



# Quarterly Financial Report of Fresenius Group

applying United States Generally Accepted Accounting Principles  
(U.S. GAAP)

1<sup>st</sup> – 3<sup>rd</sup> Quarter and 3<sup>rd</sup> Quarter 2014

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## FRESENIUS GROUP FIGURES AT A GLANCE

Fresenius is a global health care group providing 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. In 2013, Group sales were €20.3 billion. As of September 30, 2014, more than 214,000 employees have dedicated themselves to the service of health in about 100 countries worldwide.

### SALES, EARNINGS, AND CASH FLOW

€ in millions	Q3/2014	Q3/2013	Change	Q1-3/2014	Q1-3/2013	Change
Sales	5,978	5,045	18%	16,711	15,032	11%
EBIT	820 <sup>1</sup>	754 <sup>1</sup>	9%	2,223 <sup>2</sup>	2,202 <sup>1</sup>	1%
Net income <sup>3</sup>	281 <sup>1</sup>	271 <sup>1</sup>	4%	768 <sup>2</sup>	753 <sup>1</sup>	2%
Earnings per share in € <sup>3</sup>	0.52 <sup>1</sup>	0.51 <sup>1</sup>	2%	1.42 <sup>2</sup>	1.41 <sup>1</sup>	1%
Operating cash flow	945	619	53%	1,695	1,566	8%

### BALANCE SHEET AND INVESTMENTS

€ in millions	Sept. 30, 2014	Dec. 31, 2013	Change
Total assets	37,718	32,758	15%
Non-current assets	28,134	24,786	14%
Equity <sup>4</sup>	14,854	13,260	12%
Net debt	13,843	11,940	16%
Investments <sup>5</sup>	2,715	1,118	143%

### RATIOS

€ in millions	Q3/2014	Q3/2013	Q1-3/2014	Q1-3/2013
EBITDA margin	17.6% <sup>1</sup>	19.1% <sup>1</sup>	17.4% <sup>2</sup>	18.8% <sup>1</sup>
EBIT margin	13.7% <sup>1</sup>	14.9% <sup>1</sup>	13.3% <sup>2</sup>	14.6% <sup>1</sup>
Depreciation and amortization in % of sales	3.9%	4.2%	4.1%	4.1%
Operating cash flow in % of sales	15.8%	12.3%	10.1%	10.4%
Equity ratio (September 30/December 31)			39.4%	40.5%
Net debt/EBITDA (September 30/December 31) <sup>6</sup>			3.44	2.51

<sup>1</sup> Before integration costs

<sup>2</sup> Before integration costs and disposal gains (two HELIOS hospitals; Rhön stake)

<sup>3</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

<sup>4</sup> Equity including noncontrolling interest

<sup>5</sup> Investments in property, plant and equipment, and intangible assets, acquisitions (Q1-3)

<sup>6</sup> 2014 pro forma including acquired Rhön hospitals, acquisition at Fresenius Medical Care and excluding two HELIOS hospitals; before integration costs and disposal gains (two HELIOS hospitals; Rhön stake); 2013 pro forma excluding advances made for the acquisition of hospitals from Rhön-Klinikum AG; before integration costs

## INFORMATION BY BUSINESS SEGMENT

### FRESENIUS MEDICAL CARE – Dialysis products, Dialysis services

US\$ in millions	Q1–3/2014	Q1–3/2013	Change
Sales	11,511	10,743	7%
EBIT	1,591	1,595	0%
Net income <sup>1</sup>	710	761	-7%
Operating cash flow	1,274	1,446	-12%
Investments/Acquisitions	1,891	818	131%
R & D expenses	91	95	-4%
Employees, per capita on balance sheet date (September 30/December 31)	103,289	95,637	8%

### FRESENIUS KABI – Infusion therapy, IV drugs, Clinical nutrition, Medical devices/Transfusion technology

€ in millions	Q1–3/2014	Q1–3/2013	Change
Sales	3,760	3,742	0%
EBIT <sup>2</sup>	634	695	-9%
Net income <sup>3</sup>	337	367	-8%
Operating cash flow	432	303	43%
Investments/Acquisitions	341	246	39%
R & D expenses	195	177	10%
Employees, per capita on balance sheet date (September 30/December 31)	33,359	31,961	4%

### FRESENIUS HELIOS – Hospital operations

€ in millions	Q1–3/2014	Q1–3/2013	Change
Sales	3,883	2,537	53%
EBIT <sup>4</sup>	397	282	41%
Net income <sup>5</sup>	286	194	47%
Operating cash flow	404	186	117%
Investments/Acquisitions	955	92	--
Employees, per capita on balance sheet date (September 30/December 31)	69,197	42,913	61%

### FRESENIUS VAMED – Projects and services for hospitals and other health care facilities

€ in millions	Q1–3/2014	Q1–3/2013	Change
Sales	655	654	0%
EBIT	27	25	8%
Net income <sup>6</sup>	18	16	13%
Operating cash flow	-44	-13	--
Investments/Acquisitions	18	16	13%
Order intake	678	380	78%
Employees, per capita on balance sheet date (September 30/December 31)	7,694	7,010	10%

<sup>1</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

<sup>2</sup> Before integration costs

<sup>3</sup> Net income attributable to shareholders of Fresenius Kabi AG; before integration costs

<sup>4</sup> 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake)

<sup>5</sup> Net income attributable to shareholders of HELIOS Kliniken GmbH; 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake)

<sup>6</sup> Net income attributable to shareholders of VAMED AG

# FRESENIUS SHARE

The Fresenius share had a strong third quarter and closed near its all-time high at €39.20. In the first nine months, the share gained 5.4% and clearly outperformed the DAX index.

## FIRST THREE QUARTERS OF 2014

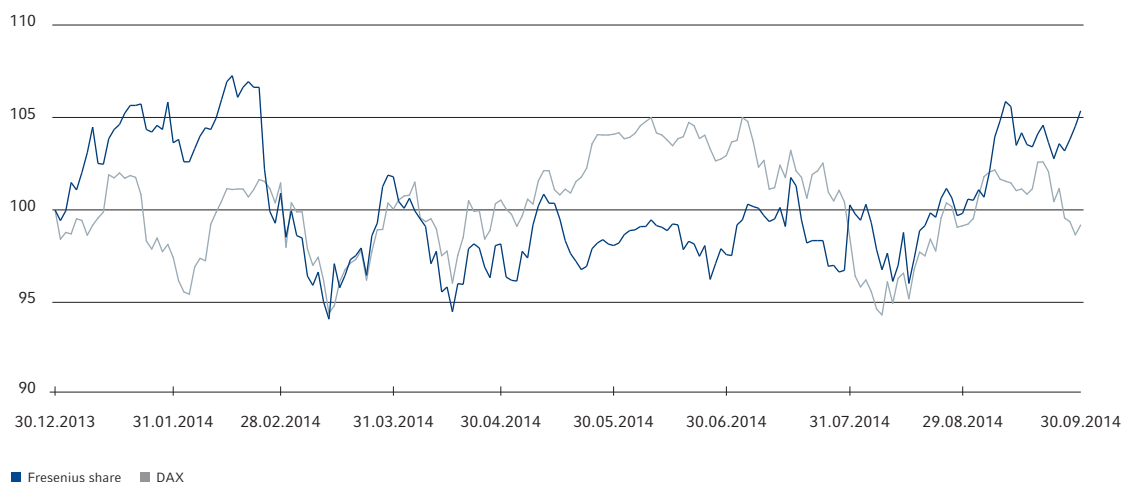
Following a strong start to the year, stock markets moved laterally in the third quarter amid geopolitical tensions and uncertainty about the world economy. In Europe, growth came to a halt. Gross domestic product in the euro zone is expected to expand by 0.8% in 2014, and GDP growth in the U.S. is forecast at 2.3%. The European Central Bank continued its expansive fiscal policy and set the key interest rate at an all-time low of 0.05%. In the third quarter, the US Federal Reserve continued to reduce its bond purchases and ended them in October. An increase in the key interest rate is not expected before 2015, depending on overall economic growth.

The Fresenius share gained 5.4% in the first nine months of 2014 and closed at €39.20 on September 30 (December 31, 2013: €37.20). Despite reaching a record high of 10,029 on July 3, the DAX fell by approximately 1% over the same period. Following the announcement of the company's Q2 results on July 31, the Fresenius share outperformed the DAX, and has been one of the strongest shares in the German benchmark index so far this year.

On August 1, the three-for-one stock split approved by the Annual General Meeting in May became effective.

RELATIVE SHARE PRICE PERFORMANCE VS. DAX

31.12.2013 = 100



## KEY DATA OF THE FRESENIUS SHARE

	Q1-3/2014	2013	Change
Number of shares (September 30/December 31)	541,203,883	539,084,487	
Quarter-end quotation in €	39.20	37.20	5.4%
High in €	39.90	37.32	6.9%
Low in €	35.00	27.30	28.2%
Ø Trading volume (number of shares per trading day)	1,109,006	1,269,192	-12.62%
Market capitalization, € in millions (September 30/December 31)	21,215	20,054	5.8%

# MANAGEMENT REPORT

Fresenius had a strong third quarter with growth accelerating in all four business segments. Emerging markets stood out with double-digit organic sales growth. Fresenius confirms its full year Group guidance and remains optimistic about the fundamental growth trends in its markets.

## FRESENIUS POSTS STRONG Q3 RESULTS AND CONFIRMS 2014 GROUP OUTLOOK

	Q3/2014	at actual rates <sup>4</sup>	in constant currency <sup>4</sup>	Q1-3/2014	at actual rates <sup>5</sup>	in constant currency <sup>5</sup>
Sales	€6.0 bn	+18%	+20%	€16.7 bn	+11%	+14%
EBIT	€820 m <sup>1</sup>	+9%	+10%	€2.2 bn <sup>2</sup>	+1%	+3%
Net income <sup>3</sup>	€281 m <sup>1</sup>	+4%	+5%	€768 m <sup>2</sup>	+2%	+4%

## 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 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 and the growing health consciousness, which increases the demand for health care services and facilities.

In the emerging countries, drivers are the expanding availability and correspondingly greater demand for basic health care and increasing national incomes and hence higher spending on health care.

Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising health care expenditures. However, such measures cannot compensate for the cost pressure. Market-based elements are

increasingly being introduced into the health care system to create incentives for cost- and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards. In addition, ever-greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

## RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

### SALES

Group sales increased by 11% (14% in constant currency) to €16,711 million (Q1-3/2013: €15,032 million). Organic sales growth was 4%. Acquisitions contributed 11%. Divestitures reduced sales growth by 1%.

In the first nine months, organic sales growth was 4% in North America and 3% in Europe. In Asia-Pacific organic sales growth was 5%. In Latin America organic sales growth

<sup>1</sup> Before integration costs

<sup>2</sup> Before integration costs and disposal gains (two HELIOS hospitals; Rhön stake)

<sup>3</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

<sup>4</sup> 2014 before integration costs; 2013 before integration costs

<sup>5</sup> 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake); 2013 before integration costs

## EARNINGS

€ in millions	Q3/2014	Q3/2013	Q1-3/2014	Q1-3/2013
EBIT	820 <sup>1</sup>	754 <sup>1</sup>	2,223 <sup>2</sup>	2,202 <sup>1</sup>
Net income <sup>3</sup>	281 <sup>1</sup>	271 <sup>1</sup>	768 <sup>2</sup>	753 <sup>1</sup>
Net income <sup>3</sup>	276	265	810	727
Earnings per share in € <sup>3</sup>	0.52 <sup>1</sup>	0.51 <sup>1</sup>	1.42 <sup>2</sup>	1.41 <sup>1</sup>
Earnings per share in € <sup>3</sup>	0.51	0.50	1.50	1.36

was 10%. In Africa, the decline in sales is mainly due to fluctuations in the project business at Fresenius Vamed.

Adverse currency translation effects weighed on Group sales in Latin America (-17%), Asia-Pacific (-4%), Africa (-5%) and North America (-3%).

## EARNINGS

Group EBITDA<sup>4</sup> grew by 3% (5% in constant currency) to €2,905 million (Q1-3/2013: €2,824 million). Group EBIT<sup>4</sup> increased by 1% (3% in constant currency) to €2,223 million (Q1-3/2013: €2,202 million). The EBIT margin was 13.3% (Q1-3/2013: 14.6%).

Group net interest was -€431 million (Q1-3/2013: -€449 million). Improved financing terms as well as favorable currency effects contributed to the decrease.

The Group tax rate<sup>4</sup> was 29.5% and above the prior-year level (Q1-3/2013: 28.3%). This is mainly due to a special tax effect at Fresenius Medical Care in Q2/2014.

Noncontrolling interest was €495 million (Q1-3/2013: €504 million), of which 95% was attributable to the noncontrolling interest in Fresenius Medical Care.

Group net income<sup>5</sup> (before special items) increased by 2% (4% in constant currency) to €768 million (Q1-3/2013: €753 million). Earnings per share<sup>5</sup> increased by 1% (2% in constant currency) to €1.42 (Q1-3/2013: €1.41). The weighted average number of shares outstanding was 539,976,138 (Q1-3/2013: 535,366,314).

