	3,393	55%	4%	0%	51%	23%
Fresenius Vamed	**1,042**	1,020	2%	0%	0%	2%	4%

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED[1]

€ in millions	2014	2013	2012	2011	2010
Order intake	**840**	744	657	604	625
Order backlog (December 31)	**1,398**	1,139	987	845	801

[1] All business segment data according to U.S. GAAP
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA

For a detailed overview of special items please see the reconciliation table on page 23. The special items are reported in the Group Corporate/Other segment.

capitalized in-process R & D activities of € 1 million (2013: € 25 million). Excluding impairment losses from capitalized in-process R & D activities, the increase was 3%. **Earnings per share (before special items)**[1] rose to €2.01 (2013: €1.92[2]). This represents an increase of 5% at actual rates and of 5% in constant currency. The weighted average number of shares was 540.3 million.

Including special items, Group net income attributable to shareholders of Fresenius SE & Co. KGaA increased by 8% to €1,070 million (2013: €988 million). Earnings per share increased by 7% to €1.98 (2013: €1.85[2]).

Inflation had no significant effect on results of operations in 2014.

Group EBITDA[3] increased by 5% to €4,114 million (2013: €3,902 million). This corresponds to an increase of 6% in constant currency. **Group EBIT**[3] increased by 5% to €3,159 million (2013: €3,000 million). This corresponds to an increase of 6% in constant currency. Group EBIT includes impairment losses from capitalized in-process R & D activities of € 2 million (2013: € 43 million).

EBIT[4] development by business segment was as follows:

- Fresenius Medical Care´s EBIT was €1,697 million (2013: €1,699 million) and hence on previous year's level (constant currency: 0%). The EBIT margin was 14.2% (2013: 15.4%). The decrease of the margin is mainly due to the rebasing of Medicare's reimbursement rate in the United States.
- Fresenius Kabi´s EBIT[3] decreased to €873 million (2013: €926 million). Lower sales of HES blood volume substitutes and the easing of IV drug shortages in the United States had an adverse effect. Currency translation had a negative effect of 2%. The EBIT[3] margin was 17.0% (2013: 18.5%).
- Fresenius Helios increased EBIT[5] by 42% to €553 million (2013: €390 million). The strong increase is due, among other reasons, to the first-time consolidation of the acquired hospitals from Rhön-Klinikum AG. The EBIT[5] margin was 10.5% (2013: 11.5%). The EBIT[5] margin decline is due to the newly acquired hospitals.
- Fresenius Vamed increased EBIT by 7% to €59 million (2013: €55 million). The EBIT margin was 5.7% (2013: 5.4%).

Reconciliation to Group net income

The Group's U.S. IFRS financial results as of December 31, 2014 and as of December 31, 2013 comprise special items. Net income attributable to shareholders of Fresenius SE & Co. KGaA was adjusted for these special items. The table below shows the special items and the reconciliation from net income (before special items) to earnings according to IFRS.

RECONCILIATION

€ in millions	**Q1 – 4/2014 according to IFRS (before special items)**	Fenwal integration costs	Integration costs for acquired Rhön hospitals	Disposal gain from two HELIOS hospitals	Disposal gain from Rhön-stake[1]	**Q1 – 4/2014** according to IFRS (incl. special items)	Q1 – 4/2013 (before special items)	Fenwal integration costs	Q1 – 4/2013 according to IFRS (incl. special items)
Sales	**23,459**					**23,459**	20,545		20,545
EBIT	**3,159**	-48	-51	22	35	**3,117**	3,000	-54	2,946
Interest result	**-602**					**-602**	-584		-584
Net income before taxes	**2,557**	-48	-51	22	35	**2,515**	2,416	-54	2,362
Income taxes	**-727**	16	10	-1	-1	**-703**	-678	14	-664
Net income	**1,830**	-32	-41	21	34	**1,812**	1,738	-40	1,698
Less noncontrolling interest	**-742**					**-742**	-710		-710
Net income[2]	**1,088**	-32	-41	21	34	**1,070**	1,028	-40	988

[1] Fresenius sold its 5% stake in Rhön-Klinikum AG in June 2014. Fresenius acquired the stake in 2012 as part of its takeover bid for Rhön-Klinikum AG.
[2] Net income attributable to the shareholders of Fresenius SE & Co. KGaA

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

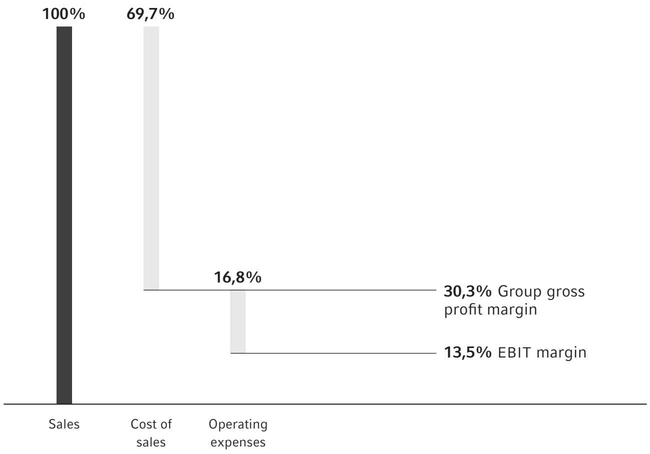
[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Adjusted for 1:3 share split in 2014
[3] Before special items
[4] All business segment data according to U.S. GAAP
[5] 2014 before special items

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

Development of other major items in the statement of income

Group gross profit rose to €7,072 million, exceeding the previous year's gross profit of €6,602 million by 7% (8% in constant currency). The increase is primarily due to the first-time consolidation of hospitals acquired from Rhön-Klinikum AG and acquisitions at Fresenius Medical Care. The gross margin was 30.1% (2013: 32.1%). The **cost of sales** rose by 18% to €16,387 million (2013: €13,943 million). Cost of sales as a percentage of Group sales increased to 69.9% in 2014, compared to 67.9% in 2013. **Selling, general, and administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 10% to €3,590 million (2013: €3,266 million), mainly due to the first-time consolidation of acquisitions. Their ratio as a percentage of Group sales decreased to 15.3% (2013: 15.9%). **R&D expenses** were €365 million (2013: €390 million). With 5% they are within the targeted range of approximately 4% to 5% of our product sales. **Depreciation and amortization** was €955 million (2013: €902 million). The ratio as a percentage of sales was 4.1% (2013: 4.4%). Group **Personnel costs** increased to €8,979 million (2013: €7,340 million). The personnel cost ratio was 38.3% (2013: 35.7%). The chart above shows the earnings structure in 2014.

EARNINGS STRUCTURE (BEFORE SPECIAL ITEMS)



Group net interest increased to -€602 million (2013: -€584 million). This was due to higher incremental debt for the full year due to acquisitions. Favorable financing conditions had a positive effect on Group net interest.

STATEMENT OF INCOME (SUMMARY)

€ in millions	2014	2013	Change	Change in constant currency
Sales	**23,459**	20,545	14 %	16%
Cost of goods sold	**-16,387**	-13,943	-18 %	- 19 %
Gross profit	**7,072**	6,602	7 %	8 %
Selling, general, and administrative expenses	**-3,590**	-3,266	-10 %	-11 %
Research and development expenses	**-365**	-390	6 %	6 %
EBIT (operating result)	**3,117**	2,946	6 %	6 %
Net interest	**-602**	-584	-3 %	-4 %
Income taxes	**-703**	-664	-6 %	- 7 %
Noncontrolling interest in profit	**-742**	-710	-5 %	-5 %
Net income (before special items) [1]	**1,088**	1,028	6 %	6 %
Net income [1]	**1,070**	988	8 %	9 %
Earnings per ordinary share in € (before special items) [1]	**2.01**	1.92 [2]	5 %	5 %
Earnings per ordinary share in € [1]	**1.98**	1.85 [2]	7 %	8 %
EBITDA	**4,072**	3,848	6 %	7 %
Depreciation and amortization	**955**	902	6 %	7 %

[1] Net income attributable to the shareholders of Fresenius SE & Co. KGaA
[2] Adjusted for 1:3 share split in 2014

For a detailed overview of special items please see the reconciliation table on page 23. The special items are reported in the Group Corporate/Other segment.

The **Group tax rate** (before special items) was 28.4% and above the prior-year level (2013: 28.1%). The Group tax rate of 2014 was impacted by special tax effects at Fresenius Medical Care. On the one hand, the tax rate was increased by the reversal of an original tax benefit following a financial court ruling issued against another company. On the other hand, the tax rate was favorably influenced by the resolution of challenged deductions for civil settlement payments taken in prior years. The Group tax rate of 2013 was positively influenced by the nearly entirely tax exempted disposal gain of Calea France.

Noncontrolling interest increased to €742 million (2013: €710 million). Of this, 94% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table below shows the profit margin development in 2014.

FINANCIAL POSITION

Financial management policies and goals

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

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

Ensuring financial flexibility is key to the financing strategy of the Fresenius Group. This is achieved through a broad spectrum of financing instruments, taking market capacity, investor diversification, utilization flexibility, credit covenants, and the current maturity profile into consideration. The Group's **maturity profile** is characterized by a broad spread of maturities with a large proportion of mid- to long-term financing. We also take into account the currency in which our earnings and cash flows are generated when selecting the **financing instruments**, and match them with appropriate debt structures in the respective currencies. The Group's main debt financing instruments are illustrated in the chart on page 26.

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

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

In line with the Group's structure, financing for Fresenius Medical Care and the rest of the Fresenius Group is conducted separately. There are no joint financing facilities and

in %	2014	2013	2012	2011	2010
EBITDA margin [1]	**17.5**	19.0	19.9	19.7	19.2
EBIT margin [1]	**13.5**	14.6	15.8	15.4	15.1
Return on sales (before taxes and noncontrolling interest) [2]	**10.9**	11.8	12.4	12.2	11.5

[1] 2013–2014 before special items; 2012 before one-time costs (€6 million) related to the offer to the shareholders of Rhön-Klinikum AG as well as other one-time costs (€86 million) at Fresenius Medical Care

[2] 2013–2014 before special items; 2012 before a non-taxable investment gain (€109 million) and other one-time costs (€86 million) at Fresenius Medical Care as well as one-time costs (€41 million) related to the offer to the shareholders of Rhön-Klinikum AG; 2009–2011 before the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights

For a detailed overview of special items please see the reconciliation table on page 23. The special items are reported in the Group Corporate/Other segment.

no mutual guarantees. The Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE & Co. KGaA, in order to avoid any structural subordination.

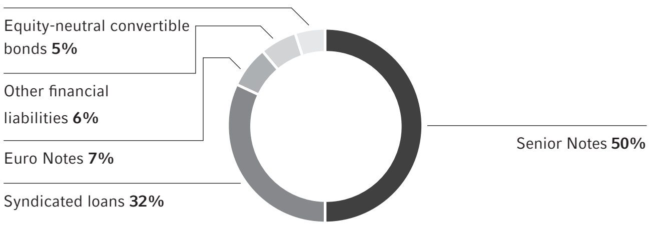
Financing

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

Financing activities during the past fiscal year were mainly related to the acquisition of hospitals from Rhön-Klinikum AG and acquisitions at Fresenius Medical Care. In addition, financing measures were implemented to increase our financial flexibility, to further impove terms and conditions as well as to extend the Company's maturity profile.

- In January 2014, Fresenius Finance B.V. placed Senior Notes in the amount of €750 million. The coupon of the €300 million tranche due in 2019 was 2.375% at an issue price of 99.647%. The €450 million tranche due in 2021 had a coupon of 3.00% and was issued at a price of 98.751%. Also in January 2014, Fresenius issued Senior Notes in the amount of €300 million with a maturity of 10 years and a coupon of 4.00% at par. These were increased by €150 million in February 2014 at a price of 102%.
- In February 2014, Senior Notes in the amount of US$300 million with a maturity of 7 years were issued. 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 were used to repay a Bridge Financing Facility that had been entered into in connection with the acquisition of hospitals from Rhön-Klinikum AG.

FINANCING MIX OF THE FRESENIUS GROUP

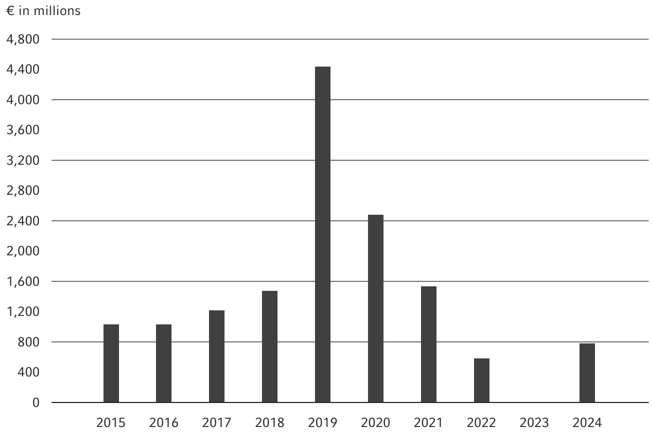


Dec. 31, 2014: €15,348 million

- Also in February 2014, the incremental facilities under the 2013 credit agreement in the amount of €1.2 billion were disbursed. These had been agreed on in November 2013 and were also used to finance the acquisition of hospitals from Rhön-Klinikum AG.
- In March 2014, Fresenius SE & Co. KGaA issued €500 million of equity-neutral convertible bonds due in 2019. The bonds were issued at par. The coupon is 0%. The initial conversion price has been set at a premium of 35% above the reference price of the Fresenius shares. The conversion price was adjusted after the dividend payment in May and the capital increase carried out in August from company funds and amounts to €49.7249. To fully cover the financial risks of the conversion right embedded in the convertible bonds, the company simultaneously purchased call options on its shares. The net proceeds were used to finance the acquisition of hospitals from Rhön-Klinikum AG.
- In April and July 2014, Fresenius SE & Co. KGaA issued Euro Notes totalling €500 million in various tranches with fixed and variable interest rates. The proceeds were used primarily to refinance maturing Euro Notes.

- In September 2014, Fresenius Medical Care AG & Co. KGaA issued equity-neutral convertible bonds in the amount of €400 million maturing in 2020. The issue was made at par. The coupon is 1.125%. The initial conversion price has been set at a premium of 35% above the reference price of the shares of Fresenius Medical Care AG & Co. KGaA and amounts to €73.6448. To fully cover the financial risks of the conversion right embedded in the convertible bonds, Fresenius Medical Care simultaneously purchased call options on its shares. The net proceeds were used for general corporate purposes.
- In October 2014, Fresenius Medical Care US Finance II, Inc. placed US$900 million of Senior Notes. The coupon for the US$500 million tranche due in 2020 is 4.125%, and the coupon for the US$400 million tranche due in 2024 is 4.75%. Both tranches were issued at par. The net proceeds were used to repay a short-term loan from the Fresenius Medical Care 2012 Credit Agreement and other short-term debt as well as for acquisitions and general corporate purposes.
- In November 2014, Fresenius Medical Care AG & Co. KGaA extended the syndicated credit facility by two years and expanded it to a facility of approximately US$4.4 billion. It matures in October 2019 and includes revolving credit facilities amounting to US$1 billion and €400 million and loans of US$2.5 billion and €300 million. As part of an amendment to the agreement, its terms were improved and certain loan covenants for Fresenius Medical Care were simplified. The increased credit facility will be used to finance general corporate purposes, among other things.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2014, major long-term financing instruments; pro forma incl. amended 2013 Credit Agreement in February 2015

- In addition, in November 2014, Fresenius Medical Care extended the maturity of its receivables securitization program in the amount of US$800 million to November 2017. At the same time, its terms were improved. This transaction, coupled with amendment of Fresenius Medical Care's 2012 credit agreement, contributed to the extension of the company's debt maturity profile.

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

Fresenius SE & Co. KGaA has a commercial paper program under which up to €1 billion in short-term notes can be issued. As of December 31, 2014, the commercial paper program was not utilized.

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	**2014**	2013	2012	2011	2010
Operating cash flow	**2,560**	2,337	2,453	1,699	1,921
as % of sales	**10.9**	11.4	12.6	10.3	12.0
Working capital [1]	**5,451**	4,579	4,474	4,067	3,577
as % of sales	**23.2**	22.3	22.9	24.6	22.4
Investments in property, plant and equipment, net	**1,344**	1,064	967	772	743
Cash flow before acquisitions and dividends	**1,216**	1,273	1,486	927	1,178
as % of sales	**5.2**	6.2	7.6	5.6	7.4

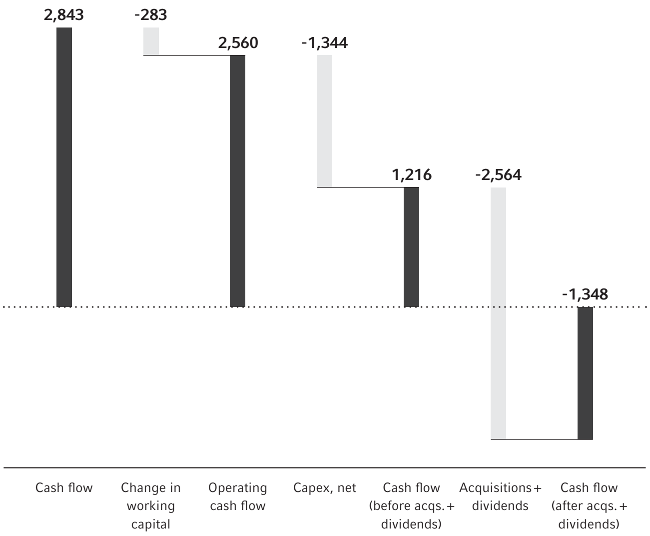
[1] Trade accounts receivable and inventories, less trade accounts payable and payments received on accounts

The Fresenius Group has drawn about €5.5 billion of bilateral and syndicated credit lines. In addition, as of December 31, 2014, the Group had approximately €3.3 billion in unused credit lines available (including committed credit lines of about €2.6 billion). These credit facilities are generally used for covering working capital needs and – with the exception of the syndicated credit agreements of Fresenius SE & Co. KGaA and Fresenius Medical Care – are usually unsecured.

As of December 31, 2014, both Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under its debt arrangements.

Detailed information on the Fresenius Group's financing can be found on pages 89 to 98 of the Notes. Further information on financing requirements in 2015 is included in the outlook section on page 38.

CASH FLOW IN € MILLIONS



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

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

Liquidity analysis

In 2014, key sources of liquidity were **operating cash flows** and short-, mid-, and long-term debt. Cash flow from operations is influenced by the profitability of the business of Fresenius and by net working capital, especially accounts

CASH FLOW STATEMENT (SUMMARY)

€ in millions	**2014**	2013	Change	**Margin**
Earnings after tax	**1,812**	1,698	7%	
Depreciation and amortization	**955**	902	6%	
Change in pension provisions	**76**	13	--	
Cash flow	**2,843**	2,613	9%	**12,1%**
Change in working capital	**-283**	-276	-3%	
Operating cash flow	**2,560**	2,337	10%	**10,9%**
Property, plant and equipment	**-1,366**	-1,088	-26%	
Proceeds from the sale of property, plant and equipment	**22**	24	-8%	
Cash flow before acquisitions and dividends	**1,216**	1,273	-4%	**5,2%**
Cash used for acquisitions/proceeds from disposals	**-1,982**	-2,555	22%	
Dividends	**-582**	-491	-19%	
Cash flow after acquisitions and dividends	**-1,348**	-1,773	24%	
Cash provided by/used for financing activities (without dividends paid)	**1,625**	1,795	-9%	
Effect of exchange rate changes on cash and cash equivalents	**34**	-43	179%	
Change in cash and cash equivalents	**311**	-21	--	

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

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

Dividend

The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2014, a dividend of €0.44 per share is proposed. This is an increase of about 6%. The total dividend distribution will increase by about 6% to €238.3 million (2013: €224.6 million).

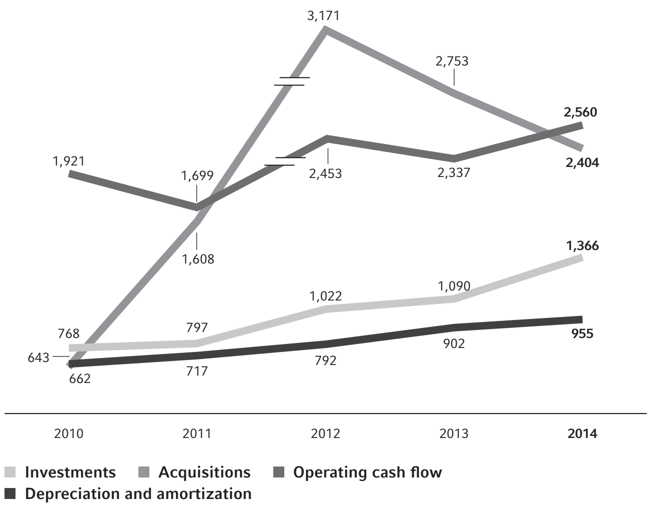
Cash flow analysis

Cash flow was €2,843 million (2013: €2,613 million). The change in working capital was -€283 million (2013: -€276 million), mainly due to business expansion and acquisitions.

Operating cash flow was €2,560 million in 2014 (2013: €2,337 million). The cash flow margin was 10.9% (2013: 11.4%). The decrease relates primarily to the payment for the W.R. Grace bankruptcy settlement of US$115 million. Operating cash flow was more than sufficient to meet all financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was €1,366 million, and proceeds from the sale of property, plant and equipment were €22 million (2013: €1,088 million and €24 million, respectively).

Cash flow before acquisitions and dividends was €1,216 million (2013: €1,273 million). This was sufficient to finance the Group dividends of €582 million. Group dividends consisted of dividend payments of €225 million to the shareholders of Fresenius SE & Co. KGaA, payments of €232 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €198 million (primarily relating to Fresenius Medical Care). These payments were offset by the dividend of €73 million, which Fresenius SE & Co. KGaA

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



received as a shareholder of Fresenius Medical Care. Net acquisition expenditures of €1,982 million were financed by cash flow and by debt.

The cash inflow from financing activities (without dividend payments) was €1,625 million (2013: €1,795 million). In 2014, it was predominantly characterized by debt financing of acquisitions of Fresenius Helios and Fresenius Medical Care and refinancing measures. Cash and cash equivalents as of December 31, 2014 were €1,175 million (December 31, 2013: €864 million).

Investments and acquisitions

In 2014, the Fresenius Group continued its growth path and invested €3,770 million (2013: €3,843 million). **Investments in property, plant and equipment** increased to €1,366 million (2013: €1,090 million). At 5.8% of sales (2013: 5.3%), this was well above the depreciation level of €955 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. A total of €2,404 million was invested in **acquisitions** (2013: €2,753 million). Of the total capital expenditure in 2014, 36% was invested in property, plant and equipment, 64% was spent on acquisitions.

The table below shows the distribution of investments by business segment. The chart beside shows the regional breakdown.

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

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

Fresenius Kabi acquired a pharmaceutical company in Brazil, among others, to expand its business in generic IV drugs.

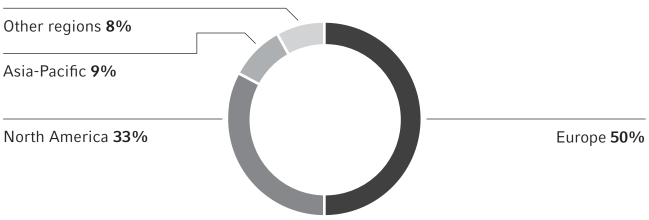
Fresenius Helios acquired 41 hospitals from Rhön-Klinikum AG.

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

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

Investments in property, plant and equipment of €227 million will be made in 2015, to continue with major ongoing **investment projects on the reporting date**. These are investment obligations mainly for hospitals at Fresenius Helios as well as investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

INVESTMENTS BY REGION



2014: €1,366 million

INVESTMENTS AND ACQUISITIONS

€ in millions	2014	2013	Change
Investment in property, plant and equipment	**1,366**	1,090	25%
thereof maintenance	**42%**	48%	
thereof expansion	**58%**	52%	
Investment in property, plant and equipment as % of sales	**5.8**	5.3	
Acquisitions	**2,404**	2,753	-13%
Total investments and acquisitions	**3,770**	3,843	-2%

ASSETS AND LIABILITIES

Asset and liability structure

The **total assets** of the Group rose by 22% to €39,955 million (Dec. 31, 2013: €32,859 million). In constant currency, this was an increase of 14%. This increase is mainly attributable to the first-time consolidation of hospitals acquired from Rhön-Klinikum AG, acquisitions at Fresenius Medical Care, and currency effects. Inflation had no significant impact on the assets of Fresenius in 2014.

INVESTMENTS BY BUSINESS SEGMENT [1]

€ in millions	2014	2013	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	**2,196**	987	701	1,495	122%	58%
Fresenius Kabi	**479**	448	361	118	7%	12%
Fresenius Helios	**1,090**	2,357	266	824	-54%	29%
Fresenius Vamed	**22**	27	10	12	-19%	1%
Corporate/Other	**8**	8	7	1	0%	0%
IFRS Reconciliation	**-25**	16	21	-46	--	0%
Total	**3,770**	3,843	1,366	2,404	-2%	100%

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

Current assets increased to €9,566 million (Dec. 31, 2013: €7,600 million). The increase is mainly due to acquisitions. Within current assets, trade accounts receivable increased by 22% to €4,238 million (Dec. 31, 2013: €3,481 million). At 65 days, average days sales outstanding was slightly above the previous year's level of 63 days.

Inventories rose by 16% to €2,333 million (Dec. 31, 2013: €2,015 million). The scope of inventory in 2014 decreased to 51 days (Dec. 31, 2013: 53 days). The ratio of inventories to total assets decreased to 5.8% (Dec. 31, 2013: 6.1%).

Non-current assets increased by 20% to €30,389 million (Dec. 31, 2013: €25,259 million). In constant currency, the increase was 13%. Additions to property, plant and equipment, and acquisitions (especially the first-time consolidation of hospitals acquired from Rhön-Klinikum AG) had an effect. The goodwill in the amount of €19,977 million (Dec. 31, 2013: €14,921 million) has proven sustainable. The goodwill from acquisitions was €3,650 million as of December 31, 2014. Please see page 85 ff. of the Notes for further information.

Shareholders' equity, including **noncontrolling interest**, rose by 17% to €15,860 million (Dec. 31, 2013: €13,595 million). In constant currency shareholders' equity, including noncontrolling interest rose by 10%. **Group net income** attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €1,070 million. The equity ratio, including noncontrolling interest, was 39.7% as of December 31, 2014 (Dec. 31, 2013: 41.4%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity, including noncontrolling interest, covers 52% of non-current assets (Dec. 31, 2013: 54%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and inventories.

Long-term liabilities increased by 46% to €17,097 million as of December 31, 2014 (Dec. 31, 2013: €11,732 million). **Short-term liabilities** decreased by 7% to €6,998 million (Dec. 31, 2013: €7,532 million).

The Group has no **accruals** that are of material significance as individual items. The largest single accrual (US$115 million), for the W.R. Grace settlement payment relating to the NMC transaction in 1996, was utilized in the first quarter of 2014. Please see page 110 f. of the Notes for further information.

Group debt rose by 21% to €15,348 million (Dec. 31, 2013: €12,716 million). In constant currency, the increase was 13%. The increase is mainly due to the hospitals acquired from Rhön-Klinikum AG, the acquisitions at Fresenius Medical Care, as well as to currency effects. Its relative weight in the balance sheet was 38% (Dec. 31, 2013: 39%). Approximately 48% of the Group's debt is in U.S. dollars. Liabilities due in less than 1 year were €1,434 million (Dec. 31, 2013: €3,237 million), while liabilities with a remaining term of 1 to 5 years and over 5 years were €13,914 million (Dec. 31, 2013: €9,479 million).

The net debt to equity ratio including noncontrolling interest (gearing) is 89% (Dec. 31, 2013: 71%[1]). The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) was 11.4%[2] (Dec. 31, 2013: 12.3%[2]). The return on total assets after taxes and before noncontrolling interest decreased to 4.6% (2013: 5.8%).

