

Fresenius Medical Care is the world's leading provider of dialysis products and services. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure.

LEADING PROVIDER OF DIALYSIS PRODUCTS AND SERVICES

As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain. Alongside the use of innovative treatment concepts and the latest technologies, our attention is increasingly focused on a holistic and coordinated treatment approach. Therefore, we provide further medical services in addition to the actual dialysis treatment. In the year under review, we expanded our network for medical services mainly through acquisitions and combined them under the term "care coordination". As a result, there are some changes in our financial reporting. In the future we will combine our dialysis services and care coordination revenues as health care services. Nevertheless, the main part of our sales is still generated by dialysis products and dialysis services.

We now care for over 286,000 dialysis patients in 3,361 proprietary dialysis clinics in more than 45 countries worldwide. We are continuously developing this network of clinics, which is the largest and most international in the world, to accommodate the ever growing number of dialysis patients. At the same time, we operate 40 production sites on all continents, making us the leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories. The most important plants for dialyzer production are in St. Wendel (Germany), Ogden (U.S.), Changshu (China), L'Arbresle (France) and Buzen (Japan). We manufacture dialysis machines in Schweinfurt (Germany)

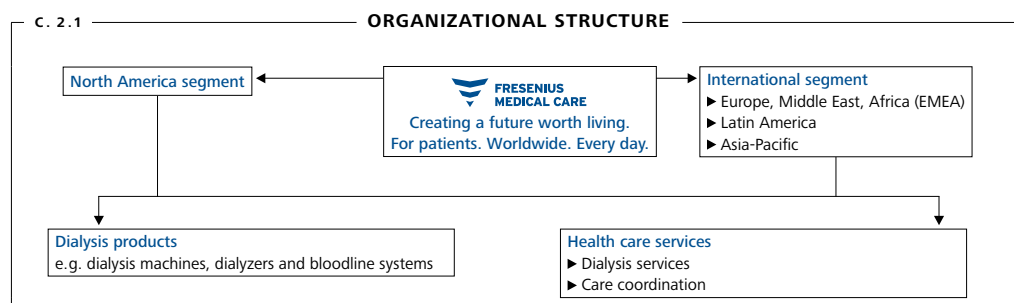
and Concord, California (U.S.). We also maintain further manufacturing facilities worldwide which generally cover local demand for dialysis products. Further information on our production activities can be found in the "Procurement and production" chapter starting on page 70; a list of our major subsidiaries can be found starting on page 243.

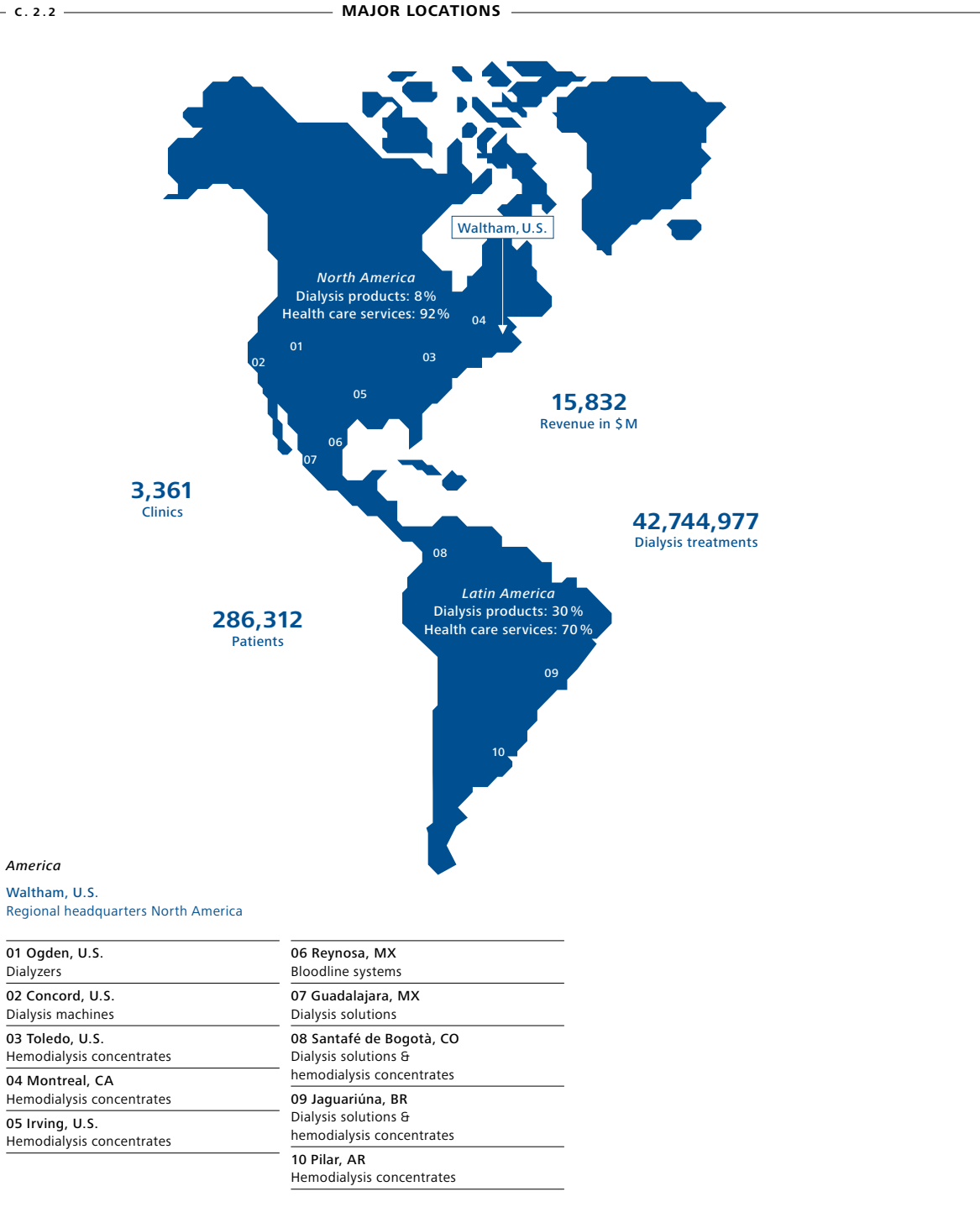
Fresenius Medical Care is organized regionally and divided into the segments North America, EMEA (Europe, Middle East, Africa), Latin America and Asia-Pacific. Our business segments are grouped into North America and International; the latter in turn comprises the EMEA, Latin America and Asia-Pacific regions see chart 2.1.