## SALES BY REGION

€ in millions	Q1-3/2014	Q1-3/2013	Change at actual rates	Currency translations effects	Change at constant rates	Organic growth	Acquisitions/divestitures	% of total sales
North America	6,650	6,447	3%	-3%	6%	4%	2%	40%
Europe	7,436	6,016	24%	0%	24%	3%	21%	45%
Asia-Pacific	1,547	1,437	8%	-4%	12%	5%	7%	9%
Latin America	829	860	-4%	-17%	13%	10%	3%	5%
Africa	249	272	-8%	-5%	-3%	-3%	0%	1%
<b>Total</b>	<b>16,711</b>	<b>15,032</b>	<b>11%</b>	<b>-3%</b>	<b>14%</b>	<b>4%</b>	<b>10%</b>	<b>100%</b>

## SALES BY BUSINESS SEGMENT

€ in millions	Q1-3/2014	Q1-3/2013	Change at actual rates	Currency translations effects	Change at constant rates	Organic growth	Acquisitions/divestitures	% of total sales
Fresenius Medical Care	8,496	8,156	4%	-4%	8%	5%	3%	51%
Fresenius Kabi	3,760	3,742	0%	-4%	4%	3%	1%	22%
Fresenius Helios	3,883	2,537	53%	0%	53%	4%	49%	23%
Fresenius Vamed	655	654	0%	0%	0%	-2%	2%	4%

<sup>1</sup> Before integration costs

<sup>2</sup> Before integration costs and disposal gains (two HELIOS hospitals; Rhön stake)

<sup>3</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA

<sup>4</sup> 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake); 2013 before integration costs

<sup>5</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake); 2013 before integration costs

Including special items, Group net income attributable to shareholders of Fresenius SE & Co. KGaA increased by 11% (13% in constant currency) to €810 million (Q1–3/2013: €727 million). Earnings per share increased by 10% (12% in constant currency) to €1.50 (Q1–3/2013: €1.36).

## RECONCILIATION

The Group's U.S. GAAP financial results as of September 30, 2014 and September 30, 2013 comprise special items. Net income attributable to shareholders of Fresenius SE & Co. KGaA excludes integration costs as well as disposal gains (two HELIOS hospitals, Rhön stake). Adjusted earnings represent the Group's business operations in the reporting period.

## INVESTMENTS

The Fresenius Group spent €854 million on property, plant and equipment (Q1–3/2013: €676 million). The Company primarily invested in the modernization and expansion of production facilities and hospitals as well as in the equipment of new, and the expansion of existing dialysis clinics.

Total acquisition spending was €1,861 million (Q1–3/2013: €442 million), including €805 million for the acquisition of hospitals from Rhön-Klinikum AG and €919 million for acquisitions at Fresenius Medical Care.

## RECONCILIATION

€ in millions	Q1–3/ 2014 (before special items)	Fenwal integration costs	integration costs for acquired Rhön hospitals	disposal gain from two HELIOS hospitals	disposal gain from Rhön stake	Q1–3/ 2014 according to U.S. GAAP (incl. spe- cial items)	Q1–3/ 2013 (before special items)	Fenwal integration costs	Q1–3/ 2013 according to U.S. GAAP (incl. spe- cial items)
<b>Sales</b>	<b>16,711</b>					<b>16,711</b>	<b>15,032</b>		<b>15,032</b>
<b>EBIT</b>	<b>2,223</b>	-6	-12	22	35	<b>2,262</b>	<b>2,202</b>	-34	<b>2,168</b>
Interest result	-431					-431	-449		-449
<b>Net income before taxes</b>	<b>1,792</b>	-6	-12	22	35	<b>1,831</b>	<b>1,753</b>	-34	<b>1,719</b>
Income taxes	-529	2	3	-1	-1	-526	-496	8	-488
<b>Net income</b>	<b>1,263</b>	-4	-9	21	34	<b>1,305</b>	<b>1,257</b>	-26	<b>1,231</b>
Less noncontrolling interest	-495					-495	-504		-504
<b>Net income attributable to shareholders of Fresenius SE &amp; Co. KGaA</b>	<b>768</b>	-4	-9	21	34	<b>810</b>	<b>753</b>	-26	<b>727</b>

€ in millions	Q3/2014 (before special items)	Fenwal integration costs	integration costs for acquired Rhön hospitals	disposal gain from two HELIOS hospitals	disposal gain from Rhön stake	Q3/2014 according to U.S. GAAP (incl. spe- cial items)	Q3/2013 (before special items)	Fenwal integration costs	Q3/2013 according to U.S. GAAP (incl. spe- cial items)
<b>Sales</b>	<b>5,978</b>					<b>5,978</b>	<b>5,045</b>		<b>5,045</b>
<b>EBIT</b>	<b>820</b>	-3	-4	0	0	<b>813</b>	<b>754</b>	-7	<b>747</b>
Interest result	-148					-148	-136		-136
<b>Net income before taxes</b>	<b>672</b>	-3	-4	0	0	<b>665</b>	<b>618</b>	-7	<b>611</b>
Income taxes	-197	1	1	0	0	-195	-173	1	-172
<b>Net income</b>	<b>475</b>	-2	-3	0	0	<b>470</b>	<b>445</b>	-6	<b>439</b>
Less noncontrolling interest	-194					-194	-174		-174
<b>Net income attributable to shareholders of Fresenius SE &amp; Co. KGaA</b>	<b>281</b>	-2	-3	0	0	<b>276</b>	<b>271</b>	-6	<b>265</b>



## INVESTMENTS BY BUSINESS SEGMENT

€ in millions	Q1–3/2014	Q1–3/2013	thereof property, plant and equipment	thereof acquisitions	Change	% of total
Fresenius Medical Care	1,396	621	477	919	125%	51%
Fresenius Kabi	341	246	223	118	39%	13%
Fresenius Helios	955	92	143	812	--	35%
Fresenius Vamed	18	16	6	12	13%	1%
Corporate/Other	5	143	5	0	-97%	0%
<b>Total</b>	<b>2,715</b>	<b>1,118</b>	<b>854</b>	<b>1,861</b>	<b>143%</b>	<b>100%</b>

## CASH FLOW

Operating cash flow increased by 8% to €1,695 million (Q1–3/2013: €1,566 million) with a margin of 10.1% (Q1–3/2013: 10.4%). The margin decrease was attributable to the payment for the W.R. Grace bankruptcy settlement of US\$115 million<sup>1</sup> in Q1/2014 and increased working capital at Fresenius Medical Care.

Net capital expenditure increased to €848 million (Q1–3/2013: €659 million). Free cash flow before acquisitions and dividends was €847 million (Q1–3/2013: €907 million). Free cash flow after acquisitions and dividends was -€1,154 million (Q1–3/2013: €151 million).

## ASSET AND LIABILITY STRUCTURE

The Group's total assets increased by 15% (10% in constant currency) to €37,718 million (Dec. 31, 2013: €32,758 million).

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. Current assets grew by 20% (16% in constant currency) to €9,584 million (Dec. 31, 2013: €7,972 million). Non-current assets increased by 14% (8% in constant currency) to €28,134 million (Dec. 31, 2013: €24,786 million).

Total shareholders' equity increased by 12% (7% in constant currency) to €14,854 million (Dec. 31, 2013: €13,260 million). The equity ratio was 39.4% (Dec. 31, 2013: 40.5%).

Group debt grew by 16% (11% in constant currency) to €14,878 million (Dec. 31, 2013: €12,804 million). Net debt was €13,843 million (Dec. 31, 2013: €11,940 million). The increase is mainly due to the hospitals acquired from

## CASH FLOW STATEMENT (SUMMARY)

€ in millions	Q1–3/2014	Q1–3/2013	Change
Net income	1,305	1,231	6%
Depreciation and amortization	682	622	10%
Change in accruals for pensions	14	23	-39%
<b>Cash flow</b>	<b>2,001</b>	<b>1,876</b>	<b>7%</b>
Change in working capital	-306	-310	1%
<b>Operating cash flow</b>	<b>1,695</b>	<b>1,566</b>	<b>8%</b>
Property, plant and equipment	-863	-679	-27%
Proceeds from the sale of property, plant and equipment	15	20	-25%
<b>Cash flow before acquisitions and dividends</b>	<b>847</b>	<b>907</b>	<b>-7%</b>
Cash used for acquisitions, net	-1,480	-298	--
Dividends paid	-521	-458	-14%
<b>Free cash flow paid after acquisitions and dividends</b>	<b>-1,154</b>	<b>151</b>	<b>--</b>
Cash provided by/used for financing activities	1,284	-142	--
Effect of exchange rates on change in cash and cash equivalents	41	-21	--
<b>Net change in cash and cash equivalents</b>	<b>171</b>	<b>-12</b>	<b>--</b>

<sup>1</sup> See Annual Report 2013, page 150 f.

Rhön-Klinikum AG, the acquisitions at Fresenius Medical Care as well as currency effects.

As of September 30, 2014, the net debt/EBITDA ratio was 3.44<sup>1</sup> (Dec. 31, 2013: 2.51<sup>2</sup>).

### THIRD QUARTER OF 2014

Group sales increased by 18% to €5,978 million (Q3/2013: €5,045 million). In constant currency, sales increased by 20%. Organic sales growth was 6%, acquisitions contributed a further 15%, divestments reduced sales growth by 1%. EBIT<sup>3</sup> increased by 9% at actual rates (10% in constant currency) to €820 million (Q3/2013: €754 million). In Q3/2014, the EBIT margin was 13.7% (Q3/2013: 14.9%).

Group net income<sup>4</sup> (before special items) increased by 4% to €281 million (Q3/2013: €271 million). In constant currency, growth of 5% was achieved. Earnings per share<sup>4</sup> was

€0.52 (Q3/2013: €0.51). In constant currency, earnings per share improved by 2%. Including special items, Group net income attributable to shareholders of Fresenius SE & Co. KGaA increased by 4% to €276 million (Q3/2013: €265 million). Earnings per share increased by 2% to €0.51 (Q3/2013: €0.50). In constant currency, earnings per share improved by 4%.

Operating cash flow increased by 53% to €945 million (Q3/2013: €619 million) with a margin of 15.8% (Q3/2013: 12.3%). The strong Q3/2014 margin is due to the very good sequential and year-on-year cash flow development in all business segments.

Investments in property, plant and equipment increased to €332 million (Q3/2013: €251 million). Acquisition spending was €645 million (Q3/2013: €292 million).

<sup>1</sup> Pro forma including acquired Rhön hospitals, acquisition at Fresenius Medical Care and excluding two HELIOS hospitals; before integration costs and disposal gains (two HELIOS hospitals; Rhön stake);

<sup>2</sup> Pro forma excluding advances made for the acquisition of hospitals from Rhön-Klinikum AG; before integration costs

<sup>3</sup> 2014 before integration costs; 2013 before integration costs

<sup>4</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs; 2013 before integration costs

## BUSINESS SEGMENTS

### FRESENIUS MEDICAL CARE

Fresenius Medical Care is the world's leading provider of services and products for patients with chronic kidney failure. As of September 30, 2014, Fresenius Medical Care was treating 283,135 patients in 3,349 dialysis clinics.

US\$ in millions	Q3/2014	Q3/2013	Change	Q1-3/2014	Q1-3/2013	Change
Sales	4,113	3,666	12%	11,511	10,743	7%
EBITDA	767	722	6%	2,105	2,074	1%
EBIT	590	557	6%	1,591	1,595	0%
Net income <sup>1</sup>	271	273	-1%	710	761	-7%
Employees (Sept. 30/Dec. 31)				103,289	95,637	8%

- ▶ 7% organic sales growth in Q3
- ▶ 17.3% operating cash flow margin in Q3
- ▶ 2014 guidance confirmed

#### FIRST THREE QUARTERS OF 2014

Sales increased by 7% (8% in constant currency) to US\$11,511 million (Q1-3/2013: US\$10,743 million).

Organic sales growth was 5%. Acquisitions contributed 4%, while divestitures reduced sales growth by 1%.

Sales in dialysis services increased by 8% (10% in constant currency) to US\$8,928 million (Q1-3/2013: US\$8,235 million). Dialysis product sales grew by 3% (3% in constant currency) to US\$2,583 million (Q1-3/2013: US\$2,508 million).

In North America, sales grew by 7% to US\$7,624 million (Q1-3/2013: US\$7,099 million). Dialysis services sales increased by 8% to US\$7,015 million (Q1-3/2013: US\$6,485 million). Dialysis product sales decreased by 1% to US\$609 million (Q1-3/2013: US\$614 million).

Sales outside North America ("International" segment) increased by 6% (9% in constant currency) to US\$3,843 million (Q1-3/2013: US\$3,619 million). Sales in dialysis services

increased by 9% to US\$1,913 million (Q1-3/2013: US\$1,750 million). Dialysis product sales increased by 3% to US\$1,930 million (Q1-3/2013: US\$1,869 million).

EBIT was US\$1,591 million (Q1-3/2013: US\$1,595 million). The EBIT margin was 13.8% (Q1-3/2013: 14.8%). EBIT was impacted by sequestration and rebasing of Medicare's reimbursement rate in the United States.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA was US\$710 million (Q1-3/2013: US\$761 million).

Operating cash flow was US\$1,274 million (Q1-3/2013: US\$1,446 million). The decrease was mainly attributable to the payment for the W.R. Grace bankruptcy settlement of US\$115 million and increased working capital in Q1/2014. The cash flow margin was 11.1% (Q1-3/2013: 13.5%).

#### THIRD QUARTER OF 2014

Fresenius Medical Care increased sales by 12% (13% in constant currency) to US\$4,113 million (Q3/2013: US\$3,666 million). Organic sales growth was 7%, acquisitions contributed 7%, divestments had a negative effect of 1%. Adverse currency translation effects reduced sales by 1%. EBIT

<sup>1</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

increased by 6% to US\$590 million (Q3/2013: US\$557 million). The EBIT margin was 14.3% (Q3/2013: 15.2%). Net income<sup>1</sup> was US\$271 million, a decrease of 1% (Q3/2013: US\$273 million). Operating cash flow increased to US\$712 million (Q3/2013: US\$605 million), the cash flow margin was 17.3% (Q3/2013: 16.5%).

Please see page 17 of the Management Report for the 2014 outlook of Fresenius Medical Care.

For further information, please see Fresenius Medical Care's Investor News at [www.fmc-ag.com](http://www.fmc-ag.com).

<sup>1</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

## FRESENIUS KABI

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.