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	2014	2013	2012	2011	2010
Total assets	**39,955**	32,859	30,899	26,510	23,831
Shareholders' equity[1]	**15,860**	13,595	13,149	11,031	9,219
as % of total assets[1]	**40**	41	43	42	39
Shareholders' equity[1]/non-current assets, in %	**52**	54	57	56	52
Debt	**15,348**	12,716	10,932	9,703	8,677
as % of total assets	**38**	39	35	37	36
Gearing in %	**89**	71[1]	76	82	86

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

[1] Pro forma excluding advances made in the amount of €2.18 billion under a fiduciary agreement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG
[2] Before special items

Group ROIC was 7.5% [1] (2013: 8.6% [2]), and Group ROOA was 9.0% [1] (2013: 10.3% [2]). The earnings growth corresponds with an increase in total assets. This increase is a result of the expansion of the existing business and acquisitions. Within the position invested capital, the goodwill of €20.0 billion had a significant effect on the calculation of ROIC. It is important to take into account that approximately 60% of the goodwill is attributable to the strategically significant acquisitions of National Medical Care in 1996, Renal Care Group and HELIOS Kliniken in 2006, APP Pharmaceuticals in 2008, Liberty Dialysis Holdings in 2012, and hospitals of Rhön-Klinikum AG in 2014. Those have significantly strengthened the competitive position of the Fresenius Group.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2014**	2013	**2014**	2013
Fresenius Medical Care [1,2]	**6.8**	7.7	**9.7**	10.5
Fresenius Kabi [1,3]	**8.6**	9.9	**10.5**	11.9
Fresenius Helios [1,4]	**7.0**	9.0	**7.4**	9.3
Fresenius Vamed [1,5]	**–**	–	**11.2**	11.6
Group [3,4] (IFRS)	**7.5**	8.6	**9.0**	10.3

[1] All business segment data according to U.S. GAAP
[2] 2014 pro forma acquisitions
[3] Pro forma; before special items
[4] 2014 pro forma acquisitions, before special items; 2013 pro forma excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG
[5] ROIC: Invested capital is insignificant due to prepayments, cash and cash equivalents.

In 2014, the Fresenius Group delivered a return on invested capital (ROIC) of 7.5% [1], substantially exceeding our cost of capital. The WACC (weighted average cost of capital) of Fresenius Medical Care was 6.0%, the WACC of the other business segments was 4.9%.

The return on assets for 2014 was calculated before special items.

Currency and interest risk management

The nominal value of all foreign currency hedging contracts was €2,061 million as of December 31, 2014. These contracts had a market value of -€50 million. The nominal value of interest rate hedging contracts was €691 million. These contracts had a market value of -€7 million. Please see the Risk Report on pages 40 ff. and the Notes on pages 116 to 123 for further details.

CORPORATE RATING

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

The table shows the company rating of Fresenius SE & Co. KGaA as well as the rating actions of Standard & Poor's und Moody's from January 2015.

RATING OF FRESENIUS SE & CO. KGAA

	24.02.2015	31.12.2014	31.12.2013
Standard & Poor's			
Corporate Credit Rating	**BBB–**	BB+	BB+
Outlook	**stable**	positive	positive
Moody's			
Corporate Credit Rating	**Ba1**	Ba1	Ba1
Outlook	**stable**	negative	negative
Fitch			
Corporate Credit Rating	**BB+**	BB+	BB+
Outlook	**positive**	positive	watch evolving

	Dec. 31, 2014 [2]	Dec. 31, 2013 [1]	Dec. 31, 2012 [2]	Dec. 31, 2011	Dec. 31, 2010
Debt/EBITDA	**3.7**	2.7	2.7	3.0	2.8
Net debt/EBITDA	**3.4**	2.5	2.5	2.8	2.6
EBITDA/interest ratio	**6.8**	6.7	5.8	6.1	5.4

[1] Pro forma excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG; before special items
[2] Pro forma acquisitions; before special items

[1] Pro forma acquisitions, before special items
[2] Pro forma excluding advances made in the amount of €2.18 billion under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG

SUBSEQUENT EVENTS

Fresenius announced on January 12, 2015, that its pharmaceutical manufacturing facility in Grand Island, N.Y., has achieved the upgraded status of "voluntary action indicated" (VAI) following an inspection in October 2014. The status change is an improvement from the "official action indicated" status the facility had been operating under. The new VAI classification permits FDA approval of new Fresenius Kabi products at the plant.

On January 16, 2015, Standard & Poor's upgraded the corporate credit rating of Fresenius from BB+ to BBB- with a stable outlook. The upgrade reflects Fresenius' enhanced stability – derived from overall critical mass coupled with sound diversification and leading positions in non-cyclical markets – rather than a shift in its financial policy.

On February 12, 2015, Fresenius SE & Co. KGaA refinanced the revolving credit facilities and the term loan A tranches under the 2013 Senior Credit Agreement in a total amount of approximately €3 billion. The maturity was extended by two years to June 28, 2020.

On February 16, 2015, Fresenius Kabi has sold its German subsidiary CFL GmbH to NewCo Pharma GmbH. Fresenius Kabi will remain active in compounding. In Germany the focus will be on parenteral nutrition products. In 2014, CFL had sales of €77 million. The transaction did not result in a material book gain or loss.

Besides the items mentioned, there were no significant changes in the Fresenius Group's operating environment following the close of fiscal year 2014. 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 2015 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 40 ff.

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

GENERAL AND MID-TERM OUTLOOK

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

- The sustained **growth of the markets** in which we operate: Fresenius sees still 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 introduce further products from our portfolio into these markets successively.

- The **expansion of our regional presence**: The fast-growing markets in Asia-Pacific, Latin America, and Eastern Europe especially offer further potential for increasing our market shares. China, for instance, offers excellent growth opportunities over the long term, not only in infusion and nutrition therapies, IV drugs, and medical devices for Fresenius Kabi, but also for Fresenius Medical Care in dialysis. We plan to further roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range.
- The **broadening of our services business**: For Fresenius Medical Care, opportunities to extend into new markets or to expand its market share arise if a country opens up to private dialysis providers or allows cooperation between public and private providers through public private-partnerships. Whether or not private companies can offer dialysis treatment, and in what form, depends on the health care system of the country in which they operate and its legal framework. We see developments in this regard in Germany, China, and India, among other countries. In addition to dialysis products and the treatment of dialysis patients, Fresenius Medical Care sees significant growth potential in the future in medical services related to dialysis and in expanding the coordination of care. This includes laboratory services, the supply of the necessary vascular access devices, and in-patient care of dialysis patients, among other things. Comprehensive integrated care from a single provider should ensure better-coordinated and controlled treatment steps and minimize complications, thus helping prevent additional hospitalization to the greatest degree possible. The goal, then, is to further increase the quality of care and to reduce the overall cost of treatment. With the acquisition of hospitals from Rhön-Klinikum AG, Fresenius Helios has an extensive nationwide hospital network. Based on this platform, Fresenius Helios aims to develop and offer innovative, integrated care offerings.
- The **broadening of our products business**: At Fresenius Medical Care, we see renal pharmaceuticals as growth drivers. They complement our dialysis portfolio and add to the horizontal expansion of our portfolio. They offer further growth potential in line with our strategic goals and the growing trend to offering more integrated care. At Fresenius Kabi, we plan to expand our IV drugs product business. We develop generic drug formulations that are ready to launch at the time of market formation, directly after the patents of the branded products expire.
- The **development of innovative products and therapies**: These will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality, reliability, and the convenience of our products and therapies are key factors here. In our dialysis business, we expect home therapies to gain further importance, leading to growth potential for Fresenius Medical Care. Home dialysis and the corresponding technologies and products will continue to be a major focus of our R & D activities. In addition, Fresenius Kabi is developing new dosage forms for its products.
- **Selective acquisitions**: Besides retaining organic sales growth as the basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that expand our product portfolio and strengthen our regional presence.

We are also exploiting any **opportunities for 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. Thus, Fresenius Medical Care launched a global efficiency program in 2014. This program is intended to increase the efficiency of the entire organization and enhance competitiveness and investment capacity. The program is expected to produce cost savings of US$300 million per year by 2017.

The outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2015 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

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

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

Fresenius Kabi plans to introduce products already offered outside the United States into that country as well. It also aims to further roll out its product portfolio internationally, especially in the fast-growing markets of Asia-Pacific and Latin America.

With its extended hospital network across Germany, **Fresenius Helios** is now able to develop new patient care models. In addition, the company expects that there will be further growth opportunities arising from privatizations in the German hospital market.

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

HEALTH CARE SECTOR AND MARKETS

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

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

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

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

Industry experts believe that, despite all of the challenges, the sector will also see a comparatively solid financial performance in the foreseeable future.

THE DIALYSIS MARKET

The **global dialysis market** is expected to growth by about 4% at constant exchange rates, to approximately US$80 billion in 2015.

The number of dialysis patients worldwide is expected to rise by approximately 6% in 2015, although significant regional differences will remain. For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast patient growth in the region of 1% to 4%. In economically weaker

Source: Bank research

regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect a higher population of dialysis patients in Asia, Latin America, Eastern Europe, the Middle East, and Africa. The fact that more than 80% of the world's population lives in these regions underscores the strong growth potential for the entire spectrum of dialysis services and products.

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

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

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

We expect the global market for generic IV drugs, clinical nutrition, infusion therapy, and medical devices/transfusion technology to grow by approximately 4% in 2015.

The **market for generic IV drugs** in Europe and the United States is expected to grow by about 5% in 2015. The demand for generic drugs is likely to grow because of their significantly lower price. The growth dynamic will continue to be driven by originator drugs going off-patent. A factor working in the opposite direction is the price erosion for generic drugs that are already in the market.

Growth of about 3% is expected for the **clinical nutrition market** in Europe in 2015. However, given the financial constraints in these countries, the efforts to contain costs in the health care sector are being pursued undiminished. Continued high growth potential is projected in Asia-Pacific, Latin America, and Africa. We expect growth of up to 10% in selected regions.

We expect the **market for infusion therapy** in Europe to remain at the prior year's level in 2015. Besides a stagnating blood volume substitutes market due to restrictions imposed on the use of these products, continuous price pressure in the tender-driven standard-solutions business is expected to affect growth. Outside Europe, growth of up to 4% is expected.

The worldwide **market for medical devices/transfusion technology** is expected to grow by up to 3% in 2015.

THE GERMAN HOSPITAL MARKET

We expect the acute care hospital market in Germany to again grow slightly in 2015. Admissions are forecast to increase by approximately 1%.

For the increase in **reimbursements of hospital treatments** the so-called change in value figure is relevant. For 2015 it was set at 2.53%. In addition, the hospital funding system provides for various increases and reductions for acute hospitals. For example, a reduction of 25% had to be accepted for surplus services previously agreed upon with the health insurance companies. A reduction of 65% applies to surplus services not agreed upon. To compensate the reduction, a 0.8% extra charge on invoiced hospital treatments is provided. We expect the effect of the compensations, reduced by the reductions for extra services, to have a slightly positive effect on the result of HELIOS in 2015.

In December 2014, a benchmark paper for a hospital reform was presented. It stipulates that in the future, planning and compensation in the hospital sector should be geared more toward the quality of medicine, among other factors. So far, however, no specifics regarding this reform have been determined. Thanks to its clear focus on the quality and transparency of medical results, the HELIOS Group would be well prepared for such a development.

Despite higher revenues, the expectations of the hospitals are rather pessimistic with respect to their **economic situation** in 2015. According to the Krankenhaus-Barometer 2014

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

Source: Company research

survey by the German Hospital Institute (DKI), almost 40% of the hospitals expect their economic situation to worsen. Specifically personnel costs will be a burden due to tariff increases. Moreover, investment needs are growing while government support is declining. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) forecasts that more hospitals will respond to economic pressures by joining together into networks and bundling their services. Networks offer opportunities for individual hospitals to reduce costs, for example in purchasing.

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

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

For 2015, we expect the worldwide demand for projects and services for hospitals and other health care facilities to grow at a low single-digit rate.

In the Central European **markets with established health care systems**, we expect solid growth. The demand for projects and services for hospitals and other health care facilities will continue to grow due to demographic changes and the rising investment and modernization needs of public health facilities. The focus is on services ranging from the maintenance and repair of medical and hospital equipment, facility management, and technical operation, through to total operational management and infrastructure process optimization – especially within the framework of public-private partnership (PPP) models. Additional growth opportunities are presented by an increasing number of non-medical services, which are outsourced from public facilities to private service providers.

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

GROUP SALES AND EARNINGS

In 2015, we expect to increase **Group sales** by 7% to 10% in constant currency. Besides organic sales growth, sales growth will be driven by the full-year consolidation of the acquired hospitals from Rhön-Klinikum AG and the acquisitions by Fresenius Medical Care in 2014. We expect to increase **Group net income**[1] by 9% to 12% in constant currency.

GROUP FINANCIAL TARGETS

	Targets 2015 (US-GAAP)	Fiscal year 2014 (US-GAAP)
Sales growth (in constant currency)	7% – 10%	€23,231 m
Net income[1] growth (in constant currency)	9% – 12%	€1,086 m
Capital expenditure	~6% of sales	€1,345 m
Dividend	Profit-driven dividend policy	Proposal +6% per share

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2015 before integration costs (~€10 million before tax for hospitals acquired from Rhön-Klinikum AG), before costs for the efficiency program at Fresenius Kabi (~€100 million before tax) and before the gain from the divestment of two HELIOS hospitals (€34 million before tax); 2014 before special items..

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2015, we expect sales and earnings development in our business segments as shown below:

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2015	Fiscal year 2014
Fresenius Medical Care		
Sales growth[1]	5% – 7%	US$15.832 bn
Net income[1,2] growth	0% – 5%	US$1.045 bn
Fresenius Kabi		
Sales growth (organic)	3% – 5%	€5,146 m
EBIT growth (in constant currency)	4% – 6%	€873 m
Fresenius Helios		
Sales growth (organic)	3% – 5%	€5,244 m
EBIT	€630 – 650 m	€553 m
Fresenius Vamed		
Sales growth (organic)	Single-digit %	€1,042 m
EBIT growth	5% – 10%	€59 m

[1] Savings from the global efficiency program and further operating cost investments within the Care Coordination business are included, while potential acquisitions are not taken into account.
[2] Net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA

Management Report

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2015 before integration costs (~€10 million before tax for hospitals acquired from Rhön-Klinikum AG), before costs for the efficiency program at Fresenius Kabi (~€100 million before tax) and before the gain from the divestment of two HELIOS hospitals (€34 million before tax); 2014 before special items.

Source: Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2013

For 2015, **Fresenius Medical Care** expects sales to grow by 5% to 7%, and expects moderate EBIT growth. Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to increase 0% to 5%. Savings from the global efficiency program for 2015 and further operating cost investments within the Care Coordination business are included, while potential acquisitions are not taken into account. The outlook is based on the exchange rates prevailing at the beginning of 2015.

Fresenius Kabi expects organic sales growth of 3% to 5% for 2015. In addition, the business segment is forecasting an EBIT growth in constant currency of 4% to 6%. Fresenius Kabi initiated a program designed to increase production efficiency and streamline administrative structures. The company expects costs of approximately €100 million before tax in 2015. The program is expected to lead to cost savings of approximately €10 million in 2015. Fresenius Kabi's guidance excludes the costs for the efficiency program (approximately €100 million before tax). For segment reporting purposes, these costs will not be reported in the Fresenius Kabi segment but as special items in the Group segment Corporate/Other.

Fresenius Helios projects organic sales growth of 3% to 5% for 2015. EBIT is expected to increase to €630 to €650 million. The outlook for Fresenius Helios is excluding integration costs for the hospitals acquired from Rhön-Klinikum AG (approximately €10 million before tax) and gains from the divestment of two HELIOS hospitals (€34 million before tax). For segment reporting purposes, these costs will not be reported in the Fresenius Helios segment but as special items in the Group segment Corporate/Other.

For 2015, **Fresenius Vamed** expects to achieve single-digit organic sales growth and EBIT growth of 5% to 10%.

FINANCING

For 2015, we expect continued strong cash flow with a **cash flow margin** between 9% and 11%.

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

In 2015, the **financing activities** will predominantly involve the refinancing of the Fresenius US Finance II, Inc. US$500 million and €275 million Senior Notes, which will be due in July 2015.

At the end of 2015, we expect **Group net debt/EBITDA** to be at approximately 3.0 (calculated at expected annual average exchange rates, on the basis of current exchange rates, for both net debt and EBITDA; without major acquisitions; before special items).

INVESTMENTS

In 2015, we expect to invest about 6% of sales in property, plant and equipment. About 50% of the capital expenditure planned will be invested at Fresenius Medical Care, about 25% at Fresenius Kabi, and about 25% at Fresenius Helios. At Fresenius Medical Care, investments will primarily be used for the expansion of production capacity, optimizing production costs, and the establishment of new dialysis clinics. Fresenius Kabi will primarily invest in expanding and maintaining production facilities as well as in introducing new manufacturing technologies. At Fresenius Helios, we will primarily be investing in the new building, the modernizing and equipping of existing hospitals, and in the hospitals acquired during the fiscal year from Rhön-Klinikum AG.
The regional focus of the Group's investment spending will be on Europe and North America, which will account for about 55% and 30%, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 40% of total funds will be invested in Germany.

We assume that the return on operating assets (ROOA) and the return on invested capital (ROIC) will be approximately at the level of 2014.

PROCUREMENT

We will continue optimizing our procurement management in 2015; prices, terms, and especially quality are key factors for securing further earnings growth.

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

RESEARCH AND DEVELOPMENT

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

We plan to increase the Group's R & D spending in 2015. About 4% to 5% of our product sales will be reinvested in research and development.

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

At **Fresenius Medical Care** we will continue to expand our global R & D product platform. Home dialysis as well as associated technologies and products will be a focal point of our activities. One major aim is to significantly reduce water consumption for home hemodialysis in order to give dialysis patients the greatest-possible independence and mobility with a resource-efficient and flexible device. We will continue to expand our range of innovative products and technologies in the future to react to growth opportunities – also with the aim of best meeting demand for integrated care.

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

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

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future, as a result of the expected expansion. We anticipate that the number of employees will increase to more than 220,000 (December 31, 2014: 216,275). The number of employees is expected to increase in all business segments. The regional distribution of our employees will remain almost unchanged – approximately 50% will be located in Europe, approximately 30% in North America, and approximately 20% in Asia-Pacific, Latin America, and Africa.

DIVIDEND

The dividend increases provided by Fresenius in the last 21 years show impressive continuity. Our dividend policy aims to align dividends 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

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

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

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

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the Company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and scientific institutions, and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 33.

RISK MANAGEMENT

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

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

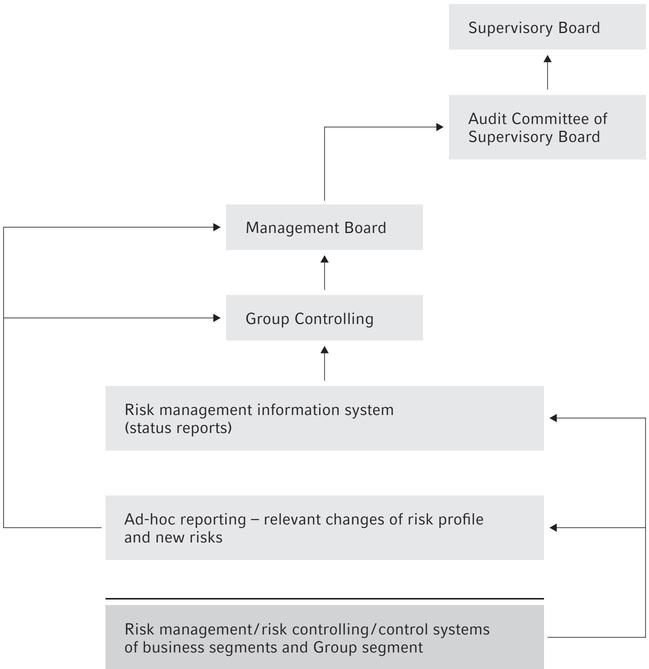
- Using standardized processes, risk situations are evaluated regularly and compared with specified requirements. If negative developments emerge, responses can be initiated at an early stage.
- The managers responsible are required to report any relevant changes in the risk profile to the Management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

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

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

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

RISK MANAGEMENT



INTERNAL FINANCIAL REPORTING CONTROLS

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

- local entity
- region
- business segment
- Group

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

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

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

RISK AREAS

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

GENERAL ECONOMIC RISKS AND RISKS IN THE GENERAL OPERATING FRAMEWORK

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2015, we largely expect overall economic growth to continue. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We expect demand for our life-saving and life-sustaining products and services to continue to grow. Furthermore, Fresenius is striving for the firm balance of its business in the main regions and between established and emerging markets.

The risk situation for each business segment also depends on the development of its markets. Country-specific political, legal, and financial conditions are therefore monitored and evaluated carefully, particularly in the current macroeconomic environment. This applies, for example, to countries with budget problems as a result of the sovereign debt crisis, in particular with regard to our accounts 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 monitor legislative changes continually, but also work together with governmental health care institutions.

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

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

In the United States, almost all Fresenius Kabi injectable pharmaceutical products are sold to customers through arrangements with **group purchasing organizations (GPOs)** and distributors. The majority of hospitals undertake contracts with the GPO of their choice for their purchasing needs. Currently, fewer than five GPOs control a large majority of sales in the United States to hospital customers. Fresenius Kabi currently derives a large percentage of its revenue in the United States through a small number of GPOs, and expects to continue to do so in the future. 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 the agreements Fresenius has with GPOs in the United States can be terminated at short- or mid-term notice. The main customers in the area of transfusion technology are plasma companies and blood centers. There are four major plasma companies serving the United States. Blood centers in the United States are consolidating in response to blood-conservation efforts at hospitals, which is having an effect on pricing.

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

OPERATING RISKS

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

- the quality, safety, and efficacy of medical and pharmaceutical products, supplies, and therapies
- the operation of hospitals, manufacturing facilities, and laboratories
- the construction and management of health care facilities

- the rate of, and accurate reporting and billing for, government and third-party reimbursement
- compensation of medical directors and other financial arrangements with physicians and other referral sources.

If Fresenius fails to comply with laws or regulations, this may give rise to a number of legal consequences, including monetary and administrative penalties, increased compliance costs, 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 by the FDA and other public authorities. If observations are filed, the Company is required to remedy these issues immediately, as during the inspections of our U.S. production facility in Grand Island or our production facility in Kalyani, India, for example.

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

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

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

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

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

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

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

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

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

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

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

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

Government reimbursement payments

Fresenius is subject to comprehensive **government regulation** in nearly all countries. This is especially true in the United States and Germany. In addition, Fresenius must comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions should Fresenius fail to comply with these laws or regulations.
A large part of Group revenue derives from government reimbursement programs. In 2014, approximately 31% of Fresenius Medical Care's sales were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid (CMS). A reduction of reimbursement rates or reimbursed services could result in significantly lower sales and operational results.

Effective 2011, Medicare implemented an end stage renal disease (ESRD) **prospective payment system (ESRD PPS)**, which expanded the scope of the products and services covered by a bundled rate and resulted in lower reimbursement per treatment than under the reimbursement system in place. ESRD-related drugs with only an oral form are expected to be reimbursed under the ESRD PPS starting in January 2016 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications. The ESRD PPS payment amount is subject to annual adjustment based on increases in the costs of a "market basket" of certain health care items and services less a productivity adjustment. The centers for Medicare and Medicaid Services, however, did not increase ESRD PPS base rates for 2015.

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

The ESRD PPS's quality incentive program (QIP) affects Medicare payments based on the performance of each facility on a set of quality measures. Dialysis facilities that fail to achieve the established quality standards have payments for a particular year reduced by up to 2% based on a year's performance. For the 2014 payment year, CMS has adopted additional measures to determine whether dialysis patients are receiving high-quality care. For the years 2015 and 2016, additional quality measures will be established. In October 2014, CMS announced the requirements for the years 2017 and 2018, including further adjustments on the measures. A material failure by the Fresenius Medical Care to achieve the minimum client quality standards under the QIP could materially and adversely affect its business, financial condition, and results of operations.

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

Working with health care provider groups, also known as ESRD Seamless Care Organizations (ESCOs), CMS plans to test a new Comprehensive ESRD Care Model, for payment and care delivery that seeks to deliver better health outcomes for ESRD patients while lowering CMS's costs. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS's cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and reimburse CMS a share of any such increases. Applications must be approved by CMS to participate in the program.

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 the assets and liabilities, financial position, and results of operations of Fresenius. Following an acquisition, the acquired company's structure must be integrated while clarifying legal questions and contractual obligations. Marketing, patient services, and logistics must also be unified. During the integration phase, key managers can leave the company and both the course of ongoing business processes and relationships with customers 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. As a result of these measures, risks in personnel marketing are not considered to be significant.

Financial risks

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

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

The Fresenius Group is protected, to a large extent, against **currency and interest rate risks**. As of December 31, 2014, approximately 63% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges; 37%, or

€5,718 million, was exposed to interest rate risks. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1.5% impact on Group net income.

As a global company, Fresenius is widely exposed to **translation effects** due to foreign exchange rate fluctuations. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Translation risks are not hedged. A sensitivity analysis shows that a one cent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of about €90 million on Group sales, about €16 million on EBIT, 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, 2014, the Fresenius Group's cash flow at risk was €50 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 €50 million. Further details on financial risks can be found on pages 116 to 123 in the Notes.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for **impairment** each year. Further information can be found on pages 85 ff. of the Notes.

By normally assessing the creditworthiness of new customers, we limit the **risk of late payment and defaults** by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. Receivables outstanding from existing customers are monitored, and the risk of defaults is assessed. This particularly applies to countries with budgetary problems and countries exposed to political risks. In 2014, we again worked on our receivables, taking certain measures such as factoring.

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

Fresenius' debt was €15,348 million as of December 31, 2014. The **debt** could limit the ability to pay dividends, arrange refinancing, be in compliance with its credit covenants, or implement the corporate strategy. Other financing risks could arise for Fresenius in the case of an ongoing general financial market crisis. We reduce these risks through a high proportion of mid- and long-term funding with a balanced maturity profile. Our financing agreements contain covenants requiring us to comply with certain financial ratios and additional financial criteria. Non-compliance with these covenants could result in a default and acceleration of the debt under the agreements.

Additional information on conditions and maturities can be found on pages 90 ff. of the Notes and on pages 25 f. of the Management Report.

Legal risks

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

Information regarding legal matters and an ongoing internal compliance review at Fresenius Medical Care can be found on pages 110 to 115 of the Notes.

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

Other risks

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

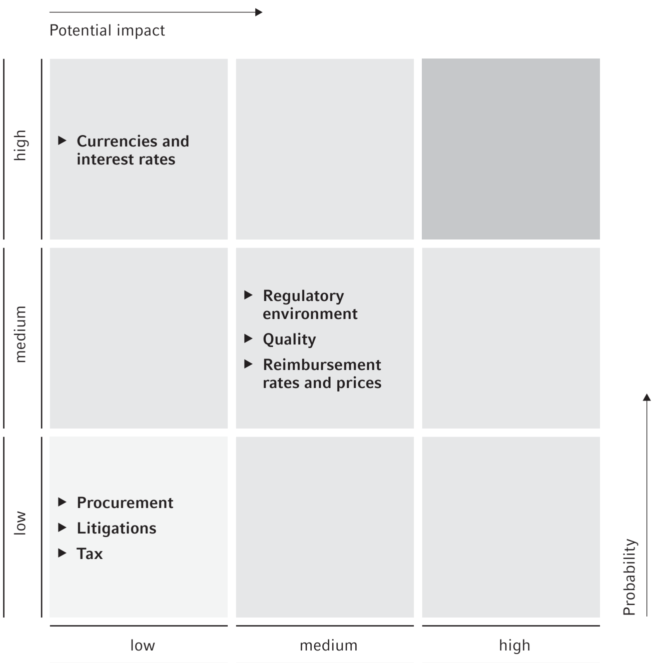
Risks with effect on the 1-year forecast period

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

Change of risk assessment compared to previous year

In 2014, the Company's risk assessment did not change compared to the previous year. The chart on the right continues to be valid.