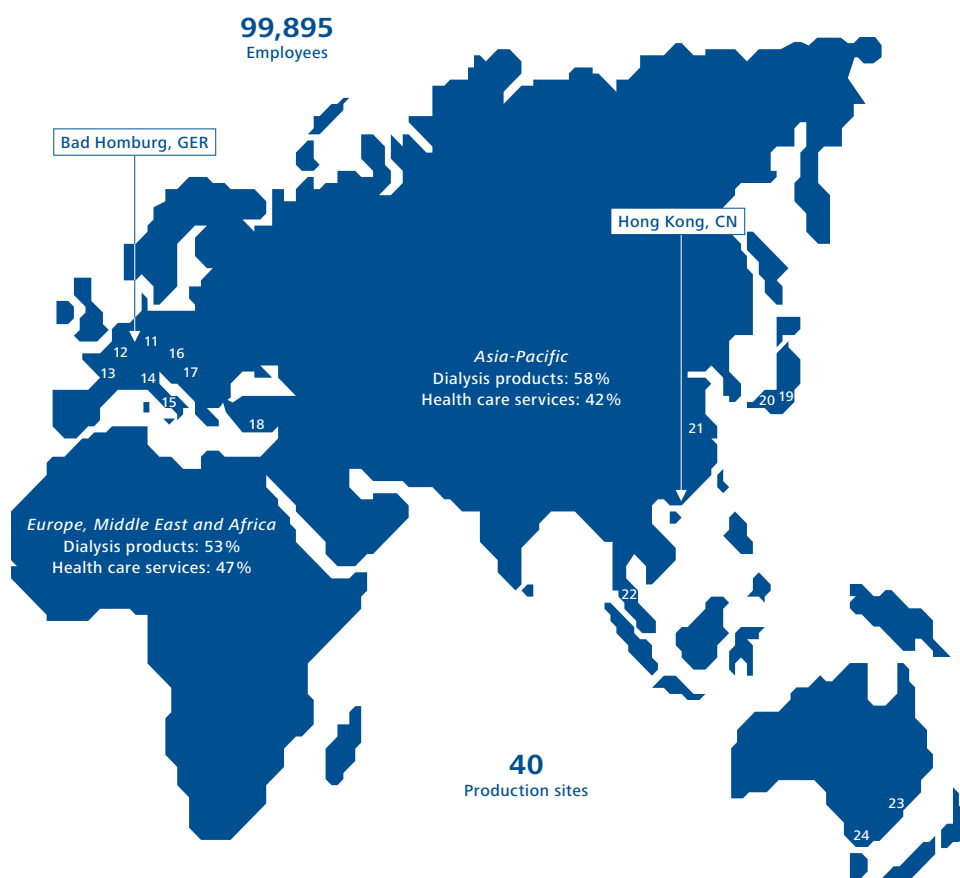
Fresenius Medical Care's company headquarters are in Bad Homburg, Germany. The headquarters of North America, our most important region in terms of revenue, are in Waltham, Massachusetts (U.S.). An overview of Fresenius Medical Care's main locations can be found in chart 2.2 starting on page 38.

Management and control

Since February 2006, Fresenius Medical Care has had the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA). The corporate structure of Fresenius Medical Care AG & Co. KGaA as well as the company's management and supervisory structure are set out in the "Corporate governance report" starting on page 110. The members of the management board are presented starting on page 21; information on the positions of the management board and the supervisory board can be found starting on page 239.







Europe

Bad Homburg, GER
Company headquarters and regional headquarters
for Europe, Middle East, Africa and Latin America

11 Schweinfurt, GER Dialysis machines	16 Krems, AT Adsorbers
12 St. Wendel, GER Dialyzers & dialysis solutions	17 Vršac, SRB Dialyzers, hemodialysis concentrates & bloodline systems
13 L'Arbresle, FR Dialyzers & hemodialysis concentrates	18 Antalya, TR Bloodline systems
14 Palazzo Pignano, IT Bloodline systems	
15 Canosa, IT Dialysis solutions	

Asia-Pacific

Hong Kong, CN
Regional headquarters
Asia-Pacific

19 Inukai, JP Fiber bundles
20 Buzen, JP Dialyzers & dialysis solutions
21 Changshu, CN Bloodline systems, dialyzers & hemodialysis concentrates
22 Ipoh, MY Water treatment systems
23 Smithfield, AU Hemodialysis concentrates
24 Scoresby, AU Dialysis chairs

Reporting on the basis of U.S. GAAP

Fresenius Medical Care reports on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) with the U.S. dollar as the reporting currency. Furthermore, the company prepares reports in accordance with International Financial Reporting Standards (IFRS).

Our products and services

At the end of 2014, 2.665 M patients regularly underwent dialysis worldwide. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. It removes toxins and surplus water – which healthy individuals discard through urination – from the body, as the patient's kidneys can no longer fulfill this task. We distinguish between two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient by means of a dialyzer. With PD, the patient's peritoneum is used as a dialyzing membrane. Fresenius Medical Care's business encompasses both therapy methods.

As a globally leading company, Fresenius Medical Care offers dialysis services and products in more than 120 countries around the world with a focus on the following areas:

Hemodialysis – treatment in specialized clinics

Most dialysis patients undergo hemodialysis (HD) in specialized clinics. HD is by far the most common type of renal replacement therapy, accounting for around 89% of all cases worldwide. It requires the use of special products, primarily hemodialysis machines and dialyzers; these are connected to the device and act as "artificial kidneys", filtering toxic substances and water from the patient's blood. Fresenius Medical Care is the world's leading manufacturer of these and other dialysis products for use in both our own and third-party clinics. Further information can be found in the "Dialysis market" section starting on page 47 and in the glossary starting on page 247.

Home dialysis – a niche market

The two types of home dialysis are peritoneal dialysis (PD) – see glossary starting on page 247 – and home hemodialysis. In the year under review, about 11% of all dialysis patients worldwide underwent PD. Home hemodialysis continues to be a niche market – at the end of 2014, only around 0.6% of all dialysis patients received this treatment. We provided products to approximately 52,000 PD patients and more than 4,100 home

hemodialysis patients by the end of the reporting year; as a result, around 18% of all PD patients and approximately 26% of all home hemodialysis patients use our dialysis products.

Acute dialysis – in case of a sudden loss of renal function

Generally, dialysis patients suffer from chronic kidney failure – a disorder which, in most cases, develops gradually over many years. But in acute medical emergencies, patients may also be in need of dialysis because of rapid kidney failure, for instance after a serious accident. Fresenius Medical Care offers products and services for acute dialysis as well.

Dialysis drugs – expanding the product range

Usually, patients undergoing dialysis require medication to counteract anemia and to control their mineral metabolism. This chiefly includes agents to stimulate red blood cell production (e.g. erythropoietin, EPO), iron compounds, phosphate binders, vitamin D preparations and calcimimetics; see the glossary starting on page 247.

As well as using dialysis drugs in our own dialysis clinics, we sell them to third parties. We mainly obtain EPO and vitamin D from specialized providers. In addition, we produce phosphate binders and iron compounds in-house and in a joint venture with the Swiss company Galenica. In 2014, Fresenius Medical Care North America launched the phosphate binder Velporo (PA21) in the U.S. Velporo was also approved for use in the EU in 2014. Dialysis drugs enable us to expand our product portfolio horizontally beyond providing dialysis products and services; they therefore fit in perfectly with our strategic focus.

Additional medical services – care coordination

Alongside our core business with dialysis products and the treatment of dialysis patients, Fresenius Medical Care maintains a network of additional medical services. These include services relating to pharmacy services, vascular, cardiovascular and endovascular surgery services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, non-dialysis health plan services and urgent care services. In 2014, we continued to expand these services, which we have combined under the heading "care coordination", among others with a majority stake in Sound Inpatients Physicians, Inc. and the acquisition of Cogent Healthcare. Both companies maintain a network of hospitalists in the U.S. We also invested further in vascular surgery in the U.S. by

taking over National Cardiovascular Partners (NCP). In addition, we acquired the company MedSpring Urgent Care Centers with centers for emergency outpatient care. We plan to expand this network in the future. Further information can be found in the “Growth strategy 2020” section on page 43.