€ in millions	Q3/2014	Q3/2013	Change	Q1-3/2014	Q1-3/2013	Change
Sales	1,294	1,223	6%	3,760	3,742	0%
EBITDA <sup>1</sup>	272	277	-2%	785	852	-8%
EBIT <sup>1</sup>	223	226	-1%	634	695	-9%
Net income <sup>2</sup>	120	125	-4%	337	367	-8%
Employees (Sept. 30/Dec. 31)				33,359	31,961	4%

- ▶ **5% organic sales growth in Q3**
- ▶ **Sequential EBIT margin increase by 40 bps to 17.2% in Q3**
- ▶ **2014 guidance: 4% to 6% organic sales growth confirmed, EBIT-margin of approximately 17% expected**

### FIRST THREE QUARTERS OF 2014

Sales were €3,760 million (Q1-3/2013: €3,742 million). In constant currency, sales increased by 4%. Organic sales growth was 3%. Acquisitions contributed 1% sales growth. Adverse currency translation effects (-4%) were mainly driven by the weaker currencies in the United States and Argentina against the Euro.

Sales in Europe grew by 1% (organic sales growth: 2%) to €1,538 million (Q1-3/2013: €1,524 million). Sales in North America decreased by 3% (organic sales growth: 0%) to €1,118 million (Q1-3/2013: €1,158 million). Asia-Pacific sales increased by 5% (organic sales growth: 7%) to €723 million (Q1-3/2013: €689 million). Sales in Latin America/Africa increased by 3% (organic sales growth: 13%) to €381 million (Q1-3/2013: €371 million).

EBIT<sup>1</sup> was €634 million (Q1-3/2013: €695 million), a decrease of 6% in constant currency. Besides currency headwinds, EBIT was impacted by lower HES sales and the easing of drug shortages in North America. The EBIT margin of

16.9% was in line with expectations and our guidance range. Net income<sup>2</sup> was €337 million (Q1-3/2013: €367 million).

Operating cash flow was €432 million (Q1-3/2013: €303 million) with a margin of 11.5% (Q1-3/2013: 8.1%).

Integration costs for Fenwal were €6 million (pre-tax) in Q1-3/2014. These costs are reported in the Group Corporate/Other segment.

### THIRD QUARTER OF 2014

In the third quarter of 2014, Fresenius Kabi increased sales by 6% to €1,294 million (Q3/2013: €1,223 million). In constant currency, sales increased by 7%. Organic sales growth was 5%, acquisitions contributed 2%. EBIT<sup>1</sup> was €223 million (Q3/2013: €226 million), an increase of 1% in constant currency. Sequentially, the EBIT margin improved by 40 bps to 17.2% in Q3/2014. Fresenius Kabi's net income<sup>2</sup> decreased by 4% to €120 million (Q3/2013: €125 million). Operating cash flow was €217 million (Q3/2013: €65 million) with a margin of 16.8% (Q3/2013: 5.3%).

Please see page 17 of the Management Report for the 2014 outlook of Fresenius Kabi.

<sup>1</sup> Before integration costs

<sup>2</sup> Net income attributable to shareholders of Fresenius Kabi AG; before integration costs

## FRESENIUS HELIOS

Fresenius Helios is Germany's largest hospital operator. HELIOS owns 110 hospitals, thereof 86 acute care clinics including seven maximum care hospitals in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, Wiesbaden and Wuppertal and 24 post-acute care clinics. HELIOS treats more than 4.2 million patients p.a., thereof more than 1.2 million inpatients, and operates more than 34,000 beds.

€ in millions	Q3/2014	Q3/2013	Change	Q1-3/2014	Q1-3/2013	Change
Sales	1,362	842	62%	3,883	2,537	53%
EBITDA	190 <sup>1</sup>	133	43%	534 <sup>2</sup>	368	45%
EBIT	147 <sup>1</sup>	103	43%	397 <sup>2</sup>	282	41%
Net income <sup>3</sup>	107 <sup>1</sup>	75	43%	286 <sup>2</sup>	194	47%
Employees (Sept. 30/Dec. 31)				69,197	42,913	61%

- ▶ **6% organic sales growth in Q3**
- ▶ **Sequential EBIT margin increase of 30 bps to 10.8% in Q3**
- ▶ **2014 guidance fully confirmed**

### FIRST THREE QUARTERS OF 2014

Sales increased by 53% to €3,883 million (Q1-3/2013: €2,537 million). The strong increase is mainly due to the acquired hospitals from Rhön-Klinikum AG. The divestment of two HELIOS hospitals reduced sales growth by 2%. Organic sales growth was 4%.

EBIT<sup>2</sup> grew by 41% to €397 million (Q1-3/2013: €282 million). The EBIT margin was 10.2% (Q1-3/2013: 11.1%). The margin decline is due to the consolidation of the newly acquired hospitals.

Net income<sup>2,3</sup> increased by 47% to €286 million (Q1-3/2013: €194 million).

Sales of the established hospitals grew by 4% to €2,583 million. EBIT improved by 4% to €287 million. The EBIT margin was 11.1% (Q1-3/2013: 11.1%).

Sales of the acquired hospitals were €1,300 million, EBIT was €110 million and EBIT margin was 8.5%.

The integration of the acquired hospitals is progressing as planned. Integration costs are now expected to be between €60-80 million (before: approximately €80 million) in total for 2014 and 2015. Fresenius Helios confirms expected cost synergies of approximately €85 million p.a. by 2015.

### THIRD QUARTER OF 2014

In the third quarter of 2014, Fresenius Helios improved sales to €1,362 million (Q3/2013: €842 million), an increase of 62%. Organic sales growth was 6%, acquisitions contributed 58% to sales growth, divestments reduced sales by 2%. EBIT<sup>1</sup> increased by 43% to €147 million (Q3/2013: €103 million). Sequentially, the EBIT margin increased by 30 bps from 10.5% in Q2/2014 to 10.8% in Q3/2014. Q3/2014 EBIT margin of the acquired hospitals decreased by 20 bps sequentially to 8.9% due to the first time consolidation of the acquired hospital in Wiesbaden (HSK) as of June 30, 2014. Net income<sup>1,3</sup> increased by 43% to €107 million (Q3/2013: €75 million).

Please see page 17 of the Management Report for the 2014 outlook of Fresenius Helios.

<sup>1</sup> 2014 before integration costs

<sup>2</sup> 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake)

<sup>3</sup> Net income attributable to shareholders of HELIOS Kliniken GmbH

## FRESENIUS VAMED

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

€ in millions	Q3/2014	Q3/2013	Change	Q1–3/2014	Q1–3/2013	Change
Sales	257	233	10%	655	654	0%
EBITDA	15	13	15%	35	32	9%
EBIT	12	10	20%	27	25	8%
Net income <sup>1</sup>	8	7	14%	18	16	13%
Employees (Sept. 30/Dec. 31)				7,694	7,010	10%

- ▶ 7% organic sales growth in Q3
- ▶ Record quarterly order intake of €378 million in Q3
- ▶ 2014 guidance: flat organic sales growth expected, 5% – 10% EBIT growth expectation confirmed

### FIRST THREE QUARTERS OF 2014

Sales were €655 million (Q1–3/2013: €654 million). Organic sales growth was -2%, acquisitions contributed 2%. Sales in the project business decreased by 8% to €306 million (Q1–3/2013: €332 million), mainly due to project delays in Russia and Ukraine. Sales in the service business grew by 8% to €349 million (Q1–3/2013: €322 million).

EBIT grew by 8% to €27 million (Q1–3/2013: €25 million) with a margin of 4.1% (Q1–3/2013: 3.8%).

Net income<sup>1</sup> increased by 13% to €18 million (Q1–3/2013: €16 million).

Order intake increased by 78% to €678 million (Q1–3/2013: €380 million), mainly driven by the modernization contract with the University Hospital Schleswig-Holstein in Germany. As of September 30, 2014, order backlog increased to €1,504 million (Dec. 31, 2013: €1,139 million).

### THIRD QUARTER OF 2014

Sales in the third quarter of 2014 were €257 million (Q3/2013: €233 million). Organic sales growth was 7%. EBIT increased by 20% to €12 million (Q3/2013: €10 million) with a margin of 4.7% (Q3/2013: 4.3%). Net income<sup>1</sup> increased by 14% to €8 million (Q3/2013: €7 million). In Q3/2014, order intake increased to a record level of €378 million.

Please see page 18 of the Management Report for the 2014 outlook of Fresenius Vamed.

<sup>1</sup> Net income attributable to shareholders of Vamed AG

## EMPLOYEES

As of September 30, 2014, the number of employees increased by 20% to 214,401 (Dec. 31, 2013: 178,337). This is mainly due to the acquisition of hospitals from Rhön-Klinikum AG.

### EMPLOYEES BY BUSINESS SEGMENT

Number of employees	Sept. 30, 2014	Dec 31, 2013	Change
Fresenius Medical Care	103,289	95,637	8%
Fresenius Kabi	33,359	31,961	4%
Fresenius Helios	69,197	42,913	61%
Fresenius Vamed	7,694	7,010	10%
Corporate/Other	862	816	6%
<b>Total</b>	<b>214,401</b>	<b>178,337</b>	<b>20%</b>

## 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 BY BUSINESS SEGMENT

€ in millions	Q1-3/2014	Q1-3/2013	Change
Fresenius Medical Care	67	72	-7%
Fresenius Kabi	195	177	10%
Fresenius Helios	-	-	--
Fresenius Vamed	0	0	
Corporate/Other	1	3	-67%
<b>Total</b>	<b>263</b>	<b>252</b>	<b>4%</b>

## DIALYSIS

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.

## INFUSION THERAPIES, CLINICAL NUTRITION, GENERIC IV DRUGS, AND MEDICAL DEVICES

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

## OPPORTUNITIES AND RISK REPORT

Compared to the presentation in the 2013 annual report, there have been no material changes in Fresenius' overall opportunities and risk situation in the third quarter of 2014.

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

In addition, we report on legal proceedings, currency and interest risks on pages 44 to 50 in the Notes of this report.



## SUBSEQUENT EVENTS

On October 29, 2014, Fresenius Medical Care US Finance II, Inc., issued US\$900 million aggregate principal amount of US\$-denominated unsecured Senior Notes to repay Term Loan A-2 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, issued at par, consist of US\$500 million with a coupon of 4.125% Senior Notes due 2020 and US\$400 million with a coupon of 4.75% Senior Notes due 2024.

On November 6, 2014, Fresenius Kabi and its partners Sistema JSFC and Zenitco Finance Management LLC announced they had agreed to terminate the joint venture agreement announced in April 2014. The intention was to combine Fresenius Kabi's Russian and CIS business with the partners' subsidiary CJSC Binnopharm.

Besides the items mentioned, there were no significant changes in the Fresenius Group's operating environment following the end of the third quarter of 2014. No other events of material importance on the assets and liabilities, financial position, and result of operations of the Group have occurred after the close of the third quarter of 2014.

## RATING

Fresenius is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

	Standard & Poor's	Moody's	Fitch
Company rating	BB+	Ba1	BB+
Outlook	positive	negative	positive

## OUTLOOK 2014

### FRESENIUS GROUP<sup>1</sup>

Based on the Group's strong financial results in the first three quarters, Fresenius confirms its 2014 Group guidance. Sales are expected to increase by 14% to 16%, net income<sup>2</sup> is expected to increase by 2% to 5% (both in constant currency).

The net debt/EBITDA ratio is expected to be approximately 3.25 at year-end.

### FRESENIUS MEDICAL CARE

Fresenius Medical Care confirms its outlook for 2014. Fresenius Medical Care expects sales of approximately US\$15.2 billion, translating into a growth rate of around 4%. This outlook excludes sales of approximately US\$500 million from acquisitions completed during the first nine months of 2014. Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to be unchanged between US\$1.0 to US\$1.05 billion. The company has initiated a global efficiency program designed to enhance its performance over a multi-year period. Potential cost savings before income taxes of up to US\$60 million generated from this program are not included in the outlook for 2014.

### FRESENIUS KABI<sup>3</sup>

Fresenius Kabi confirms its 2014 organic sales growth outlook of 4% to 6%. The EBIT margin is now confirmed at approximately 17%, so within the previously guided range of 16.5% to 18%.

### FRESENIUS HELIOS<sup>4</sup>

Fresenius Helios fully confirms its 2014 outlook, and projects organic sales growth of 3% to 5%. The acquired hospitals are also expected to show 3% to 5% organic growth and to contribute sales of approximately €1.8 billion. EBIT for HELIOS including the acquired hospitals is expected to increase to €540–560 million.

<sup>1</sup> Includes contributions from the acquisition of hospitals from Rhön-Klinikum AG and acquisitions at Fresenius Medical Care

<sup>2</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake); 2013 before integration costs

<sup>3</sup> Fresenius Kabi guidance excludes €40–50 million pre-tax Fenwal integration costs (€30–40 million after tax); see Group guidance

<sup>4</sup> Fresenius Helios guidance before integration costs for the hospitals acquired from Rhön-Klinikum AG and disposal gains of two HELIOS hospitals and Rhön stake. The integration costs will be reported in the Group Corporate/Other segment, see Group guidance

## FRESENIUS VAMED

Due to project delays in Russia and Ukraine Fresenius Vamed now expects flat organic sales growth (before: 5% to 10%). The EBIT growth guidance of 5% to 10% for 2014 remains unchanged.

## INVESTMENTS

The Group plans to invest around 6% of sales in property, plant and equipment.

## EMPLOYEES

The number of employees in the Group will continue to rise in the future as a result of the expected expansion. We expect the number of employees to be above 215,000 in 2014, mainly as a result of the acquisition of hospitals from Rhön-Klinikum AG. The number of employees is expected to increase in all business segments.

## RESEARCH AND DEVELOPMENT

Our R & D activities will continue to play a key role in securing the Group's long-term growth through innovations and new therapies. We plan to increase the Group's R & D spending in 2014. About 4% to 5% of our product sales will be reinvested in research and development.