RISKS AFFECTING THE 1-YEAR FORECAST PERIOD



ASSESSMENT OF OVERALL RISK

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

TABLE OF CONTENTS CONSOLIDATED FINANCIAL STATEMENTS

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2014	2013
Sales	4	**23,459**	20,545
Cost of sales	5	**-16,387**	-13,943
Gross profit		**7,072**	6,602
Selling, general and administrative expenses	9	**-3,590**	-3,266
Research and development expenses	8	**-365**	-390
Operating income (EBIT)		**3,117**	2,946
Interest income	10	**128**	50
Interest expenses	10	**-730**	-634
Income before income taxes		**2,515**	2,362
Income taxes	11	**-703**	-664
Net income		**1,812**	1,698
Noncontrolling interest	12	**742**	710
Net income attributable to shareholders of Fresenius SE & Co. KGaA		**1,070**	988
Earnings per ordinary share in € (after stock split 1 : 3)	13	**1.98**	1.85
Fully diluted earnings per ordinary share in € (after stock split 1 : 3)	13	**1.96**	1.83

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2014	2013
Net income		**1,812**	1,698
Other comprehensive income (loss)			
Positions which will be reclassified into net income in subsequent years			
Foreign currency translation	28, 30	**944**	-588
Cash flow hedges	28, 30	**1**	35
Change of fair value of available for sale financial assets	28, 30	**-23**	41
Income taxes on positions which will be reclassified	28	**-23**	-2
Positions which will not be reclassified into net income in subsequent years			
Actuarial gains / losses on defined benefit pension plans	25, 28	**-358**	12
Income taxes on positions which will not be reclassified	28	**114**	-11
Other comprehensive income (loss), net		**655**	-513
Total comprehensive income		**2,467**	1,185
Comprehensive income attributable to noncontrolling interest		**1,146**	436
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA		**1,321**	749

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

as of December 31, € in millions	Note	2014	2013
Cash and cash equivalents	14	**1,175**	864
Trade accounts receivable, less allowance for doubtful accounts	15	**4,238**	3,481
Accounts receivable from and loans to related parties		**36**	28
Inventories	16	**2,333**	2,015
Other current assets	17	**1,784**	1,212
I. Total current assets		**9,566**	7,600
Property, plant and equipment	18	**6,777**	5,083
Goodwill	19	**19,977**	14,921
Other intangible assets	19	**1,635**	1,408
Other non-current assets	17	**1,284**	3,318
Deferred taxes	11	**716**	529
II. Total non-current assets		**30,389**	25,259
Total assets		**39,955**	32,859

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2014	2013
Trade accounts payable		**1,052**	885
Short-term accounts payable to related parties		**5**	2
Short-term accrued expenses and other short-term liabilities	20, 21	**4,346**	3,197
Short-term debt	22	**233**	2,376
Short-term loans from related parties		**3**	6
Current portion of long-term debt and capital lease obligations	22	**516**	855
Current portion of Senior Notes	23	**682**	0
Short-term accruals for income taxes		**161**	211
A. Total short-term liabilities		**6,998**	7,532
Long-term debt and capital lease obligations, less current portion	22	**6,105**	4,366
Senior Notes, less current portion	23	**6,977**	5,113
Convertible bonds	24	**832**	0
Long-term accrued expenses and other long-term liabilities	20, 21	**945**	600
Pension liabilities	25	**1,094**	714
Long-term accruals for income taxes		**216**	180
Deferred taxes	11	**928**	759
B. Total long-term liabilities		**17,097**	11,732
I. Total liabilities		**24,095**	19,264
A. Noncontrolling interest	26	**6,337**	5,212
Subscribed capital	27	**542**	539
Capital reserve	27	**3,183**	3,097
Other reserves	27	**5,871**	5,071
Accumulated other comprehensive loss	28	**-73**	-324
B. Total Fresenius SE & Co. KGaA shareholders' equity		**9,523**	8,383
II. Total shareholders' equity		**15,860**	13,595
Total liabilities and shareholders' equity		**39,955**	32,859

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2014	2013
Operating activities			
Net income		**1,812**	1,698
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**955**	902
Gain on sale of investments and divestitures	2	**-66**	-55
Change in deferred taxes	11	**63**	-3
Gain/loss on sale of fixed assets		**7**	-14
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	15	**-204**	18
Inventories	16	**-133**	-266
Other current and non-current assets	17	**-7**	78
Accounts receivable from/payable to related parties		**-8**	-8
Trade accounts payable, accrued expenses and other short-term and long-term liabilities	20, 21	**201**	49
Accruals for income taxes		**-60**	-62
Net cash provided by operating activities		**2,560**	2,337
Investing activities			
Purchase of property, plant and equipment	18	**-1,366**	-1,088
Proceeds from sales of property, plant and equipment		**22**	24
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 32	**-2,168**	-2,702
Proceeds from sale of investments and divestitures	2	**186**	147
Net cash used in investing activities		**-3,326**	-3,619

January 1 to December 31, € in millions	Note	2014	2013
Financing activities			
Proceeds from short-term loans	22	**202**	2,498
Repayments of short-term loans	22	**-2,343**	-319
Proceeds from short-term loans from related parties		**–**	–
Repayments of short-term loans from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	22	**2,541**	2,400
Repayments of long-term debt and capital lease obligations	22	**-1,889**	-2,043
Proceeds from the issuance of Senior Notes	23	**2,094**	500
Repayments of liabilities from Senior Notes	23	**0**	-1,150
Proceeds from the issuance of convertible bonds	24	**900**	0
Payments for the share buy-back program of Fresenius Medical Care	27	**0**	-385
Changes of accounts receivable securitization program	22	**-7**	142
Proceeds from the exercise of stock options	34	**125**	152
Dividends paid		**-582**	-491
Change in noncontrolling interest	26	**–**	-2
Exchange rate effect due to corporate financing		**2**	2
Net cash provided by financing activities		**1,043**	1,304
Effect of exchange rate changes on cash and cash equivalents		**34**	-43
Net increase/decrease in cash and cash equivalents		**311**	-21
Cash and cash equivalents at the beginning of the reporting period	14	**864**	885
Cash and cash equivalents at the end of the reporting period	14	**1,175**	864

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

January 1 to December 31, € in millions	Note	2014	2013
Received interest		**55**	45
Paid interest		**-567**	-563
Income taxes paid		**-781**	-648

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

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

		Subscribed Capital			Reserves	
	Note	Number of ordinary shares in thousand[1]	Amount € in thousands	Amount € in millions	Capital reserve € in millions	Other reserves € in millions
As of December 31, 2012		534,564	534,564	535	2,985	4,421
Proceeds from the exercise of stock options	34	4,521	4,521	4	91	
Compensation expense related to stock options	34				21	
Dividends paid	27					-196
Purchase of noncontrolling interest	26					
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	27					-121
Liabilities for noncontrolling interest subject to put provisions	21, 30					-21
Comprehensive income (loss)						
Net income						988
Other comprehensive income (loss)						
Cash flow hedges	28, 30					
Change of fair value of available for sale financial assets	28, 30					
Foreign currency translation	28, 30					
Actuarial gains/losses on defined benefit pension plans	25, 28					
Comprehensive income (loss)						988
As of December 31, 2013		539,085	539,085	539	3,097	5,071
Proceeds from the exercise of stock options	34	2,448	2,448	3	67	
Compensation expense related to stock options	34				19	
Dividends paid	27					-225
Purchase of noncontrolling interest	26					
Liabilities for noncontrolling interest subject to put provisions	21, 30					-45
Comprehensive income (loss)						
Net income						1,070
Other comprehensive income (loss)						
Cash flow hedges	28, 30					
Change of fair value of available for sale financial assets	28, 30					
Foreign currency translation	28, 30					
Actuarial losses on defined benefit pension plans	25, 28					
Comprehensive income						1,070
As of December 31, 2014		**541,533**	**541,533**	**542**	**3,183**	**5,871**

[1] Prior year figures were adjusted due to the stock split in 2014.

	Note	Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest € in millions	Total shareholders' equity € in millions
As of December 31, 2012		-85	7,856	5,293	13,149
Proceeds from the exercise of stock options	34		95	57	152
Compensation expense related to stock options	34		21	7	28
Dividends paid	27		-196	-295	-491
Purchase of noncontrolling interest	26		0	25	25
Share buy-back program of Fresenius Medical Care AG & Co. KGaA	27		-121	-264	-385
Liabilities for noncontrolling interest subject to put provisions	21, 30		-21	-47	-68
Comprehensive income (loss)					
Net income			988	710	1,698
Other comprehensive income (loss)					
Cash flow hedges	28, 30	15	15	12	27
Change of fair value of available for sale financial assets	28, 30	34	34	–	34
Foreign currency translation	28, 30	-272	-272	-303	-575
Actuarial gains/losses on defined benefit pension plans	25, 28	-16	-16	17	1
Comprehensive income (loss)		-239	749	436	1,185
As of December 31, 2013		-324	8,383	5,212	13,595
Proceeds from the exercise of stock options	34		70	55	125
Compensation expense related to stock options	34		19	4	23
Dividends paid	27		-225	-358	-583
Purchase of noncontrolling interest	26		0	379	379
Liabilities for noncontrolling interest subject to put provisions	21, 30		-45	-101	-146
Comprehensive income (loss)					
Net income			1,070	742	1,812
Other comprehensive income (loss)					
Cash flow hedges	28, 30	-2	-2	2	–
Change of fair value of available for sale financial assets	28, 30	-16	-16	–	-16
Foreign currency translation	28, 30	419	419	496	915
Actuarial losses on defined benefit pension plans	25, 28	-150	-150	-94	-244
Comprehensive income		251	1,321	1,146	2,467
As of December 31, 2014		**-73**	**9,523**	**6,337**	**15,860**

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

BY BUSINESS SEGMENT

€ in millions	Fresenius Medical Care 2014	2013	Change	Fresenius Kabi 2014 [1]	2013 [1]	Change	Fresenius Helios 2014 [2]	2013	Change
Sales	**11,917**	11,000	8%	**5,146**	4,996	3%	**5,244**	3,393	55%
thereof contribution to consolidated sales	**11,869**	10,978	8%	**5,104**	4,956	3%	**5,244**	3,393	55%
thereof intercompany sales	**48**	22	118%	**42**	40	5%	**0**	0	
contribution to consolidated sales	**51%**	54%		**22%**	24%		**23%**	17%	
EBITDA	**2,223**	2,187	2%	**1,084**	1,143	-5%	**732**	508	44%
Depreciation and amortization	**526**	488	8%	**211**	217	-3%	**179**	118	52%
EBIT	**1,697**	1,699	0%	**873**	926	-6%	**553**	390	42%
Net interest	**-310**	-308	-1%	**-196**	-236	17%	**-56**	-48	-17%
Income taxes	**-440**	-446	1%	**-189**	-178	-6%	**-86**	-60	-43%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**786**	836	-6%	**468**	487	-4%	**400**	275	45%
Operating cash flow	**1,401**	1,532	-9%	**641**	488	31%	**558**	258	116%
Cash flow before acquisitions and dividends	**709**	984	-28%	**289**	177	63%	**295**	91	--
Total assets	**20,960**	16,764	25%	**9,655**	8,598	12%	**8,352**	6,597	27%
Debt	**7,851**	6,103	29%	**5,205**	4,735	10%	**1,394**	3,538	-61%
Other operating liabilities	**3,478**	2,749	27%	**1,698**	1,439	18%	**1,469**	813	81%
Capital expenditure, gross	**701**	563	25%	**361**	317	14%	**266**	172	55%
Acquisitions, gross/investments	**1,495**	424	--	**118**	131	-10%	**824**	2,185	-62%
Research and development expenses	**92**	95	-3%	**276**	250	10%	**–**	–	--
Employees (per capita on balance sheet date)	**105,917**	95,637	11%	**32,899**	31,961	3%	**68,852**	42,913	60%
Key figures									
EBITDA margin	**18.7%**	19.9%		**21.1%**	22.9%		**14.0%**	15.0%	
EBIT margin	**14.2%**	15.4%		**17.0%**	18.5%		**10.5%**	11.5%	
Depreciation and amortization in % of sales	**4.4%**	4.4%		**4.1%**	4.3%		**3.4%**	3.5%	
Operating cash flow in % of sales	**11.8%**	13.9%		**12.5%**	9.8%		**10.6%**	7.6%	
ROOA	**9.7%**	10.5%		**10.5%**	11.9%		**7.4%**	9.3%	

[1] Before integration costs
[2] Before integration costs and disposal gains (two HELIOS hospitals)
[3] After integration costs
[4] After integration costs and disposal gains (two HELIOS hospitals, Rhön stake)
[5] The underlying pro forma EBIT does not include integration costs and disposal gains (two HELIOS hospitals, Rhön stake).
[6] The underlying pro forma EBIT does not include integration costs.

BY REGION

€ in millions	Europe 2014	2013	Change	North America 2014	2013	Change
Sales	**10,162**	8,216	24%	**9,535**	8,834	8%
contribution to consolidated sales	**43%**	40%		**41%**	43%	
EBIT	**861**	813	6%	**1,691**	1,632	4%
Depreciation and amortization	**446**	381	17%	**402**	424	-5%
Total assets	**15,630**	13,473	16%	**19,937**	15,990	25%
Capital expenditure, gross	**689**	532	30%	**453**	375	21%
Acquisitions, gross/investments	**867**	2,256	-62%	**1,205**	347	--
Employees (per capita on balance sheet date)	**112,829**	85,706	32%	**65,817**	60,600	9%

Fresenius Vamed			Corporate/Other			IFRS-Reconciliation			Fresenius Group		
2014	2013	Change	**2014**[4]	2013[3]	Change	**2014**	2013	Change	**2014**	2013	Change
1,042	1,020	2%	**-118**	-78	-51%	**228**	214	7%	**23,459**	20,545	14%
1,009	987	2%	**5**	17	-71%	**228**	214	7%	**23,459**	20,545	14%
33	33	0%	**-123**	-95	-29%	**0**	0		**0**	0	
4%	5%		**0%**	0%		**0%**	0%		**100%**	100%	
71	65	9%	**-59**	-69	14%	**21**	14	50%	**4,072**	3,848	6%
12	10	20%	**9**	10	-10%	**18**	59	-69%	**955**	902	6%
59	55	7%	**-68**	-79	14%	**3**	-45	107%	**3,117**	2,946	6%
-1	-3	67%	**-39**	11	--	**0**	0		**-602**	-584	-3%
-16	-14	-14%	**31**	29	7%	**-3**	5	-160%	**-703**	-664	-6%
41	37	11%	**-628**	-624	-1%	**3**	-23	113%	**1,070**	988	8%
-9	31	-129%	**-6**	11	-155%	**-25**	17	--	**2,560**	2,337	10%
-18	20	-190%	**-13**	1	--	**-46**	0		**1,216**	1,273	-4%
891	726	23%	**39**	73	-47%	**58**	101	-43%	**39,955**	32,859	22%
159	117	36%	**845**	-1,689	150%	**-106**	-88	-20%	**15,348**	12,716	21%
426	327	30%	**287**	155	85%	**461**	306	51%	**7,819**	5,789	35%
10	11	-9%	**7**	10	-30%	**21**	17	24%	**1,366**	1,090	25%
12	16	-25%	**1**	-2	150%	**-46**	-1	--	**2,404**	2,753	-13%
0	0		**1**	3	-67%	**-4**	42	-110%	**365**	390	-6%
7,746	7,010	10%	**861**	816	6%	**0**	0		**216,275**	178,337	21%
6.8%	6.4%								**17.5%**[2]	19.0%[1]	
5.7%	5.4%								**13.5%**[2]	14.6%[1]	
1.2%	1.0%								**4.1%**	4.4%	
-0.9%	3.0%								**10.9%**	11.4%	
11.2%	11.6%								**9.0%**[5]	10.3%[6]	

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

Asia-Pacific			Latin America			Africa			Fresenius Group		
2014	2013	Change	**2014**	2013	Change	**2014**	2013	Change	**2014**	2013	Change
2,205	1,945	13%	**1,186**	1,174	1%	**371**	376	-1%	**23,459**	20,545	14%
9%	9%		**5%**	6%		**2%**	2%		**100%**	100%	
392	299	31%	**131**	160	-18%	**42**	42	0%	**3,117**	2,946	6%
65	56	16%	**36**	36	0%	**6**	5	20%	**955**	902	6%
2,953	2,306	28%	**1,273**	950	34%	**162**	140	16%	**39,955**	32,859	22%
125	112	12%	**91**	62	47%	**8**	9	-11%	**1,366**	1,090	25%
203	126	61%	**129**	21	--	**0**	3	-100%	**2,404**	2,753	-13%
19,690	15,859	24%	**16,136**	14,474	11%	**1,803**	1,698	6%	**216,275**	178,337	21%

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

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a global health care group with products and services for dialysis, hospitals and outpatient medical care. In addition, the Fresenius Group focuses on hospital operations and also manages projects and provides services for hospitals and other health care facilities worldwide. Besides the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. H., the operating activities were split into the following legally independent business segments in the fiscal year 2014:

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

Fresenius Medical Care is the world's leading provider of services and products for patients with chronic kidney failure. As of December 31, 2014, Fresenius Medical Care was treating 286,312 patients in 3,361 dialysis clinics.

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

Fresenius Helios is Germany's largest hospital operator. At the end of 2014, the HELIOS Group operated 110 hospitals: 86 acute care hospitals, including 7 maximum care clinics in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, Wiesbaden and Wuppertal as well as 24 post-acute care hospitals. Fresenius Helios has more than 34,000 beds and treats over 4.2 million patients – including more than 1.2 million inpatients – each year.

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

Fresenius SE & Co. KGaA owned 31.09% of the subscribed capital of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) at the end of the fiscal year 2014. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly owned subsidiary of Fresenius SE & Co. KGaA. Through this structure, Fresenius SE & Co. KGaA has rights that give Fresenius SE & Co. KGaA the ability to direct the relevant activities and, hence, the earnings of FMC-AG & Co. KGaA. Therefore, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group.

Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2014. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. In addition, Fresenius SE & Co. KGaA holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology.

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

II. BASIS OF PRESENTATION

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union (EU), fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). The consolidated financial statements of Fresenius SE & Co. KGaA at December 31, 2014 have been prepared and will be published in accordance with the Standards valid on the date of the statement of financial position issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) and as binding to be applied in the EU. The financial statements are also in accordance with IFRS as issued by the IASB. Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP).

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

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

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

At February 24, 2015, the Management Board of Fresenius Management SE authorized the consolidated financial statements for issue and passed it to the Supervisory Board of Fresenius SE & Co. KGaA. The Supervisory Board has to review the consolidated financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

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

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

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

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

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

b) Composition of the Group

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

Fresenius Medical Care has entered into various arrangements with certain legal entities whereby the entities' investors own disproportionate equity ownership interests in relation to risks and rewards they retain for these arrangements or the entities are unable to provide their own funding for their operations. These entities are defined as structured entities. Fresenius Medical Care controls these entities and has to fully consolidate them. The contractual agreements, which give the ability to direct the relevant activities, are the dominated factor to determine control, rather than the voting rights or similar rights. Fresenius Medical Care has provided some or all of the following services to the structured entities: management, financing or product supply. They generated approximately €412 million (US$547 million) and €153 million (US$203 million) in sales in 2014 and 2013, respectively. Fresenius Medical Care provided funding to these structured entities through loans and accounts receivable of €246 million (US$299 million) and €109 million (US$150 million) in 2014 and 2013, respectively. The interest held by the other shareholders in the consolidated structured entities is reported as noncontrolling interest in the consolidated statement of financial position.

Fresenius Vamed participates in project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. These project entities are not controlled by Fresenius Vamed and therefore are not consolidated. The project entities generated approximately €98 million in sales in 2014 (2013: €88 million). The project entities finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the project entities are not material. Fresenius Vamed made no payments to the project entities other than contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these project entities.

The consolidated financial statements of 2014 included, in addition to Fresenius SE & Co. KGaA, 2,168 fully consolidated companies and 29 companies were accounted for under the equity method. In 2014, there were no material changes in the scope of consolidated entities, except for those mentioned in note 2, Acquisitions, divestitures and investments.

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

In 2014, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

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

Name of the company	Registered office
Fresenius Helios	
Betriebsführungsgesellschaft Schloß Schönhagen GmbH	Schönhagen
Damp Diagnostik und Physio Holding GmbH	Hamburg
ENDO Reha-Zentrum GmbH	Hamburg
Gesundheitszentrum Buch GmbH	Berlin
HELIOS Agnes-Karll-Krankenhaus GmbH	Bad Schwartau
HELIOS Care GmbH	Berlin
HELIOS Fachklinik Schleswig GmbH	Schleswig
HELIOS Fachpflege Schleswig GmbH	Schleswig
HELIOS Gesundheitsmanagement GmbH	Berlin
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Ahrenshoop GmbH	Ahrenshoop
HELIOS Klinik Berching GmbH	Berching
HELIOS Klinik Blankenhain GmbH	Blankenhain
HELIOS Klinik Bleicherode GmbH	Bleicherode
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Leisnig GmbH	Leisnig
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Klinik Schkeuditz GmbH	Schkeuditz
HELIOS Klinik Schloss Schönhagen GmbH	Damp
HELIOS Klinik Volkach GmbH	Volkach
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Mansfeld-Südharz GmbH	Sangerhausen
HELIOS Kliniken Taunus GmbH	Bad Schwalbach
HELIOS Klinikum Aue GmbH	Aue
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Berlin-Buch GmbH	Berlin
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Schwelm GmbH	Schwelm
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Rehaklinik Damp GmbH	Damp
HELIOS-SERVICE GmbH	Berlin
HELIOS Spital Überlingen GmbH	Überlingen
HELIOS St. Josefs-Hospital GmbH	Bochum
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Medizinisches Versorgungszentrum am HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
ostsee resort damp GmbH	Damp
Reha-Zentrum Norderstedt GmbH	Norderstedt
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
Verwaltungsgesellschaft ENDO-Klinik mbH	Hamburg
WAK Wittgensteiner Akutkliniken „Bad Berleburg“ GmbH	Bad Berleburg

c) Classifications

Certain items in the consolidated financial statements of 2013 have been reclassified to conform with the presentation in 2014.

d) Sales recognition policy

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

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

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

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

e) Government grants

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

f) Research and development expenses

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

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

g) Impairment

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

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

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

h) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2014 and 2013, interest of €3 million and €5 million, based on an average interest rate of 5.09% and 5.92%, respectively, was recognized as a component of the cost of assets.

i) Income taxes

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

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

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

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

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

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

j) Earnings per ordinary share

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

k) Cash and cash equivalents

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

l) Trade accounts receivable

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

m) Inventories

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

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

n) Available for sale financial assets

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

o) Property, plant and equipment

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

p) Intangible assets with finite useful lives

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

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

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

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

Fresenius Kabi capitalizes development costs as soon as the registration of a new product is very likely. Costs are depreciated on a straight-line basis over an expected utilization period. In 2014 and 2013, impairment losses were recorded on in-process R & D projects, whose earnings prospects have been decreased or which are not pursued (see note 8, Research and development expenses).

q) Goodwill and other intangible assets with indefinite useful lives

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

To perform the annual impairment test of goodwill, the Fresenius Group identified several cash generating units (CGUs) and determined the carrying amount of each CGU by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUs. A CGU is usually defined one level below the segment level based on regions or legal entities. 4 CGUs were identified in the segments Fresenius Medical Care and Fresenius Kabi, respectively (Europe, Latin America, Asia-Pacific and North America). According to the regional organizational structure, the segment Fresenius Helios consists of 11 CGUs, which are managed by a central division. The segment Fresenius Vamed consists of 2 CGUs (Project business and Service business). At least once a year, the Fresenius Group compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount as its value in use of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the fair value of the goodwill.

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

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2014 and 2013.

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

r) Leases

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

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

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

s) Financial instruments

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

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

The following categories (according to IAS 39, Financial Instruments: Recognition and Measurement) are relevant for the Fresenius Group: loans and receivables, financial liabilities measured at amortized cost, available for sale financial assets as well as financial liabilities / assets measured at fair value in the consolidated statement of income. Other categories are immaterial or not existing in the Fresenius Group. No financial instruments were reclassified during the fiscal year 2014.

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

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

The Fresenius Group has potential obligations to purchase noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Fresenius Group would be required to purchase all or part of the third-party owners' noncontrolling interests at already defined purchase prices or at the appraised fair value at the time of exercise. To estimate the fair values of the noncontrolling interest subject to put provisions, the Fresenius Group recognizes the higher of net book value or a multiple of earnings, based on historical earnings, the development stage of the underlying business and other factors. When applicable, the obligations are discounted at a pre-tax discount rate which reflects the market valuation of the interest effect and the specific risk of the obligation. Depending on the market conditions, the estimated fair values of the noncontrolling interest subject to these put provisions can also fluctuate and the implicit multiple of earnings at which the noncontrolling interest subject to put provisions may ultimately be settled could vary significantly from Fresenius Group's current estimates.

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

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

t) Liabilities

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

u) Legal contingencies

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

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

v) Accrued expenses

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

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

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

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

w) Pension liabilities and similar obligations

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

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

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

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

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

x) Debt issuance costs

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

y) Stock option plans

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

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

z) Self-insurance programs

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

aa) Foreign currency translation

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

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. In the fiscal year 2014, only immaterial gains resulted out of this translation.

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

	Year-end exchange rate[1]		Average exchange rate	
	Dec. 31, 2014	Dec. 31, 2013	**2014**	2013
U.S. dollar per €	**1.2141**	1.3791	**1.3285**	1.3281
Pound sterling per €	**0.7789**	0.8337	**0.8061**	0.8493
Swedish krona per €	**9.3930**	8.8591	**9.0985**	8.6515
Chinese renminbi per €	**7.5358**	8.3491	**8.1857**	8.1646
Japanese yen per €	**145.23**	144.72	**140.31**	129.66
Russian ruble per €	**72.3370**	45.3246	**50.9518**	42.3370
Brazilian real per €	**3.2207**	3.2576	**3.1211**	2.8687

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

bb) Fair value hierarchy

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

cc) Use of estimates

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

dd) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 17% and 18%, respectively, of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2014 and 2013, respectively.

ee) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2014 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2014, or IFRS that can be applied earlier on a voluntary basis.

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

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

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

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

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

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

ff) Recent pronouncements, not yet applied

The IASB issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2015:

In December 2014, the IASB issued **Amendments to IAS 1, Presentation of Financial Statements**, as part of its disclosure initiative. The amendments contain different disclosure issues. Disclosures have to be made only if the content is not immaterial. This is explicitly the case when an IFRS standard requires a list of minimum-disclosure. Furthermore, aggregation and disaggregation of subtotals in the statement of financial position and in the statement of comprehensive income are explained. In addition, the amendments clarify the disclosure of significant accounting policies and the disclosure of other comprehensive income of associates, which are consolidated by using the equity method. The amendments are effective for fiscal years beginning on or after January 1, 2016. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In September 2014, the IASB issued **Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10, Consolidated Financial Statements and IAS 28, Investments in Associates and Joint Ventures (2011))**. The amendments eliminate an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28. They clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business as defined in IFRS 3, Business Combinations. In case of loss of control of a subsidiary that constitute a business as defined in IFRS 3, the full gain or loss resulting from this transaction is recognized. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business. The amendments to IFRS 10 and IAS 28 are effective for fiscal years beginning on or after January 1, 2016. Earlier adoption is permitted. The Fresenius Group will apply the amendments as of January 1, 2016. The Fresenius Group does currently not expect any impact on its consolidated financial statements.

In May 2014, the IASB issued **IFRS 15, Revenue from Contracts with Customers**. Simultaneously, the Financial Accounting Standards Board (FASB) published its equivalent revenue standard, Accounting Standards Update 2014-09 (ASU 2014-09), FASB Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers. The standards are the result of a convergence project between the FASB and the IASB. This new standard specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. This standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. This new standard is effective for fiscal years beginning on or after January 1, 2017. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

In May 2014, the IASB issued **Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations**. The amendments add new guidance on accounting for the acquisition of an interest in a joint operation in which the activity constitutes a business, as defined in IFRS 3, Business Combinations. In such cases, all of the principles on business combinations accounting in IFRS 3 and other IFRSs have to be applied, except for those principles that conflict with the guidance in IFRS 11. In addition, the acquirer shall disclose the information required by IFRS 3. Those amendments shall be applied prospectively for fiscal years beginning on or after January 1, 2016. Earlier adoption is permitted. The Fresenius Group does currently not expect any impact on its consolidated financial statements.

In December 2011, the IASB issued **Mandatory Effective Date and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)**. The amendments to IFRS 9 defer the mandatory effective date of IFRS 9 from January 1, 2013 to January 1, 2015. Earlier adoption is permitted. This mandatory effective date has been cancelled in connection with another amendment which was issued in November 2013. The amendments to IFRS 7 relieve entities from restating comparative financial statements. Instead, additional disclosures about the transition from IAS 39 to IFRS 9 are required when an entity first applies IFRS 9. The Fresenius Group will apply this guidance when applying IFRS 9 for the first time.