Major markets and competitive position

The largest provider of dialysis services

Fresenius Medical Care is the world’s leading provider of dialysis services with a market share of about 11% based on the number of treated patients. As well as providing services to the most dialysis patients, we also operate more dialysis clinics than any other company: In 2014, we had 3,361 (2013: 3,250) clinics worldwide. We treated 61% of our patients in North America, 19% in Europe, 11% in Latin America and 9% in the Asia-Pacific region.

Market leader in dialysis products

Our dialysis products accounted for around 34% of the global market in 2014 (2013: 34%), which means that we are still the market leader in this area as well. The market share of our key products – dialyzers and dialysis machines – was even higher at around 44% (2013: 43%) and around 50% (2013: 55%) respectively.

Detailed information on the major markets and the position of Fresenius Medical Care can be found in the “Dialysis market” section starting on page 47.

Legal and economic conditions

Reimbursement schemes for dialysis treatments vary from country to country and often even within countries. Fresenius Medical Care provides dialysis services in more than 45 countries with different economic conditions. This international experience enables us to support the efforts of national health care systems to create suitable remuneration structures, adapt our business to local conditions and operate on a profitable basis. Further information can be found in the “Dialysis market” section starting on page 47.

As a life-saving treatment, dialysis is subject to the highest safety and quality requirements. This applies to the production of our dialysis products as well as the implementation of dialysis treatment at our own clinics. These underlying requirements are stipulated in numerous national and international legal provisions, standards and norms, which are the basis for our corporate activities. In addition to the legally prescribed standards, we have developed in-house guidelines that go beyond the statutory provisions in many areas. For more information, see the

“Our services business” chapter starting on page 77 and the “Procurement and production” chapter starting on page 70.

Demographic factors in particular contribute to the further growth of dialysis markets. They include aging populations and a growing number of people with diabetes and high blood pressure – diseases that often lead to chronic kidney failure. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT

For Fresenius Medical Care, acting sustainably and responsibly is essential to allow us to continue investing in our employees, our research and development, production and in enhancing our divisions now and in the future. We measure our success on the basis of clearly defined performance indicators and targets. Our financial targets for 2015 can be found in the “Outlook” chapter starting on page 105.

Our financial stability enables us to benefit from attractive corporate financing and a degree of flexibility that we aim to maintain in the future. For the next few years, we intend to continue pursuing our aim of consolidating our position in a financially responsible manner.

Strategy for a sustainable increase in enterprise value

We gear our actions towards our vision of creating a future worth living for patients worldwide, every day. Fresenius Medical Care’s corporate strategy is our blueprint for turning this vision into a reality. Our aim is to maintain our position as the world’s leading provider of top-quality dialysis treatments and products and to use it as a basis for sustainable, profitable growth. In doing so, we want to continuously increase the enterprise value of Fresenius Medical Care and create added value for patients, health care systems and investors worldwide.

As always, the groundbreaking principle of our corporate strategy is to fully capture the potential available to us as a vertically integrated company. This means systematically using the advantages that arise from covering the complete value chain of dialysis.

Our strategy is based on an in-depth analysis of the major trends affecting Fresenius Medical Care:

- ▶ **Demographic change**
Average life expectancy is rising, resulting in a growing share of older people in the population. However, our kidney function deteriorates with age. In combination with harmful influences such as longstanding high blood pressure or diabetes, low kidney function can lead to chronic kidney failure. Demographic development is therefore a major factor in the growing number of dialysis patients, which is expected to rise from more than 2.6 M worldwide in 2014 to 3.8 M in 2020.
- ▶ **Increase in lifestyle diseases**
Diseases such as high blood pressure and diabetes are becoming increasingly common due to factors such as lack of exercise, an unhealthy diet and obesity. In the long term, the kidneys are also affected by the damage that these diseases can cause in the human body.
- ▶ **Improved access to medical care**
In many countries, thanks to growing levels of prosperity as well as ongoing efforts to establish and expand balanced and sustainable health care systems, a large number of patients now have access to suitable dialysis treatments for the first time. We expect this trend to continue, and the resultant demand for high-quality products and treatments to increase.
- ▶ **Changes in the health care industry**
The health care industry is constantly changing, mainly because of the developments mentioned above. We firmly believe that demand for holistic care of kidney patients will continue to rise, and that the focus will shift in future from offering individual dialysis products or services to combining all areas of application related to dialysis and coordinating them more effectively.

Therefore, Fresenius Medical Care's corporate strategy in the coming years will pursue the following four strategic objectives:

- ▶ Growing continuously and expanding our global presence
- ▶ Tapping into new business areas
- ▶ Enhancing products and treatments
- ▶ Expanding operational excellence and flexibility

Based on these four pillars, we have devised specific measures that will form the main thrust of our corporate activities in the future.

Growing continuously and expanding our global presence

We are committed to actively shaping the development of the industry while benefiting from the global growth of the market. We achieve this, for example, by enabling more and more people to access life-saving dialysis treatment and developing innovative products and therapies that improve our patients' quality of life. We help to shape the development of the industry by cooperating strategically with various health institutions, for example.

To strengthen our market position, we have developed various approaches ranging from organic growth to continuously assessing suitable acquisitions. Another requirement for lasting, profitable growth is aligning our business activities to attractive future markets. One opportunity for tapping into new markets is through public-private partnerships in the dialysis business. The public sector benefits from a high-quality dialysis infrastructure, which enables it to care for more patients more effectively and less expensively.

Tapping into new business areas

Fresenius Medical Care's main focus is on providing holistic care for dialysis patients as well as dialysis-related treatments. In addition to our products, dialysis treatment itself and a wide range of dialysis drugs, we are increasingly offering additional services for patient care. These include laboratory services as well as services relating to vascular access – an essential aspect of treatment for dialysis patients. In 2014, we combined these medical services that go beyond dialysis treatment under the heading "care coordination", which we plan to expand further in the future. This integrated health care concept allows us to tap into new business areas and thus meet the growing demand for holistic care for our patients. Furthermore, it enables us to integrate the individual treatment steps with the aim of further improving the quality of care for our patients and easing the strain on health care systems.

Enhancing products and treatments

Developing innovative products and continuously improving our dialysis treatments form an inherent part of our strategy of sustainable growth. We operate a global network of research and development locations. This has the advantage that it enables us to become familiar with local requirements and respond to them quickly. At the same time, chronic kidney failure is increasingly becoming a global problem, and demand for improved, high-quality yet cost-efficient products is growing worldwide. This gives rise to a growing number of synergies in the area of product development, which we intend to leverage even more in future. For further information, see the “Research and development” chapter starting on page 66.

The quality and safety of our products and services are given top priority at Fresenius Medical Care. We consider them to be synonymous with our patients’ quality of life. Right from the product and treatment development stage, the patient comes first. Trust in the quality of our products and services makes us a reliable partner for patients, physicians and care staff alike. We will continue to focus on the quality of our products and services in the future.