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

## GROUP FINANCIAL OUTLOOK 2014<sup>1</sup>

	Previous guidance	New guidance
Sales, growth (constant currency)	14% – 16%	confirmed
Net income <sup>2</sup> , growth (in constant currency)	2% – 5%	confirmed

<sup>1</sup> Includes contributions from the acquisition of hospitals from Rhön-Klinikum AG and acquisitions at Fresenius Medical Care

<sup>2</sup> Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2014 before integration costs and disposal gains (two HELIOS hospitals; Rhön stake); 2013 before integration costs

## OUTLOOK 2014 BY BUSINESS SEGMENT

		Previous guidance	New guidance
Fresenius Medical Care <sup>1</sup>	Sales	~US\$15.2 bn	confirmed
	Net income <sup>2</sup>	US\$1.0 bn – US\$1.05 bn	confirmed
Fresenius Kabi <sup>3</sup>	Sales growth (organic)	4% – 6%	confirmed
	EBIT margin	16.5% – 18%	~17%
Fresenius Helios <sup>4</sup>	Sales growth (organic) <sup>5</sup>	3% – 5%	confirmed
	Sales contribution acquired hospitals	~€1.8 bn	confirmed
	EBIT <sup>6</sup>	€540 – 560 m	confirmed
Fresenius Vamed	Sales growth	5% – 10%	~0%
	EBIT, growth	5% – 10%	confirmed

<sup>1</sup> This outlook excludes sales of approximately US\$500 million from acquisitions completed during the first nine months of 2014. Potential cost savings before income taxes of up to US\$60 million are not included in the outlook for 2014.

<sup>2</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

<sup>3</sup> Fresenius Kabi guidance excludes €40 – 50 million pre-tax Fenwal integration costs (€30 – 40 million after tax); see Group guidance

<sup>4</sup> Fresenius Helios guidance before integration costs for the hospitals acquired from Rhön-Klinikum AG and disposal gains of two HELIOS hospitals and Rhön stake.

The integration costs will be reported in the Group Corporate/Other segment, see Group guidance

<sup>5</sup> Fresenius Helios continues to project 2014 organic sales growth of 3 to 5%; the acquired Rhön hospitals are also expected to show 3 to 5% organic growth

<sup>6</sup> Including acquired Rhön hospitals

## FRESENIUS SE & CO. KGAA

### CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

€ in millions	Q3/2014	Q3/2013	Q1-3/2014	Q1-3/2013
Sales	5,978	5,045	16,711	15,032
Cost of sales	-4,206	-3,460	-11,775	-10,327
<b>Gross profit</b>	<b>1,772</b>	<b>1,585</b>	<b>4,936</b>	<b>4,705</b>
Selling, general and administrative expenses	-866	-753	-2,411	-2,285
Research and development expenses	-93	-85	-263	-252
<b>Operating income (EBIT)</b>	<b>813</b>	<b>747</b>	<b>2,262</b>	<b>2,168</b>
Net interest	-148	-136	-431	-449
<b>Income before income taxes</b>	<b>665</b>	<b>611</b>	<b>1,831</b>	<b>1,719</b>
Income taxes	-195	-172	-526	-488
<b>Net income</b>	<b>470</b>	<b>439</b>	<b>1,305</b>	<b>1,231</b>
Less noncontrolling interest	194	174	495	504
<b>Net income attributable to shareholders of Fresenius SE &amp; Co. KGaA</b>	<b>276</b>	<b>265</b>	<b>810</b>	<b>727</b>
<b>Earnings per ordinary share in € (after stock split 1:3)</b>	<b>0.51</b>	<b>0.50</b>	<b>1.50</b>	<b>1.36</b>
Fully diluted earnings per ordinary share in € (after stock split 1:3)	0.51	0.49	1.49	1.34

The following notes are an integral part of the unaudited condensed interim financial statements.

## FRESENIUS SE & CO. KGAA

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

€ in millions	Q3/2014	Q3/2013	Q1-3/2014	Q1-3/2013
<b>Net income</b>	<b>470</b>	<b>439</b>	<b>1,305</b>	<b>1,231</b>
<b>Other comprehensive income (loss)</b>				
Foreign currency translation	746	-274	777	-317
Cash flow hedges	-20	2	-2	35
Change of fair value of available for sale financial assets	0	8	-23	25
Actuarial gains/losses on defined benefit pension plans	-10	10	-6	18
Income taxes related to components of other comprehensive income (loss)	-10	5	-14	-7
<b>Other comprehensive income (loss), net</b>	<b>706</b>	<b>-249</b>	<b>732</b>	<b>-246</b>
<b>Total comprehensive income</b>	<b>1,176</b>	<b>190</b>	<b>2,037</b>	<b>985</b>
<b>Comprehensive income attributable to noncontrolling interest subject to put provisions</b>	<b>73</b>	<b>8</b>	<b>120</b>	<b>48</b>
<b>Comprehensive income attributable to noncontrolling interest not subject to put provisions</b>	<b>499</b>	<b>5</b>	<b>795</b>	<b>304</b>
<b>Comprehensive income attributable to shareholders of Fresenius SE &amp; Co. KGaA</b>	<b>604</b>	<b>177</b>	<b>1,122</b>	<b>633</b>

The following notes are an integral part of the unaudited condensed interim financial statements.

## FRESENIUS SE & CO. KGAA

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

#### ASSETS

€ in millions	September 30, 2014	December 31, 2013
Cash and cash equivalents	1,035	864
Trade accounts receivable, less allowance for doubtful accounts	4,104	3,474
Accounts receivable from and loans to related parties	36	28
Inventories	2,338	2,014
Other current assets	1,731	1,261
Deferred taxes	340	331
<b>I. Total current assets</b>	<b>9,584</b>	<b>7,972</b>
Property, plant and equipment	6,509	5,082
Goodwill	18,703	14,826
Other intangible assets	1,338	1,241
Other non-current assets	1,333	3,433
Deferred taxes	251	204
<b>II. Total non-current assets</b>	<b>28,134</b>	<b>24,786</b>
<b>Total assets</b>	<b>37,718</b>	<b>32,758</b>

#### LIABILITIES AND SHAREHOLDERS' EQUITY

€ in millions	September 30, 2014	December 31, 2013
Trade accounts payable	903	885
Short-term accounts payable to related parties	1	2
Short-term accrued expenses and other short-term liabilities	3,929	3,057
Short-term debt	522	959
Short-term loans from related parties	2	6
Current portion of long-term debt and capital lease obligations	1,012	855
Current portion of Senior Notes	667	0
Short-term accruals for income taxes	204	211
Deferred taxes	46	48
<b>A. Total short-term liabilities</b>	<b>7,286</b>	<b>6,023</b>
Long-term debt and capital lease obligations, less current portion	5,712	5,871
Senior Notes, less current portion	6,134	5,113
Convertible bonds	829	0
Long-term accrued expenses and other long-term liabilities	564	434
Pension liabilities	744	714
Long-term accruals for income taxes	181	180
Deferred taxes	797	691
<b>B. Total long-term liabilities</b>	<b>14,961</b>	<b>13,003</b>
<b>I. Total liabilities</b>	<b>22,247</b>	<b>19,026</b>
<b>II. Noncontrolling interest subject to put provisions</b>	<b>617</b>	<b>472</b>
<b>A. Noncontrolling interest not subject to put provisions</b>	<b>5,704</b>	<b>5,065</b>
Subscribed capital	541	539
Capital reserve	3,011	2,955
Other reserves	5,637	5,052
Accumulated other comprehensive loss	-39	-351
<b>B. Total Fresenius SE &amp; Co. KGaA shareholders' equity</b>	<b>9,150</b>	<b>8,195</b>
<b>III. Total shareholders' equity</b>	<b>14,854</b>	<b>13,260</b>
<b>Total liabilities and shareholders' equity</b>	<b>37,718</b>	<b>32,758</b>

The following notes are an integral part of the unaudited condensed interim financial statements.

## FRESENIUS SE & CO. KGAA

### CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

€ in millions	Q1-3/2014	Q1-3/2013
<b>Operating activities</b>		
Net income	1,305	1,231
<b>Adjustments to reconcile net income to cash and cash equivalents provided by operating activities</b>		
Depreciation and amortization	682	622
Gain on sale of investments and divestitures	-55	-44
Change in deferred taxes	-18	-28
Gain/Loss on sale of fixed assets	-	1
<b>Changes in assets and liabilities, net of amounts from businesses acquired or disposed of</b>		
Trade accounts receivable, net	-143	-25
Inventories	-148	-213
Other current and non-current assets	-54	31
Accounts receivable from/payable to related parties	-12	-10
Trade accounts payable, accrued expenses and other short-term and long-term liabilities	168	-4
Accruals for income taxes	-30	5
<b>Net cash provided by operating activities</b>	<b>1,695</b>	<b>1,566</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	-863	-679
Proceeds from sales of property, plant and equipment	15	20
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	-1,647	-445
Proceeds from sale of investments and divestitures	167	147
<b>Net cash used in investing activities</b>	<b>-2,328</b>	<b>-957</b>
<b>Financing activities</b>		
Proceeds from short-term loans	405	354
Repayments of short-term loans	-889	-79
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	2,201	1,944
Repayments of long-term debt and capital lease obligations	-2,785	-1,439
Proceeds from the issuance of Senior Notes	1,420	500
Repayments of liabilities from Senior Notes	0	-1,150
Proceeds from the issuance of convertible bonds	900	0
Payments for the share buy-back program of Fresenius Medical Care	0	-385
Changes of accounts receivable securitization program	-69	28
Proceeds from the exercise of stock options	102	86
Dividends paid	-521	-458
Change in noncontrolling interest	-1	-2
Exchange rate effect due to corporate financing	-	1
<b>Net cash provided by/used in financing activities</b>	<b>763</b>	<b>-600</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>41</b>	<b>-21</b>
<b>Net increase/decrease in cash and cash equivalents</b>	<b>171</b>	<b>-12</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>864</b>	<b>885</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>1,035</b>	<b>873</b>

The following notes are an integral part of the unaudited condensed interim financial statements.

## FRESENIUS SE &amp; CO. KGAA

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Subscribed Capital			Reserves	
	Number of ordinary shares in thousand	Amount € in thousands	Amount € in millions	Capital reserve € in millions	Other reserves € in millions
<b>As of December 31, 2012</b>	534,564	534,564	535	2,868	4,358
Proceeds from the exercise of stock options	1,953	1,953	2	45	
Compensation expense related to stock options				18	
Dividends paid					-196
Sale of noncontrolling interest not subject to put provisions					
Share buy-back program of Fresenius Medical Care AG & Co. KGaA					-121
Change in fair value of noncontrolling interest subject to put provisions				-24	
Comprehensive income (loss)					727
Net income					727
Other comprehensive income (loss)					
Cash flow hedges					
Change of fair value of available for sale financial assets					
Foreign currency translation					
Actuarial gains on defined benefit pension plans					
Comprehensive income (loss)					727
<b>As of September 30, 2013</b>	536,517	536,517	537	2,907	4,768
<b>As of December 31, 2013</b>	539,085	539,085	539	2,955	5,052
Proceeds from the exercise of stock options	2,119	2,119	2	56	
Compensation expense related to stock options				10	
Dividends paid					-225
Purchase of noncontrolling interest not subject to put provisions					
Change in fair value of noncontrolling interest subject to put provisions				-10	
Comprehensive income (loss)					810
Net income					810
Other comprehensive income (loss)					
Cash flow hedges					
Change of fair value of available for sale financial assets					
Foreign currency translation					
Actuarial losses on defined benefit pension plans					
Comprehensive income					810
<b>As of September 30, 2014</b>	541,204	541,204	541	3,011	5,637

## FRESENIUS SE &amp; CO. KGAA

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Accumulated other com- prehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest not subject to put provisions € in millions	Total shareholders' equity € in millions
<b>As of December 31, 2012</b>	-128	7,633	5,125	12,758
Proceeds from the exercise of stock options		47	39	86
Compensation expense related to stock options		18	9	27
Dividends paid		-196	-196	-392
Sale of noncontrolling interest not subject to put provisions		0	-50	-50
Share buy-back program of Fresenius Medical Care AG & Co. KGaA		-121	-264	-385
Change in fair value of noncontrolling interest subject to put provisions		-24	-54	-78
Comprehensive income (loss)				
Net income		727	447	1,174
Other comprehensive income (loss)				
Cash flow hedges	17	17	9	26
Change of fair value of available for sale financial assets	25	25	-	25
Foreign currency translation	-139	-139	-160	-299
Actuarial gains on defined benefit pension plans	3	3	8	11
Comprehensive income (loss)	-94	633	304	937
<b>As of September 30, 2013</b>	-222	7,990	4,913	12,903
<b>As of December 31, 2013</b>	-351	8,195	5,065	13,260
Proceeds from the exercise of stock options		58	44	102
Compensation expense related to stock options		10	2	12
Dividends paid		-225	-213	-438
Purchase of noncontrolling interest not subject to put provisions		0	33	33
Change in fair value of noncontrolling interest subject to put provisions		-10	-22	-32
Comprehensive income (loss)				
Net income		810	418	1,228
Other comprehensive income (loss)				
Cash flow hedges	-2	-2	-	-2
Change of fair value of available for sale financial assets	-16	-16	-	-16
Foreign currency translation	332	332	379	711
Actuarial losses on defined benefit pension plans	-2	-2	-2	-4
Comprehensive income	312	1,122	795	1,917
<b>As of September 30, 2014</b>	-39	9,150	5,704	14,854

The following notes are an integral part of the unaudited condensed interim financial statements.