In November 2009, the IASB issued **IFRS 9, Financial Instruments for the accounting of financial assets**, which replaces the IAS 39 financial asset categories with two categories. Financial assets that have basic loan features and are managed on a contractual yield basis must be measured at amortized cost. All other financial assets are measured at fair value through profit and loss, whereby for strategic equity investments there is an option to record changes in fair value through other comprehensive income (loss). In October 2010, the IASB issued **additions to IFRS 9, Financial Instruments for the accounting of financial liabilities**. These additions complete the classification and measurement of financial instruments phase of the project to replace IAS 39, Financial Instruments: Recognition and Measurement. The new guidance requires entities that choose to measure financial liabilities at fair value to generally present changes in the entity's own credit risk within other comprehensive income (loss). Other current accounting guidance for financial liabilities has been maintained. In November 2013, the IASB issued **additions to IFRS 9, Financial Instruments**, by introducing a new hedge accounting model. This new model enables entities to reflect their risk management activities more flexibly. For liabilities elected to be measured at fair value, the changes to IFRS 9 introduce the possibility to recognize gains and losses, caused by a worsening in an entity's own credit risk, no longer in profit or loss. The accounting for liabilities can be changed before applying any of the other requirements in IFRS 9. Furthermore, the IASB cancelled the mandatory date of January 1, 2015. In July 2014, the IASB issued a new version of **IFRS 9, Financial Instruments**. This IFRS 9 version is considered the final and complete version, thus, mainly replacing IAS 39 as soon as IFRS 9 is applied. It includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The impairment provisions reflect a model that relies on expected losses (expected loss model). This model comprises a two stage approach: Upon recognition an entity shall recognize losses that are expected within the next 12 months. If credit risk deteriorates significantly, from that point in time impairment losses shall amount to lifetime expected losses. The provisions for classification and measurement are amended by introducing an additional third measurement category for certain debt instruments. Such instruments shall be measured at fair value with changes recognised in other comprehensive income (fair value through other comprehensive income). The standard is accompanied by additional disclosure requirements and is effective for fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Fresenius Group is currently evaluating the impact on its consolidated financial statements.

The EU Commission's endorsements of IFRS 9, IFRS 15 and of the amendments to IAS 1, IFRS 10, IAS 28, IFRS 11 and IFRS 7 are still outstanding.

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

IV. CRITICAL ACCOUNTING POLICIES

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

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2014 and December 31, 2013, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €20,185 million and €15,108 million, respectively. This represented 51% and 46%, respectively, of total assets.

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

To determine possible impairments of these assets, the recoverable amount as its value in use of the cash generating units (CGUs) is compared to their carrying amount. The value in use of each CGU is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that CGU. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every CGU its approved three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years. These growth rates are 0% to 4% for Fresenius Medical Care, 3% for Fresenius Kabi and 1% for Fresenius Helios and Fresenius Vamed. Projections for up to 10 years are possible due to historical experience and the stability of Fresenius Group's business, which is largely independent from the economic cycle. The discount factor is determined by the WACC of the respective CGU. Fresenius Medical Care's WACC consisted of a basic rate of 6.01% and the WACC in the business segment Fresenius Kabi consisted of a basic rate of 4.86% for 2014, respectively. This basic rate is then adjusted by a country-specific risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions, until they are appropriately integrated, within each CGU. In 2014, WACCs (after tax) for the CGUs of Fresenius Medical Care ranged from 5.96% to 15.73% and WACCs (after tax) for the CGUs of Fresenius Kabi ranged from 4.86% to 13.36%. In the business segments Fresenius Helios and Fresenius Vamed, the WACC (after tax) was 4.86%, country-specific adjustments did not occur. If the value in use of the CGU is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC (after tax) by 0.5% would not have resulted in the recognition of an impairment loss in 2014.

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

b) Legal contingencies

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

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were €4,238 million and €3,481 million in 2014 and 2013, respectively, net of allowance. Approximately 62% of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were U.S. Medicare and Medicaid health care programs with 17% as well as private insurers in the United States with 10%, at December 31, 2014. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogeneous customer structure.

The allowance for doubtful accounts was €545 million and €487 million as of December 31, 2014 and December 31, 2013, respectively.

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

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

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

d) Self-insurance programs

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

2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions, investments and purchases of intangible assets of €2,404 million and €2,753 million in 2014 and 2013, respectively. Of this amount, €2,168 million was paid in cash and €236 million was assumed obligations in 2014.

Fresenius Medical Care

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

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

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

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

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

Based on preliminary purchase price allocations, Fresenius Medical Care recorded € 1,287 million of goodwill and € 148 million of intangible assets.

The intangible assets associated with these acquisitions consist primarily of customer relationships and tradenames at fair value to be amortized on a straight-line basis over a weighted-average period of approximately eight to nine years.

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

Fresenius Kabi

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

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

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

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

Divestitures

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

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

Fresenius Helios

In 2014, Fresenius Helios spent €824 million on acquisitions. Thereof, €816 million related to the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG, Germany. Taking into account the advance payment of €2,178 million transferred at the end of the year 2013 in conjunction with this acquisition, the total purchase price amount finally added up to €2,994 million.

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

Acquisition of hospitals of Rhön-Klinikum AG

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

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

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

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

€ in millions	
Trade accounts receivable	231
Working capital and other assets	405
Assets	995
Liabilities	-752
Goodwill	2,245
Noncontrolling interest	-12
Fair value of consideration transferred	**3,112**
Net cash acquired	-100
Transaction amount	**3,012**

The consideration transferred was fully paid in cash.

The transaction amount contained contingent purchase price elements in an amount of €49 million in connection with the implementation of antitrust authority requirements. The contingent consideration amounted to €31 million by the end of 2014.

The goodwill in the amount of €2,245 million that was acquired as part of the acquisition is not deductible for tax purposes.

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

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

In 2014, the acquired hospitals and outpatient facilities have contributed €1,791 million to sales and, before integration costs, €158 million to the operating income (EBIT) and

€65 million to net income of the Fresenius Group. After integration costs, the contribution to the operating income (EBIT) amounted to €107 million and the contribution to the net income of the Fresenius Group was €24 million.

In 2013, Fresenius Helios spent €2,185 million on acquisitions, mainly for advances made in the amount of €2,178 million under a fiduciary arrangement for the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG.

Fresenius Vamed

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

In 2013, Fresenius Vamed spent €16 million on acquisitions, mainly for the purchase of two hospitals in the Czech Republic.

Corporate / Other

Divestitures

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

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

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

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

In the fiscal year 2014, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. The excess of the total acquisition costs over the fair value of the net assets acquired was €3,882 million and €509 million in 2014 and 2013, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was €3,650 million and the other intangible assets were €232 million. Of this goodwill, €1,287 million is attributable to the acquisitions of Fresenius Medical Care, €99 million to Fresenius Kabi's acquisitions, €2,250 million to the acquisitions of Fresenius Helios and €14 million to the acquisitions of Fresenius Vamed.

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

The acquisitions completed in 2014 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

€ in millions	2014
Sales	2,290
EBITDA	204
EBIT	126
Net interest	-99
Net income attributable to shareholders of Fresenius SE & Co. KGaA	21

The acquisitions increased the total assets of the Fresenius Group by €4,068 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

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

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

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

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

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

€ in millions	EBIT	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2013, adjusted	3,000	1,028
Integration costs for Fenwal	-54	-40
Earnings 2013 according to IFRS	**2,946**	**988**

4. SALES

Sales by activity were as follows:

€ in millions	2014	2013
Sales of services	**15,176**	12,441
Sales of products and related goods	**7,713**	7,507
Sales from long-term production contracts	**564**	587
Other sales	**6**	10
Sales	**23,459**	20,545

A sales analysis by business segment and region is shown in the segment information on pages 56 to 57.

5. COST OF SALES

Cost of sales was comprised of the following:

€ in millions	2014	2013
Cost of services	**11,675**	9,450
Manufacturing cost of products and related goods	**4,217**	3,976
Cost of long-term production contracts	**493**	514
Other cost of sales	**2**	3
Cost of sales	**16,387**	13,943

6. COST OF MATERIALS

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

€ in millions	2014	2013
Cost of raw materials, supplies and purchased components	**6,079**	5,566
Depreciation of raw materials, supplies and purchased components	**1**	0
Reversals of write-downs of raw materials, supplies and purchased components	**0**	-1
Cost of purchased services	**974**	819
Cost of materials	**7,054**	6,384

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €8,979 million and €7,340 million in 2014 and 2013, respectively.

Personnel expenses were comprised of the following:

€ in millions	2014	2013
Wages and salaries	**7,209**	5,834
Social security contributions, cost of retirement pensions and social assistance	**1,770**	1,506
thereof retirement pensions	**240**	188
Personnel expenses	**8,979**	7,340

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

	2014	2013
Production	**35,970**	34,247
Service	**136,860**	107,539
Administration	**25,704**	21,439
Sales and marketing	**10,052**	9,580
Research and development	**2,047**	1,928
Total employees (per capita)	**210,633**	174,733

8. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €365 million (2013: €390 million) included expenditures for research and non-capitalizable development costs as well as depreciation and amortization expenses relating to capitalized development costs of €17 million (2013: €59 million). In 2014 and 2013, research and development expenses included impairments on capitalized development expenses of €2 million and €43 million, respectively. These related to in-process R & D of product approval projects, which were acquired through the acquisition of Fresenius Kabi USA, Inc., and whose earnings prospects have been decreased or which are not pursued.

9. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were €841 million (2013: €802 million) and mainly included expenditures for sales personnel of €406 million (2013: €388 million).

General and administrative expenses amounted to €2,749 million (2013: €2,464 million) and were related to expenditures for administrative functions not attributable to research and development, production or selling.

Proceeds of €201 million (2013: €324 million) were included in selling, general and administrative expenses.

10. NET INTEREST

Net interest of -€602 million included interest expenses of €730 million and interest income of €128 million. The main portion of the interest expenses resulted from Fresenius Group's financial liabilities, which are not recognized at fair value in the consolidated statement of income (see note 30, Financial instruments). The main portion of interest income resulted from the valuation of the call options in connection with the convertible bonds.

11. TAXES

INCOME TAXES

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

€ in millions	**2014**	2013
Germany	**671**	502
International	**1,844**	1,860
Total	**2,515**	2,362

Income tax expenses (benefits) for 2014 and 2013 consisted of the following:

€ in millions	Current taxes	Deferred taxes	**Income taxes**
2014			
Germany	**122**	**13**	**135**
International	**518**	**50**	**568**
Total	**640**	**63**	**703**
2013			
Germany	111	-14	97
International	557	10	567
Total	668	-4	664

A reconciliation between the expected and actual income tax expense is shown in the following table. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 30.0% for the fiscal year 2014 (2013: 29.5%).

€ in millions	**2014**	2013
Computed "expected" income tax expense	**754**	697
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**56**	37
Tax rate differential	**32**	42
Tax-free income	**-60**	-76
Taxes for prior years	**-20**	-11
Noncontrolling interests	**-61**	-41
Other	**2**	16
Income tax	**703**	664
Effective tax rate	**28.0 %**	28.1 %

DEFERRED TAXES

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

€ in millions	2014	2013
Deferred tax assets		
Accounts receivable	**25**	16
Inventories	**115**	95
Other current assets	**19**	35
Other non-current assets	**100**	127
Accrued expenses	**294**	222
Other short-term liabilities	**63**	54
Other liabilities	**44**	31
Benefit obligations	**239**	125
Losses carried forward from prior years	**239**	172
Deferred tax assets	**1,138**	877
Deferred tax liabilities		
Accounts receivable	**35**	32
Inventories	**29**	26
Other current assets	**14**	14
Other non-current assets	**1,037**	797
Accrued expenses	**13**	14
Other short-term liabilities	**150**	120
Other liabilities	**72**	104
Deferred tax liabilities	**1,350**	1,107
Net deferred taxes	**-212**	-230

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

€ in millions	2014	2013
Deferred tax assets	**716**	529
Deferred tax liabilities	**928**	759
Net deferred taxes	**-212**	-230

As of December 31, 2014, Fresenius Medical Care has not recognized a deferred tax liability on approximately €5.5 billion of undistributed earnings of its foreign subsidiaries, because those earnings are considered indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	€ in millions
2015	16
2016	23
2017	25
2018	26
2019	52
2020	9
2021	8
2022	12
2023	10
2024 and thereafter	138
Total	**319**

The total remaining operating losses of €911 million can mainly be carried forward for an unlimited period. The total amount of the existing operating losses as of December 31, 2014 includes an amount of €234 million (2013: €198 million) that will probably not be realizable. For these operating losses, deferred tax assets were not recognized.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2014.

TAX AUDITS

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

In Germany, for Fresenius Medical Care, the tax audit for the years 2002 through 2005 was completed during 2014 and resulted in payments totaling €76 million, which had been previously provided for. The tax years 2006 through 2012 are currently under audit by the tax authorities. Fiscal years 2013 and 2014 are open to audit. The other German entities of the Fresenius Group are currently subject to tax audits for the tax years 2006 through 2009. Fiscal years 2010 until 2014 are open to audit. The Fresenius Group recognized and recorded the current proposed adjustments of this audit period in the consolidated financial statements. All proposed adjustments are deemed immaterial.

For Fresenius Kabi USA, the tax years 2010 and 2011 are currently under audit by the tax authorities. Fiscal years 2012 until 2014 are open to audit. In the United States, for Fresenius Medical Care, the tax years 2011 and 2012 are currently under audit by the tax authorities. Fiscal years 2013 and 2014 are open to audit. Fresenius Medical Care Holdings, Inc. (FMCH) is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the consolidated financial statements.

Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions for civil settlement payments taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, Fresenius Medical Care received a partial refund in September 2008 of US$37 million, inclusive of interest, and preserved its right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately US$126 million. On December 22, 2008, Fresenius Medical Care filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of US$95 million. On May 31, 2013, the District Court entered final judgment for FMCH in the refund amount of US$50 million. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston). On August 13, 2014, the United States Court of Appeals for the First Circuit (Boston) affirmed the District Court's order. The Disctrict Court judgment became final upon the government's decision not to seek a writ of certiorari from the United States Supreme Court. Accordingly, Fresenius Medical Care recorded a net tax benefit of approximately US$23 million in the fourth quarter of 2014.

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

12. NONCONTROLLING INTEREST

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

€ in millions	2014	2013
Noncontrolling interest in Fresenius Medical Care	538	560
Noncontrolling interest in Fresenius Vamed	10	9
Noncontrolling interest in the business segments		
Fresenius Medical Care	161	109
Fresenius Kabi	21	24
Fresenius Helios	11	7
Fresenius Vamed	1	1
Total noncontrolling interest	742	710

In the fiscal year 2014, Fresenius Medical Care AG & Co. KGaA paid dividends to noncontrolling interests in the amount of €159 million (2013: €159 million).

13. EARNINGS PER SHARE

The following table shows the earnings per share including and excluding the dilutive effect from stock options issued after registration of the capital increase from company's funds (stock split 1 : 3, see note 27, Fresenius SE & Co. KGaA shareholders' equity) with the commercial register on August 1, 2014:

	2014	2013[1]
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	1,070	988
less effect from dilution due to Fresenius Medical Care shares	1	1
Income available to all ordinary shares	1,069	987
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	540,347,847	536,017,956
Potentially dilutive ordinary shares	3,950,327	3,695,064
Weighted-average number of ordinary shares outstanding assuming dilution	544,298,174	539,713,020
Basic earnings per ordinary share in €	1.98	1.85
Fully diluted earnings per ordinary share in €	1.96	1.83

[1] Prior year figures were adjusted accordingly.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

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

€ in millions	2014	2013
Cash	1,127	846
Time deposits and securities (with a maturity of up to 90 days)	48	18
Total cash and cash equivalents	1,175	864

As of December 31, 2014 and December 31, 2013, earmarked funds of €52 million and €22 million, respectively, were included in cash and cash equivalents.

The Fresenius Group operates a multi-currency notional pooling cash management system. The Fresenius Group met the conditions to offset balances within this cash pool for reporting purposes. At December 31, 2014, €72 million (December 31, 2013: €0 million) of the cash balances and the equivalent amount of the overdraft balances were offset.

15. TRADE ACCOUNTS RECEIVABLE

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

€ in millions	2014	2013
Trade accounts receivable	4,783	3,968
less allowance for doubtful accounts	545	487
Trade accounts receivable, net	4,238	3,481

All trade accounts receivable are due within one year.

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

€ in millions	2014	2013
Allowance for doubtful accounts at the beginning of the year	487	406
Change in valuation allowances as recorded in the consolidated statement of income	241	284
Write-offs and recoveries of amounts previously written-off	-216	-185
Foreign currency translation	33	-18
Allowance for doubtful accounts at the end of the year	545	487

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

€ in millions	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	2,738	867	352	298	528	4,783
less allowance for doubtful accounts	33	92	59	75	286	545
Trade accounts receivable, net	2,705	775	293	223	242	4,238

16. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2014	2013
Raw materials and purchased components	527	446
Work in process	451	323
Finished goods	1,440	1,314
less reserves	85	68
Inventories, net	2,333	2,015

In 2014, no reversals of write-downs of inventory were made (2013: €1 million).

The companies of the Fresenius Group are obliged to purchase approximately €740 million of raw materials and purchased components under fixed terms, of which €456 million was committed at December 31, 2014 for 2015. The terms of these agreements run one to six years. Advance payments from customers of €427 million (2013: €248 million) have been offset against inventories.

Inventories as of December 31, 2014 and December 31, 2013 included approximately €29 million and approximately €24 million, respectively, of the product Erythropoietin (EPO).

Fresenius Medical Care's previous contract with its EPO supplier Amgen, Inc. expired on December 31, 2014. As a result, Fresenius Medical Care entered into a new four-year sourcing and supply agreement with Amgen, Inc.

17. OTHER CURRENT AND NON-CURRENT ASSETS

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

€ in millions	2014	2014 thereof short-term	2013	2013 thereof short-term
Investments	**573**	**0**	534	0
Advances made	**86**	**55**	60	60
Prepaid rent and insurance	**69**	**69**	55	55
Prepaid expenses	**55**	**26**	60	28
Purchase price deposits	**0**	**0**	2,178	0
Other assets	**662**	**500**	514	380
Other non-financial assets, net	**1,445**	**650**	3,401	523
Tax receivables	**462**	**434**	254	233
Securities and long-term loans	**362**	**152**	377	46
Accounts receivable resulting from German hospital law	**249**	**233**	168	153
Derivative financial instruments	**176**	**30**	32	30
Cost report receivable from Medicare and Medicaid	**113**	**113**	94	94
Leasing receivables	**91**	**46**	78	36
Discounts	**72**	**72**	78	78
Deposits	**65**	**21**	48	19
Assets held for sale	**33**	**33**	0	0
Other financial assets, net	**1,623**	**1,134**	1,129	689
Other assets, net	**3,068**	**1,784**	4,530	1,212
Allowances	**10**	**7**	11	9
Other assets, gross	**3,078**	**1,791**	4,541	1,221

The purchase price deposit in the amount of €2,178 million, that was shown under other non-current assets as of December 31, 2013, was offset in the course of the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG in the first quarter of 2014.

As of December 31, 2014, investments were comprised of investments of €512 million (2013: €482 million), mainly regarding the joint venture between Fresenius Medical Care and Galenica Ltd., that were accounted for under the equity method. In 2014, income of €19 million (2013: €20 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income. Securities and long-term loans included €148 million financial assets available for sale as of December 31, 2014 (2013: €197 million), mainly relating to shares in funds. At December 31, 2013, these mainly referred to shares in Rhön-Klinikum AG with acquisition costs of €124 million and a fair value of €147 million. Furthermore, securities and long-term loans included €148 million as of December 31, 2014 that Fresenius Medical Care loaned to a middle-market dialysis provider.

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

In the fiscal years 2014 and 2013, depreciation on other non-current assets was recognized in an immaterial amount.

18. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

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

DEPRECIATION

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

ACQUISITION AND MANUFACTURING COSTS

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

DEPRECIATION

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

CARRYING AMOUNTS

€ in millions	Dec. 31, 2014	Dec. 31, 2013
Land and land facilities	**518**	288
Buildings and improvements	**2,833**	2,094
Machinery and equipment	**2,449**	2,017
Machinery, equipment and rental equipment under capital leases	**120**	101
Construction in progress	**857**	583
Property, plant and equipment	**6,777**	5,083

Depreciation on property, plant and equipment for the years 2014 and 2013 was €792 million and €708 million, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2014 and 2013 included medical devices which Fresenius Medical Care and Fresenius Kabi lease to customers, patients and physicians under operating leases in an amount of €652 million and €535 million, respectively.

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

For details of minimum lease payments see note 22, Debt and capital lease obligations.

19. GOODWILL AND OTHER INTANGIBLE ASSETS

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

ACQUISITION COST

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2014
Goodwill	14,921	1,437	3,643	7	–	31	**19,977**
Patents, product and distribution rights	571	64	0	5	–	7	**633**
Capitalized development costs	378	38	0	21	0	4	**433**
Technology	303	42	0	5	-1	0	**349**
Tradenames	182	21	–	–	-1	–	**202**
Non-compete agreements	237	31	15	1	–	3	**281**
Management contracts	5	1	–	0	0	0	**6**
Other	776	42	151	55	-4	15	**1,005**
Goodwill and other intangible assets	17,373	1,676	3,809	94	-6	60	**22,886**

AMORTIZATION

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifi-cations	Disposals	**As of Dec. 31, 2014**
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	235	26	0	32	-1	4	**288**
Capitalized development costs	211	20	0	17	0	4	**244**
Technology	48	8	0	21	–	0	**77**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	174	24	0	17	–	3	**212**
Management contracts	0	0	0	0	0	0	**0**
Other	376	23	–	76	-9	13	**453**
Goodwill and other intangible assets	1,044	101	–	163	-10	24	**1,274**

ACQUISITION COST

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

AMORTIZATION

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

CARRYING AMOUNTS

€ in millions	**Dec. 31, 2014**	Dec. 31, 2013
Goodwill	**19,977**	14,921
Patents, product and distribution rights	**345**	336
Capitalized development costs	**189**	167
Technology	**272**	255
Tradenames	**202**	182
Non-compete agreements	**69**	63
Management contracts	**6**	5
Other	**552**	400
Goodwill and other intangible assets	**21,612**	16,329

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

AMORTIZABLE INTANGIBLE ASSETS

€ in millions	Dec. 31, 2014 Acquisition cost	Dec. 31, 2014 Accumulated amortization	Dec. 31, 2014 Carrying amount	Dec. 31, 2013 Acquisition cost	Dec. 31, 2013 Accumulated amortization	Dec. 31, 2013 Carrying amount
Patents, product and distribution rights	**633**	**288**	**345**	571	235	336
Capitalized development costs	**433**	**244**	**189**	378	211	167
Technology	**349**	**77**	**272**	303	48	255
Non-compete agreements	**281**	**212**	**69**	237	174	63
Other	**1,005**	**453**	**552**	776	376	400
Total	**2,701**	**1,274**	**1,427**	2,265	1,044	1,221

Fresenius Medical Care capitalized development costs in an amount of €3 million for the fiscal year 2014 (2013: €5 million). Capitalized development costs are amortized on a straight-line basis over a useful life of 11 years. The amortization expense for the fiscal year 2014 amounted to €2 million (2013: €2 million). In the case of Fresenius Kabi, development costs capitalized amounted to €186 million at December 31, 2014 (December 31, 2013: €162 million). The amortization is recorded on a straight-line basis over a useful life of 6 to 10 years and amounted to €15 million for the fiscal year 2014 (2013: €14 million). These are included in the preceding amortization tables in the columns additions. Furthermore, in 2014, an impairment loss of €2 million (2013: €43 million) was recorded (see note 8, Research and development expenses).

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

€ in millions	2015	2016	2017	2018	2019
Estimated amortization expenses	172	165	158	154	150

NON-AMORTIZABLE INTANGIBLE ASSETS

€ in millions	Dec. 31, 2014 Acquisition cost	Dec. 31, 2014 Accumulated amortization	Dec. 31, 2014 Carrying amount	Dec. 31, 2013 Acquisition cost	Dec. 31, 2013 Accumulated amortization	Dec. 31, 2013 Carrying amount
Tradenames	**202**	**0**	**202**	182	0	182
Management contracts	**6**	**0**	**6**	5	0	5
Goodwill	**19,977**	**0**	**19,977**	14,921	0	14,921
Total	**20,185**	**0**	**20,185**	15,108	0	15,108

Amortization on intangible assets amounted to €163 million and €194 million for the years 2014 and 2013, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2013	**8,650**	**4,237**	**2,144**	**77**	**6**	**15,114**
Additions	194	138	14	8	0	354
Disposals	0	-4	0	0	0	-4
Reclassifications	–	0	0	0	0	–
Foreign currency translation	-398	-145	0	0	0	-543
Carrying amount as of December 31, 2013	**8,446**	**4,226**	**2,158**	**85**	**6**	**14,921**
Additions	1,287	99	2,250	14	0	3,650
Disposals	0	-3	-28	0	0	-31
Reclassifications	0	–	0	0	0	–
Foreign currency translation	1,034	403	0	0	0	1,437
Carrying amount as of December 31, 2014	**10,767**	**4,725**	**4,380**	**99**	**6**	**19,977**

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

As of December 31, 2014 and December 31, 2013, the carrying amounts of the other non-amortizable intangible assets were €179 million and €158 million, respectively, for Fresenius Medical Care as well as €29 million for Fresenius Kabi.

20. ACCRUED EXPENSES

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

€ in millions	**2014**	**thereof short-term**	2013	thereof short-term
Personnel expenses	**1,012**	**877**	693	591
Invoices outstanding	**314**	**314**	253	253
Self-insurance programs	**197**	**197**	147	147
Bonuses and discounts	**136**	**136**	115	115
Warranties and complaints	**118**	**117**	67	66
Legal matters, advisory and audit fees	**87**	**87**	57	57
Accrued variable payments outstanding for acquisition	**42**	**27**	65	22
Commissions	**28**	**28**	30	30
Special charge for legal matters	**0**	**0**	83	83
Other accrued expenses	**626**	**551**	508	481
Accrued expenses	**2,560**	**2,334**	2,018	1,845

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

€ in millions	As of Jan. 1, 2014	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Utilized	Reversed	**As of Dec. 31, 2014**
Personnel expenses	693	37	158	655	-2	-482	-47	**1,012**
Invoices outstanding	253	3	37	254	-2	-200	-31	**314**
Self-insurance programs	147	22	0	37	0	-1	-8	**197**
Bonuses and discounts	115	8	2	126	–	-102	-13	**136**
Warranties and complaints	67	2	32	42	–	-17	-8	**118**
Legal matters, advisory and audit fees	57	4	13	46	-1	-28	-4	**87**
Accrued variable payments outstanding for acquisition	65	-1	28	7	4	-54	-7	**42**
Commissions	30	–	–	24	0	-21	-5	**28**
Special charge for legal matters	83	4	0	0	0	-87	0	**0**
Other accrued expenses	508	20	153	400	-10	-377	-68	**626**
Total	2,018	99	423	1,591	-11	-1,369	-191	**2,560**

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

In 2001, Fresenius Medical Care recorded a US$258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG, estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement whereby Fresenius Medical Care agreed to pay US$115 million. On February 3, 2014, Fresenius Medical Care paid US$115 million (€87 million), which had been previously accrued. All matters related to the recorded charge have now been resolved (see note 29, Commitments and contingent liabilities).

21. OTHER LIABILITIES

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

€ in millions	2014	2014 thereof short-term	2013	2013 thereof short-term
Noncontrolling interest subject to put provisions	**568**	**202**	378	132
Debtors with credit balances	**295**	**295**	227	227
Accounts payable resulting from German hospital law	**251**	**248**	130	130
Accounts receivable credit balance	**81**	**46**	75	41
Advance payments from customers	**69**	**58**	32	32
All other liabilities	**476**	**330**	329	194
Other non-financial liabilities	**1,740**	**1,179**	1,171	756
Personnel liabilities	**277**	**272**	223	218
Derivative financial instruments	**232**	**80**	23	17
Tax liabilities	**205**	**204**	145	144
Interest liabilities	**172**	**172**	145	145
Leasing liabilities	**90**	**90**	72	72
Liabilities held for sale	**15**	**15**	0	0
Other financial liabilities	**991**	**833**	608	596
Other liabilities	**2,731**	**2,012**	1,779	1,352

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

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

At December 31, 2014, the total amount of other non-current liabilities was €719 million, thereof €450 million was due between one and five years and €269 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €945 million also included other long-term accrued expenses of €226 million as of December 31, 2014.

22. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €233 million and €2.376 million at December 31, 2014 and December 31, 2013, respectively. As of December 31, 2014, this debt consisted of borrowings by certain entities of the Fresenius Group under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2014 and 2013 were 5.82% and 1.15%, respectively.

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 was guaranteed by Fresenius ProServe GmbH and Fresenius Kabi AG.