Expanding operational excellence and flexibility

Further priorities for us are sustainably enhancing Fresenius Medical Care’s profitability and managing the company even more efficiently. In the future, we will continue to optimize and modernize our administrative structures and processes and make greater use of synergies, for example in our Global Manufacturing Operations and Global Research and Development divisions. In this way, we aim to meet the rising

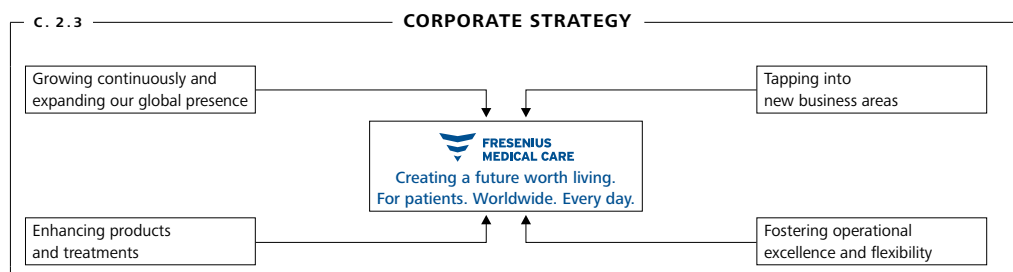
demand and create the conditions to be able to respond more flexibly to changes in the market.

However, at the same, we will also use our regional structure in the future to help us be a strong, reliable local partner and respond quickly to specific customer needs or changes in our markets or in the regulatory environment as well as further improve access to new markets.

In addition, we launched a global efficiency program in 2013 with the aim of further increasing the efficiency of the entire organization and thus boosting competitiveness and investment capacity in the years ahead. Consequently, we expect long-term efficiency gains over the next few years, up to \$300 M before tax by 2017.

Growth strategy 2020 – expanding our business

Based on this strategic focus, we set new long-term targets in April 2014 with our “growth strategy 2020”. The aim is to increase Fresenius Medical Care’s revenue to \$28 BN by 2020. This corresponds to an average annual growth rate of around 10%. In addition to the ongoing strong performance of our existing core business with dialysis products and treatment for dialysis patients, we expect revenue growth to be driven by additional medical services that go beyond dialysis treatment. We will continue to expand these services, which we have combined under the heading “care coordination”, in the future. Their share of total revenue is expected to rise from 7% in 2014 to around 18% in 2020. Revenue growth should stem from both organic growth and acquisitions. We have earmarked an investment volume of up to \$3 BN for this by 2020.



Financial strategy

Besides optimizing our financing costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The company achieves this flexibility by using a wide range of financing instruments and ensuring a high level of diversification in terms of the investors and banks we work with. Our financing profile is characterized by a wide spread of maturities up to 2024.

Our main financing instrument is the syndicated credit agreement with revolving credit facilities and loans in U.S. dollars and euros.

In our long-term financial planning, we focus primarily on the debt/EBITDA ratio. Fresenius Medical Care holds a strong market position in the growing dialysis sector, which is considered to be non-cyclical; it is characterized by relatively stable cash flows. For further information on our financial strategy, see the "Financial situation" section starting on page 61.

Key performance indicators

The management board of Fresenius Medical Care manages the company on the basis of strategic and operating requirements as well as various financial indicators. The key management indicators used in the individual segments are identical. The aim is to ensure long-term corporate success. These key performance indicators are an essential component of forecast reporting. In addition, we collect and examine a large number of financial and non-financial performance indicators, some of which we include in forecast reporting.

An overview of Fresenius Medical Care's key performance indicators can be found in table 2.4 on page 45.

Other performance indicators

In addition to the key performance indicators listed in table 2.4 on page 45, we also use operating indicators based on the following return calculations:

- ROIC (return on invested capital) expresses how efficiently a company allocates the capital under its control or how well it employs its capital with regard to a specific investment project. Fresenius Medical Care's ROIC in 2014 was 6.8%, following 7.7% in the previous year.

- ROOA (return on operating assets) expresses how efficiently a company manages its total employed capital by calculating profit in relation to total capital. At 9.7% in 2014, ROOA slightly decreased compared to the previous year (2013: 10.5%).
- ROE (return on equity) provides an insight into a company's earning power. To calculate it, corporate net income (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) is placed in relation to employed shareholder capital (capital of shareholders of Fresenius Medical Care AG & Co. KGaA). At 11.1% in 2014, ROE (after tax) slightly decreased compared to the previous year.
- When calculating our cost of capital, we use the WACC (weighted average cost of capital) formula. The WACC is derived using the weighted average of costs incurred for equity and debt. Fresenius Medical Care's WACC in 2014 was 6.4%, following 6.7% in the previous year. Comparing the company's WACC with its ROIC of 6.8% reveals that in 2014, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

We manage our investments using a detailed coordination and evaluation process. The management board sets the complete investment budget for the group as well as the investment targets. Before concrete investment projects or acquisitions are realized, our internal Acquisition Investment Committee (AIC) examines the individual projects and measures taking into account the return on investment and potential return. The investment projects are evaluated based on commonly used methods such as the net present value and internal interest rate methods; payback periods are also included in the assessment. In this way, we try to ensure that we only make and implement investments and acquisitions that actually increase shareholder value.

Further information on acquisitions can be found in the sections "Capital expenditures and acquisitions" starting on page 53 and "Financial situation" starting on page 61.

Details on the development of these indicators as well as other financial figures can also be found in the "Results of operations, financial situation, assets and liabilities" chapter starting on page 57.

T. 2.4		KEY PERFORMANCE INDICATORS		
		Definition	2014	2013
Revenue	Proceeds from provision of services and sale, letting or leasing		\$ 15,832 M	\$ 14,610 M
Operating income (EBIT)	Indicator for assessing earning power		\$ 2,254 M	\$ 2,256 M
Operating income margin (EBIT margin)	Ratio of operating income to revenue; indicator for assessing profitability		14.2 %	15.4 %
Net income growth	Earnings after taxes and net income attributable to non-controlling interests; indicator for assessing earnings power		− 6 %	− 6 %
Basic earnings per share growth	Net income divided by the weighted average number of shares outstanding during the year		− 5 %	− 6 %
Capital expenditures	Ratio relating to the capital employed in the company in the form of replacement and expansion investments		\$ 920 M	\$ 728 M
Net cash provided by operating activities <i>in % of revenue</i>	Net inflow of cash and cash equivalents generated from business operations in relation to revenue; indicator of solvency and internal financing potential (funds available for replacement and expansion investments)		11.8 %	13.9 %
Free cash flow <i>in % of revenue</i>	Freely available cash flow after capital expenditures in relation to revenue; indicator of the funds available for acquisitions, dividends and loan repayments		5.9 %	8.9 %
Debt/EBITDA ratio	Debt divided by EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for other non-cash expenditure and largest acquisitions; indicator of how many years it takes to repay debts from own funds		3.1	2.8

The expected global economic upturn failed to materialize in 2014. Economic development was slower than forecast, particularly in emerging countries and in Europe. The dialysis market is growing worldwide. At the end of 2014, more than 2.6 M dialysis patients were being treated.

OVERALL ECONOMIC ENVIRONMENT

At 3.4%, the rate of increase in global gross domestic product (GDP) for 2014 was slightly above that of the previous year (3.2%). The global economy failed to meet growth forecasts in 2014, especially in the first half of the year. However, it picked up again as the year progressed, particularly from the third quarter onwards. The U.S. and other advanced economies posted moderate economic growth, whereas the trend in emerging countries was generally subdued. In the euro zone, the economy stagnated, partly due to the conflict in Ukraine.