## FRESENIUS SE & CO. KGAA CONSOLIDATED SEGMENT REPORTING FIRST THREE QUARTERS (UNAUDITED)

by business segment, € in millions	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
	2014	2013	Change	2014 <sup>2</sup>	2013 <sup>2</sup>	Change	2014 <sup>3</sup>	2013	Change	2014	2013	Change	2014 <sup>4,5</sup>	2013 <sup>4</sup>	Change	2014	2013	Change
Sales	8,496	8,156	4%	3,760	3,742	0%	3,883	2,537	53%	655	654	0%	-83	-57	-46%	16,711	15,032	11%
thereof contribution to consolidated sales	8,464	8,139	4%	3,729	3,711	0%	3,883	2,537	53%	631	629	0%	4	16	-75%	16,711	15,032	11%
thereof intercompany sales	32	17	88%	31	31	0%	0	0		24	25	-4%	-87	-73	-19%	0	0	
contribution to consolidated sales	51%	54%		22%	25%		23%	17%		4%	4%		0%	0%		100%	100%	
EBITDA	1,553	1,575	-1%	785	852	-8%	534	368	45%	35	32	9%	37	-37	200%	2,944	2,790	6%
Depreciation and amortization	379	364	4%	151	157	-4%	137	86	59%	8	7	14%	7	8	-13%	682	622	10%
EBIT	1,174	1,211	-3%	634	695	-9%	397	282	41%	27	25	8%	30	-45	167%	2,262	2,168	4%
Net interest	-217	-236	8%	-145	-181	20%	-41	-39	-5%	-1	-2	50%	-27	9	--	-431	-449	4%
Income taxes	-325	-320	-2%	-136	-129	-5%	-64	-45	-42%	-7	-6	-17%	6	12	-50%	-526	-488	-8%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	524	578	-9%	337	367	-8%	286	194	47%	18	16	13%	-355	-428	17%	810	727	11%
Operating cash flow	940	1,098	-14%	432	303	43%	404	186	117%	-44	-13	--	-37	-8	--	1,695	1,566	8%
Cash flow before acquisitions and dividends	469	723	-35%	209	114	83%	261	105	149%	-50	-21	-138%	-42	-14	-200%	847	907	-7%
Total assets <sup>1</sup>	19,274	16,764	15%	9,418	8,598	10%	8,277	6,597	25%	762	726	5%	-13	73	-118%	37,718	32,758	15%
Debt <sup>1</sup>	7,207	6,103	18%	5,143	4,735	9%	1,417	3,538	-60%	152	117	30%	959	-1,689	157%	14,878	12,804	16%
Capital expenditure, gross	477	389	23%	223	187	19%	143	85	68%	6	8	-25%	5	7	-29%	854	676	26%
Acquisitions, gross/investments	919	232	--	118	59	100%	812	7	--	12	8	50%	0	136	-100%	1,861	442	--
Research and development expenses	67	72	-7%	195	177	10%	--	--		0	0		1	3	-67%	263	252	4%
Employees (per capita on balance sheet date) <sup>1</sup>	103,289	95,637	8%	33,359	31,961	4%	69,197	42,913	61%	7,694	7,010	10%	862	816	6%	214,401	178,337	20%
Key figures																		
EBITDA margin	18.3%	19.3%		20.9%	22.8%		13.8%	14.5%		5.3%	4.9%					17.4%	18.8%	<sup>2,3</sup>
EBIT margin	13.8%	14.8%		16.9%	18.6%		10.2%	11.1%		4.1%	3.8%					13.3%	14.6%	<sup>2,3</sup>
Depreciation and amortization in % of sales	4.5%	4.5%		4.0%	4.2%		3.5%	3.4%		1.2%	1.1%					4.1%	4.1%	
Operating cash flow in % of sales	11.1%	13.5%		11.5%	8.1%		10.4%	7.3%		-6.7%	-2.0%					10.1%	10.4%	
ROOA <sup>1</sup>	10.0%	10.5%		10.5%	11.9%		7.1%	9.3%		10.9%	11.6%					9.1%	10.6%	<sup>7</sup>

<sup>1</sup> 2013: December 31

<sup>2</sup> Before integration costs

<sup>3</sup> Before integration costs and disposal gains (two HELIOS hospitals, Rhön stake)

<sup>4</sup> After integration costs

<sup>5</sup> After integration costs and disposal gains (two HELIOS hospitals, Rhön stake)

<sup>6</sup> The underlying pro forma EBIT does not include integration costs and disposal gains (two HELIOS hospitals, Rhön stake).

<sup>7</sup> The underlying pro forma EBIT does not include integration costs.

The consolidated segment reporting is an integral part of the notes.  
The following notes are an integral part of the unaudited condensed interim financial statements.



## FRESENIUS SE & CO. KGAA

### CONSOLIDATED SEGMENT REPORTING THIRD QUARTER (UNAUDITED)

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
	2014	2013	Change	2014 <sup>1</sup>	2013 <sup>1</sup>	Change	2014 <sup>1</sup>	2013	Change	2014	2013	Change	2014 <sup>2</sup>	2013 <sup>2</sup>	Change	2014	2013	Change
	3,097	2,768	12%	1,294	1,223	6%	1,362	842	62%	257	233	10%	-32	-21	-52%	5,978	5,045	18%
Sales	3,083	2,763	12%	1,282	1,214	6%	1,362	842	62%	250	225	11%	1	1	0%	5,978	5,045	18%
thereof contribution to consolidated sales	14	5	180%	12	9	33%	0	0		7	8	-13%	-33	-22	-50%	0	0	
thereof intercompany sales	52%	55%		21%	24%		23%	17%		4%	4%		0%	0%		100%	100%	
contribution to consolidated sales	577	545	6%	272	277	-2%	190	133	43%	15	13	15%	-10	-11	9%	1,044	957	9%
EBITDA	134	124	8%	49	51	-4%	43	30	43%	3	3	0%	2	2	0%	231	210	10%
Depreciation and amortization	443	421	5%	223	226	-1%	147	103	43%	12	10	20%	-12	-13	8%	813	747	9%
EBIT	-75	-78	4%	-50	-51	2%	-14	-12	-17%	-1	-1	0%	-8	6	--	-148	-136	-9%
Net interest	-122	-112	-9%	-48	-45	-7%	-24	-16	-50%	-3	-2	-50%	2	3	-33%	-195	-172	-13%
Income taxes																		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	204	206	-1%	120	125	-4%	107	75	43%	8	7	14%	-163	-148	-10%	276	265	4%
Operating cash flow	530	458	16%	217	65	--	199	106	88%	18	-16	--	-19	6	--	945	619	53%
Cash flow before acquisitions and dividends	362	326	11%	136	-6	--	139	71	96%	16	-19	184%	-24	4	--	629	376	67%
Capital expenditure, gross	171	135	27%	95	76	25%	60	35	71%	3	3	0%	3	2	50%	332	251	32%
Acquisitions, gross/investments	479	146	--	99	4	--	55	2	--	11	2	--	1	138	-99%	645	292	121%
Research and development expenses	23	25	-8%	70	60	17%	-	-	--	0	0		0	0		93	85	9%
Key figures																		
EBITDA margin	18.7%	19.7%		21.0%	22.6%		14.0%	15.8%		5.8%	5.6%					17.6% <sup>1</sup>	19.1% <sup>1</sup>	
EBIT margin	14.3%	15.2%		17.2%	18.5%		10.8%	12.2%		4.7%	4.3%					13.7% <sup>1</sup>	14.9% <sup>1</sup>	
Depreciation and amortization in % of sales	4.3%	4.5%		3.8%	4.2%		3.2%	3.6%		1.2%	1.3%					3.9%	4.2%	
Operating cash flow in % of sales	17.3%	16.5%		16.8%	5.3%		14.6%	12.6%		7.0%	-6.9%					15.8%	12.3%	

<sup>1</sup> Before integration costs

<sup>2</sup> After integration costs

The consolidated segment reporting is an integral part of the notes.  
The following notes are an integral part of the unaudited condensed interim 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 (sub-groups) as of September 30, 2014:

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

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

The accompanying condensed consolidated financial statements have been prepared in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP).

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union, 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). Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with U.S. GAAP.

The accounting policies underlying these interim financial statements are mainly the same as those applied in the consolidated financial statements as of December 31, 2013.

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Principles of consolidation

The condensed consolidated financial statements and management report for the first three quarters and the third quarter ended September 30, 2014 have not been audited nor reviewed and should be read in conjunction with the notes included in the consolidated financial statements as of December 31, 2013, published in the 2013 Annual Report.

Except for the reported acquisitions (see note 2, Acquisitions, divestitures and investments), there have been no other major changes in the entities consolidated.

The consolidated financial statements for the first three quarters and the third quarter ended September 30, 2014 include all adjustments that, in the opinion of the Management Board, are of a normal and recurring nature and are necessary to provide an appropriate view of the assets and liabilities, financial position and results of operations of the Fresenius Group.

The results of operations for the first three quarters ended September 30, 2014 are not necessarily indicative of the results of operations for the fiscal year 2014.

#### Classifications

Certain items in the consolidated financial statements for the first three quarters of 2013 and for the year 2013 have been reclassified to conform with the current year's presentation.

#### Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP 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.

### IV. RECENT PRONOUNCEMENTS, APPLIED

The Fresenius Group has prepared its consolidated financial statements at September 30, 2014 in conformity with U.S. GAAP in force for interim periods on January 1, 2014.

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

In June 2014, the Financial Accounting Standards Board (FASB) issued **Accounting Standards Update 2014-12** (ASU 2014-12), FASB Accounting Standards Codification (ASC) Topic 718, Compensation – Stock Compensation –

Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2015. Earlier adoption is permitted. The Fresenius Group utilized and will continue to utilize the guidance updated by this ASU and as such there is no expected impact on its consolidated financial statements.

In July 2013, the FASB issued **Accounting Standards Update 2013-11** (ASU 2013-11), FASB ASC Topic 740, Income Taxes – Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. The purpose of ASU 2013-11 is to align the financial statement presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss or a tax credit carryforward exists. In most cases, the unrecognized tax benefit should be presented as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward. The update is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2013. The Fresenius Group adopted ASU 2013-11 as of January 1, 2014. ASU 2013-11 does not have a material impact on the consolidated financial statements of the Fresenius Group.

In July 2013, the FASB issued **Accounting Standards Update 2013-10** (ASU 2013-10), FASB ASC Topic 815, Derivatives and Hedging – Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The purpose of ASU 2013-10 is to provide the inclusion of the Fed Funds Effective Swap Rate as a U.S. benchmark interest rate for hedge accounting purposes. This rate will now be available to use along with the U.S. government interest rates and the London Interbank Offered Rate. This update is effective prospectively for new or designated hedging relationships entered into on or after July 17, 2013. Currently, the Fresenius Group does not intend to utilize the newly available Fed Funds Effective Swap Rate for its hedge accounting.

In March 2013, the FASB issued **Accounting Standards Update 2013-05** (ASU 2013-05), FASB ASC Topic 830, Foreign Currency Matters – Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The purpose of ASU 2013-05 is to provide clarification and further refinement regarding the treatment of the release of a cumulative translation adjustment into net income. This occurs in instances where the parent sells either a part or all of its investment in a foreign entity, as well as when a company ceases to hold a controlling interest in a subsidiary or group of assets that is a non-profit activity or business within a foreign entity. The update is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2013. The Fresenius Group adopted ASU 2013-05 as of January 1, 2014. ASU 2013-05 does not have a material impact on the consolidated financial statements of the Fresenius Group.

In February 2013, the FASB issued **Accounting Standards Update 2013-04** (ASU 2013-04), FASB ASC Topic 405, Liabilities – Obligations Resulting from Joint and Several Liability Arrangements for which the Total Amount of the Obligations is Fixed at the Reporting Date. ASU 2013-04’s objective is to provide guidance and clarification on the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements such as debt arrangements, other contractual obligations and settled litigation and judicial rulings. The update is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2013. The Fresenius Group adopted ASU 2013-04 as of January 1, 2014. ASU 2013-04 does not have a material impact on the consolidated financial statements of the Fresenius Group.

In July 2011, the FASB issued **Accounting Standards Update 2011-06** (ASU 2011-06), FASB ASC Topic 720, Other Expenses – Fees Paid to the Federal Government by Health Insurers. The amendments in ASU 2011-06 address how health insurers should recognize and classify their income statement fees mandated by the Health Care and Educational Affordability Reconciliation Act. These amendments require

that the liability for the fee be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. In conjunction, the corresponding deferred cost is amortized to expense using a straight-line allocation method unless another method better allocates the fee over the entire calendar year for which it is payable. In addition, the ASU states that this fee does not meet the definition of an acquisition cost. The disclosures required under ASU 2011-06 are effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. The Fresenius Group adopted ASU 2011-06 effective January 1, 2014. ASU 2011-06 does not have a material impact on the consolidated financial statements of the Fresenius Group.

#### V. RECENT PRONOUNCEMENTS, NOT YET APPLIED

The FASB issued the following relevant new standards for the Fresenius Group:

In June 2014, the FASB issued **Accounting Standards Update 2014-11** (ASU 2014-11), FASB ASC Topic 860, Transfers and Servicing – Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures, which aligns the accounting for repurchase-to-maturity transactions and repurchase financing arrangements with the accounting for other typical repurchase agreements, i. e. these transactions will be accounted for as secured borrowings. ASU 2014-11 also requires additional disclosures about repurchase agreements and other similar transactions. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. The Fresenius Group is currently evaluating the impact of ASU 2014-11 on its consolidated financial statements.

In May 2014, the FASB issued **Accounting Standards Update 2014-09** (ASU 2014-09), FASB ASC Topic 606, Revenue from Contracts with Customers. Simultaneously, the International Accounting Standards Board (IASB) published its equivalent revenue standard, IFRS 15, Revenue from Contracts with Customers. The standards are the result of a convergence project between FASB and the IASB. This update

specifies how and when companies reporting under U.S. GAAP will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. ASU 2014-09 supersedes some guidance included in Topic 605, Revenue Recognition, some guidance within the scope of Topic 360, Property, Plant, and Equipment, and some guidance within the scope of Topic 350, Intangibles – Goodwill and Other. This ASU applies to nearly all contracts with customers, unless those contracts are within the scope of other standards (for example, lease contracts or insurance contracts). This update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2016. Earlier adoption is not permitted. The Fresenius Group is currently evaluating the impact of ASU 2014-09 on its consolidated financial statements.