The Bridge Financing Facility had 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 Bridge Financing Facility initially had a one year tenor and had to be mandatorily reduced by the net proceeds of any capital markets transaction. In line with these provisions, the facility has been reduced by the net proceeds of the €1,200 million Senior Notes issuances as well as the US$300 million Senior Notes issuance that were made in January and February 2014. For more information, see note 23, Senior Notes. On February 27, 2014, the Bridge Financing Facility was voluntarily cancelled before maturity and the remaining outstanding amount of €90 million was prepaid.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

€ in millions	2014	2013
Fresenius Medical Care 2012 Credit Agreement	**2,389**	1,963
2013 Senior Credit Agreement	**2,561**	1,709
Euro Notes	**1,025**	859
European Investment Bank Agreements	**40**	188
Accounts receivable facility of Fresenius Medical Care	**281**	255
Capital lease obligations	**151**	94
Other	**283**	248
Subtotal	**6,730**	5,316
less current portion	**516**	855
less financing cost	**109**	95
Long-term debt and capital lease obligations, less current portion	**6,105**	4,366

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

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Fresenius Medical Care 2012 Credit Agreement	189	378	1,822	0
2013 Senior Credit Agreement	214	429	1,918	0
Euro Notes	0	410	353	262
European Investment Bank Agreements	8	16	16	0
Accounts receivable facility of Fresenius Medical Care	0	281	0	0
Capital lease obligations	13	29	12	97
Other	92	93	49	49
Long-term debt and capital lease obligations	**516**	**1,636**	**4,170**	**408**

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2014 are:

for the fiscal years	€ in millions
2015	516
2016	769
2017	867
2018	1,834
2019	2,336
Subsequent years	408
Total	**6,730**

Fresenius Medical Care 2012 Credit Agreement

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

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

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

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

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

As of December 31, 2014, the Fresenius Medical Care 2012 Credit Agreement consisted of:

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

Interest on the credit facilities is, at Fresenius Medical Care's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the Fresenius Medical Care 2012 Credit Agreement plus an applicable margin. As of December 31, 2014, the U.S. dollar-denominated tranches outstanding under the Fresenius Medical Care 2012 Credit Agreement had a weighted-average interest rate of 1.61%. The euro-denominated tranche had an interest rate of 1.42%.

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

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

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

The Fresenius Medical Care 2012 Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries. Under certain circumstances, these covenants limit indebtedness, investments and restrict the creation of liens. Under the Fresenius Medical Care 2012 Credit Agreement, FMC-AG & Co. KGaA is required to comply with a maximum leverage ratio (ratio of net debt to EBITDA). Additionally, the Fresenius Medical Care 2012 Credit Agreement provides for a limitation on dividends, share buybacks and similar payments. Dividends to be paid are subject to an annual basket, which is €360 million for 2015, and will increase in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio. In default, the outstanding balance under the Fresenius Medical Care 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

As of December 31, 2014, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2012 Credit Agreement.

In addition, at December 31, 2014 and December 31, 2013, Fresenius Medical Care had letters of credit outstanding in the amount of US$7 million and US$9 million, respectively, which were not included above as part of the balance outstanding at those dates but which reduce available borrowings under the Revolving Credit Facility.

2013 Senior Credit Agreement

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

The 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 in the initial amount of €1,200 million, which at that time consisted of an incremental term loan facility A of €600 million, an incremental term loan facility B of €300 million and an incremental revolving facility of €300 million. These incremental facilities were drawn down on February 27, 2014 and used to fund the acquisition of hospitals from Rhön-Klinikum AG.

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

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

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

As of December 31, 2014, the 2013 Senior Credit Agreement consisted of:

- Revolving credit facilities in the aggregate principal amount of US$300 million, €700 million and a €200 million multicurrency facility with a final repayment date on June 28, 2018.
- Term loan facilities in the aggregate principal amount of US$890 million and €1,125 million (together Term Loan A). Term Loan A amortizes and is repayable in unequal quarterly installments with a final maturity on June 28, 2018.
- Term loan facilities in the aggregate principal amount of US$494 million and €297 million (together Term Loan B). Term Loan B amortizes and is repayable in quarterly installments, whereby the majority of the loans is due on June 28, 2019.

On January 29, 2015, the term loan B facility of €297 million under the 2013 Senior Credit Agreement was voluntarily prepaid. On February 12, 2015, Fresenius SE & Co. KGaA refinanced the revolving credit facilities and the term loan A tranches in a total amount of €3,044 million. The new facilities consist initially of revolving facilities of €900 million and US$300 million, as well as term loan A facilities of €1,150 million and US$850 million. The maturity of these tranches was extended by two years to June 28, 2020. The term loan B facility of US$494 million remains unchanged.

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

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

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

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

As of December 31, 2014, the Fresenius Group was in compliance with all covenants under the 2013 Senior Credit Agreement.

Euro Notes

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

			Book value / nominal value € in millions	
	Maturity	Interest rate	**2014**	2013
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98%	**0**	112
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**0**	88
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75%	**0**	38
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**0**	62
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	3.36%	**156**	156
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	variable	**129**	129
Fresenius SE & Co. KGaA 2013/2017	Aug. 22, 2017	2.65%	**51**	51
Fresenius SE & Co. KGaA 2013/2017	Aug. 22, 2017	variable	**74**	74
Fresenius SE & Co. KGaA 2014/2018	April 2, 2018	2.09%	**97**	0
Fresenius SE & Co. KGaA 2014/2018	April 2, 2018	variable	**76**	0
Fresenius SE & Co. KGaA 2014/2018	April 2, 2018	variable	**65**	0
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	4.09%	**72**	72
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	variable	**43**	43
Fresenius SE & Co. KGaA 2014/2020	April 2, 2020	2.67%	**106**	0
Fresenius SE & Co. KGaA 2014/2020	April 2, 2020	variable	**55**	0
Fresenius SE & Co. KGaA 2014/2020	April 2, 2020	variable	**101**	0
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	8.38%	**0**	11
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	**0**	23
Euro Notes			**1,025**	859

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

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

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

As of December 31, 2014, the Fresenius Group was in compliance with all of its covenants under the Euro Notes.

European Investment Bank Agreements

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

		Book value € in millions	
	Maturity	**2014**	2013
Fresenius Medical Care AG & Co. KGaA	2013/2014	**0**	140
HELIOS Kliniken GmbH	2019	**40**	48
Loans from EIB		**40**	188

The EIB is the not-for-profit long-term lending institution of the European Union and loans funds at favorable rates for the purpose of specific capital investment and research and development projects. The facilities were granted to finance certain research and development projects, to invest in the expansion and optimization of existing production facilities in Germany and for the construction of a hospital.

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

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

The loans borrowed by FMC-AG & Co. KGaA, which were due at February 3 and 17, 2014, respectively, were repaid as scheduled.

As of December 31, 2014, the Fresenius Group was in compliance with the covenants contained in the remaining outstanding loan agreements.

Accounts receivable facility of Fresenius Medical Care

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

At December 31, 2014, there were outstanding borrowings under the accounts receivable facility of US$342 million (€281 million) (2013: US$351 million (€255 million)). The fair value and the net book value of the assigned accounts receivable was US$865 million (€713 million) at December 31, 2014 (2013: US$925 million (€671 million)). Fresenius Medical Care also had letters of credit outstanding in the amount of US$67 million (€55 million) at December 31, 2014. These letters of credit were not included above as part of the balance outstanding at December 31, 2014, however, they reduce available borrowings under the accounts receivable facility.

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

NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2014 was 1.052%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part, as of the reporting date. At December 31, 2014, the additional financial cushion resulting from unutilized credit facilities was approximately €3.3 billion.

Syndicated credit facilities accounted for €2.3 billion. This portion is comprised of the Fresenius Medical Care 2012 Credit Agreement in the amount of US$1,443 million (€1,188 million) and the 2013 Senior Credit Agreement in the amount of US$1,393 million (€1,147 million). Furthermore, bilateral facilities of approximately €970 million were available. They include credit facilities which certain entities of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE & Co. KGaA has a commercial paper program under which up to €1,000 million in short-term notes can be issued. As of December 31, 2014, the commercial paper program was not utilized.

Additional financing of up to US$800 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized in the amount of US$409 million as of December 31, 2014.

23. SENIOR NOTES

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

				Book value € in millions	
	Notional amount	Maturity	Interest rate	2014	2013
Fresenius Finance B.V. 2014/2019	€300 million	Feb. 1, 2019	2.375%	**299**	0
Fresenius Finance B.V. 2012/2019	€500 million	Apr. 15, 2019	4.25%	**500**	500
Fresenius Finance B.V. 2013/2020	€500 million	July 15, 2020	2.875%	**500**	500
Fresenius Finance B.V. 2014/2021	€450 million	Feb. 1, 2021	3.00%	**445**	0
Fresenius Finance B.V. 2014/2024	€450 million	Feb. 1, 2024	4.00%	**453**	0
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8.75%	**273**	270
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**409**	357
Fresenius US Finance II, Inc. 2014/2021	US$300 million	Feb. 1, 2021	4.25%	**247**	0
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**249**	249
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**297**	295
FMC Finance VIII S.A. 2011/2016	€100 million	Oct. 15, 2016	variable	**100**	100
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**397**	396
FMC Finance VIII S.A. 2012/2019	€250 million	July 31, 2019	5.25%	**245**	243
Fresenius Medical Care US Finance, Inc. 2007/2017	US$500 million	July 15, 2017	6.875%	**410**	360
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**532**	468
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**327**	287
Fresenius Medical Care US Finance II, Inc. 2012/2019	US$800 million	July 31, 2019	5.625%	**659**	580
Fresenius Medical Care US Finance II, Inc. 2014/2020	US$500 million	Oct. 15, 2020	4.125%	**411**	0
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**577**	508
Fresenius Medical Care US Finance II, Inc. 2014/2024	US$400 million	Oct. 15, 2024	4.75%	**329**	0
Senior Notes				**7,659**	5,113

All Senior Notes included in the table are unsecured.

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

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

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

Net proceeds of the Senior Notes issued in January and February 2014 were used to partially refinance the drawing under the Bridge Financing Facility. On February 27, 2014, the Bridge Financing Facility was voluntarily cancelled before maturity and the remaining outstanding amount of €90 million was repaid.

On January 7, 2013, Fresenius announced the early redemption of the 5.5% Senior Notes due in 2016 that were issued in 2006. The aggregate principal amount of €650 million was completely repaid on February 7, 2013 at a price of

100.916% plus accrued and unpaid interest. Initially, the redemption was financed by utilizing existing credit lines. Starting end of June 2013, the 2013 Senior Credit Agreement was used for the refinancing.

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

The Senior Notes issued by Fresenius US Finance II, Inc. which are due on July 15, 2015 are shown as current portion of Senior Notes in the consolidated statement of financial position.

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

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, investments, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective Senior Notes reaches investment grade. In the event of non-compliance with certain terms of the Senior Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayment plus interest. As of December 31, 2014, the Fresenius Group was in compliance with all of its covenants.

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

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

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of FMC-AG & Co. KGaA and its subsidiaries to, among other things, incur debt, incur liens, engage in sale and leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2014, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes.

24. CONVERTIBLE BONDS

FRESENIUS SE & CO. KGAA

On March 18, 2014, Fresenius SE & Co. KGaA placed €500 million equity-neutral convertible bonds due 2019. The bonds were issued at par. The coupon was fixed at 0%, the initial conversion price has been determined at €149.3786. This represented a 35% premium over the reference share price of €110.65081. The reference share price has been determined as the arithmetic average of Fresenius' daily volume-weighted average Xetra share prices over a period of 10 consecutive Xetra trading days, starting on March 19, 2014. Net proceeds were used to partially fund the acquisition of hospitals and outpatient facilities of Rhön-Klinikum AG. Due to the dividend payment in May 2014 and the capital increase from company's funds in August 2014, the conversion price was adjusted. Accordingly, at December 31, 2014, the conversion price was €49.7249.

The fair value of the derivative embedded in the convertible bonds was €91 million at December 31, 2014. Fresenius SE & Co. KGaA has purchased stock options (call options) to secure against future fair value fluctuations of this derivative. The call options also had an aggregate fair value of €91 million at December 31, 2014.

The conversion will be cash-settled. Any increase of Fresenius' share price above the conversion price would be offset by a corresponding value increase of the call options.

The derivative embedded in the convertible bonds and the call options are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

FRESENIUS MEDICAL CARE AG & CO. KGAA

On September 19, 2014, Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) placed €400 million equity-neutral convertible bonds due 2020. The bonds were issued at par. The coupon was fixed at 1.125%, the initial conversion price has been determined at €73.6448. This represented a 35% premium over the reference share price of €54.55171. The reference share price has been determined as the arithmetic average of Fresenius Medical Care's daily volume-weighted average Xetra share prices over a period of 15 consecutive Xetra trading days, starting on September 17, 2014. Net proceeds were used for general corporate purposes.

The fair value of the derivative embedded in the convertible bonds was €54 million at December 31, 2014. FMC-AG & Co. KGaA has purchased stock options (call options) to secure against future fair value fluctuations of this derivative. The call options also had an aggregate fair value of €54 million at December 31, 2014.

The conversion will be cash-settled. Any increase of Fresenius Medical Care's share price above the conversion price would be offset by a corresponding value increase of the call options.

The derivative embedded in the convertible bonds and the call options are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

25. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

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

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

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

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

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

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

DEFINED BENEFIT PENSION PLANS

At December 31, 2014, the defined benefit obligation (DBO) of the Fresenius Group of €1,467 million (2013: €1,020 million) included €391 million (2013: €312 million) funded by plan assets and €1,076 million (2013: €708 million) covered by pension provisions. Furthermore, the pension liability contains benefit obligations offered by other subsidiaries of Fresenius Medical Care in an amount of €35 million (2013: €21 million). The current portion of the pension liability in an amount of €17 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €1,094 million is recorded as pension liability.

The major part of pension liabilities relates to Germany. At December 31, 2014, 70% of the pension liabilities were recognized in Germany and 30% predominantly in the rest of Europe and North America. 57% of the beneficiaries were located in North America, 31% in Germany and the remainder throughout the rest of Europe and other continents.

61% of the pension liabilities in an amount of €1,111 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

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

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year, FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2014, FMCH's minimum funding requirement was US$21 million (€16 million). In addition to the compulsory contributions, FMCH voluntarily provided US$21 million (€16 million) to the defined benefit plan. Expected funding for 2015 is US$20 million (€17 million).

Benefit plans offered by other subsidiaries of Fresenius Medical Care outside of the United States and Germany contain separate benefit obligations. The total pension liability for these other plans was €35 million and €21 million at December 31, 2014 and 2013, respectively, and consists of a pension asset of €56 thousand (2013: €56 thousand) recognized as other non-current assets and a current pension liability of €2 million (2013: €1 million), which is recognized as a current liability in the line item short-term accrued expenses and other short-term liabilities. The non-current pension liability of €33 million (2013: €20 million) for these plans is recorded as pension liability in the consolidated statement of financial position.

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €638 million. Benefit obligations relating to unfunded pension plans were €829 million.

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

The pension liability has developed as follows:

€ in millions	2014	2013
Benefit obligations at the beginning of the year	**1,020**	986
Changes in entities consolidated	**17**	6
Foreign currency translation	**50**	-15
Service cost	**35**	30
Past service cost	**-2**	1
Settlements	**-6**	-5
Net interest cost	**43**	39
Contributions by plan participants	**2**	2
Transfer of plan participants	**–**	3
Remeasurements	**339**	–
Actuarial losses (gains) arising from changes in financial assumptions	**308**	2
Actuarial losses (gains) arising from changes in demographic assumptions	**15**	–
Actuarial losses (gains) arising from experience adjustments	**16**	-2
Benefits paid	**-31**	-27
Benefit obligations at the end of the year	**1,467**	1,020
thereof vested	**1,242**	868
Fair value of plan assets at the beginning of the year	**312**	294
Changes in entities consolidated	**7**	–
Foreign currency translation	**29**	-9
Actual return on plan assets	**19**	25
Interest income from plan assets	**16**	12
Actuarial gains (losses) arising from experience adjustments	**3**	13
Contributions by the employer	**40**	15
Contributions by plan participants	**2**	2
Settlements	**-1**	-4
Transfer of plan participants	**–**	3
Benefits paid	**-17**	-14
Fair value of plan assets at the end of the year	**391**	312
Funded status as of December 31	**1,076**	708
Benefit plans offered by other subsidiaries	**35**	21
Pension liability as of December 31	**1,111**	729

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

As of December 31, 2014 and 2013, the fair value of plan assets did not exceed the benefit obligations in any pension plan. Furthermore, for the years 2014 and 2013, there were no effects from asset ceiling.

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

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

in %	2014	2013
Discount rate	**2.77**	4.09
Rate of compensation increase	**3.00**	3.09
Rate of pension increase	**1.63**	1.67

Mainly changes in the discount factor as well as inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2014 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €648 million (2013: €290 million).

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability as of December 31, 2014 as follows:

Development of pension liability € in millions	0.5 pp increase	0.5 pp decrease
Discount rate	-130	149
Rate of compensation increase	21	-21
Rate of pension increase	72	-64

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2014. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately. The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan, because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

Defined benefit pension plans' net periodic benefit costs of €58 million (2013: €59 million) were comprised of the following components:

€ in millions	2014	2013
Service cost	**30**	31
Net interest cost	**28**	28
Net periodic benefit cost	**58**	59

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

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

in %	2014	2013
Discount rate	**4.09**	4.10
Rate of compensation increase	**3.09**	3.13
Rate of pension increase	**1.67**	1.68

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

for the fiscal years	€ in millions
2015	34
2016	38
2017	39
2018	41
2019	44
2020 to 2024	273
Total expected benefit payments	**469**

At December 31, 2014, the weighted-average duration of the defined benefit obligation was 19 years (December 31, 2013: 20 years).

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

€ in millions	December 31, 2014 Quoted prices in active markets for identical assets Level 1	December 31, 2014 Significant observable inputs Level 2	December 31, 2014 Total	December 31, 2013 Quoted prices in active markets for identical assets Level 1	December 31, 2013 Significant observable inputs Level 2	December 31, 2013 Total
Categories of plan assets						
Equity investments	**56**	**57**	**113**	45	45	90
Index funds [1]	**45**	**57**	**102**	37	45	82
Other equity investments	**11**	**0**	**11**	8	0	8
Fixed income investments	**89**	**154**	**243**	69	115	184
Government securities [2]	**40**	**1**	**41**	28	1	29
Corporate bonds [3]	**30**	**149**	**179**	19	113	132
Other fixed income investments [4]	**19**	**4**	**23**	22	1	23
Other [5]	**26**	**9**	**35**	33	5	38
Total	**171**	**220**	**391**	147	165	312

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

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

Index funds are valued based on market quotes.

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

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

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

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

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

Plan investment policy and strategy

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

The overall investment strategy for the U.S. pension plan is to achieve a mix of approximately 98% of investments for long-term growth and income and 2% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the investment policy and include well diversified index funds or funds targeting index performance.

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

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

in %	**Allocation 2014**	Allocation 2013	Target allocation
Equity investments	**28.86**	28.83	31.90
Fixed income investments	**61.97**	58.98	61.22
Other incl. real estate	**9.17**	12.19	6.88
Total	**100.00**	100.00	100.00

Contributions to plan assets for the fiscal year 2015 are expected to amount to €24 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2014 was €121 million (2013: €86 million). Of this amount, €80 million related to contributions by the Fresenius Group to several public supplementary pension funds for employees of Fresenius Helios. Further €31 million related to contributions to the U.S. savings plan, which employees of Fresenius Medical Care Holdings, Inc. (FMCH) can join.

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

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

The plan operates on a pay-as-you-earn system based on applying a collection rate to given parts of gross remuneration.

Paid contributions are accounted for as personnel expenses within cost of sales and selling, general and administrative expenses and amounted to €80 million in 2014 (2013: €47 million). Thereof, €43 million (2013: €24 million) were payments to Rheinische Zusatzversorgungskasse, to Versorgungsanstalt des Bundes und der Länder and to Zusatzversorgungskasse Wiesbaden (supplementary pension funds). The Group expects to contribute €82 million in 2015.

Under the U.S. savings plan, employees can deposit up to 75% of their pay up to an annual maximum of US$17,500 if under 50 years old (US$23,000 if 50 or over). Fresenius Medical Care will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2014 and 2013 was €31 million and €29 million, respectively.

26. NONCONTROLLING INTEREST

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

€ in millions	2014	2013
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**5,227**	4,528
Noncontrolling interest in VAMED AG	**43**	38
Noncontrolling interest in the business segments		
Fresenius Medical Care	**803**	399
Fresenius Kabi	**124**	127
Fresenius Helios	**134**	117
Fresenius Vamed	**6**	3
Total noncontrolling interest	**6,337**	5,212

For further financial information relating to Fresenius Medical Care see the consolidated segment reporting on pages 56 to 57.

Noncontrolling interest changed as follows:

€ in millions	2014
Noncontrolling interest as of January 1, 2014	**5,212**
Noncontrolling interest in profit	742
Purchase of noncontrolling interest	379
Stock options	59
Dividend payments	-358
Currency effects and other changes	303
Noncontrolling interest as of December 31, 2014	**6,337**

27. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

Capital increase from company's funds (stock split 1 : 3)

On May 16, 2014, the Annual General Meeting of Fresenius SE & Co. KGaA has resolved a capital increase from company's funds with issuance of new shares. For each existing non-par value share, Fresenius SE & Co. KGaA issued two new non-par value shares without additional payment to the shareholders. Accordingly, upon execution of the capital increase, both the subscribed capital of Fresenius SE & Co. KGaA and the number of shares issued tripled (stock split 1 : 3).

After registration of the capital increase with the commercial register on August 1, 2014, the subscribed capital increased to €540,511,632 (including newly created shares due to options exercised until this date). The new shares have full dividend entitlement for the fiscal year 2014. The proportionate amount of the subscribed capital will continue to be €1.00 per share.

During the fiscal year 2014, 2,448,113 stock options were exercised. Consequently, as of December 31, 2014, the subscribed capital of Fresenius SE & Co. KGaA consisted of 541,532,600 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

Notification by shareholders

The following table shows the notifications disclosed in 2014 in accordance with Section 26 (1) of the German Securities Trading Act (WpHG). In cases where holdings reached, exceeded or fell below the thresholds on several occasions, only the most recent notification is mentioned.

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attribution pursuant to WpHG	Percentage of voting rights	Number of voting rights
The Capital Group Companies, Inc. Los Angeles, United States[1]	March 6, 2014	Falling below 3%	section 22 (1) sentence 1 No. 6 in connection with section 22 (1) sentence 2 and 3	2.92	5,254,430
Commerzbank AG Frankfurt am Main, Germany	May 26, 2014	Falling below 5%		2.53	4,542,462
			thereof pursuant to sections 21, 22	0.05	95,862
			thereof pursuant to section 25	0.00	0
			thereof pursuant to section 25a	2.47	4,446,600
BlackRock Advisors Holdings, Inc. New York, United States	September 25, 2014		section 21 (1)	3.44	18,615,308
			thereof pursuant to section 22 (1) sentence 1 No. 1	1.49	8,053,557
			thereof pursuant to section 22 (1) sentence 1 No. 2 in connection with sentence 2	0.02	87,267
			thereof pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	1.68	9,088,675
			thereof pursuant to section 22 (1) sentence 1 No. 1 and pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	0.26	1,385,809
BlackRock International Holdings, Inc. New York, United States	September 25, 2014		section 21 (1)	3.44	18,615,308
			thereof pursuant to section 22 (1) sentence 1 No. 1	1.49	8,053,557
			thereof pursuant to section 22 (1) sentence 1 No. 2 in connection with sentence 2	0.02	87,267
			thereof pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	1.68	9,088,675
			thereof pursuant to section 22 (1) sentence 1 No. 1 and pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	0.26	1,385,809
BR Jersey International Holdings L.P. St. Helier, Jersey, Channel Islands	September 25, 2014		section 21 (1)	3.44	18,615,308
			thereof pursuant to section 22 (1) sentence 1 No. 1	1.49	8,053,557
			thereof pursuant to section 22 (1) sentence 1 No. 2 in connection with sentence 2	0.02	87,267
			thereof pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	1.68	9,088,675
			thereof pursuant to section 22 (1) sentence 1 No. 1 and pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	0.26	1,385,809
BlackRock, Inc. New York, NY, United States	November 28, 2014	Falling below 5%		0.00	0
			pursuant to sections 21, 22	5.95	32,197,886
			pursuant to section 25	0.00	0
BlackRock Holdco 2, Inc. Wilmington, DE, United States	November 28, 2014	Falling below 5%		0.00	0
			pursuant to sections 21, 22	5.85	31,669,646
			pursuant to section 25	0.00	0
BlackRock Financial Management, Inc. New York, NY, United States	November 28, 2014	Falling below 5%		0.00	0
			pursuant to sections 21, 22	5.44	29,476,463
			pursuant to section 25	0.00	0
BlackRock Group Limited London, Great Britain[2]	December 11, 2014	Falling below 3%	section 21 (1)	2.9997	16,242,207
			thereof pursuant to section 22 (1) sentence 1 No. 1	1.15	6,231,342
			thereof pursuant to section 22 (1) sentence 1 No. 6 in connection with sentence 2	2.16	11,691,115

The voting rights of the individual BlackRock companies are attributed to the controlling company BlackRock, Inc.

[1] Attribution of voting rights via Capital Research and Management Company
[2] The total amount stated does not necessarily equal the sum of the detailed attributed holdings. This results from voting rights having multiple attributions within the BlackRock group structure.

The Else Kröner-Fresenius-Stiftung as major shareholder informed Fresenius SE & Co. KGaA on December 16, 2014, that it holds 144,695,094 ordinary shares of Fresenius SE & Co. KGaA representing 26.72% of the subscribed capital on December 31, 2014.

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com.

AUTHORIZED CAPITAL

In connection with the stock split 1 : 3 described before, by resolution of the Annual General Meeting on May 16, 2014, the previous Authorized Capital I was revoked and a new Authorized Capital I with a proportionally adjusted amount and a five-year term 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 15, 2019, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €120,960,000 through a single or multiple issues of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I).

The number of shares must increase in the same proportion as the subscribed capital. A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (e. g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, in case of a capital increase against cash contributions, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization. In the case of a subscription in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company.

The authorizations granted concerning the exclusion of subscription rights can be used by Fresenius Management SE only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 20% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization.

The changes to the Authorized Capital I became effective upon registration with the commercial register on August 1, 2014.

CONDITIONAL CAPITAL

Stock option plans

The following Conditional Capitals exist in order to fulfill the subscription rights under the stock option plans of Fresenius SE & Co. KGaA: Conditional Capital I (Stock Option Plan 2003), Conditional Capital II (Stock Option Plan 2008) and Conditional Capital IV (Stock Option Plan 2013) (see note 34, Stock options).

Due to the stock split 1 : 3, Conditional Capitals I, II and IV increased, by operation of law, in the same proportion as the subscribed capital. After registration with the commercial register on August 1, 2014, the Conditional Capital I amounted to €6,014,670, the Conditional Capital II to €11,680,542 and the Conditional Capital IV to €25,200,000.

Option bearer bonds and convertible bonds

The previous authorization to issue option bearer bonds and / or convertible bonds (Conditional Capital III) dated May 11, 2012 was revoked by resolution of the Annual General Meeting of Fresenius SE & Co. KGaA on May 16, 2014. In line with the stock split 1 : 3, the same Annual General Meeting approved a new Conditional Capital III with a proportionally adjusted amount and a five-year term. The new Conditional Capital III became effective upon registration with the commercial register on August 1, 2014.

Accordingly, the general partner is authorized, with the approval of the Supervisory Board, until May 15, 2019, to issue option bearer bonds and / or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA is increased conditionally by up to €48,971,202 through issuing of up to 48,971,202 new bearer ordinary shares. The conditional capital increase shall only be implemented to the extent that the holders of cash issued convertible bonds or of cash issued warrants from option bonds exercise their conversion or option rights and as long as no other forms of settlement are used. The new bearer ordinary shares shall participate in the profits from the start of the fiscal year in which they are issued.

After registration with the commercial register on August 1, 2014, the Conditional Capital III amounted to €48,971,202.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	2,111,517
Conditional Capital II Fresenius SE Stock Option Plan 2008	4,262,602
Conditional Capital III, approved on May 11, 2012	16,323,734
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	8,400,000
Total Conditional Capital as of January 1, 2014	**31,097,853**
Fresenius AG Stock Option Plan 2003 – options exercised	-106,627
Fresenius SE Stock Option Plan 2008 – options exercised	-369,088
Total Conditional Capital as of July 31, 2014	**30,622,138**
Conditional Capital I after registration of the stock split on August 1, 2014	6,014,670
Conditional Capital II after registration of the stock split on August 1, 2014	11,680,542
Conditional Capital III after registration of the stock split on August 1, 2014	48,971,202
Conditional Capital IV after registration of the stock split on August 1, 2014	25,200,000
Fresenius AG Stock Option Plan 2003 – options exercised after July 31, 2014	-241,614
Fresenius SE Stock Option Plan 2008 – options exercised after July 31, 2014	-779,354
Total Conditional Capital as of December 31, 2014	**90,845,446**

CAPITAL RESERVES

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

In connection with the capital increase from company's funds, the capital reserves were reduced by €360,341,088 due to a conversion of a portion of the capital reserves into subscribed capital.