Mixed economic development in our segments

North America segment: In the U.S., the economic situation stabilized. The improved situation on the job market and the associated rise in wages boosted private consumption. In addition, the expansive monetary policy gradually started to take effect. In 2014, the growth rate in the U.S. was 2.2%, as in the previous year.

International segment: Economic development in the countries in our International segment varied widely. In the euro zone, the previous year's recovery was followed by stagnation, not least due to global political tensions. The pace of growth slowed down in emerging countries: Although momentum increased in China and India in the first half of the year, this development was cancelled out by the slower pace in other countries, such as Brazil, Russia and Argentina. Growth in the Latin America region was more restrained than in the previous year. Table 2.5 shows the change in the gross domestic product of selected countries compared with the previous year.

Fresenius Medical Care largely non-dependent on economic cycles

The dialysis market is a growth market. Demand for life-preserving products and services for kidney patients is rising continuously. To a certain extent, this is due to demographic factors such as the aging population. Fresenius Medical Care's business is impacted more by government reimbursement rates and systems than by economic cycles. See also the "Dialysis market" chapter starting on page 47.

T. 2.5 REAL GROSS DOMESTIC PRODUCT

Change compared to the previous year in %

	Gross domestic product	
	2014	2013
U.S.	2.2	2.2
Germany	1.5	0.1
Euro zone	0.8	-0.4
China	7.4	7.7
India	5.9	4.7
Asia	6.6	6.6
Latin America	1.1	2.5
► WORLDWIDE	3.4	3.2

Source: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2014", December 17, 2014

Exchange rate development characterized by weaker euro

Exchange rates were subject to strong fluctuations in 2014. Since we generate the majority of our sales in Europe and the U.S. and maintain our financial accounting in U.S. dollar, the performance of the U.S. dollar and the euro is of particular importance to us. At annual average the euro remained unchanged in relation to the U.S. dollar in 2014 in comparison to the prior year, while it depreciated during the second half of the year. We reduce our transaction risks, i.e. risks due to foreign currency items or exchange rate fluctuations, through our global network of production facilities, which is geared towards demand in our dialysis products business: Often, our production facilities are based in the markets that they serve. We therefore incur costs in the same currency in which we generate our revenue. In our largest division, the services business, the risk of exchange rate fluctuations is relatively low because we provide our services locally and therefore in the respective currency. In total, exchange rates had a negative impact on revenue in 2014 and resulted in no significant impact on other key income items in comparison to the prior year.

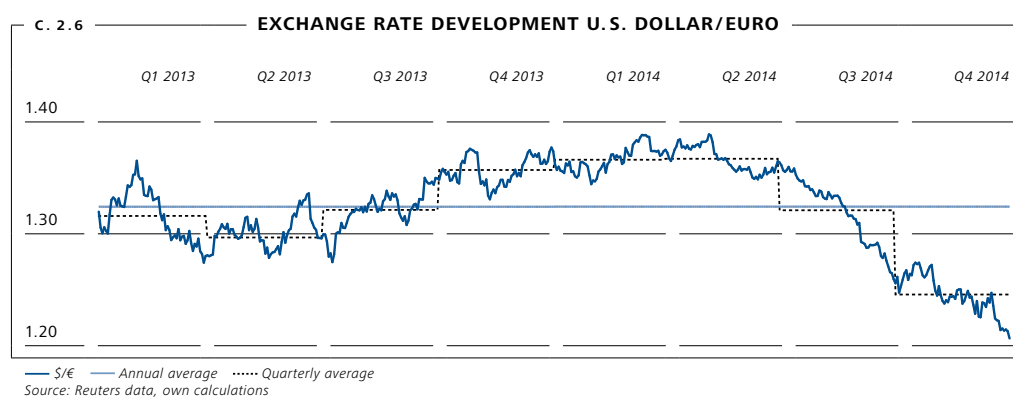
Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section starting on page 54 and in the "Outlook" chapter starting on page 105.

DIALYSIS MARKET

The dialysis market is growing worldwide. With our decades of experience, we can provide patients with high-quality dialysis products and services from a single source. We are therefore ideally placed to further expand our business and consolidate our position as market leader.

Collection and analysis of market data

Reliable information on the development of the dialysis market and its general conditions is an important prerequisite for the success of our business. To obtain and manage representative market information, Fresenius Medical Care has developed its own tool, the Market & Competitor Survey (MCS). We use it to collect and analyze relevant dialysis market and competitor data and then leverage it within the company. This information serves as a basis for strategic decisions made by management, research and development and marketing, as well as for our external reporting, such as the annual report. Unless otherwise stated, the data in this chapter is based on the MCS survey. By regularly adapting it, we account for new trends such as changes in the use of certain treatments as well as in the structure of our competitive environment caused for example by the entry of new providers.



In recent years, the gap between patient numbers and patient number growth rates reported by the two leading U.S. data sources has widened. This goes hand in hand with a significant time lag in reporting this data. The company is currently analyzing this situation to determine if its methods for accumulating current patient number estimates and projections should be refined. This could lead to a restatement of both reported patient numbers as well as growth rates in North America in the future.

Industry-specific environment

Patient numbers are rising worldwide

Chronic kidney failure is a global disease: At the end of 2014, approximately 3.371M patients were being treated.

At a regional level, the incidence of chronic kidney failure varies. Prevalence, i.e. the relative number of people being treated for end-stage renal disease in a particular country, also differs significantly from one country to another. The prevalence rate,

T. 2.7 PATIENTS WITH CHRONIC KIDNEY FAILURE IN 2014

in M

Patients with chronic kidney failure	3.371	100 %
Of which patients with transplants	0.706	21 %
Of which dialysis patients	2.665	79 %
Hemodialysis (HD)	2.376	70 %
Peritoneal dialysis (PD)	0.289	9 %

Source: Company data and estimates

T. 2.8 DIALYSIS PATIENTS: REGIONAL DEVELOPMENT

	2014	Change
North America	596,000	~ 4 %
Europe/Middle East/Africa	666,000	~ 4 %
Asia-Pacific	1,138,000	~ 8 %
Latin America	265,000	~ 5 %
► WORLDWIDE	2,665,000	~ 6 %

Source: Company data and estimates

T. 2.9 REGIONAL BREAKDOWN OF IN-CENTER DIALYSIS AND HOME DIALYSIS

	In-center dialysis	Home dialysis
North America	81 %	19 %
Europe/Middle East/Africa	93 %	7 %
Asia-Pacific	90 %	10 %
Latin America	88 %	12 %
► WORLDWIDE	89 %	11 %

Source: Company data and estimates

T. 2.10 MARKET POSITION RELATING TO MAJOR PRODUCT GROUPS IN 2014

	1 st place	2 nd place
Dialyzers	Fresenius Medical Care	Baxter
Dialysis machines	Fresenius Medical Care	Nikkiso
Concentrates for hemodialysis	Fresenius Medical Care	Baxter
Bloodline systems	Fresenius Medical Care	Baxter
Products for peritoneal dialysis	Baxter	Fresenius Medical Care

Source: Company data and estimates

measured in patients per million population (pmp), can be well below 100, especially in developing countries. In countries in the European Union, the prevalence rate averages just over 1,100 pmp. Countries such as Japan and the U.S. have very high figures, in some cases well over 2,000 pmp. Taiwan even has a rate of over 3,000 pmp.