In April 2014, the FASB issued **Accounting Standards Update 2014-08** (ASU 2014-08), FASB ASC Topic 205, Presentation of Financial Statements and FASB ASC Topic 360, Property, Plant, and Equipment – Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08's objective is to reduce the complexity and difficulty in applying guidance for discontinued operations. ASU 2014-08's main focus is to limit the presentation to disposals representing a strategic shift that has a major effect on operations or financial results. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. The Fresenius Group is currently evaluating the impact of ASU 2014-08 on its consolidated financial statements.

In January 2014, the FASB issued **Accounting Standards Update 2014-05** (ASU 2014-05), FASB ASC Topic 853, Service Concession Arrangements. ASU 2014-05's objective is to specify that an operating entity should not account for a service concession arrangement that is within the scope of ASU 2014-05 as a lease. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. The Fresenius Group is currently evaluating the impact of ASU 2014-05 on its consolidated financial statements.

## 2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions and investments of €1,861 million and €442 million in the first three quarters of 2014 and 2013, respectively. Of this amount, €1,647 million was paid in cash and €214 million was assumed obligations in the first three quarters of 2014.

### FRESENIUS MEDICAL CARE

In the first three quarters of 2014, Fresenius Medical Care spent €919 million on acquisitions. Besides the transaction described separately in the following, this amount mainly comprises the purchase of dialysis clinics and the short-term investment in available for sale securities.

On June 27, 2014, Fresenius Medical Care announced the acquisition of a majority stake in Sound Inpatient Physicians, Inc., United States, a physician services organization focused on hospitalist and post-acute care services. The transaction in the amount of US\$590 million was closed in July 2014.

Furthermore, on October 22, 2014, Fresenius Medical Care announced the acquisition of National Cardiovascular Partners, one of the leading providers of outpatient cardiovascular therapies in the United States.

### FRESENIUS KABI

In the first three quarters of 2014, Fresenius Kabi spent €118 million on acquisitions.

In the first quarter of 2014, Fresenius Kabi purchased further shares in Fresenius Kabi Oncology Ltd., India.

On May 9, 2014, Fresenius Kabi announced the acquisition of the Brazilian 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 I.V. antibiotic manufacturer.

### FRESENIUS HELIOS

Fresenius Helios spent €812 million on acquisitions in the first three quarters of 2014. Thereof, €805 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 made at the end of the year 2013 in conjunction with this acquisition, the transaction amount added up to €2,983 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

Between February 27 and July 31, 2014, Fresenius Helios completed the acquisition of 41 hospitals and 13 outpatient facilities of Rhön-Klinikum AG, Germany. 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, the Fresenius Group was primary beneficiary of the majority of the acquired hospitals and outpatient facilities for the period from January 1, 2014 until the closing of the majority of the transaction on February 27, 2014. During this period, the Fresenius Group therefore fully consolidated these companies according to regulations for variable interest entities. 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 and the acquired hospital in Cuxhaven has been consolidated since August 1, 2014.

The transaction was accounted for as a business combination. The following table summarizes the current estimated fair values of assets acquired and liabilities assumed at the date of the acquisition. This allocation of the purchase price is based upon the best information available to management at present. Due to the relatively short interval between the

closing date of the acquisition and the date of the statement of financial position, this information may be incomplete. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

€ in millions	
Trade accounts receivable	233
Working capital and other assets	328
Assets	984
Liabilities	-614
Goodwill	2,134
Noncontrolling interest	-2
<b>Consideration transferred</b>	<b>3,063</b>
Net cash acquired	-80
<b>Transaction amount</b>	<b>2,983</b>

The goodwill in the amount of €2,134 million that was acquired as part of the acquisition is not deductible for tax purposes.

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

In the first three quarters of 2014, the acquired hospitals and outpatient facilities have contributed €1,300 million to sales and €110 million to the operating income (EBIT) of the Fresenius Group.

#### FRESENIUS VAMED

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

#### CORPORATE/ OTHER

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.

## NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

### 3. SPECIAL ITEMS

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the first three quarters of 2014 in the amount of €810 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
<b>Earnings Q1–3/2014, adjusted</b>		<b>768</b>
Integration costs for Fenwal	-6	-4
Integration costs for the acquired Rhön hospitals	-12	-9
Disposal gain from the divestment of two HELIOS hospitals	22	21
Disposal gain from the divestment of the Rhön stake	35	34
<b>Earnings Q1–3/2014 according to U.S. GAAP</b>		<b>810</b>

### 4. SALES

Sales by activity were as follows:

€ in millions	Q1–3/2014	Q1–3/2013
Sales of services	10,972	9,265
less patient service bad debt provision	-153	-155
Sales of products and related goods	5,579	5,576
Sales from long-term production contracts	309	337
Other sales	4	9
<b>Sales</b>	<b>16,711</b>	<b>15,032</b>



## 5. TAXES

In Germany, for Fresenius Medical Care, the tax audit for the tax years 2002 through 2005 is completed. Consequently, Fresenius Medical Care made a tax payment in the amount of €76 million. A provision for this tax payment had been established in previous years.

Regarding the complaint styled as Fresenius Medical Care Holdings, Inc. v. United States, the United States Court of Appeals for the First Circuit (Boston) affirmed the District Court's order on August 13, 2014. Fresenius Medical Care Holdings, Inc. had filed a complaint for complete refund of all deductions disallowed by the International Revenue Service.

During the first three quarters of 2014, there were no further material changes relating to tax audits, accruals for income taxes, unrecognized tax benefits as well as recognized and accrued payments for interest and penalties. Explanations regarding the tax audits and further information can be found in the consolidated financial statements in the 2013 Annual Report.

## 6. 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 17, Fresenius SE & Co KGaA shareholders' equity) with the commercial register on August 1, 2014:

	Q1-3/2014	Q1-3/2013 <sup>1</sup>
<b>Numerators, € in millions</b>		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	810	727
less effect from dilution due to Fresenius Medical Care shares	-	1
Income available to all ordinary shares	810	726
<b>Denominators in number of shares</b>		
Weighted-average number of ordinary shares outstanding	539,976,138	535,366,314
Potentially dilutive ordinary shares	4,006,689	4,885,419
Weighted-average number of ordinary shares outstanding assuming dilution	543,982,827	540,251,733
<b>Basic earnings per ordinary share in €</b>	1.50	1.36
<b>Fully diluted earnings per ordinary share in €</b>	1.49	1.34

<sup>1</sup> Prior year figures were adjusted accordingly.

## NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

### 7. CASH AND CASH EQUIVALENTS

As of September 30, 2014 and December 31, 2013, cash and cash equivalents were as follows:

€ in millions	Sept. 30, 2014	Dec. 31, 2013
Cash	1,027	846
Time deposits and securities (with a maturity of up to 90 days)	8	18
<b>Total cash and cash equivalents</b>	<b>1,035</b>	<b>864</b>

As of September 30, 2014 and December 31, 2013, earmarked funds of €41 million and €22 million, respectively, were included in cash and cash equivalents.

### 8. TRADE ACCOUNTS RECEIVABLE

As of September 30, 2014 and December 31, 2013, trade accounts receivable were as follows:

€ in millions	Sept. 30, 2014	Dec. 31, 2013
Trade accounts receivable	4,632	3,961
less allowance for doubtful accounts	528	487
<b>Trade accounts receivable, net</b>	<b>4,104</b>	<b>3,474</b>

### 9. INVENTORIES

As of September 30, 2014 and December 31, 2013, inventories consisted of the following:

€ in millions	Sept. 30, 2014	Dec. 31, 2013
Raw materials and purchased components	521	445
Work in process	391	323
Finished goods	1,509	1,314
less reserves	83	68
<b>Inventories, net</b>	<b>2,338</b>	<b>2,014</b>

### 10. OTHER CURRENT AND NON-CURRENT ASSETS

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 September 30, 2014, investments, securities and long-term loans were comprised of investments of €541 million (December 31, 2013: €482 million), mainly regarding the joint venture between Fresenius Medical Care and Galenica Ltd., that were accounted for under the equity method. In the first three quarters of 2014, income of €16 million (Q1–3/2014: €11 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income. Moreover, investments, securities and long-term loans included €134 million financial assets

available for sale as of September 30, 2014 (December 31, 2013: €197 million). Furthermore, investments and long-term loans included €142 million as of September 30, 2014 that Fresenius Medical Care loaned to a middle-market dialysis provider.

## 11. GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2014 and December 31, 2013, intangible assets, split into amortizable and non-amortizable intangible assets, consisted of the following:

### AMORTIZABLE INTANGIBLE ASSETS

€ in millions	September 30, 2014			December 31, 2013		
	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	620	276	344	571	235	336
Technology	332	68	264	303	48	255
Non-compete agreements	263	204	59	237	174	63
Other	916	459	457	771	371	400
<b>Total</b>	<b>2,131</b>	<b>1,007</b>	<b>1,124</b>	<b>1,882</b>	<b>828</b>	<b>1,054</b>

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

€ in millions	Q4/2014	2015	2016	2017	2018	Q1–3/2019
Estimated amortization expenses	40	150	142	138	134	97

### NON-AMORTIZABLE INTANGIBLE ASSETS

€ in millions	September 30, 2014			December 31, 2013		
	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	208	0	208	182	0	182
Management contracts	6	0	6	5	0	5
Goodwill	18,703	0	18,703	14,826	0	14,826
<b>Total</b>	<b>18,917</b>	<b>0</b>	<b>18,917</b>	<b>15,013</b>	<b>0</b>	<b>15,013</b>

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	Fresenius Group
<b>Carrying amount as of January 1, 2013</b>	<b>8,657</b>	<b>4,123</b>	<b>2,151</b>	<b>77</b>	<b>6</b>	<b>15,014</b>
Additions	195	138	14	8	0	355
Disposals	0	-4	0	0	0	-4
Reclassifications	-	0	0	0	0	-
Foreign currency translation	-398	-141	0	0	0	-539
<b>Carrying amount as of December 31, 2013</b>	<b>8,454</b>	<b>4,116</b>	<b>2,165</b>	<b>85</b>	<b>6</b>	<b>14,826</b>
Additions	633	75	2,159	13	0	2,880
Disposals	0	-3	-26	0	0	-29
Foreign currency translation	737	289	0	0	0	1,026
<b>Carrying amount as of September 30, 2014</b>	<b>9,824</b>	<b>4,477</b>	<b>4,298</b>	<b>98</b>	<b>6</b>	<b>18,703</b>

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

As of September 30, 2014 and December 31, 2013, the carrying amounts of the other non-amortizable intangible assets were €184 million and €158 million, respectively, for Fresenius Medical Care as well as €30 million and €29 million, respectively, for Fresenius Kabi.

## 12. DEBT AND CAPITAL LEASE OBLIGATIONS

### SHORT-TERM DEBT

The Fresenius Group had short-term debt of €522 million and €959 million at September 30, 2014 and December 31, 2013, respectively. As of September 30, 2014, this debt consisted of borrowings by certain entities of the Fresenius Group under lines of credit with commercial banks of €312 million. Furthermore, €210 million were outstanding under the commercial paper program of Fresenius SE & Co. KGaA, which was increased to €1,000 million in March 2014.

### LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of September 30, 2014 and December 31, 2013, long-term debt and capital lease obligations consisted of the following:

€ in millions	Sept. 30, 2014	Dec. 31, 2013
Fresenius Medical Care 2012 Credit Agreement	2,367	1,963
2013 Senior Credit Agreement	2,574	1,709
Bridge Financing Facility	0	1,410
Euro Notes	1,053	859
European Investment Bank Agreements	44	188
Accounts receivable facility of Fresenius Medical Care	204	255
Capital lease obligations	156	94
Other	326	248
Subtotal	6,724	6,726
less current portion	1,012	855
<b>Long-term debt and capital lease obligations, less current portion</b>	<b>5,712</b>	<b>5,871</b>

### Fresenius Medical Care 2012 Credit Agreement

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

On July 1, 2014, the Fresenius Medical Care 2012 Credit Agreement was increased by establishing an incremental term loan tranche of US\$600 million (Term Loan A-2) to finance an investment in the United States into Sound Inpatient Physicians, Inc., which closed in July 2014, and for general corporate purposes. Term Loan A-2 has a one year maturity

and must be mandatorily prepaid with 100% of the net cash proceeds of US\$-denominated bonds or syndicated term loans, to the extent that these proceeds exceed a certain threshold. In line with these provisions, Term Loan A-2 was prepaid on October 29, 2014 from the proceeds of the offering of Senior Notes (see Note 26, Subsequent events).

The interest rate under the Term Loan A-2 was a rate equal to either (i) LIBOR plus an applicable margin or (ii) the Base Rate as defined in the Fresenius Medical Care 2012 Credit Agreement plus an applicable margin. The applicable margin increased after 90 days and would have further increased 180 days following disbursement.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2012 Credit Agreement at September 30, 2014 and at December 31, 2013:

	September 30, 2014			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit (in US\$)	US\$600 million	476	US\$28 million	22
Revolving Credit (in €)	€500 million	500	€0 million	0
Term Loan A	US\$2,350 million	1,869	US\$2,350 million	1,869
Term Loan A-2	US\$600 million	476	US\$600 million	476
<b>Total</b>		3,321		2,367

	December 31, 2013			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit (in US\$)	US\$600 million	435	US\$138 million	100
Revolving Credit (in €)	€500 million	500	€50 million	50
Term Loan A	US\$2,500 million	1,813	US\$2,500 million	1,813
<b>Total</b>		2,748		1,963

In addition, at September 30, 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.

As of September 30, 2014, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2012 Credit Agreement.

### 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 initial amount of US\$1,300 million and €1,250 million. The 2013 Senior Credit Agreement was funded on June 28, 2013 and replaced the 2008 Senior Credit Agreement. On August 7, 2013, the 2013 Senior Credit Agreement was extended by a term loan B facility in the amount of US\$500 million.