OTHER RESERVES

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

DIVIDENDS

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

In May 2014, a dividend of €1.25 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid. The total dividend payment was €224.6 million.

SHARE BUY-BACK PROGRAM OF FRESENIUS MEDICAL CARE

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

At December 31, 2014, Fresenius SE & Co. KGaA owned 31.09% of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (December 31, 2013: 31.31%).

28. OTHER COMPREHENSIVE INCOME (LOSS)

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

Changes in the components of other comprehensive income (loss) in 2014 and 2013 were as follows:

€ in millions	Amount before taxes	Tax effect	Total before noncontrolling interest after taxes	Noncontrolling interest	Total after noncontrolling interest after taxes
Positions which will be reclassified into net income in subsequent years					
Cash flow hedges	20	-5	15	12	27
Change in unrealized gains/losses	2	–	2	3	5
Realized gains/losses due to reclassifications	18	-5	13	9	22
Change of fair value of available for sale financial assets	41	-7	34	–	34
Foreign currency translation	-285	13	-272	-303	-575
Positions which will not be reclassified into net income in subsequent years					
Actuarial losses on defined benefit pension plans	-18	2	-16	17	1
Total changes 2013	-242	3	-239	-274	-513
Positions which will be reclassified into net income in subsequent years					
Cash flow hedges	-1	-1	-2	2	–
Change in unrealized gains/losses	-23	5	-18	-10	-28
Realized gains/losses due to reclassifications	22	-6	16	12	28
Change of fair value of available for sale financial assets	-23	7	-16	–	-16
Foreign currency translation	448	-29	419	496	915
Positions which will not be reclassified into net income in subsequent years					
Actuarial gains/losses on defined benefit pension plans	-213	63	-150	-94	-244
Total changes 2014	**211**	**40**	**251**	**404**	**655**

Changes in accumulated other comprehensive income (loss) net of tax by component in 2014 and 2013 were as follows:

€ in millions	Cash flow hedges	Change of fair value of available for sale financial assets	Foreign currency translation	Actuarial gains/losses on defined benefit pension plans	Total, before non-controlling interest	Non-controlling interest	Total, after non-controlling interest
Balance as of December 31, 2012	-120	-17	167	-115	-85	18	-67
Other comprehensive income (loss) before reclassifications	2	34	-272	-16	-252	-283	-535
Amounts reclassified from accumulated other comprehensive income (loss)	13	0	–	0	13	9	22
Other comprehensive income (loss), net	15	34	-272	-16	-239	-274	-513
Balance as of December 31, 2013	-105	17	-105	-131	-324	-256	-580
Other comprehensive income (loss) before reclassifications	-18	–	419	-150	251	392	643
Amounts reclassified from accumulated other comprehensive income (loss)	16	-16	–	0	–	12	12
Other comprehensive income (loss), net	-2	-16	419	-150	251	404	655
Balance as of December 31, 2014	**-107**	**1**	**314**	**-281**	**-73**	**148**	**75**

Reclassifications out of accumulated other comprehensive income (loss) into net income in 2014 and 2013 were as follows:

€ in millions	Amount of gain or loss reclassified from accumulated other comprehensive (income) loss		Affected line item in the consolidated statement of income
	2014	2013	
Details about accumulated other comprehensive (income) loss components			
Cash flow hedges			
Interest rate contracts	**34**	32	Interest income/expense
Foreign exchange contracts	**1**	-2	Cost of sales
Foreign exchange contracts	**3**	–	Selling, general and administrative expenses
Foreign exchange contracts	**–**	–	Interest income/expense
Other comprehensive income (loss)	**38**	30	
Tax expense or benefit	**-10**	-8	
Other comprehensive income (loss), net	**28**	22	
Change of fair value of available for sale financial assets	**-23**	0	Selling, general and administrative expenses
Tax expense or benefit	**7**	0	
Other comprehensive income (loss), net	**-16**	0	
Total reclassifications for the period	**12**	22	

OTHER NOTES

29. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2014 and 2013 was €671 million and €631 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2014 are:

for the fiscal years	€ in millions
2015	619
2016	534
2017	451
2018	369
2019	310
Thereafter	1,273
Total	**3,556**

As of December 31, 2014, future investment commitments existed up to the year 2018 from the acquisition contracts for hospitals at projected costs of up to €356 million. Thereof €75 million relates to the year 2015.

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

LEGAL AND REGULATORY MATTERS

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

Commercial litigation

W.R. Grace & Co. lawsuit

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

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

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

Baxter patent dispute "touchscreen interfaces" (1)

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

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$14.3 million. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. Upon remand, the district court reduced the post-verdict damages award to US$10 million. Separately, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. On May 17, 2012, the Federal Circuit affirmed the USPTO's ruling and invalidated the final remaining Baxter patent. Baxter appealed to the Federal Circuit claiming that approximately US$20 million of damages awarded to it by the District Court before the Federal Circuit affirmed the USPTO ruling constituted a final judgment that may be collected. On July 2, 2013, the Federal Circuit denied Baxter's appeal and ordered the District Court to dismiss the case. The court-approved escrow account has been terminated and the escrow funds have been returned to FMCH. On March 5, 2014, Baxter petitioned the United States Supreme Court to review the decisions of the Federal Circuit. On May 19, 2014, the U.S. Supreme Court denied Baxter's petition and let stand the Federal Circuit's order dismissing the case.

Baxter patent dispute "Liberty Cycler"

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

Product liability litigation

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits filed and anticipated to be filed in various federal courts alleging wrongful death and personal injury claims against Fresenius Medical Care Holdings, Inc.'s (FMCH) and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and Granuflo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts, styled In Re: Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation, Case No. 2013-md-02428. The Massachusetts state courts subsequently established a similar consolidated litigation for such cases filed in Massachusetts county courts, styled In Re: Consolidated Fresenius Cases, Case No. MICV-2013-03400-O (Massachusetts Superior Court, Middlesex County). These lawsuits allege generally that inadequate labeling and warnings for these products caused harm to patients. In addition, similar cases have been filed in several state courts outside Massachusetts, in some of which the judicial authorities have established consolidated proceedings for their disposition. The attorneys general of Louisiana and Mississippi have also filed complaints under their state deceptive practice statutes and in their state courts based on allegations similar to those advanced in the personal injury litigation. FMCH believes that these lawsuits are without merit, and will defend them vigorously.

In a number of cases with the same subject matter in dispute, Fresenius SE & Co. KGaA and Fresenius Management SE have become formally involved in the litigation. Also for these cases, both companies believe the lawsuits to be without merit and intend to defend them vigorously.

Other litigation and potential exposures

Fresenius Medical Care Holdings – Qui tam complaint (Massachusetts)

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

Subpoena "American Access Care, LLC"

Subpoenas, or search warrants have been issued by federal and state law enforcement authorities under the supervision of the United States Attorneys for the Districts of Connecticut, Southern Florida, Eastern Virginia and Rhode Island to American Access Care, LLC (AAC), which Fresenius Medical Care acquired in October 2011, and to Fresenius Medical Care's subsidiary Fresenius Vascular Care, Inc., which now operates former AAC centers as well as its own original facilities. Subpoenas have also been issued to certain of Fresenius Medical Care's outpatient hemodialysis facilities for records relating to vascular access treatment and monitoring. Fresenius Medical Care is cooperating fully in these investigations. Communications with certain of the investigating United States Attorney Offices indicate that the inquiry encompasses invoicing and coding for procedures commonly performed in vascular access centers and the documentary support for the medical necessity of such procedures. The AAC acquisition agreement contains customary indemnification obligations with respect to breaches of representations, warranties or covenants and certain other specified matters. As of October 18, 2013, a group of the prior owners of AAC exercised their right pursuant to the terms of the acquisition agreement to assume responsibility for responding to certain of the subpoenas. Pursuant to the AAC acquisition agreement, the prior owners are obligated to indemnify Fresenius Medical Care for certain liabilities that might arise from those subpoenas. On February 9, 2015, Fresenius Medical Care reached an agreement in principle with the United States Attorney for the Southern District of Florida to resolve the Southern Florida (Miami) investigation, which arose from allegations made in whistleblower actions filed under seal in July 2011. Under the settlement, which remains contingent on judicial approval, Fresenius Medical Care will pay US$1.2 million to the United States. The settlement and whistleblower complaint relate to actions prior to Fresenius Medical Care's acquisition of AAC by a physician no longer associated with Fresenius Medical Care.

Internal review

Fresenius Medical Care has received communications alleging conduct in countries outside the United States and Germany that may violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Audit and Corporate Governance Committee of Fresenius Medical Care's Supervisory Board is conducting an investigation with the assistance of independent counsel. Fresenius Medical Care voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). Fresenius Medical Care's investigation and dialogue with the SEC and DOJ are ongoing. Fresenius Medical Care has received a subpoena from the SEC requesting additional documents and a request from the DOJ for copies of the documents provided to the SEC. Fresenius Medical Care is cooperating with the requests.

Conduct has been identified that may result in monetary penalties or other sanctions under the FCPA or other anti-bribery laws. In addition, Fresenius Medical Care's ability to conduct business in certain jurisdictions could be negatively impacted. Fresenius Medical Care has previously recorded a non-material accrual for an identified matter. Given the current status of the investigation and remediation activities, Fresenius Medical Care cannot reasonably estimate the range of possible loss that may result from identified matters or from the final outcome of the investigation or remediation activities.

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

Subpoenas "Massachusetts and Louisiana"
In December 2012, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena from the United States Attorney for the District of Massachusetts requesting production of a broad range of documents related to products manufactured by FMCH, electron-beam sterilization of dialyzers and the Liberty peritoneal dialysis cycler. FMCH has cooperated fully in the government's investigation. In December 2014, FMCH was advised that the government's investigation was precipitated by a whistleblower, who first filed a complaint under seal in June 2013. In September 2014, the government declined to intervene in the whistleblower's actions.

In January 2013, FMCH received a subpoena from the United States Attorney for the Western District of Louisiana requesting discovery responses relating to the Granuflo® and Naturalyte® acid concentrate products that are also the subject of personal injury litigation described above. FMCH has cooperated fully in the government's investigation.

China anti-dumping investigation
On June 13, 2014, the Ministry of Commerce of the People's Republic of China (MOFCOM) launched an anti-dumping investigation into producers of hemodialysis equipment in the European Union and Japan, which includes certain of the Fresenius Medical Care's subsidiaries. On December 17, 2014, the MOFCOM announced the termination of the investigation after the complaint had been withdrawn by the petitioner.

Subpoena "Maryland"
In August 2014, Fresenius Medical Care Holdings, Inc. (FMCH) received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians, including contracts relating to the management of in-patient acute dialysis services. FMCH is cooperating in the investigation.

Subpoena "Nevada"
In November 2014, Fresenius Kabi Oncology Limited (FKOL) received a subpoena from the U.S. Department of Justice (DOJ), U.S. Attorney for the District of Nevada. The subpoena requests documents in connection with the January 2013 inspection by the U.S. Food and Drug Administration (FDA) of FKOL's plant for active pharmaceutical ingredients in Kalyani, India. That inspection resulted in a warning letter from the FDA in July 2013. The subpoena now begins the DOJ's criminal and/or civil investigation in this connection and seeks information from throughout the Fresenius Kabi group. Fresenius Kabi fully cooperates with the governmental investigation.

From time to time, the Fresenius Group is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Fresenius Group's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Fresenius Group, like other health care providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Fresenius Group could be subject to significant adverse regulatory actions by the U.S. Food and Drug Administration (FDA) and comparable regulatory authorities outside the United States. These regulatory actions could include warning letters or other enforcement notices from the FDA and/or comparable foreign regulatory authority, which may require the Fresenius Group to expend significant time and resources in order to implement appropriate corrective actions. If the Fresenius Group does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the United States, these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of Fresenius Group's products and / or criminal prosecution. FMCH is currently engaged in remediation efforts with respect to three pending FDA warning letters, Fresenius Kabi with respect to two pending FDA warning letters. The Fresenius Group must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from Fresenius Group's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, Fresenius Group's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to Fresenius Group's compliance with applicable laws and regulations. The Fresenius Group may not always be aware that an inquiry or action has begun, particularly in the case of "whistleblower" actions, which are initially filed under court seal.

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

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

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

30. FINANCIAL INSTRUMENTS

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

Classes	Categories: Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value in the consolidated statement of income	Available for sale financial assets	Relating to no category
Cash and cash equivalents					▶ Cash and cash equivalents
Assets recognized at carrying amount	▶ Trade accounts receivable (incl. receivables from and loans to related parties) ▶ Other non-current assets (loan to a dialysis provider)				
Assets recognized at fair value				▶ European government bonds (until 2013) ▶ Shares (until 2013) ▶ Shares in funds	
Liabilities recognized at carrying amount		▶ Trade accounts payable ▶ Short-term accounts payable to related parties ▶ Short-term debt (incl. short-term loans from related parties) ▶ Long-term debt excluding capital lease obligations ▶ Senior Notes ▶ Convertible bonds			▶ Long-term capital lease obligations
Liabilities recognized at fair value			▶ Other long-term liabilities		
Noncontrolling interest subject to put provisions recognized at fair value					▶ Other short-term liabilities ▶ Other long-term liabilities
Derivatives for hedging purposes			▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities		▶ Other current assets ▶ Other non-current assets ▶ Other short-term liabilities ▶ Other long-term liabilities

VALUATION OF FINANCIAL INSTRUMENTS

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

€ in millions	2014	2013
Loans and receivables	**4,422**	3,629
Financial liabilities measured at amortized cost	**16,254**	13,509
Assets measured at fair value in the consolidated statement of income [1]	**166**	16
Liabilities measured at fair value in the consolidated statement of income [1]	**183**	10
Available for sale financial assets	**148**	197
Relating to no category	**417**	395

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

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

		2014		2013	
€ in millions	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1	**1,175**	**1,175**	864	864
Assets recognized at carrying amount	3	**4,422**	**4,423**	3,629	3,636
Assets recognized at fair value	1	**148**	**148**	197	197
Liabilities recognized at carrying amount	2	**16,405**	**17,250**	13,603	14,137
Liabilities recognized at fair value	2	**146**	**146**	1	1
Noncontrolling interest subject to put provisions recognized at fair value	3	**568**	**568**	378	378
Derivatives for hedging purposes	2	**90**	**90**	10	10

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

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

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

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

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

In 2013, the class assets recognized at fair value was comprised of European government bonds, shares and shares in funds. In 2014, shares in funds are included in this class. The fair values of these assets are calculated on the basis of market information. The fair value of available for sale financial assets quoted in an active market is based on price quotations at the period-end date (Level 1). Therefore, this class is classified as Level 1.

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

The derivatives embedded in the convertible bonds are included in the class liabilities recognized at fair value. The fair value of the embedded derivatives is calculated using the difference between the market value of the convertible bond and the market value of an adequate straight bond discounted with the market interest rates as of the reporting date. The class was classified as Level 2.

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

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

€ in millions	2014
Noncontrolling interest subject to put provisions as of January 1, 2014	**378**
Noncontrolling interest subject to put provisions in profit	110
Purchase of noncontrolling interest subject to put provisions	82
Dividend payments	-118
Curreny effects and other changes	116
Noncontrolling interest subject to put provisions as of December 31, 2014	**568**

97% of noncontrolling interest subject to put provisions applied to Fresenius Medical Care at December 31, 2014.

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit risk adjustments are factored into the valuation of derivatives that are assets. The Fresenius Group monitors and analyses the credit risk from derivative financial instruments on a regular basis. For the valuation of derivative financial instruments, the credit risk is considered in the fair value of every individual instrument. The basis for the default probability are Credit Default Swap Spreads of each counterparty appropriate for the duration. The calculation of the credit risk considered in the valuation is done by multiplying the default probability appropriate for the duration with the expected discounted cash flows of the derivative financial instrument.

The class of derivatives for hedging purposes includes the call options which have been purchased to hedge the convertible bonds. The fair values of these call options are derived from market quotes. For the fair value measurement of the class derivatives for hedging purposes, significant other observable inputs are used. Therefore, the class is classified as Level 2 in accordance with the defined fair value hierarchy levels.

Currently, there is no indication that a decrease in the value of Fresenius Group's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2014		Dec. 31, 2013	
€ in millions	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts (current)	**0**	**0**	0	4
Interest rate contracts (non-current)	**1**	**6**	0	4
Foreign exchange contracts (current)	**9**	**43**	15	5
Foreign exchange contracts (non-current)	**0**	**–**	1	–
Derivatives designated as hedging instruments [1]	**10**	**49**	16	13
Interest rate contracts (current)	**0**	**0**	0	–
Interest rate contracts (non-current)	**0**	**1**	0	1
Foreign exchange contracts (current) [1]	**21**	**37**	15	8
Foreign exchange contracts (non-current) [1]	**–**	**–**	1	1
Derivatives embedded in the convertible bonds	**0**	**145**	0	0
Call options to secure the convertible bonds [1]	**145**	**0**	0	0
Derivatives not designated as hedging instruments	**166**	**183**	16	10

[1] Derivatives designated as hedging instruments, foreign exchange contracts not designated as hedging instruments and call options to secure the convertible bonds are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely entered into to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes as well as the derivatives embedded in the convertible bonds were recognized at gross value within other assets in an amount of €176 million and other liabilities in an amount of €231 million.

The current portion of interest rate contracts and foreign exchange contracts indicated as assets in the preceding table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the convertible bonds and the call options to secure the convertible bonds are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of €241 million and foreign currency transactions of €17 million. Interest income of €128 million resulted mainly from the valuation of call options in connection with the convertible bonds, trade accounts receivable and loans to related parties. Interest expense of €730 million resulted mainly from financial liabilities, which are not recognized at fair value in the consolidated statement of income.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	2014		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	–	34	0
Foreign exchange contracts	-37	4	0
Derivatives in cash flow hedging relationships[1]	**-37**	**38**	**0**
Foreign exchange contracts			-14
Derivatives in fair value hedging relationships			**-14**
Derivatives designated as hedging instruments	**-37**	**38**	**-14**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

	2013		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	21	32	3
Foreign exchange contracts	-16	-2	–
Derivatives in cash flow hedging relationships[1]	**5**	**30**	**3**
Foreign exchange contracts			–
Derivatives in fair value hedging relationships			**–**
Derivatives designated as hedging instruments	**5**	**30**	**3**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS
ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Gain or loss recognized in the consolidated statement of income	
	2014	2013
Interest rate contracts	–	7
Foreign exchange contracts	**56**	31
Derivatives not designated as hedging instruments	**56**	38

Gains from derivatives in fair value hedging relationships and from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by losses from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €13 million of the existing losses for foreign exchange contracts deferred in accumulated other comprehensive income (loss) in the consolidated statement of income within the next 12 months. For interest rate contracts, the Fresenius Group expects to recognize €30 million of losses in the course of normal business during the next 12 months in interest expense.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income.

In 2014, losses of €16 million (2013: gains of €34 million) for available for sale financial assets were recognized in other comprehensive income (loss).

The following table shows when the cash flow from cash flow hedges is expected to occur.

CASH FLOW FROM CASH FLOW HEDGES

€ in millions	expected in period of			
	1 year	1 to 3 years	3 to 5 years	over 5 years
Designated as hedging instrument	34	3	3	-1
Not designated as hedging instrument	16	–	–	1

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes and commercial papers and enters into mainly long-term credit agreements and euro notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not entered into for trading purposes. In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling. Risk limits are continuously monitored and, where appropriate, the use of hedging instruments is adjusted to that extent.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and generally implemented by means of micro hedges.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

Derivative financial instruments

Classification

To reduce the credit risk arising from derivatives, the Fresenius Group concluded master netting agreements with banks. Through such agreements, positive and negative fair values of the derivative contracts could be offset against one another if a partner becomes insolvent. This offsetting is valid for transactions where the aggregate amount of obligations owed to and receivable from are not equal. If insolvency occurs, the party which owes the larger amount is obliged to pay the other party the difference between the amounts owed in the form of one net payment.

These master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the consolidated statement of financial position as the offsetting criteria under International Financial Reporting Standards are not satisfied.

At December 31, 2014 and December 31, 2013, the Fresenius Group had €30 million and €29 million of derivative financial assets subject to netting arrangements and €77 million and €22 million of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €15 million and €22 million as well as net liabilities of €62 million and €15 million at December 31, 2014 and December 31, 2013, respectively.

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as projects and services provided by the Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros and U.S. dollars. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. To ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2014, the notional amounts of foreign exchange contracts totaled €2,061 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair values of cash flow hedges and fair value hedges were -€34 million and €54 thousand, respectively.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2014, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 17 months.

The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following 12 months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95% and a holding period of up to one year. The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i. e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. As of December 31, 2014, the Fresenius Group's cash flow at risk amounts to €50 million, this means, with a probability of 95%, a potential loss in relation to the forecasted foreign exchange cash flows of the next 12 months will be not higher than €50 million.

The following table shows the net positions in foreign currencies at December 31, 2014 which have a significant influence on Fresenius Group's foreign currency risk.

Nominal € in millions	2014
Hong Kong dollar	-147.9
U.S. dollar	137.5
Swedish krona	-124.8
Chinese renminbi	110.9
Russian ruble	67.1

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to protect against the risk of rising interest rates. These interest rate derivatives are mainly designated as cash flow hedges and have been entered into in order to convert payments based on variable interest rates into payments at a fixed interest rate and in anticipation of future debt issuances (pre-hedges). The U.S. dollar interest rate swaps with a notional volume of US$100 million (€82 million) and a fair value of US$1 million (€1 million) expire in 2022. The euro interest rate swaps have a notional volume of €608 million and a fair value of -€7 million. These include interest rate swaps of €294 million which became effective in January 2015. The euro interest rate swaps expire in the years 2016 to 2022. The U.S. dollar interest rate swaps bear an average interest rate of 2.142% and the euro interest rate swaps bear an average interest rate of 0.678%.

The pre-hedges are used to hedge interest rate exposures with regard to interest rates which are relevant for the future debt issuance and which could rise until the debt is actually issued. These pre-hedges are settled at the issuance date of the corresponding debt with the settlement amount recorded in accumulated other comprehensive income (loss) amortized to interest expense over the life of the pre-hedges. At December 31, 2014 and December 31, 2013, the Fresenius Group had €89 million and €113 million, respectively, related to such settlements of pre-hedges deferred in accumulated other comprehensive income (loss), net of tax.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date. Concerning interest rate contracts, unscheduled repayments or the renegotiation of hedged items may in some cases lead to the de-designation of the hedging instrument, which existed up to that point. From that date, the respective hedging transactions are recognized in the consolidated statement of income.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to shareholders of Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of less than 1.5% on the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA and Fresenius SE & Co. KGaA shareholders' equity.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €30 million for foreign exchange derivatives and €1 million for interest rate derivatives at December 31, 2014. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an aging analysis of trade accounts receivable. For details on the aging analysis and on the allowance for doubtful accounts, please see note 15, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 22, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Long-term debt and capital lease obligations (including accounts receivable securitization program)[1]	643	1,850	4,287	444
Short-term debt	236	0	0	0
Senior Notes	1,088	1,427	2,968	4,181
Convertible bonds	4	9	509	402
Trade accounts payable	1,052	0	0	0
Noncontrolling interest subject to put provisions	198	176	153	59
Derivative financial instruments – designated as cash flow hedge	43	3	3	0
Derivative financial instruments – designated as fair value hedge	–	0	0	0
Derivative financial instruments – not designated as hedging instruments	36	33	113	1
Total	**3,300**	**3,498**	**8,033**	**5,087**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2014.

31. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Shareholders' equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2014	Dec. 31, 2013
Shareholders' equity	**15,860**	13,595
Total assets	**39,955**	32,859
Equity ratio	**39.7%**	41.4%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 2003, 2008 and 2013 stock option plans (see note 34, Stock options).

DEBT

€ in millions	Dec. 31, 2014	Dec. 31, 2013
Debt	**15,348**	12,716
Total assets	**39,955**	32,859
Debt ratio	**38.4%**	38.7%

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The leverage ratio on the basis of net debt/EBITDA, which is measured on the basis of U.S. GAAP figures, is a key financial figure for the Fresenius Group. As of December 31, 2014, the leverage ratio (pro forma, before special items) was 3.4.

Fresenius Group's financing strategy is reflected in its credit ratings. The Fresenius Group is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

RATING OF FRESENIUS SE & CO. KGAA

	Feb. 24, 2015	Dec. 31, 2014	Dec. 31, 2013
Standard & Poor's			
Corporate Credit Rating	**BBB–**	BB+	BB+
Outlook	**stable**	positive	positive
Moody's			
Corporate Credit Rating	**Ba1**	Ba1	Ba1
Outlook	**stable**	negative	negative
Fitch			
Corporate Credit Rating	**BB+**	BB+	BB+
Outlook	**positive**	positive	watch evolving

In January 2015, both Moody's and Standard & Poor's have adjusted their view on Fresenius' rating. On January 12, 2015, Moody's raised the outlook from negative to stable. On January 16, 2015, Standard & Poor's have upgraded the credit rating from BB+ to BBB– with a stable outlook.

32. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statements of cash flows of the Fresenius Group for the fiscal years 2014 and 2013 are shown on pages 52 to 53.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position are comprised of cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	2014	2013
Assets acquired	**3,728**	2,780
Liabilities assumed	**-938**	-67
Noncontrolling interest	**-331**	-73
Notes assumed in connection with acquisitions	**-238**	-60
Cash paid	**2,221**	2,580
Cash acquired	**-232**	-34
Cash paid for acquisitions, net	**1,989**	2,546
Cash paid for investments, net of cash acquired	**161**	147
Cash paid for intangible assets, net	**18**	9
Total cash paid for acquisitions and investments, net of cash acquired, and net purchases of intangible assets	**2,168**	2,702

Proceeds from the sale of subsidiaries were € 18 million in 2014 (2013: € 109 million).

33. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 56 to 57 of this Annual Report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed, which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2014.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other is mainly comprised of the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology and, until June 28, 2013, Fresenius Biotech, which did not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items (see note 3, Special items).

Details on the business segments are shown on page 59 of the notes.

The key data used by the Management Board of Fresenius Management SE (the general partner of Fresenius SE & Co. KGaA) to control the segments are based on U.S. GAAP. Therefore, the segment information is given in accordance with U.S. GAAP. The column IFRS-Reconciliation provides a reconciliation from the U.S. GAAP segment data to the IFRS key data. The differences between the U.S. GAAP and the IFRS key data are mainly due to the differing recognition of in-process R & D, the different classification of certain bad debt expenses, gains from sale and leaseback transactions with an operating lease agreement, development costs, cumulative actuarial gains and losses for pensions and contingent considerations.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e.g. the Fresenius Medical Care 2012 Credit Agreement or the 2013 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment and intangible assets with definite useful lives of the respective business segment.

Net interest is comprised of interest expenses and interest income.

Net income attributable to shareholders of Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt is comprised of bank loans, senior notes, convertible bonds, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities.

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2014	2013
Total EBIT of reporting segments	3,181	3,024
General corporate expenses Corporate/Other (EBIT)	-64	-78
Group EBIT	3,117	2,946
Interest expenses	-730	-634
Interest income	128	50
Income before income taxes	2,515	2,362

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2014	Dec. 31, 2013
Short-term debt	233	2,376
Short-term loans from related parties	3	6
Current portion of long-term debt and capital lease obligations	516	855
Current portion of Senior Notes	682	0
Long-term debt and capital lease obligations, less current portion	6,105	4,366
Senior Notes, less current portion	6,977	5,113
Convertible bonds	832	0
Debt	15,348	12,716
less cash and cash equivalents	1,175	864
Net debt	14,173	11,852

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2014	Dec. 31, 2013
Germany	7,819	6,830
Europe (excluding Germany)	2,901	2,896
North America	16,710	13,264
Asia-Pacific	1,469	1,223
Latin America	582	472
Africa	46	43
Total non-current assets [1]	29,527	24,728

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets, less derivative financial instruments and capitalized pension assets.

In 2014, the Fresenius Group generated sales of €6,292 million (2013: €4,403 million) in Germany. Sales in the United States were €9,335 million at actual rates and €9,338 million in constant currency in 2014 (2013: €8,628 million).

34. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2014, the Fresenius Group recognized compensation cost in an amount of €23 million for stock options granted since 2011. For stock incentive plans which are performance-based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE & Co. KGaA Stock Option Plan 2013 made during 2014 and 2013 are as follows:

	2014	2013	
€ in millions	**July Grant**	December Grant	July Grant
Expected dividend yield	**1.47%**	1.50%	1.47%
Risk-free interest rate	**0.85%**	1.41%	1.33%
Expected volatility	**26.83%**	27.43%	27.75%
Life of options	**8 years**	8 years	8 years
Exercise price per option in €	**36.92**	33.10	32.12

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

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

As of December 31, 2014, Fresenius SE & Co. KGaA had three stock option plans in place: the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds, the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan) and the Fresenius SE & Co. KGaA Long Term Incentive Program 2013 (2013 LTIP) which is based on stock options and phantom stocks. In 2014, stock options were solely granted under the 2013 LTIP.

2013 LTIP

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

2013 SOP

Under the 2013 SOP, which was approved by the Annual General Meeting of Fresenius SE & Co. KGaA on May 17, 2013, Fresenius Management SE is authorized to issue up to 8.4 million subscription rights for an amount of 8.4 million non-par value ordinary bearer shares of Fresenius SE & Co. KGaA until May 16, 2018.

Of the up to 8.4 million options, up to 1.6 million options are designated for members of the Management Board of Fresenius Management SE; up to 4.4 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 2.4 million options are designated for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care).

The granting of the options shall occur in five annual tranches, each to the last Monday in July or the first Monday in December. With respect to new options, the Supervisory

Board of Fresenius Management SE determines the stock options granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determines the other participants in the 2013 SOP and the stock options granted to them.

The exercise price of an option shall equal the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic Xetra trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, on the last 30 calendar days prior to the respective grant date.

Options granted have an eight-year term but can be exercised only after a four-year vesting period. The exercise of options is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the options to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the options issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting period, i. e. by one quarter, two quarters, three quarters, or completely. The performance targets for 2013 and 2014 were met.

The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP (currency adjusted) and changes thereto compared to the adjusted net income according to U.S. GAAP (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares in lieu of increasing capital by the issuance of new shares.

After the expiration of the waiting period, all options in respect of which the success target has been achieved may be exercised at any time outside the designated black-out periods.

2013 PSP

Fresenius SE & Co. KGaA's 2013 PSP was established in May 2013, together with the 2013 SOP. 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 SOP, the Supervisory Board of Fresenius Management SE determines the phantom stock granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determines the other participants in the 2013 PSP and the phantom stock granted to them.

Phantom stock awards under the 2013 PSP entitle the holder to receive a cash payment. Each phantom stock award shall entitle the holder to receive the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic Xetra trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, during the last three months prior to the date the phantom stock is exercised.

The exercise of phantom stock is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the subscription rights to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the phantom stock awards issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting-period, i. e. by one quarter, two quarters, three quarters, or completely. The performance targets for 2013 and 2014 were met.

The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA according to U.S. GAAP (currency adjusted) and changes thereto compared to the adjusted net income according to U.S. GAAP (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements.

After the expiration of the waiting period, all exercisable phantom stock will be deemed to be exercised and cashed out on March 1 following the end of the waiting period (or the following banking day).

Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and executive employees of the Company and affiliated companies. Under the 2008 Plan, up to 6.2 million options could be issued, which carried the entitlement to exclusively obtain 6.2 million ordinary shares. The options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects, has increased by at least 8% compared to the respective adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA shall be calculated on the basis of the calculation method of the accounting principles according to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA is determined and will be verified with binding effect by Fresenius SE & Co. KGaA's auditor during the audit of the consolidated financial statements. The performance targets were met in all years. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods.

This stock incentive plan was replaced by the 2013 SOP. The last options were granted in 2012.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no convertible bonds have been granted since 2008. Under the 2003 Plan, eligible employees have the right to acquire ordinary shares of Fresenius SE & Co. KGaA. The bonds expire in 10 years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees had the right to choose options with or without a stock price target. 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.

Changes of the stock option plans due to the capital increase from company's funds (stock split 2014 at a ratio of 1 : 3)

Compared to the existing conditions described, the following material changes to the stock option plans result from the stock split 2014 at a ratio of 1 : 3 coming into effect:

2013 SOP

As far as options have not yet been granted under the 2013 SOP, the total volume of not yet granted subscription rights increases in the same proportion as the subscribed capital (factor 3). The same applies to the subsets of the subscription rights that are attributable to individual groups of participants. For stock options that were granted before the stock split 2014 came into effect, the entitlement of the participants to receive new shares through the exercise of stock options increases in the same proportion as the subscribed capital (factor 3). The participants are now entitled to receive three bearer ordinary shares of Fresenius SE & Co. KGaA. The exercise price is reduced proportionally.

2013 PSP

The holders of phantom stocks, that were issued before the stock split 2014 came into effect, will be granted an economic compensation through retroactively tripling the number of phantom stocks granted before the stock split 2014 came into effect.

Stock Option Plan 2008

For stock options that were granted before the stock split 2014 came into effect, the entitlement of the participants to receive new shares through the exercise of stock options increases in the same proportion as the subscribed capital (factor 3). The participants are now entitled to receive three bearer ordinary shares of Fresenius SE & Co. KGaA. The maximum number of ordinary shares to be issued increases accordingly. The exercise price is reduced proportionally.

Stock Option Plan 2003

Convertible bonds granted prior to the registration of the resolutions of the Annual General Meeting dated December 4, 2006 with the commercial register regarding the capital increase from company's funds and the new division of the subscribed capital (stock split 2006) but converted after the stock split 2014 came into effect, now entitle participants to receive nine bearer ordinary shares of Fresenius SE & Co. KGaA per convertible bond. The maximum number of ordinary shares to be issued increases accordingly. The conversion price is reduced proportionally.

Convertible bonds granted after the registration of the stock split 2006 with the commercial register but converted after the stock split 2014 came into effect, now entitle participants to receive three bearer ordinary shares of Fresenius SE & Co. KGaA per convertible bond. The maximum number of ordinary shares to be issued increases accordingly. The conversion price is reduced proportionally.

Transactions during 2014

In 2014, Fresenius SE & Co. KGaA awarded 2,233,812 stock options under the 2013 LTIP, including 315,000 options to members of the Management Board of Fresenius Management SE, at an exercise price of €36.92, a fair value of €8.28 each and a total fair value of €18.5 million, which will be amortized over the four-year vesting period. Fresenius SE & Co. KGaA also awarded 326,592 phantom stocks under the 2013 LTIP, including 81,606 phantom stocks granted to members of the Management Board of Fresenius Management SE, at a measurement date (December 31, 2014) fair value of €41.11 each and a total fair value of €13.4 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During the fiscal year 2014, Fresenius SE & Co. KGaA received cash of €45 million from the exercise of 2,448,113 stock options. The average stock price of the ordinary share at the exercise date was €37.82. The intrinsic value of convertible bonds and stock options exercised in 2014 was €45 million.

1,048,413 convertible bonds were outstanding and exercisable under the 2003 Plan at December 31, 2014. The members of the Fresenius Management SE Management Board held 137,724 convertible bonds. At December 31, 2014, out of 7,594,726 outstanding stock options issued under the 2008 Plan, 4,276,591 were exercisable and 1,578,180 were held by the members of the Fresenius Management SE Management Board. 4,260,627 stock options issued under the 2013 LTIP were outstanding at December 31, 2014. The members of the Fresenius Management SE Management Board held 630,000 stock options. 644,679 phantom stocks issued under the 2013 LTIP were outstanding at December 31, 2014. The members of the Fresenius Management SE Management Board held 163,422 phantom stocks.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2012	**16,154,256**	**19.57**	**6,183,987**
Granted	2,160,618	32.26	
Exercised	4,519,707	15.16	
Forfeited	305,664	21.91	
Balance 2013	**13,489,503**	**23.06**	**4,657,380**
Granted	2,233,812	36.92	
Exercised	2,448,113	18.29	
Forfeited	371,436	27.42	
Balance 2014	**12,903,766**	**26.27**	**5,325,004**

The following table provides a summary of fully vested options outstanding and exercisable for ordinary shares at December 31, 2014:

OPTIONS FOR ORDINARY SHARES

	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
5.01 – 10.00	97,407	0.50	9.83	97,407	0.50	9.83
10.01 – 15.00	716,360	1.45	12.14	716,360	1.45	12.14
15.01 – 20.00	2,249,066	2.29	18.22	2,249,066	2.29	18.22
20.01 – 25.00	2,262,171	3.48	23.73	2,262,171	3.48	23.73
25.01 – 30.00	3,318,135	4.51	26.18	0		
30.01 – 35.00	2,032,815	6.63	32.27	0		
35.01 – 40.00	2,227,812	7.58	36.92	0		
	12,903,766	**4.61**	**26.27**	**5,325,004**	**2.65**	**19.59**

At December 31, 2014, the aggregate intrinsic value of exercisable options for ordinary shares was €126 million.

At December 31, 2014, total unrecognized compensation cost related to non-vested options granted under the 2008 Plan and the 2013 LTIP was €30 million. This cost is expected to be recognized over a weighted-average period of 2.8 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of Fresenius Medical Care Management AG's (FMC Management AG) Management and Supervisory Boards, forms FMC-AG & Co. KGaA's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five-year period and can be granted on the last Monday in July and/or the first Monday in December each year. Generally, and prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. For grants made in the year 2014 and for participants not belonging to FMC Management AG's Management Board, the grant ratio was predefined at 50:50. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following FMC-AG & Co. KGaA's AGM and with respect to the grants made in December, on the first Monday in October. The awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets. The 2011 Incentive Program was established with a conditional capital increase up to €12 million subject to the issue of up to 12 million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

Members of the Management Board of FMC Management AG, members of the management boards of FMC-AG & Co. KGaA's affiliated companies and the managerial staff members of FMC-AG & Co. KGaA and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of FMC Management AG's Management Board, FMC Management AG's Supervisory Board has sole authority to make plan interpretations, decide on certain adjustments and to grant awards under the 2011 Incentive Program. FMC Management AG has such authority with respect to all other participants in the 2011 Incentive Program.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock under the 2011 Incentive Program entitles the holders to receive payment in euro from FMC-AG & Co. KGaA upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the closing stock exchange price on the Frankfurt Stock Exchange of one of FMC-AG & Co. KGaA's ordinary shares on the exercise date. Phantom stock will have a five-year term and can be exercised only after a four-year vesting period, beginning with the grant date, however a shorter period may apply for certain exceptions. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

Stock Option Plan 2006

The Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established with a conditional capital increase up to €12.8 million subject to the issue of up to 5 million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. In connection with the share split affected in 2007, the principal amount was adjusted to the same proportion as the share capital out of the capital increase up to €15 million by the issue of up to 15 million new non-par value bearer ordinary shares.

After December 2010, no further grants were issued under the Amended 2006 Plan. Options granted under this plan are exercisable through December 2017.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to €10.24 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 4 million non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%. In connection with the share split affected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate.

Based on the resolution of the Annual General Meeting and the separate Meeting of the Preference Shareholders on May 16, 2013 regarding the conversion of all bearer preference shares into bearer ordinary shares, the 2001 Plan was amended accordingly. The partial amount of the capital increase which was formerly referred to as the issuance of bearer preference shares will now be referred exclusively to the issuance of bearer ordinary shares.

Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under this plan after 2005. The outstanding options will expire before 2016.

Transactions during 2014

During 2014, FMC-AG & Co. KGaA awarded 1,677,360 options under the 2011 Incentive Program, including 273,900 stock options granted to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €50.35, a weighted-average fair value of €9.13 each and a total fair value of €15 million, which will be amortized over the four-year vesting period. FMC-AG & Co. KGaA awarded 299,547 phantom stocks, including 24,950 phantom stocks granted to members of the Management Board of FMC Management AG, at a measurement date (December 31, 2014) weighted-average fair value of €58.17 each and a total fair value of €17 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During 2014, FMC-AG & Co. KGaA received cash of €74 million from the exercise of stock options. The intrinsic value of convertible bonds and stock options exercised in 2014 was €36 million. FMC-AG & Co. KGaA recorded a related tax benefit of €6 million for 2014. In connection with cash-settled share-based payment transactions under the 2011 Incentive Plan, FMC-AG & Co. KGaA recognized expenses of €4 million and €3 million for the years ending December 31, 2014 and 2013, respectively.

At December 31, 2014, the Management Board members of FMC Management AG held 1,485,076 stock options and employees of FMC-AG & Co. KGaA held 7,704,555 stock options under the various stock-based compensation plans of Fresenius Medical Care.

At December 31, 2014, the Management Board members of FMC Management AG held 66,960 phantom stocks and employees of FMC-AG & Co. KGaA held 666,038 phantom stocks under the 2011 Incentive Program.

The table below provides reconciliations for options outstanding at December 31, 2014 as compared to December 31, 2013:

	Number of options in thousands	Weighted-average exercise price in €
Balance at December 31, 2013 (options for ordinary shares)	**10,791**	**45.83**
Granted	1,677	50.35
Exercised	2,109	35.17
Forfeited	1,170	51.81
Balance at December 31, 2014 (options for ordinary shares)	**9,189**	**48.34**

The following table provides a summary of fully vested options for ordinary shares outstanding and exercisable at December 31, 2014:

	Number of options in thousands	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value € in millions
Options for ordinary shares	2,539	1.84	37.38	62

At December 31, 2014, total unrecognized compensation cost related to non-vested options granted under all plans was €24 million. This cost is expected to be recognized over a weighted-average period of 1.95 years.

35. RELATED PARTY TRANSACTIONS

Prof. Dr. med. D. Michael Albrecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is medical director and spokesman of the management board of the University Hospital Carl Gustav Carus Dresden and a member of the supervisory board of the University Hospital Aachen. Furthermore, he was a member of the supervisory board of the University Hospital Magdeburg until October 3, 2013 and a member of the supervisory board of the University Hospital Rostock until February 28, 2013. The Fresenius Group maintains business relations with these hospitals in the ordinary course and under customary conditions.

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is a partner of Roland Berger Strategy Consultants Holding GmbH. In 2014, after discussion and approval by the Supervisory Board of Fresenius Management SE and Fresenius SE & Co. KGaA, the Fresenius Group paid €3.1 million to affiliated companies of the Roland Berger group for consulting services rendered (2013: €2.9 million).

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions. In 2014, the Fresenius Group paid in aggregate €1.1 million to Commerzbank for financing commitments, in connection with Senior Notes issuances and a capital increase from company's funds (stock split) (2013: €1.4 million).

Dr. Gerhard Rupprecht, who died in an accident in August 2014, was a member of the Supervisory Boards of Fresenius Management SE and of Fresenius SE & Co. KGaA as well as of the administrative board of Allianz France SA. In 2014, the Fresenius Group paid €11.6 million (2013: €5.3 million) for insurance premiums to the Allianz group under customary conditions.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius Management SE, is a partner in the international law firm Noerr LLP, which provides legal services to the Fresenius Group. In 2014, after discussion and approval of each mandate by the Supervisory Board of Fresenius Management SE, the Fresenius Group paid or processed for payment in December 2014 about €1.8 million to this law firm for legal services rendered (2013: €1.5 million). Not included in the amount paid or processed for payment are such payments made in the fiscal year 2014 that had already been processed for payment in 2013 and have therefore already been reported for the fiscal year 2013.

In 2014, €11 million (2013: €9 million) were paid to Fresenius Management SE as compensation for the Management Board and the Supervisory Board, general partners' fees and other reimbursements of out-of pocket expenses. At December 31, 2014, there were outstanding liabilities payable to Fresenius Management SE in the amount of €22 million (December 31, 2013: €21 million), consisting mainly of pension obligations.

The payments mentioned in this note are net amounts. In addition, VAT and insurance tax were paid.

36. SUBSEQUENT EVENTS

Fresenius announced on January 12, 2015, that its pharmaceutical manufacturing facility in Grand Island, N. Y., has achieved the upgraded status of "voluntary action indicated" (VAI) following an October 2014 inspection. The status change is an improvement from the "official action indicated" status the facility had been operating under. The new VAI classification permits FDA approval of new Fresenius Kabi products at the plant.

On February 12, 2015, Fresenius SE & Co. KGaA refinanced the revolving credit facilities and the term loan A tranches under the 2013 Senior Credit Agreement in a total amount of € 3,044 million. The maturity was extended by two years to June 28, 2020.

On February 16, 2015, Fresenius Kabi has sold its German subsidiary CFL GmbH to NewCo Pharma GmbH. Fresenius Kabi will remain active in compounding. In Germany, the focus will be on parenteral nutrition products. In 2014, CFL GmbH had sales of €77 million.

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2014 until February 24, 2015. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

37. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 139 ff.), which is part of the Management Report.

The compensation of the Management Board is, as a whole, performance-based and was composed of three elements in the fiscal year 2014:

- 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 €11,462 thousand (2013: €11,044 thousand). Thereof, €5,016 thousand (2013: €5,044 thousand) is not performance-based and €6,446 thousand (2013: €6,000 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 315,000 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 €3,743 thousand.

The payment of a part of the performance-based compensation in an amount of €271 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to shareholders of Fresenius SE & Co. KGaA of the years 2015 and 2016. The total compensation of the Management Board was €18,759 thousand (2013: €18,407 thousand).

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was €2,961 thousand in 2014 (2013: €2,920 thousand). Of this amount, €206 thousand was fixed compensation (2013: €213 thousand), €100 thousand was compensation for committees services (2013: €100 thousand), and €2,655 thousand was variable compensation (2013: €2,607 thousand).

In 2014, based on pension commitments to former members of the Management Board, €1,049 thousand (2013: €1,064 thousand) was paid. The pension obligation for these persons amounted to €18,465 thousand in 2014 (2013: €17,389 thousand).

In the fiscal years 2014 and 2013, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

38. AUDITOR'S FEES

In 2014 and 2013, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

€ in millions	2014 Total	2014 Germany	2013 Total	2013 Germany
Audit fees	**16**	**6**	15	5
Audit-related fees	**1**	**1**	2	1
Tax consulting fees	**1**	**0**	1	–
Other fees	**6**	**6**	4	4
Total auditor's fees	**24**	**13**	22	10

The leading auditor has been responsible for the audit of the consolidated financial statements since 2012.

39. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA (www.fresenius.com), and of Fresenius Medical Care AG & Co. KGaA (www.freseniusmedicalcare.com).

40. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2014 of Fresenius SE & Co. KGaA are distributed as follows:

in €	
Payment of a dividend of €0.44 per bearer ordinary share on the 541,532,600 ordinary shares entitled to dividend	238,274,344.00
Balance to be carried forward	942,025.95
Retained earnings	**239,216,369.95**

41. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 24, 2015

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its general partner

The Management Board

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

M. Henriksson R. Powell S. Sturm Dr. E. Wastler

COMPENSATION REPORT

The compensation report summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Management SE as the general partner of Fresenius SE & Co. KGaA, and in this regard notably explains the amounts and structure of the compensation paid to the Management Board as well as the principles for determining the compensation of the Supervisory Board and the amounts of the compensation. The compensation report is part of the Management Report of the annual financial statements and the annual consolidated financial statements of Fresenius SE & Co. KGaA. The compensation report is prepared on the basis of the recommendations of the German Corporate Governance Code as well as under consideration of the declaration of conformity of Fresenius SE & Co. KGaA of December 2014, 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 2014, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk, and Dr. Karl Schneider.

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

The compensation of the Management Board is, as a whole, performance-based and was composed of three elements in the fiscal year 2014:

- 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 2014. Mr. Rice Powell was paid a part of his fixed compensation from Fresenius Medical Care North America in 24 installments. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of a company car, special payments such as rent supplements and reimbursement of certain other charges, tuition fees, as well as contributions to pension and health insurance.

The performance-based compensation will also be granted for the fiscal year 2014 as a short-term cash component (one-year variable compensation) and as a compensation component with long-term incentive effects (stock options, share-based compensation with cash settlement (phantom stocks), and postponed payments of the one-year variable compensation). The amount of the one-year variable compensation in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm, and Dr. Götz – the amount of the one-year variable compensation is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Henriksson and Dr. De Meo, approximately half of the amount of the one-year variable compensation depends on the development of the net income attributable to Fresenius SE & Co. KGaA and for the remainder on the development of the net income of the business segment (in each case after deduction of noncontrolling interest) for which the respective member of the Management Board is responsible. Approximately half of the amount of the one-year variable compensation of Dr. Wastler is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) as well as on the net income before tax and extraordinary income/expenditures of the VAMED group. Mr. Rice Powell receives his compensation exclusively from Fresenius Medical Care. Furthermore, the Supervisory Board may grant members of the Management Board a discretionary bonus for extraordinary performance.

For the fiscal year 2014, the Supervisory Board of Fresenius Medical Care Management AG has granted such discretionary bonus to Mr. Rice Powell in the total amount of €376 thousand.

For the fiscal years 2014 and 2013, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-based compensation				Performance-based compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Dr. Ulf M. Schneider	**990**	990	**92**	64	**1,454**	1,402	**2,536**	2,456
Dr. Francesco De Meo	**550**	550	**19**	19	**1,015**	998	**1,584**	1,567
Dr. Jürgen Götz	**415**	415	**35**	34	**697**	690	**1,147**	1,139
Mats Henriksson	**550**	550	**175**	217	**943**	956	**1,668**	1,723
Rice Powell[1]	**941**	941	**151**	169	**737[3]**	373	**1,829**	1,483
Stephan Sturm	**550**	550	**41**	40	**929**	921	**1,520**	1,511
Dr. Ernst Wastler	**470**	470	**37**	35	**671**	660	**1,178**	1,165
Total	**4,466**	4,466	**550**	578	**6,446**	6,000	**11,462**	11,044

[1] Mr. Rice Powell received his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held around 31% of the total subscribed capital. As member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
[2] Includes insurance premiums, private use of a company car, contributions to pension and health insurance, as well as other benefits
[3] Includes a discretionary bonus for fiscal year 2014 granted to Mr. Rice Powell in the amount of €376 thousand

In the fiscal year 2014, the one-year variable compensation, excluding the payment to Mr. Rice Powell, amounted to €5,709 thousand. This equals 95% of the total one-year variable compensation of €5,980 thousand. The remaining part in an amount of €271 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the one-year variable compensation to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment, in order to also take account of any negative developments within the assessment period. This is done in such a way that the maturity of the yearly one-year variable compensation earned on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time, it is ensured that any payment is made to the member of the Management Board after expiration of such multi-year period only if (i) no subsequent adjustment of the decisive (i.e., adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) beyond an amount equal to a tolerance range of 10% is made, and (ii) the amount of net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) in the two relevant subsequent years is not substantially less than the net income attributable to Fresenius SE & Co. KGaA (adjusted by extraordinary effects, after deduction of noncontrolling interest) of the respective preceding fiscal years. In the event of the aforementioned conditions for payment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a corresponding pro rata payment of the converted portion of the one-year variable compensation. No interest is payable on the converted one-year variable compensation claim from the time when it first arises until the time of its effective payment. In this way, the one-year variable compensation can be converted pro rata or in its entirety into a genuine variable compensation component on a multi-year assessment basis, which also participates in any negative developments during the relevant assessment period.

In the fiscal year 2014, benefits under LTIP 2013 of Fresenius SE & Co. KGaA, and for Mr. Rice Powell, benefits under LTIP 2011 of Fresenius Medical Care AG & Co. KGaA, were granted as another component with long-term incentive effect. Such benefits consist, on the one hand, of share-based compensation with cash settlement (phantom stocks) and, on the other hand, of stock options on the basis of the Stock Option Plan 2013 of Fresenius SE & Co. KGaA and, for Mr. Rice Powell, on the basis of the Stock Option Plan 2011 of Fresenius Medical Care AG & Co. KGaA. The LTIP 2013 is available both for members of the Management Board and other executives. In accordance with the division of powers under stock corporation law, grants to members of the Management Board are made by the Supervisory Board of Fresenius Management SE, and grants to other executives are made by the Management Board. The number of stock options and phantom stocks for Management Board members to be granted is determined by the Supervisory Board at the Supervisory Board's own discretion, provided that generally all Management Board members receive the same amount of stock options and phantom stocks, with the exception of the Chairman of the Management Board who receives double the respective amount of stock options and phantom stocks. At the time of the grant, the participants in LTIP 2013 may elect whether they wish to receive stock options and phantom stocks in a ratio of 75:25, or in a ratio of 50:50.

Exercise of the stock options and the phantom stocks granted under LTIP 2013 of Fresenius SE & Co. KGaA is subject to several conditions, such as expiry of a four-year waiting period, observance of vesting periods, achievement of the specified performance target, and continuance of the service or employment relationship. The vested stock options can be exercised within a period of four years. The vested phantom stocks are settled on March 1 of the year following the end of the waiting period.

The amount of the cash settlement pursuant to the Phantom Stock Plan 2013 is based on the volume-weighted average market price of the share of Fresenius SE & Co. KGaA during the three months preceding the exercise date.

The respective performance target has been reached if the adjusted consolidated net income of the Company (net income attributable to the shareholders of the Company) has increased by a minimum of 8% per year in comparison to the previous year within the waiting period, after adjustment for foreign currency effects. The performance target has also been achieved if the average annual growth rate of the adjusted consolidated net income of the Company during the four-year waiting period is at least 8%, adjusted for foreign-currency effects. If, with respect to one or more of the four reference periods within the waiting period, neither the adjusted consolidated net income of the Company has increased by a minimum of 8% per year in comparison to the previous year, after adjustment for foreign currency effects, nor the average annual growth rate of the adjusted consolidated net income of the Company during the four-year waiting period is at least 8%, adjusted for foreign-currency effects, the respective granted stock options and phantom stocks are forfeited on a pro-rata basis according to the proportion of the performance target that has not been achieved within the waiting period, i.e., by one fourth, by two fourths, by three fourths, or completely.

The principles of LTIP 2013 of Fresenius SE & Co. KGaA and of LTIP 2011 of Fresenius Medical Care AG & Co. KGaA are described in more detail in note 34 of the notes of the Fresenius Group, Stock options.

The previous share-based compensation component with cash settlement (performance shares) has been combined with the current share-based compensation component with cash settlement (phantom stocks). The members of the Management Board, with the exception of Mr. Rice Powell, were granted an entitlement to further share-based compensation with cash settlement (further phantom stocks, previously performance shares) in the equivalent value of €100 thousand per Management Board member in the fiscal year 2014. 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 2014 and 2013, 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. For the statements on stock options, the stock split 2014 was reflected with a ratio of 1:3.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2014 correspond to their fair value at the time of grant, namely a value of €8.28 (2013: €9.08) per stock option of Fresenius SE & Co. KGaA and €9.01 (2013: €8.92) per stock option of Fresenius Medical Care AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €36.92 (2013: €33.10).

The fair value of the phantom stocks granted to members of the Management Board in the fiscal year 2014 corresponds to a value at the time of grant of €34.18 (2014: €32.65) per phantom stock of Fresenius SE & Co. KGaA and €46.26 (2013: €44.93) per phantom stock of Fresenius Medical Care AG & Co. KGaA.

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed payment of the one-year variable compensation		Share-based compensation with cash settlement (phantom stocks)		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Dr. Ulf M. Schneider	**90,000**	90,000	**745**	817	**0**	0	**897**	864	**1,642**	1,681
Dr. Francesco De Meo	**45,000**	45,000	**373**	409	**143**	108	**499**	482	**1,015**	999
Dr. Jürgen Götz	**45,000**	45,000	**373**	409	**0**	0	**499**	482	**872**	891
Mats Henriksson	**45,000**	45,000	**373**	409	**71**	65	**499**	482	**943**	956
Rice Powell	**74,700**	74,700	**673**	666	**0**	0	**351**	358	**1,024**	1,024
Stephan Sturm	**45,000**	45,000	**373**	409	**57**	30	**499**	482	**929**	921
Dr. Ernst Wastler	**45,000**	45,000	**373**	409	**0**	0	**499**	482	**872**	891
Total	**389,700**	389,700	**3,283**	3,528	**271**	203	**3,743**	3,632	**7,297**	7,363

[1] Stock options that were granted in 2014 and 2013 under the Fresenius SE & Co. KGaA stock option plan. Mr. Rice Powell received stock options under the Fresenius Medical Care stock option plan.