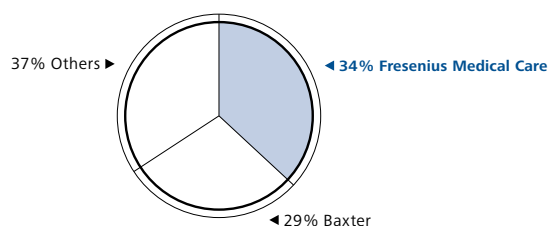
There are various reasons for the significant divergence in prevalence rates:

- The countries differ demographically, as age structures in the population vary worldwide.

- The prevalence of risk factors for kidney disease such as diabetes and high blood pressure diverges.
- The genetic predisposition for kidney disease differs around the world.
- Access to dialysis is still limited in many countries, meaning that many patients suffering from kidney failure are not treated and thus do not appear in prevalence statistics.
- Cultural factors such as nutrition play a role.

C. 2.11 DIALYSIS PRODUCTS IN 2014

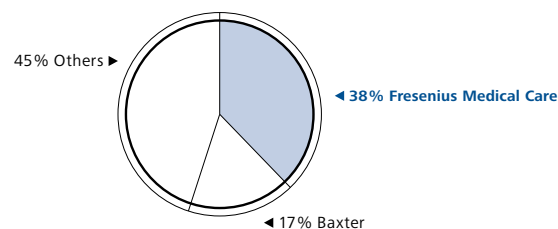
Market share, based on revenue



Source: Company data and estimates

C. 2.12 HEMODIALYSIS PRODUCTS IN 2014

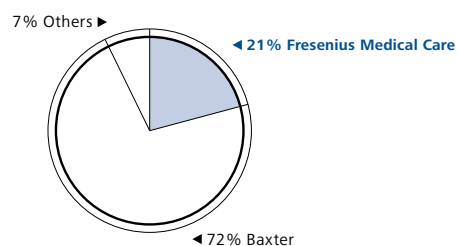
Market share, based on revenue



Source: Company data and estimates

C. 2.13 PERITONEAL DIALYSIS PRODUCTS IN 2014

Market share, based on revenue



Source: Company data and estimates

The number of dialysis patients in 2014 rose by around 6%. In the U.S., Japan, and Western and Central Europe the number of patients grew again below average in 2014. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, growth was above average – an indication that access to dialysis treatment in these countries is still limited but is gradually improving. In addition to easier access to dialysis resulting in better recording of patient numbers, however, other factors also contribute to a rise in global prevalence, for example the spreading incidence of illnesses that cause renal damage such as diabetes and high blood pressure, as well as the general aging of the global population due to medical advances.

Comparison of treatment methods

Of the 2.665 M patients who were undergoing dialysis treatment at the end of 2014, 2.376 M – about 89% – were being treated with hemodialysis and around 289,000 (11%) with peritoneal dialysis; see the glossary starting on page 247. In a global comparison of treatment methods, hemodialysis is clearly the most common.

Dialysis patients can be treated either in a dialysis center or in their own home. Treatment options available for home therapy are home hemodialysis (relatively uncommon so far) and peritoneal dialysis. The ratio of patients treated in dialysis centers to patients on home dialysis varies from region to region.

The third option for treating patients with end-stage renal disease is kidney transplantation. Approximately 706,000 patients were living with a transplanted kidney at the end of 2014. However, for many years, the number of donated organs worldwide has been significantly lower than the number of patients on transplant waiting lists. Despite extensive efforts

by regional initiatives to increase awareness of kidney donation and the willingness to donate, the share of patients receiving kidney transplantation compared with other treatment methods has remained relatively unchanged over the past ten years.

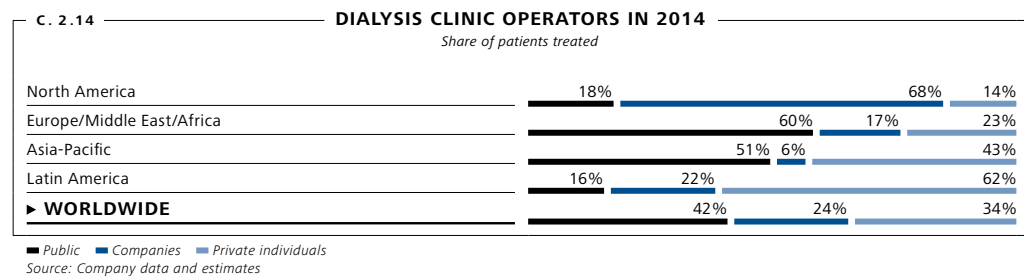
Our customers are mostly health insurers and companies

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. The largest private customer, which is also the world's second-largest provider in the dialysis services sector after Fresenius Medical Care, is the U.S. company DaVita. In the last fiscal year, we generated around 1% of our revenue with DaVita.

Health care and reimbursement systems vary from country to country

As renal replacement therapy is a life-saving medical service, patients do not usually have to pay for dialysis themselves. Instead, the costs are borne by the responsible health care system. The reimbursement systems for dialysis treatment – in other words, the schemes used by health care systems to pay for dialysis services – differ from country to country and often vary even within countries. The factors determining reimbursement include regional conditions, the kind of treatment provided, regulatory issues, and the type of dialysis service provider (public or private).

The health care debate in some countries is currently focused on establishing reimbursement structures based on treatment quality (Pay for Performance). Thereby, more responsibility is transferred to the medical service provider, subject to transparency and quality criteria. Such reimbursement models are aimed at achieving high treatment quality combined with lower overall costs for the health care system.



One example of a reimbursement model based on qualitative criteria is the reimbursement system for dialysis in the U.S., our biggest sales market. It applies to dialysis treatment for patients in the U.S. who are predominantly covered by national health insurance (Medicare patients). All dialysis products, dialysis treatment and additional services, such as the administration of certain intravenous drugs and diagnostic laboratory tests, are reimbursed collectively in a lump sum. This bundled reimbursement rate is adapted to patients' characteristics such as age and weight. The U.S. reimbursement system also takes into account quality parameters such as the regulation of the hemoglobin content of the blood (anemia management) and the effectiveness of dialysis treatment. Thanks to our vertical business model, we are very well placed to work with reimbursement systems that use qualitative criteria, as well as being equipped for any future adjustments.

In the U.S., the reimbursement rates are finalized by the responsible authority, the Centers of Medicare and Medicaid Services (CMS). The basic reimbursement rate for 2014 has only changed slightly year-on-year and will remain at the same level in 2015. More information can be found in the "Outlook" chapter starting on page 105 and in the "Results of operations" section starting on page 57.