The 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 consisted initially of an incremental term loan facility A of €600 million, an incremental term loan facility B of €300 million and an incremen-

tal revolving facility of €300 million. These incremental facilities were drawn down on February 27, 2014 and were 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 September 30, 2014 and at December 31, 2013:

	September 30, 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	238	US\$0 million	0
Term Loan A (in €)	€1,156 million	1,156	€1,156 million	1,156
Term Loan A (in US\$)	US\$915 million	727	US\$915 million	727
Term Loan B (in €)	€298 million	298	€298 million	298
Term Loan B (in US\$)	US\$495 million	393	US\$495 million	393
<b>Total</b>		<b>3,712</b>		<b>2,574</b>

	December 31, 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
<b>Total</b>		<b>2,527</b>		<b>1,709</b>

As of September 30, 2014, the Fresenius Group was in compliance with all covenants under the 2013 Senior Credit Agreement.

### 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 majority of the transaction was closed on February 27, 2014.

The Bridge Financing Facility initially had a one year tenor and had to be mandatorily reduced by the net proceeds of any capital markets transaction. In line with these provisions, the facility has been reduced by the net proceeds of the €1,200 million Senior Notes issuances as well as the US\$300 million Senior Notes issuance that were made in January and February 2014. For more information, see note 13, Senior Notes. Due to the refinancing, this portion of the Bridge Financing Facility in the amount of €1,410 million is shown under long-term debt in the consolidated statement of financial position at December 31, 2013. On February 27, 2014, the Bridge Financing Facility was voluntarily cancelled before maturity and the remaining outstanding amount of €90 million was prepaid.

## Euro Notes

As of September 30, 2014 and December 31, 2013, Euro Notes (Schuldscheindarlehen) of the Fresenius Group consisted of the following:

	Maturity	Interest rate	Book value/nominal value € in millions	
			Sept. 30, 2014	Dec. 31, 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%	9	11
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	19	23
<b>Euro Notes</b>			<b>1,053</b>	<b>859</b>

All Euro Notes due in 2014 were shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position.

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 €200 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. The new Euro Notes are guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

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.

As of September 30, 2014, the Fresenius Group was in compliance with all of its covenants under the Euro Notes.

## European Investment Bank Agreements

The following table shows the amounts outstanding under the European Investment Bank (EIB) facilities as of September 30, 2014 and December 31, 2013:

	Maturity	Book value € in millions	
		Sept. 30, 2014	Dec. 31, 2013
Fresenius Medical Care AG & Co. KGaA	2013/2014	0	140
HELIOS Kliniken GmbH	2019	44	48
<b>Loans from EIB</b>		<b>44</b>	<b>188</b>

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

As of September 30, 2014, the Fresenius Group was in compliance with the respective covenants.

## 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 September 30, 2014, the additional financial cushion resulting from unutilized credit facilities was approximately €3.2 billion. Thereof €2.0 billion accounted for syndicated credit facilities.

### 13. SENIOR NOTES

As of September 30, 2014 and December 31, 2013, Senior Notes of the Fresenius Group consisted of the following:

	Notional amount	Maturity	Interest rate	Book value € in millions	
				Sept. 30, 2014	Dec. 31, 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%	394	357
Fresenius US Finance II, Inc. 2014/2021	US\$300 million	Feb. 1, 2021	4.25%	238	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%	295	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%	243	243
Fresenius Medical Care US Finance, Inc. 2007/2017	US\$500 million	July 15, 2017	6.875%	395	360
Fresenius Medical Care US Finance, Inc. 2011/2021	US\$650 million	Feb. 15, 2021	5.75%	513	468
Fresenius Medical Care US Finance II, Inc. 2011/2018	US\$400 million	Sept. 15, 2018	6.50%	315	287
Fresenius Medical Care US Finance II, Inc. 2012/2019	US\$800 million	July 31, 2019	5.625%	636	580
Fresenius Medical Care US Finance II, Inc. 2012/2022	US\$700 million	Jan. 31, 2022	5.875%	556	508
<b>Senior Notes</b>				<b>6,801</b>	<b>5,113</b>

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.

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.

As of September 30, 2014, the Fresenius Group was in compliance with all of its covenants.

### 14. CONVERTIBLE BONDS

#### FRESENIUS SE & CO. KGAA

On March 18, 2014, the Fresenius Group 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 represents 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 September 30, 2014, the conversion price was €49.7249.

The fair value of the derivative embedded in the convertible bonds was €57 million at September 30, 2014. Fresenius SE & Co. KGaA has purchased stock options (call options) to secure against future fair value fluctuations of this derivative. The stock options also had an aggregate fair value of €57 million at September 30, 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 stock 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 represents 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 €30 million at September 30, 2014. FMC-AG & Co. KGaA has purchased stock options (call options) to secure against future fair value fluctuations of this derivative. The stock options also had an aggregate fair value of €30 million at September 30, 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 stock options are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

## 15. PENSIONS AND SIMILAR OBLIGATIONS

### DEFINED BENEFIT PENSION PLANS

At September 30, 2014, the pension liability of the Fresenius Group was €760 million. The current portion of the pension liability of €16 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 €744 million is recorded as pension liability.

Contributions to Fresenius Group's pension fund were €39 million in the first three quarters of 2014. The Fresenius Group expects approximately €43 million contributions to the pension fund during 2014.

Defined benefit pension plans' net periodic benefit costs of €57 million (Q1–3/2013: €59 million) were comprised of the following components:

€ in millions	Q1–3/2014	Q1–3/2013
Service cost	26	21
Interest cost	32	30
Expected return on plan assets	-14	-11
Amortization of unrealized actuarial losses, net	12	18
Amortization of prior service costs	1	1
Amortization of transition obligations	-	-
Settlement loss	-	-
<b>Net periodic benefit cost</b>	<b>57</b>	<b>59</b>

## 16. NONCONTROLLING INTEREST

### NONCONTROLLING INTEREST SUBJECT TO PUT PROVISIONS

Noncontrolling interest subject to put provisions changed as follows:

€ in millions	Q1–3/2014
<b>Noncontrolling interest subject to put provisions as of January 1, 2014</b>	<b>472</b>
Noncontrolling interest subject to put provisions in profit	77
Purchase of noncontrolling interest subject to put provisions	76
Dividend payments	-83
Currency effects, first-time consolidations and other changes	75
<b>Noncontrolling interest subject to put provisions as of September 30, 2014</b>	<b>617</b>



As of September 30, 2014 and December 31, 2013, put options with an aggregate purchase obligation of €93 million and €86 million, respectively, were exercisable. Two put options in the amount of €2 million were exercised in the first three quarters of 2014 (Q1–3/2013: one put option of €2 million).

#### NONCONTROLLING INTEREST NOT SUBJECT TO PUT PROVISIONS

As of September 30, 2014 and December 31, 2013, noncontrolling interest not subject to put provisions in the Fresenius Group was as follows:

€ in millions	Sept. 30, 2014	Dec. 31, 2013
Noncontrolling interest not subject to put provisions in Fresenius Medical Care AG & Co. KGaA	5,192	4,599
Noncontrolling interest not subject to put provisions in VAMED AG	39	38
Noncontrolling interest not subject to put provisions in the business segments		
Fresenius Medical Care	209	182
Fresenius Kabi	123	126
Fresenius Helios	135	117
Fresenius Vamed	6	3
<b>Total noncontrolling interest not subject to put provisions</b>	<b>5,704</b>	<b>5,065</b>

Noncontrolling interest not subject to put provisions changed as follows:

€ in millions	Q1–3/2014
<b>Noncontrolling interest not subject to put provisions as of January 1, 2014</b>	<b>5,065</b>
Noncontrolling interest not subject to put provisions in profit	418
Stock options	46
Purchase of noncontrolling interest not subject to put provisions	33
Dividend payments	-213
Currency effects, first-time consolidations and other changes	355
<b>Noncontrolling interest not subject to put provisions as of September 30, 2014</b>	<b>5,704</b>

## 17. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

### 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 first three quarters of 2014, 2,119,396 stock options were exercised. Consequently, as of September 30, 2014, the subscribed capital of Fresenius SE & Co. KGaA consisted of 541,203,883 bearer ordinary shares. The shares are issued as non-par value shares.

### 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 24, 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 (March 31, 2014: €2,066,919), the Conditional Capital II to €11,680,542 (March 31, 2014: €4,177,950) and the Conditional Capital IV to €25,200,000 (March 31, 2014: €8,400,000).

### 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 (March 31, 2014: €16,323,734).

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
<b>Total Conditional Capital as of January 1, 2014</b>	<b>31,097,853</b>
Fresenius AG Stock Option Plan 2003 – options exercised	-106,627
Fresenius SE Stock Option Plan 2008 – options exercised	-369,088
<b>Total Conditional Capital as of July 31, 2014</b>	<b>30,622,138</b>
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	-208,034
Fresenius SE Stock Option Plan 2008 – options exercised after July 31, 2014	-484,217
<b>Total Conditional Capital as of September 30, 2014</b>	<b>91,174,163</b>

## CAPITAL RESERVES

Capital reserves are comprised of the premium paid on the issuance of shares and the exercise of stock options.

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.

## 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.

## 18. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises 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 accumulated other comprehensive income (loss) net of tax by component 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
<b>Balance as of December 31, 2012</b>	-122	-17	168	-157	-128	13	-115
Other comprehensive income (loss) before reclassifications	9	25	-139	-3	-108	-165	-273
Amounts reclassified from accumulated other comprehensive income (loss)	8	0	–	6	14	13	27
Other comprehensive income (loss), net	17	25	-139	3	-94	-152	-246
<b>Balance as of September 30, 2013</b>	<b>-105</b>	<b>8</b>	<b>29</b>	<b>-154</b>	<b>-222</b>	<b>-139</b>	<b>-361</b>
<b>Balance as of December 31, 2013</b>	<b>-107</b>	<b>17</b>	<b>-99</b>	<b>-162</b>	<b>-351</b>	<b>-255</b>	<b>-606</b>
Other comprehensive income (loss) before reclassifications	-15	–	332	-7	310	408	718
Amounts reclassified from accumulated other comprehensive income (loss)	13	-16	–	5	2	14	16
Other comprehensive income (loss), net	-2	-16	332	-2	312	422	734
<b>Balance as of September 30, 2014</b>	<b>-109</b>	<b>1</b>	<b>233</b>	<b>-164</b>	<b>-39</b>	<b>167</b>	<b>128</b>

Reclassifications out of accumulated other comprehensive income (loss) 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
	Q1–3/2014	Q1–3/2013	
<b>Details about accumulated other comprehensive (income) loss components</b>			
<b>Cash flow hedges</b>			
Interest rate contracts	25	23	Interest income/expense
Foreign exchange contracts	3	-1	Cost of sales
Foreign exchange contracts	3	-1	Selling, general and administrative expenses
Foreign exchange contracts	–	–	Interest income/expense
Other comprehensive income (loss)	31	21	
Tax expense or benefit	-8	-6	
Other comprehensive income (loss), net	23	15	
<b>Change of fair value of available for sale financial assets</b>			
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	
<b>Amortization of defined benefit pension items</b>			
Prior service costs	1	1	1
Transition obligations	–	–	1
Actuarial gains/losses on defined benefit pension plans	12	18	1
Other comprehensive income (loss)	13	19	
Tax expense or benefit	-4	-7	
Other comprehensive income (loss), net	9	12	
<b>Total reclassifications for the period</b>	<b>16</b>	<b>27</b>	

<sup>1</sup> 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.

## OTHER NOTES

### 19. 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.

Further information regarding legal disputes, court proceedings and investigations can be found in detail in the consolidated financial statements in the 2013 Annual Report. In the following, only the changes during the first three quarters ended September 30, 2014 compared to the information provided in the consolidated financial statements are described. These changes should be read in conjunction with the overall information in the consolidated financial statements in the 2013 Annual Report; defined terms or abbreviations having the same meaning as in the 2013 Annual Report.

### W.R. GRACE & CO. LAWSUIT

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 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.

### PRODUCT LIABILITY LITIGATION

In addition, similar cases have been filed in state courts outside Massachusetts, in some of which the judicial authorities have established consolidated proceedings for their disposition.

### 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 investigations and remediation activities, Fresenius Medical Care cannot reasonably estimate the range of possible loss that may result from identified matters or from the final outcome of the investigations or remediation activities.

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

#### **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. Fresenius Medical Care is cooperating in this investigation and answered questionnaires issued by MOFCOM.

#### **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.

The Fresenius Group regularly analyzes current information including, as applicable, 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

"qui tam" or "whistle blower" 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 "whistle blower" actions, which are initially filed under court seal.

## 20. FINANCIAL INSTRUMENTS

### VALUATION OF FINANCIAL INSTRUMENTS

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 September 30, 2014 and December 31, 2013, classified into classes:

€ in millions	Fair value hierarchy level	September 30, 2014		December 31, 2013	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1	1,035	1,035	864	864
Assets recognized at carrying amount	3	4,282	4,291	3,622	3,629
Assets recognized at fair value	1	134	134	197	197
Liabilities recognized at carrying amount	2	15,782	16,451	13,691	14,225
Liabilities recognized at fair value	2	103	103	16	16
Noncontrolling interest subject to put provisions recognized at fair value	3	617	617	472	472
Derivatives for hedging purposes	2	24	24	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.

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

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

The derivatives embedded in the convertible bonds are included in the class liabilities recognized at fair value. The fair values of these derivatives are derived from market quotes. 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.

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.