At the end of the fiscal year 2014, subsequent to the stock split, the members of the Management Board held a total of 2,345,904 (2013: 2,460,474) stock options and convertible bonds (together referred to as stock options) of Fresenius SE & Co. KGaA and 407,737 (2013: 361,050) of Fresenius Medical Care AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2014 are shown in the following table:

	Dr. Ulf M. Schneider	Dr. Francesco De Meo	Dr. Jürgen Götz	Mats Henriksson	Rice Powell[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2014								
number	887,220	340,854	215,280	175,800	361,050	509,400	331,920	**2,460,474**
average exercise price in €	21.16	23.55	26.64	25.39	45.47	20.17	23.67	**22.40**
Options granted during fiscal year								
number	90,000	45,000	45,000	45,000	74,700	45,000	45,000	**315,000**
exercise price in €	36.92	36.92	36.92	36.92	49.93	36.92	36.92	**36.92**
Options exercised during fiscal year								
number	286,380	0	0	0	0	143,190	0	**429,570**
average exercise price in €	14.89					12.30		**14.03**
average stock price in €	37.22					36.67		**37.04**
Options forfeited during fiscal year								
number	0	0	0	0	28,013	0	0	**0**
average exercise price in €					52.48			
Options outstanding on December 31, 2014								
number	690,840	385,854	260,280	220,800	407,737	411,210	376,920	**2,345,904**
average exercise price in €	25.81	25.11	28.42	27.74	45.80	24.74	25.25	**25.89**
average remaining life in years	4.5	4.3	5.1	5.1	4.4	4.2	4.3	**4.5**
range of exercise prices in €	17.83 to 36.92	17.83 to 36.92	23.76 to 36.92	17.83 to 36.92	31.97 to 57.30	17.83 to 36.92	17.83 to 36.92	**17.83 to 36.92**
Exercisable options on December 31, 2014								
number	340,560	210,714	85,140	82,800	174,300	236,070	201,780	**1,157,064**
average exercise price in €	20.80	20.48	23.76	20.80	37.57	20.33	20.54	**20.82**

[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 2014 and 2013:

€ in thousands	Cash compensation (without long-term incentive components) 2014	2013	Long-term incentive components 2014	2013	Total compensation (including long-term incentive components) 2014	2013
Dr. Ulf M. Schneider	**2,536**	2,456	**1,642**	1,681	**4,178**	4,137
Dr. Francesco De Meo	**1,584**	1,567	**1,015**	999	**2,599**	2,566
Dr. Jürgen Götz	**1,147**	1,139	**872**	891	**2,019**	2,030
Mats Henriksson	**1,668**	1,723	**943**	956	**2,611**	2,679
Rice Powell	**1,829**	1,483	**1,024**	1,024	**2,853**	2,507
Stephan Sturm	**1,520**	1,511	**929**	921	**2,449**	2,432
Dr. Ernst Wastler	**1,178**	1,165	**872**	891	**2,050**	2,056
Total	**11,462**	11,044	**7,297**	7,363	**18,759**	18,407

The stock options and the entitlement to a share-based compensation (phantom stocks) can be exercised only after the expiry of minimum terms (vesting periods). Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2014 and 2013 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

€ in thousands	Stock options 2014	2013	Share-based compensation with cash settlement (phantom stocks) 2014	2013	Total expenses for share-based compensation 2014	2013
Dr. Ulf M. Schneider	**864**	902	**518**	94	**1,382**	996
Dr. Francesco De Meo	**432**	451	**334**	86	**766**	537
Dr. Jürgen Götz	**432**	451	**334**	86	**766**	537
Mats Henriksson	**298**	239	**228**	11	**526**	250
Rice Powell	**176**	325	**435**	441	**611**	766
Stephan Sturm	**432**	451	**334**	86	**766**	537
Dr. Ernst Wastler	**432**	451	**334**	86	**766**	537
Total	**3,066**	3,270	**2,517**	890	**5,583**	4,160

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 Mats Henriksson has a pension commitment of Fresenius Kabi AG. The Management Board member Mr. Rice Powell has received an individual contractual pension commitment from Fresenius Medical Care Management AG. Furthermore, he has acquired non-forfeitable entitlements from participating in pension plans for employees of Fresenius Medical Care North America, and during the fiscal year 2014, 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 €24,381 thousand as of December 31, 2014 (2013: €15,963 thousand). The additions to pension liability in the fiscal year 2014 amounted to €8,418 thousand (2013: €3,277 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2014	Additions	**As of December 31, 2014**
Dr. Ulf M. Schneider	2,812	1,482	**4,294**
Dr. Francesco De Meo	1,195	717	**1,912**
Dr. Jürgen Götz	1,090	592	**1,682**
Mats Henriksson	1,752	1,841	**3,593**
Rice Powell	4,493	2,161	**6,654**
Stephan Sturm	1,640	837	**2,477**
Dr. Ernst Wastler	2,981	788	**3,769**
Total	15,963	8,418	**24,381**

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent fixed compensation, from the 63rd year of life (or 65th year for Mr. Rice Powell), or, in the case of termination because of professional or occupational incapacity, from the time of ending active work.

The pension's starting percentage of 30% of the last fixed compensation increases with every full year of service as a Management Board member by 1.5 percentage points, 45% being the attainable maximum.

Current pensions increase according to legal requirements (Section 16 of the German law to improve company pension plans, BetrAVG).

Thirty percent of the gross amount of any post-retirement income from an occupation of the Management Board member is offset against the pension for professional or occupational incapacity.

In the event of the death of one of the Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, 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 respective annual fixed compensation for each year of respective application of the non-competition covenant, up to a maximum of two years.

The service agreements of the Management Board members do not contain any explicit provision for the event of a change of control.

MISCELLANEOUS

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in the event of sickness for a maximum period of 12 months, provided that, after six months of sickness-related absence, any insurance benefits that may be paid are to be deducted from such continued compensation. In the event of death of a member of the Management Board, the surviving dependents will receive three monthly payments after the month during which the death occurred, at maximum, however, until the expiry of the respective employment agreement.

During the fiscal year 2014, 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, €1,049 thousand were paid in the fiscal year 2014 (2013: €1,064 thousand) and €494 thousand (2013: €550 thousand) were paid to Dr. Ben Lipps as a result of a consultancy agreement entered into with Fresenius Medical Care Management AG. The benefit obligation for these persons amounted to €18,465 thousand (2013: €17,389 thousand).

TABLES DISPLAYING THE VALUE OF BENEFITS GRANTED AND ALLOCATIONS

The German Corporate Governance Code provides that compensation reports for fiscal years beginning after December 31, 2013, shall include information for each member of the Management Board on the benefits granted and allocations made, as well as on the pension expenses for the year under report. The model tables provided in the appendix to the German Corporate Governance Code shall be used to present the information.

The following tables include information on the value of benefits granted as well as on the allocations made. They adhere to the structure and, to a large extent, the standards of the model tables of the German Corporate Governance Code:

Benefits granted Value € in thousands	Dr. Ulf M. Schneider Chairman of the Management Board Board member since May 28, 2003				Dr. Franceso De Meo CEO of Fresenius Helios Board member since January 1, 2008				Dr. Jürgen Götz Chief Legal and Compliance Officer, and Labor Relations Director Board member since July 1, 2007			
	2014	2014 min.	2014 max.	2013	**2014**	2014 min.	2014 max.	2013	**2014**	2014 min.	2014 max.	2013
Non-performance-based compensation												
Fixed compensation	**990**	990	990	990	**550**	550	550	550	**415**	415	415	415
Fringe benefits	**92**	92	92	64	**19**	19	19	19	**35**	35	35	34
Total non-performance-based compensation	**1,082**	0	0	1,054	**569**	0	0	569	**450**	0	0	449
Performance-based compensation												
One-year variable compensation [2]	**1,454**	1,200	1,750	1,402	**1,015**	750	1,250	998	**697**	250	750	690
Multi-year variable compensation / components with long-term incentive effect												
Postponed one-year variable compensation	**0**	0	n/a		**143**	0	n/a	108	**0**	0	n/a	
Stock Option Plan 2013 (part of LTIP 2013) (5-year term)	**745**	0	n/a	817	**373**	0	n/a	409	**373**	0	n/a	409
Phantom stocks (part of LTIP 2013) (5-year term)	**797**	0	n/a	764	**399**	0	n/a	382	**399**	0	n/a	382
Further phantom stocks	**100**			100	**100**			100	**100**			100
Components with long-term incentive effect	**1,642**	0	n/a	1,681	**1,015**	0	n/a	999	**872**	0	n/a	891
Total non-performance-based and performance-based compensation	**4,178**	2,282	n/a	4,137	**2,599**	1,319	n/a	2,566	**2,019**	700	n/a	2,030
Service cost	**234**	234	234	201	**201**	201	201	176	**136**	136	136	118
Value of benefits granted	**4,412**	2,516	n/a	4,338	**2,800**	1,520	n/a	2,742	**2,155**	836	n/a	2,148

[1] Mr. Rice Powell was granted stock options and phantom stocks from the stock option program of Fresenius Medical Care as follows: in 2014: €120 thousand from the Share Based Award – New Incentive Bonus Plan 2010, €673 thousand from the Long Term Incentive Program 2011 – Stock Option Plan 2011; in 2013: €124 thousand from the Share Based Award – New Incentive Bonus Plan 2010, €666 thousand from the Long Term Incentive Program 2011 – Stock Option Plan and €234 thousand from the Long Term Incentive Program 2011 – Phantom Stock Plan 2011.

[2] For the one-year variable compensation, there are no target values or comparable values. The one-year variable compensation is determined on the basis of bonus curves applicable for several years. For this reason, the allocation from the one-year variable remuneration is stated.

[3] Includes a discretionary bonus for fiscal year 2014 granted to Mr. Rice Powell in the amount of €376 thousand

	Mats Henriksson CEO Fresenius Kabi				**Rice Powell** CEO Fresenius Medical Care				**Stephan Sturm** Chief Financial Officer				**Dr. Ernst Wastler** CEO Fresenius Vamed			
	Board member since January 1, 2013				Board member since January 1, 2013				Board member since January 1, 2005				Board member since January 1, 2008			
	2014	2014 min.	2014 max.	2013	**2014**	2014 min.	2014 max.	2013	**2014**	2014 min.	2014 max.	2013	**2014**	2014 min.	2014 max.	2013
	550	550	550	550	**941**	941	941	941	**550**	550	550	550	**470**	470	470	470
	175	175	175	175	**151**	151	151	169	**41**	41	41	40	**37**	37	37	37
	725	0	0	767	**1,092**	1,092	1,092	1,110	**591**	0	0	590	**507**	0	0	505
	943	750	1,250	956	**1,929** [3]	212	2,239 [3]	1,553	**929**	850	1,150	921	**671**	350	750	660
	71	0	n/a	65					**57**	0	n/a	30	**0**	0	n/a	
	373	0	n/a	409					**373**	0	n/a	409	**373**	0	n/a	409
	399	0	n/a	382					**399**	0	n/a	382	**399**	0	n/a	382
	100			100					**100**			100	**100**			100
	943	0	n/a	956	**1,024** [1]	71	n/a	1,024	**929**	0	n/a	921	**872**	0	n/a	891
	2,611	1,475	n/a	2,679	**4,045**	1,375	n/a	3,687	**2,449**	1,441	n/a	2,432	**2,050**	857	n/a	2,056
	120	120	120	84	**429**	429	429	405	**182**	182	182	159	**92**	92	92	83
	2,731	1,595	n/a	2,763	**4,474**	1,804	n/a	4,092	**2,631**	1,623	n/a	2,591	**2,142**	949	n/a	2,139

Allocations Value € in thousands	Dr. Ulf M. Schneider Chairman of the Management Board Board member since May 28, 2003		Dr. Franceso De Meo CEO of Fresenius Helios Board member since January 1, 2008		Dr. Jürgen Götz Chief Legal and Compliance Officer, and Labor Relations Director Board member since July 1, 2007	
	2014	2013	**2014**	2013	**2014**	2013
Non-performance-based compensation						
Fixed compensation	**990**	990	**550**	550	**415**	415
Fringe benefits	**92**	64	**19**	19	**35**	34
Total non-performance-based compensation	**1,082**	1,054	**569**	569	**450**	449
Performance-based compensation						
One-year variable compensation[2]	**1,454**	1,402	**1,015**	998	**697**	690
Multi-year variable compensation / components with long-term incentive effect						
Postponed one-year variable compensation	**0**	174	**29**	131	**0**	98
Stock Option Plan 2003 (5-year term)						
Issue 2005						
Issue 2006		1,503		805		
Issue 2007	**2,488**			56		288
Stock Option Plan 2008 (5-year term)						
Issue 2008		1,246		1,019		1,086
Issue 2009	**3,907**			1,558		1,625
Issue 2010						1,405
Total multi-year variable compensation / components with long-term incentive effect	**6,395**	2,749	**29**	3,438	**0**	4,404
Other	**0**	0	**0**	0	**0**	0
Total non-performance-based and performance-based compensation	**8,931**	5,205	**1,613**	5,005	**1,147**	5,543
Service cost	**234**	201	**201**	176	**136**	118
Allocation	**9,165**	5,406	**1,814**	5,181	**1,283**	5,661

[1] Mr. Rice Powell had this allocation from stock options from the Fresenius Medical Care Stock Option Program:
in 2014: €399 thousand from the Share Based Award – New Incentive Bonus Plan 2010 issue 2010;
in 2013: €317 thousand from the Share Based Award – New Incentive Bonus Plan 2009 issue 2009 and €855 thousand from the stock option plan 2006, issue 2007.
[2] Includes a discretionary bonus for fiscal year 2014 granted to Mr. Rice Powell in the amount of €376 thousand

	Mats Henriksson CEO Fresenius Kabi		**Rice Powell** CEO Fresenius Medical Care		**Stephan Sturm** Chief Financial Officer		**Dr. Ernst Wastler** CEO Fresenius Vamed	
	Board member since January 1, 2013		Board member since January 1, 2013		Board member since January 1, 2005		Board member since January 1, 2008	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013
	550	550	**941**	941	**550**	550	**470**	470
	175	217	**151**	169	**41**	40	**37**	35
	725	767	**1,092**	1,110	**591**	590	**507**	505
	943	956	**737**[2]	373	**929**	921	**671**	660
	0	0	**0**	0	**79**	208	**0**	95
						3,008		443
					1,523			650
						1,164		1,084
		871			**1,967**			1,771
	0	871	**399**[1]	1,172	**3,569**	4,172	**0**	3,948
	0	0	**0**	0	**0**	0	**0**	0
	1,668	2,594	**2,228**	2,655	**5,089**	5,683	**1,178**	5,113
	120	84	**429**	405	**182**	159	**92**	83
	1,788	2,678	**2,657**	3,060	**5,271**	5,842	**1,270**	5,196

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 three times the dividend (or the dividend up to registration of the capital increase from company's funds on August 1, 2014) paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6% of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board. Fresenius SE & Co. KGaA provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) with an excess equal to those of the Management Board.

If a member of the Supervisory Board of Fresenius SE & Co. KGaA is, at the same time, a member of the Supervisory Board of the general partner Fresenius Management SE and receives remuneration for his service on the Supervisory Board for Fresenius Management SE, the remuneration shall be reduced by half. The same applies with respect to the additional part of the remuneration for the Chairman or one of his deputies if they are, at the same time, the Chairman or one of his deputies on the Supervisory Board of Fresenius Management SE. If the deputy of the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA is, at the same time, the Chairman of the Supervisory Board of Fresenius Management SE, he shall not receive remuneration for his service as Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. According to Section 7 of the articles of association of Fresenius SE & Co. KGaA, the remuneration of the Supervisory Board of Fresenius Management SE was charged to Fresenius SE & Co. KGaA.

For the years 2014 and 2013, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE, including compensation for committee services, was as follows:

	Fixed compensation				Compensation for committee services				Variable compensation				Total compensation	
	Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE			
€ in thousands	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Dr. Gerd Krick	**13**	13	**13**	13	**10**	10	**20**	20	**167**	158	**167**	158	**390**	372
Dr. Dieter Schenk	**0**	0	**19**	19	**0**	0	**10**	10	**0**	0	**250**	237	**279**	266
Niko Stumpfögger	**19**	19	**0**	0	**0**	0	**0**	0	**250**	237	**0**	0	**269**	256
Prof. Dr. med. D. Michael Albrecht	**13**	13	**0**	0	**0**	0	**0**	0	**167**	158	**0**	0	**180**	171
Prof. Dr. h. c. Roland Berger	**7**	7	**6**	6	**20**	20	**0**	0	**83**	79	**84**	79	**200**	191
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**167**	158	**0**	0	**180**	171
Konrad Kölbl	**13**	13	**0**	0	**10**	10	**0**	0	**167**	158	**0**	0	**190**	181
Klaus-Peter Müller	**7**	7	**6**	6	**0**	0	**0**	0	**83**	79	**84**	79	**180**	171
Dieter Reuß	**13**	13	**0**	0	**0**	0	**0**	0	**167**	158	**0**	0	**180**	171
Gerhard Roggemann	**13**	13	**0**	0	**10**	10	**0**	0	**167**	158	**0**	0	**190**	181
Dr. Gerhard Rupprecht († August 8, 2014)	**8**	13	**4**	6	**0**	0	**0**	0	**101**	158	**50**	79	**163**	256
Dr. Karl Schneider	**0**	0	**13**	13	**0**	0	**10**	10	**0**	0	**167**	158	**190**	181
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**167**	158	**0**	0	**180**	171
Rainer Stein	**13**	13	**0**	0	**10**	10	**0**	0	**167**	158	**0**	0	**190**	181
Total	**145**	150	**61**	63	**60**	60	**40**	40	**1,853**	1,817	**802**	790	**2,961**	2,920

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 2015. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid that are covered by the policy.

AUDITOR'S REPORT

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRS, as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB [Handelsgesetzbuch „German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements and group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRS, as adopted by the EU, the additional requirements of German commercial law pursuant to § 315a Abs. 1 HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 24, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rohrbach
German Public Auditor

Walter
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

In 2014, 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 2014 – in March, May, October, and December. In addition, the Supervisory Board had a conference call in January in which the members of the Supervisory Board were informed about the divestment of two HELIOS hospitals due to cartel in context of the acquisition of hospitals from Rhön-Klinikum AG. 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 2014.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2014, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments by the business segments. Furthermore, the Supervisory Board thoroughly reviewed and discussed all other significant business activities with the Management Board. The main consulting focus was on the stock split and on acquisitions, especially at Fresenius Medical Care in the area of Care Coordination and at Fresenius Kabi regarding a planned joint venture in Russia, as well as the development and integration of the hospitals acquired from Rhön-Klinikum AG. The Supervisory Board discussed in detail the 2015 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 HELIOS. 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, 2014.

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

Prof. Dr. med. D. Michael Albrecht is a member of the Supervisory Board of our Company and is medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden as well as a member of the supervisory board of the University Hospital in Aachen. The Fresenius Group maintains regular business relationships with these hospitals in the ordinary course under customary conditions. Klaus-Peter Müller is a member of the Supervisory Boards of our Company and of Fresenius Management SE, as well as Chairman of the supervisory board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. In 2014, the Fresenius Group paid €1.1 million to Commerzbank AG for capital market financing and for carrying out the share split. Until his death on August 8, 2014, Dr. Gerhard Rupprecht was 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 2014 the Fresenius Group paid €11.6 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 2014, 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 €3.1 million (2013: €2.9 million) to companies of the Roland Berger Group associated with this company. The Supervisory Board closely examined this mandate and approved it in the fiscal year 2013. 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. Work on this mandate given in the 2013 fiscal year continued in the fiscal year 2014.

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 2014, the Fresenius

Group paid or processed for payment in December about €1.8 million to the law firm Noerr (2013: €1.5 million). This corresponds to 1% of the total amount paid by the Fresenius Group for services and legal advice in 2014 (2013: 1%). Not included in the amount paid or processed for payment are such payments made in 2014 that had already been processed for payment in 2013, and have therefore already been reported for the 2013 fiscal year. Of the total amount for the 2014 fiscal year, about €0.7 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 35 of the Annual Report. Fresenius has disclosed the information on related parties in its quarterly reports and on page 179 of the Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings and four conference calls in 2014. 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 2014. The Supervisory Board's proposal to the Annual General Meeting in 2014 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 2014 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 2014.

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 2014 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 191 of the Annual Report.

PERSONNEL

Dr. Gerhard Rupprecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA was killed in an accident on August 8, 2014. Dr. Rupprecht joined the Supervisory Board of the now Fresenius SE & Co. KGaA in October 2004, and as Deputy Chairman since March 2011 made important contributions to the Company's successful development. We will retain respectful memories of Dr. Rupprecht.

The Supervisory Board of Fresenius SE & Co. KGaA will propose that the next Annual General Meeting elect Mr. Michael Diekmann, who will serve as Chief Executive Officer of Allianz SE until May 2015, to the Supervisory Board.

In 2014, there were no changes in the composition of the Management Board of the general partner Fresenius Management SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the 2014 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 16, 2014, 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 12 and 13, 2015, 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 13, 2015, 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 2014 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 13, 2015

The Supervisory Board

Dr. Gerd Krick
Chairman

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Former Chairman of Fresenius AG

Chairman

Offices
Supervisory Board
Fresenius Management SE (Chairman)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht

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

Offices
Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen

Prof. Dr. h. c. Roland Berger

Management Consultant

Offices
Supervisory Board
Fresenius Management SE
Prime Office REIT-AG (until January 22, 2014, Chairman)
Prime Office AG (since January 22, 2014 until May 5, 2014)
Schuler AG
Deutsche Oppenheim Family Office AG (former: Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)
Rocket Internet AG (since September 1, 2014)

Administrative Board
Wittelsbacher Ausgleichsfonds (until September 30, 2014)

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

Dario Anselmo Ilossi

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

Konrad Kölbl

Full-time Works Council Member

Member of the Manual Workers' Works Council of VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.

Chairman of the Group Works Council of VAMED AG

Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Klaus-Peter Müller

Chairman of the Supervisory Board of Commerzbank AG

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

Administrative Board
Landwirtschaftliche Rentenbank (until July 3, 2014)

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

Full-time Works Council Member

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

Deputy Chairman of the General Works Council of Fresenius SE & Co. KGaA (since May 14, 2014)

Gerhard Roggemann

Canaccord Genuity Ltd., London (formerly: Hawkpoint Partners Ltd., London) Vice Chairman Investment Banking (until August 31, 2014)

Edmond de Rothschild Private Merchant Banking LLP, London

Senior Advisor and Advisory Counsel to the Frankfurt branch (since September 1, 2014)

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

Dr. Gerhard Rupprecht

(† August 8, 2014)

Former member of the Management Board of Allianz SE

Deputy Chairman

Offices
Supervisory Board
Euler Hermes Deutschland AG
Fresenius Management SE

Administrative Board
Allianz France SA

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Stefan Schubert

Hospital nurse and full-time Works Council Member

Chairman of the Works Council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

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

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH

Rainer Stein

Full-time Works Council Member

Chairman of the Group Works Council of HELIOS Kliniken GmbH

Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH

Niko Stumpfögger

Secretary of the Trade Union ver.di, Head of Company and Industry Politics in Health Care and Social Affairs
Deputy Chairman

Offices
Supervisory Board
HELIOS Kliniken GmbH (Deputy Chairman)

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee

Prof. Dr. h. c. Roland Berger (Chairman)
Konrad Kölbl
Dr. Gerd Krick
Gerhard Roggemann
Rainer Stein

Nomination Committee

Dr. Gerd Krick (Chairman)
Prof. Dr. h. c. Roland Berger
Dr. Gerhard Rupprecht († August 8, 2014)

Joint Committee[1]

Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Dr. Gerhard Rupprecht († August 8, 2014)
Dr. Karl Schneider

[1] The committee consists equally of two members each of the Supervisory Board of Fresenius SE & Co. KGaA and of Fresenius Management SE.

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider

Chairman

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (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

Offices
Board of Directors
E. I. Du Pont de Nemours and Company, USA
(since October 22, 2014)

Dr. Francesco De Meo

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
HELIOS Beteiligungs AG (Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)

Dr. Jürgen Götz

Chief Legal and Compliance Officer, and Labor Relations Director

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

Mats Henriksson

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius Kabi Austria GmbH, Austria (Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Kabi Japan K.K., Japan
Labesfal – Laboratórios Almiro, S.A., Portugal

Administrative Board
Fresenius Kabi Groupe France S.A., France (Chairman)
Fresenius Kabi Italia S.p.A., Italy (Chairman)

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

Rice Powell

Business Segment Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman)

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

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman)

Stephan Sturm

Chief Financial Officer

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

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

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

Dr. Ernst Wastler

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH (Deputy Chairman)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria (Chairman)

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick

Chairman

Prof. Dr. h. c. Roland Berger

Klaus-Peter Müller

Dr. Gerhard Rupprecht

(† August 8, 2014)

Dr. Dieter Schenk

Lawyer and Tax Consultant

Deputy Chairman

Offices

Supervisory Board

Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG (Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
TOPTICA Photonics AG (Chairman)

Administrative Board

Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Former Spokesman of Südzucker AG

Offices

Administrative Board

Else Kröner-Fresenius-Stiftung (Deputy Chairman)

GLOSSARY

Financial terms

ADR (American Depositary Receipt)
Certificate that represents indirect ownership of shares in a non-U.S. company and enables trading in the United States.

Cash flow
Financial key figure that shows the net balance of incoming and outgoing payments during a reporting period.

Commercial paper program
Short-term unsecured promissory notes issued by corporations in need of short-term loans. Typically, commercial paper maturities range from a few days up to under two years.

Compliance
Measures for adherence to laws and company policies.

Corporate Governance
Designation in international parlance for company management and company controlling focused on responsible, long-term value creation.

Days Sales Outstanding (DSO)
Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

EBIT
Earnings before interest and income taxes.

EBITDA
Earnings before interest, income taxes, depreciation, and amortization.

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

Organic sales growth
Growth that is generated by a company's existing businesses and not by acquisitions, divestitures, or foreign exchange impact.

OTC (Over-the-counter)
Trading of securities that are not listed on a stock exchange in the respective country. Fresenius' sponsored Level 1 ADRs are traded on the OTC market in the United States.

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

ROE (Return on Equity)
Measure of a corporation's profitability revealing how much profit a company generates with the money shareholders have invested.

ROE = fiscal year's net income / total equity x 100.

ROIC (Return on Invested Capital)
Calculated by: (EBIT – taxes) : Invested capital
Invested capital = total assets + amortization of goodwill (accumulated) – deferred tax assets – cash and cash equivalents – trade accounts payable – accruals (without pension accruals) – other liabilities not bearing interest.

This key figure can be found on pages 7, 21, 32, and 38 of the Management Report.

ROOA (Return on Operating Assets)
Calculated by: EBIT x 100 : operating assets (average)

Operating assets = total assets – deferred tax assets – trade accounts payable – payments received on account – approved subsidies.

This key figure can be found on pages 7, 21, 32, and 38 of the Management Report.

SE (Societas Europaea)
Legal form of a European stock corporation. The supranational legal entity is based on European Community law. Subject to European regulations, the SE is treated in all member states of the European Union as a stock corporation according to the national law of the member state in which the SE is incorporated.

SOI (Scope of Inventory)
Indicates the average number of days between receiving goods as inventory and the sale of the finished product.

Calculated by: (Inventories : Costs of goods sold) x 365 days.

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

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

FINANCIAL CALENDAR

Report on 1st quarter 2015 Conference call, live webcast	April 30, 2015
Annual General Meeting, Frankfurt am Main, Germany	May 20, 2015
Payment of dividend [1]	May 21, 2015
Report on 2nd quarter 2015 Conference call, live webcast	July 30, 2015
Report on 3rd quarter 2015 Conference call, live webcast	October 29, 2015

[1] Subject to prior approval by the Annual General Meeting

FRESENIUS SHARE / ADR

	Ordinary share		ADR
Securities identification no.	578 560	CUSIP	35804M105
Ticker symbol	FRE	Ticker symbol	FSNUY
ISIN	DE0005785604	ISIN	US35804M1053
Bloomberg symbol	FRE GR	Structure	Sponsored Level 1 ADR
Reuters symbol	FREG.de	Ratio	4 ADR = 1 share [1]
Main trading location	Frankfurt/Xetra	Trading platform	OTCQX

[1] As of August 4, 2014, the ADR ratio was changed in conjunction with the company's stock split (previous ratio: 8 ADR = 1 share).

Corporate Headquarters
Else-Kröner-Straße 1
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Germany

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Germany

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Contact for journalists
Corporate Communications
Telephone: ++49 61 72 6 08-23 02
Telefax: ++49 61 72 6 08-22 94
E-mail: pr-fre@fresenius.com

Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Dr. Ulf M. Schneider (President and CEO), Dr. Francesco De Meo, Dr. Jürgen Götz, Mats Henriksson, Rice Powell, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Report is legally binding.
The editorial closing date of this Report was on March 18, 2015, and it was published on March 19, 2015.

The Annual Report, the financial statements of Fresenius SE & Co. KGaA, and the consolidated statements in accordance with IFRS accounting principles are available on our website and may be obtained upon request under Investor Relations.

You will find further information and current news about our company on our website at: http://www.fresenius.com.

Forward-looking statements:
This Financial Report contains forward-looking statements. These statements represent assessments that we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA – the actual results could differ materially from the results currently expected.