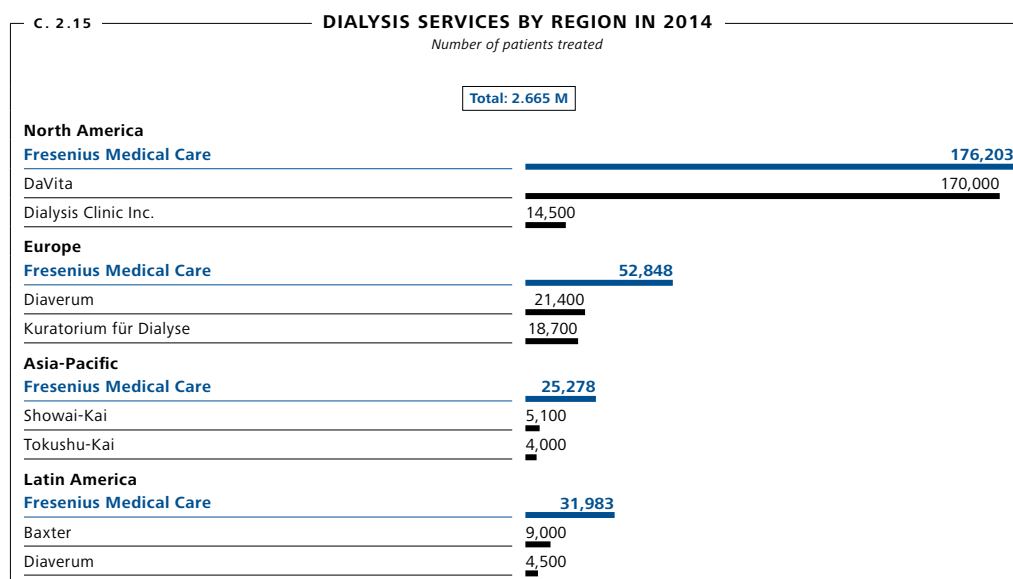
Fresenius Medical Care in a global comparison

We estimate that the volume of the global dialysis market rose by 1% to around \$77 BN in 2014. The currency-adjusted growth rate amounted to 4% during the last year. We expect the following approximate breakdown for this market volume: dialysis products with around \$14 BN and dialysis services (including dialysis drugs) with approximately \$63 BN.

Two major providers on the dialysis products market

The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with products for peritoneal dialysis; see also the glossary starting on page 247. In terms of revenue, the two largest manufacturers of dialysis products together accounted for approximately 63% of the worldwide market in 2014. With a market share of 34%, Fresenius Medical Care was the market leader in this segment, followed by Baxter with 29%. The remaining, mainly Japanese, dialysis product providers all held market shares in the single-digit percentage range.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of more than 260 M units in 2014. Around 115 M were made by Fresenius Medical Care, meaning that we comfortably held the largest



Source: Company data and estimates

market share in this segment. We set a new unit sales record in the U.S., our largest single market, with more than 44 M dialyzers sold in 2014. Hemodialysis machines constitute another key segment of our product business. Here, too, we are the clear market leader: Of the more than 85,000 dialysis machines sold worldwide in 2014, some 50% were produced by Fresenius Medical Care. The U.S. is our biggest sales market for dialysis machines: In the year under review, we manufactured more than 93% of dialysis machines sold there. Our 2008 machine series is the leading dialysis system in the U.S. with more than 122,000 units in use.

In the area of peritoneal dialysis, we account for 21% of the global market in terms of revenue, see also chart 2.13 on page 49. In the U.S., we hold a market share of 43%. Further information on our position in the home dialysis market, which comprises home hemodialysis and peritoneal dialysis, can be found in the "Home dialysis – a niche market" section on page 40.

Dialysis services – most patients treated in dialysis centers

Renal patients generally receive dialysis treatment in clinics or dialysis centers, which they visit three times a week for several hours. They are treated either during the day or overnight while they sleep. Further treatment options include home dialysis, which patients mostly carry out themselves at home under expert guidance and with the necessary accessories, or dialysis on vacation, for example on a cruise ship

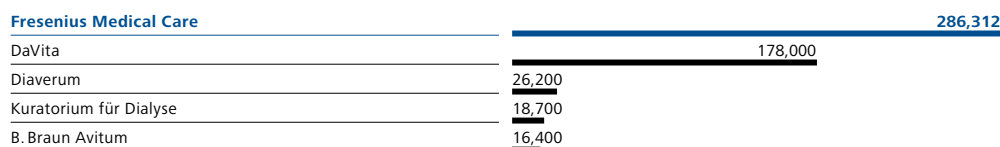
or at a resort; Fresenius Medical Care also offers services for these cases. The vast majority of dialysis services, however, involve conventional treatment in clinics or centers.

In 2014, most dialysis patients were cared for in one of around 36,700 dialysis centers worldwide, resulting in an average of some 70 patients per center. The organization of the centers also differs significantly depending on whether the health care system in the relevant country is mainly state-run or privately operated.

Fresenius Medical Care can operate its own therapy centers in countries where the health care system allows private-sector companies to provide medical services and an appropriate reimbursement system is in place. For some years now, health care systems in a large number of countries have been under pressure to improve the quality of treatment while keeping health care costs as low as possible. Some countries have therefore started to contemplate whether and how specialized private companies can help them in this. Other countries are only just setting up their health care systems and are looking to interact with health care companies that have a good reputation due to their high-quality service portfolio with the aim of developing modern treatment standards. In both cases, Fresenius Medical Care, as an experienced vertically integrated provider, is the right partner: With our high-quality and innovative products and services, we are ideally positioned to continue expanding our position on the dialysis market.

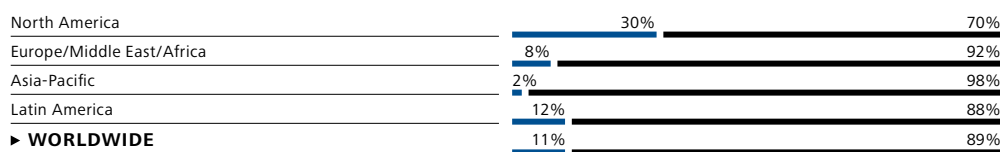
C. 2.16 TOP 5 DIALYSIS PROVIDERS WORLDWIDE IN 2014

Number of patients treated



Source: Company data and estimates

C. 2.17 FRESENIUS MEDICAL CARE: PATIENTS TREATED IN 2014



■ Fresenius Medical Care ■ Other providers
Source: Company data and estimates

In this respect, the Chinese market will also become increasingly important for our business: The country's government is making efforts to develop a modern health care system with corresponding reimbursement structures – an important prerequisite for opening the market for dialysis services to international providers. These prerequisites have not yet been fulfilled for the dialysis sector. With this in mind, we will continue to drive our growth in China through cooperation with local clinics and via management contracts for the time being. So far, we provide 107 clinics (previous year: 100 clinics) with dialysis machines and disposable products.

In the U.S., Fresenius Medical Care and DaVita together serve over 70% of all dialysis patients; this means that there is already a relatively high concentration of dialysis clinics. In the year under review, Fresenius Medical Care maintained its market position and treated more than 171,000 patients, approximately 37% of all dialysis patients in the U.S. (2013: around 167,000 patients, approximately 37%).

Outside the U.S., the dialysis services segment is still considerably more fragmented: With more than 1,200 dialysis clinics and around 115,000 patients in more than 45 countries, Fresenius Medical Care operates by far the largest and most international network of clinics.

Overall, Fresenius Medical Care further consolidated its position as clear market leader in the dialysis services business in the period under review: Over the past year, we treated 286,312 dialysis patients (2013: 270,122) in 3,361 clinics (2013: 3,250).