In the class derivatives for hedging purposes, stock options are included to secure the convertible bonds. The fair values of these stock 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

€ in millions	September 30, 2014		December 31, 2013	
	Assets	Liabilities	Assets	Liabilities
Interest rate contracts (current)	0	0	0	4
Interest rate contracts (non-current)	0	6	0	4
Foreign exchange contracts (current)	7	42	15	5
Foreign exchange contracts (non-current)	-	6	1	-
<b>Derivatives designated as hedging instruments<sup>1</sup></b>	<b>7</b>	<b>54</b>	<b>16</b>	<b>13</b>
Interest rate contracts (current)	0	0	0	-
Interest rate contracts (non-current)	0	1	0	1
Foreign exchange contracts (current) <sup>1</sup>	10	25	15	8
Foreign exchange contracts (non-current) <sup>1</sup>	-	1	1	1
Derivatives embedded in the convertible bonds	0	87	0	0
Stock options to secure the convertible bonds <sup>1</sup>	87	0	0	0
<b>Derivatives not designated as hedging instruments</b>	<b>97</b>	<b>114</b>	<b>16</b>	<b>10</b>

<sup>1</sup> Derivatives designated as hedging instruments, foreign exchange contracts not designated as hedging instruments and stock 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 €104 million and other liabilities in an amount of €167 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 stock options to secure the convertible bonds are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

#### EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Q1-3/2014		
	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	-	25	2
Foreign exchange contracts	-33	6	0
<b>Derivatives in cash flow hedging relationships<sup>1</sup></b>	<b>-33</b>	<b>31</b>	<b>2</b>
Foreign exchange contracts			-10
<b>Derivatives in fair value hedging relationships</b>			<b>-10</b>
<b>Derivatives designated as hedging instruments</b>	<b>-33</b>	<b>31</b>	<b>-8</b>

€ in millions	Q1-3/2013		
	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	17	23	2
Foreign exchange contracts	-3	-2	0
<b>Derivatives in cash flow hedging relationships<sup>1</sup></b>	<b>14</b>	<b>21</b>	<b>2</b>
Foreign exchange contracts			-2
<b>Derivatives in fair value hedging relationships</b>			<b>-2</b>
<b>Derivatives designated as hedging instruments</b>	<b>14</b>	<b>21</b>	<b>0</b>

<sup>1</sup> 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	
	Q1-3/2014	Q1-3/2013
Interest rate contracts	-	6
Foreign exchange contracts	38	6
<b>Derivatives not designated as hedging instruments</b>	<b>38</b>	<b>12</b>



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 €10 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.

## 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.

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.

Securities, which are predominantly held as European government bonds and shares in funds, are generally subject to the risk of changing stock exchange prices. Therefore, the stock exchange prices of these securities are continuously monitored to identify possible price risks on time.

## Derivative financial instruments

### Classification

To reduce the credit risk arising from derivatives, the Fresenius Group concluded master netting agreements with banks. Through such agreements, positive and negative fair values of the derivative contracts could be offset against one another if a partner becomes insolvent. This offsetting is valid for transactions where the aggregate amount of obligations owed to and receivable from are not equal. If insolvency occurs, the party which owes the larger amount is obliged to pay the other party the difference between the amounts owed in the form of one net payment.

Fresenius elects not to offset the fair values of derivative financial instruments subject to master netting agreements in the consolidated statement of financial position.

At September 30, 2014 and December 31, 2013, the Fresenius Group had €17 million and €29 million of derivative financial assets subject to netting arrangements and €73 million and €22 million of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €6 million and €22 million as well as net liabilities of €62 million and €15 million at September 30, 2014 and December 31, 2013, respectively.

### Foreign exchange risk management

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 September 30, 2014, the notional amounts of foreign exchange contracts totaled €2,206 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign

exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair value of cash flow hedges was -€41 million. As of September 30, 2014, no fair value hedges were recognized in the Fresenius Group.

As of September 30, 2014, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 20 months.

### Interest rate risk management

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.

As of September 30, 2014, the interest rate swaps had a notional volume of €315 million as well as a fair value of -€7 million, which expire between 2016 and 2022.

In addition, the Fresenius Group also enters into interest rate hedges (pre-hedges) in anticipation of future debt issuance to effectively convert the variable interest rate related to the future debt to a fixed interest rate. These pre-hedges are settled at the issuance date of the corresponding debt with the settlement amount recorded in accumulated other comprehensive income (loss) amortized to interest expense over the life of the pre-hedges. At September 30, 2014 and December 31, 2013, the Fresenius Group had €94 million and €113 million, respectively, related to such settlements of pre-hedges deferred in accumulated other comprehensive income (loss), net of tax.

## 21. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. As of September 30, 2014, the equity ratio was 39.4% and the debt ratio (debt/total assets) was 39.4%. As of September 30, 2014, the leverage ratio (pro forma, before special items) on the basis of net debt/EBITDA was 3.4.

The aims of the capital management and further information can be found in the consolidated financial statements in the 2013 Annual Report.

Fresenius is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

	Standard & Poor's	Moody's	Fitch
Company rating	BB +	Ba1	BB +
Outlook	positive	negative	positive

In March 2014, Fitch confirmed the BB+ rating with a positive outlook. Fitch had put the rating on "watch evolving" in September 2013 after the announcement of the acquisition of hospitals from Rhön-Klinikum AG. The rating confirmation reflects Fresenius Group's performance in 2013 as well as the completion of the Rhön hospital acquisition.

## 22. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The following table provides additional information with regard to the consolidated statement of cash flows:

€ in millions	Q1-3/2014	Q1-3/2013
Interest paid	489	487
Income taxes paid	558	463

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	Q1-3/2014	Q1-3/2013
Assets acquired	2,619	370
Liabilities assumed	-664	-39
Noncontrolling interest	-87	-16
Notes assumed in connection with acquisitions	-217	-11
Cash paid	1,651	304
Cash acquired	-201	-6
<b>Cash paid for acquisitions, net</b>	<b>1,450</b>	<b>298</b>
Cash paid for investments, net of cash acquired	190	143
Cash paid for intangible assets, net	7	4
<b>Total cash paid for acquisitions and investments, net of cash acquired, and net purchases of intangible assets</b>	<b>1,647</b>	<b>445</b>

## 23. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

### GENERAL

The consolidated segment reporting shown on pages 24 and 25 of this interim report is 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 September 30, 2014.

The business segments were identified in accordance with FASB ASC Topic 280, Segment Reporting, 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 is the world's leading provider of services and products for patients with chronic kidney failure. As of September 30, 2014, Fresenius Medical Care was treating 283,135 patients in 3,349 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 September 30, 2014, Fresenius Helios owned 111 hospitals, thereof 87 acute care clinics including 7 maximum care hospitals in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, Wiesbaden and Wuppertal and 24 post-acute care clinics. Fresenius Helios treats more than 4.2 million patients per year, thereof more than 1.2 million inpatients, and operates more than 34,000 beds.

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

The 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).

### NOTES ON THE BUSINESS SEGMENTS

Explanations regarding the notes on the business segments can be found in the consolidated financial statements in the 2013 Annual Report.

#### RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	Q1-3/2014	Q1-3/2013
Total EBIT of reporting segments	2,232	2,213
General corporate expenses		
Corporate/Other (EBIT)	30	-45
<b>Group EBIT</b>	<b>2,262</b>	<b>2,168</b>
Net interest	-431	-449
<b>Income before income taxes</b>	<b>1,831</b>	<b>1,719</b>

#### RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Sept. 30, 2014	Dec. 31, 2013
Short-term debt	522	959
Short-term loans from related parties	2	6
Current portion of long-term debt and capital lease obligations	1,012	855
Current portion of Senior Notes	667	0
Long-term debt and capital lease obligations, less current portion	5,712	5,871
Senior Notes, less current portion	6,134	5,113
Convertible bonds	829	0
<b>Debt</b>	<b>14,878</b>	<b>12,804</b>
less cash and cash equivalents	1,035	864
<b>Net debt</b>	<b>13,843</b>	<b>11,940</b>

## 24. STOCK OPTIONS

### FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

As of September 30, 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. The 2013 LTIP is the only program under which options can be granted.

#### Transactions during the first three quarters of 2014

On July 28, 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 million, which will be amortized over the four-year vesting period. Fresenius SE & Co. KGaA also awarded 326,592 phantom stocks, including 81,606 phantom stocks granted to members of the Management Board of Fresenius Management SE, at a measurement date (September 30, 2014) fair value of €37.20 each and a total fair value of €12 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During the first three quarters of 2014, Fresenius SE & Co. KGaA received cash of €38 million from the exercise of 2,119,396 stock options.

1,150,801 convertible bonds were outstanding and exercisable under the 2003 Plan at September 30, 2014. The members of the Fresenius Management SE Management Board held 137,724 convertible bonds. At September 30, 2014, out of 7,934,863 outstanding stock options issued under the 2008 Plan, 4,547,728 were exercisable and 1,578,180 were held by the members of the Fresenius Management SE Management Board. 4,303,002 stock options issued under

the 2013 LTIP were outstanding at September 30, 2014. The members of the Fresenius Management SE Management Board held 630,000 stock options. 651,345 phantom stocks issued under the 2013 LTIP were outstanding at September 30, 2014. The members of the Fresenius Management SE Management Board held 163,422 phantom stocks.

As of September 30, 2014, 5,698,529 options for ordinary shares were outstanding and exercisable. On September 30, 2014, total unrecognized compensation cost related to non-vested options granted under the 2008 Plan and the 2013 LTIP was €34 million. This cost is expected to be recognized over a weighted-average period of 3 years.

#### Changes due to the capital increase from company's funds (stock split 2014 at a ratio of 1 : 3)

Compared to the existing conditions described in the consolidated financial statements as of December 31, 2013, the following material changes to the stock option plans result from the stock split 2014 at a ratio of 1 : 3 coming into effect:

#### Fresenius SE & Co. KGaA Stock Option Plan 2013 (SOP 2013)

As far as options have not yet been granted under the SOP 2013, 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.

### **Fresenius SE & Co. KGaA Phantom Stock Plan 2013 (PSP 2013)**

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 (originally of Fresenius SE). 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 (originally of Fresenius AG or of Fresenius SE, respectively) 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 (originally of Fresenius AG or of Fresenius SE, respectively) per convertible bond. The maximum number of ordinary shares to be issued increases accordingly. The conversion price is reduced proportionally.

### **FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS**

On July 28, 2014, FMC-AG & Co. KGaA awarded 1,595,520 options under the 2011 Long Term Incentive Program, including 273,900 stock options granted to members of the Management Board of FMC Management AG, at an exercise price of €49.93, a fair value of €9.01 each and a total fair value of €14 million, which will be amortized over the four-year vesting period. FMC-AG & Co. KGaA awarded 283,716 phantom stocks, including 24,950 phantom stocks granted to members of the Management Board of FMC Management AG, at a measurement date (September 30, 2014) fair value of €51.72 each and a total fair value of €15 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During the first three quarters of 2014, 1,714,118 stock options were exercised. Fresenius Medical Care AG & Co. KGaA received cash of €59.3 million upon exercise of these stock options and €4.8 million from a related tax benefit.

### **25. 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 the first three quarters of 2014, after discussion and approval by the Supervisory Board of Fresenius Management SE and Fresenius SE & Co. KGaA, the Fresenius Group paid €3.0 million to affiliated companies of the Roland Berger group for consulting services rendered.

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 the first three quarters of 2014, the Fresenius Group paid in aggregate €0.8 million to Commerzbank in connection with the issuance of capital market debt.

Dr. Gerhard Rupprecht, who died in an accident in August 2014, was a member of the Supervisory Boards of Fresenius Management SE, of Fresenius SE & Co. KGaA and of Allianz France SA. In the first three quarters of 2014, the Fresenius Group paid €8.7 million for insurance premiums to the Allianz group under customary conditions.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius Management SE, is a partner in the international law firm Noerr LLP, which provides legal services to the Fresenius Group. In the first three quarters of 2014, after discussion and approval of each mandate by the Supervisory Board of Fresenius Management SE, the Fresenius Group paid €0.5 million to this law firm for legal services rendered.

The payments mentioned in this note are net amounts. In addition, VAT and insurance tax were paid.

## 26. SUBSEQUENT EVENTS

On November 6, 2014, Fresenius Kabi and its partners Sistema JSFC and Zenitco Finance Management LLC announced, they had agreed to terminate the joint venture agreement announced in April 2014. The intention was to combine Fresenius Kabi's Russian and CIS business with the partners' subsidiary CJSC Binnopharm.

On October 29, 2014, Fresenius Medical Care US Finance II, Inc., issued US\$900 million aggregate principal amount of US\$-denominated unsecured Senior Notes to repay Term Loan A-2 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, issued at par, consist of US\$500 million with a coupon of 4.125% Senior Notes due 2020 and US\$400 million with a coupon of 4.75% Senior Notes due 2024.

There have been no significant changes in the Fresenius Group's operating environment following the end of the first three quarters of 2014. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the first three quarters of 2014.

## 27. 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](http://www.fresenius.com) under Who we are – Corporate Governance – Declaration of Conformity and of Fresenius Medical Care AG & Co. KGaA [www.fmc-ag.com](http://www.fmc-ag.com) under Investor Relations – Corporate Governance – Declaration of Compliance, respectively.

# FINANCIAL CALENDAR

Report on Fiscal Year 2014	February 25, 2015
Report on 1 <sup>st</sup> quarter 2015	
Conference call, Live webcast	April 30, 2015
Annual General Meeting, Frankfurt am Main	
Live webcast of the speech of the Chairman of the Management Board	May 20, 2015
Report on 1 <sup>st</sup> half 2015	
Conference call, Live webcast	July 30, 2015
Report on 1 <sup>st</sup> – 3 <sup>rd</sup> quarter 2015	
Conference call, Live webcast	October 29, 2015

Subject to change

# 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 <sup>1</sup>
Main trading location	Frankfurt/Xetra	Trading platform	OTCQX

<sup>1</sup> 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

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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

## Forward-looking statements:

This Quarterly Financial Report contains forward-looking statements. These statements represent assessments which 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 in the 2013 Annual Report and the SEC filings of Fresenius Medical Care AG & Co. KGaA – the actual results could differ materially from the results currently expected.