Dialysis drugs supplement our range

Usually, patients undergoing dialysis require medication to counteract anemia and to control their mineral metabolism – both of which are consequences of chronic kidney failure. Almost two thirds of the total market for dialysis drugs, is generated with erythropoiesis-stimulating agents for treating anemia. We source them from the American company Amgen and its partners, for example. Phosphate binders used to control bone metabolism, on the other hand, are produced in-house, both for use in our own dialysis centers as well as for distribution to third parties. We produce iron compounds for the treatment of anemia as part of a joint venture with Galenica – Vifor Fresenius Medical Care Renal Pharma Ltd. We also use them in our own clinics and distribute them to third parties.

EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Management board changes

Professor Emanuele Gatti, management board member responsible for the Europe, Middle East, Africa and Latin America region (EMEALA), stepped down from the management board of Fresenius Medical Care on March 31, 2014. On April 1, 2014, Dominik Wehner was appointed new management board member for the Europe, Middle East and Africa region as well as labor relations director for Germany. Dominik Wehner has worked at Fresenius Medical Care since 1994. Prior to his appointment to the management board, he was responsible for the Eastern Europe, Middle East and Africa regions. In his capacity as chairman of the management board, Rice Powell has taken on responsibility for Latin America. Dr. Rainer Runte, management board member responsible for law and compliance, also left the company on March 31, 2014. As chairman of the management board, Rice Powell has taken on responsibility for law and compliance.

Capital expenditures and acquisitions

In implementing our investment strategy, we again focused on growing our clinic network, product business and production capacity in 2014. In addition, we expanded the range of services combined under the heading "care coordination" through acquisitions. This was also reflected in our acquisitions budget of around \$1.3 BN in 2014.

Part of this budget was allocated to the acquisition of a majority stake in Sound Inpatients Physicians, Inc., and the purchase of Cogent Healthcare. Both of these are networks of hospitalists in the U.S. Cogent's services are directly comparable with those of Sound. As a result of these acquisitions, our enlarged network now comprises more than 1,750 physicians in over 180 hospitals and 35 states in the U.S. Allowing for transaction and integration costs, these acquisitions are set to make a positive contribution to net income in the course of 2016.

We have invested further in vascular surgery in the U.S. by acquiring National Cardiovascular Partners (NCP), a leading provider of outpatient cardiovascular treatment in the U.S. The company works with over 200 specialists and runs 21 cardiac-catheter laboratories in six states in the U.S.

Further information on our capital expenditures and acquisitions can be found in the “Financial situation” section starting on page 61 and in the “Liquidity and capital resources” section starting on page 158.

Financing

In September 2014, we successfully issued an equity-neutral convertible bond with a volume of €400 M. The proceeds were used for general corporate purposes. In addition, we placed two senior unsecured bonds with a total volume of \$900 M in October 2014. The net proceeds were used to repay a short-term loan under the 2012 credit agreement and further current liabilities as well as for acquisitions and general business purposes.

In addition, we extended the scope of our syndicated credit agreement by the equivalent of \$850 M to the equivalent of around \$4.4 BN in November. The credit agreement covers revolving credit lines as well as loans in U.S. dollars and euros. The conditions were also improved and the term extended by two years until October 30, 2019. The extended credit line is earmarked for refinancing existing liabilities as well as for financing general business purposes and working capital. Fresenius Medical Care also extended the term of its accounts receivable facility with a volume of \$800 M until November 24, 2017.

Further information on the bonds can be found in the “Financial situation” section starting on page 61 and in the “Liquidity and capital resources” section starting on page 158.

Business environment

The company's business environment remained largely unchanged in many markets in 2014, as did the relevant legal frameworks for our business. However, we are obliged to continue operating in an environment that does not sufficiently account for rising treatment costs in its reimbursement rates. In our largest sales market, the U.S., business continued to be negatively impacted by the automatic budget cuts (sequestration) of 2% in the first quarter and the associated reductions in reimbursement rates for dialysis treatment of state-insured patients.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

As expected, last year was a challenging one for Fresenius Medical Care: The situation in our core business area of dialysis did not improve significantly again in 2014. Even so, we managed to largely meet our targets.

At the beginning of the year under review, we expected to generate revenue of around \$15.20 BN in 2014. This target did not include additional revenue of around \$0.5 BN as a result of acquisitions made in the course of the year. In actual fact, we increased revenue by 8% to \$15.83 BN. All regions – North America, Europe/Middle East/Africa, Asia-Pacific and Latin America – contributed to this.

At the beginning of the year, we set a target range for net income of \$1.0 BN to \$1.05 BN. This did not take into account cost savings from the global efficiency program initiated in 2013. At the beginning of 2014, cost savings were estimated at \$60 M before tax for the year under review. In real terms, we generated net income of \$1.05 BN in 2014. Cost savings from our global efficiency program amounted to \$65 M before tax and \$40 M after tax. Net income adjusted for these savings came to \$1.01 BN, and was therefore within our target range. Further information can be found in the “Results of operations” section starting on page 57.

The steady growth of the dividend is reflected in our dividend proposal: Subject to approval by the annual general meeting on May 19, 2015, the dividend per share will increase by 1% to €0.78 (2013: €0.77). More information on the dividend proposal can be found in the “Dividend continuity” section on page 31.

We earmarked around \$900 M for capital expenditures and around \$400 M for acquisitions in 2014. We raised the forecast for capital expenditures to around \$1.3 BN as the year progressed. In actual fact, \$920 M was used for capital expenditures (net) – corresponding to 6.0% of revenue – and \$1.77 BN for acquisitions less divestitures. For further information, see the “Financial situation” section starting on page 61.

Net cash provided by operating activities, driven by earnings development and sound management of net working capital, was high in 2014 at \$1.86 BN. Relative to revenue, this amounted to 11.8%, comfortably exceeding the target of more than 10%.

According to our forecast, the leverage ratio (defined as the ratio of the total financial debt to earnings before interest, taxes, depreciation and amortization = debt/EBITDA) should have been around 3.0 by the end of 2014. The actual leverage ratio as at the reporting date was 3.1, slightly above our forecast figure.

The number of employees at Fresenius Medical Care (full-time equivalents) grew from 90,690 at the end of 2013 to 99,895 at the end of 2014, reaching our forecast figure of around 97,000. We initially expected 92,000 employees at the beginning of 2014, before adjusting this figure as the year progressed, mainly as a result of additional acquisitions in North America. Acquisitions and the company's organic growth contributed to the increase in the number of employees compared with the previous year.

Research and development expenditures aimed at boosting Fresenius Medical Care's ability to adapt to future requirements amounted to \$122 M, not quite meeting our target of around \$140 M. This discrepancy was mainly due to project delays. Our research and development activities are focused on further developing existing product groups. Details can be found in the "Research and development" chapter starting on page 66.

The dialysis market developed as we anticipated: The number of patients worldwide grew by around 6%. As expected, there were no significant changes compared to the previous year concerning the allocation of dialysis patients to different treatment methods. Hemodialysis continued to be by far the most important method used to treat chronic kidney failure in 2014. For further information, see the "Dialysis market" section starting on page 47.

T. 2.18 TARGETS AND RESULTS FOR 2014

	Results 2014	Adjusted results 2014, excluding global efficiency program and acquisitions	Targets 2014
Revenue	\$15.8 BN	\$15.3 BN	~\$15.2 BN
Operating income (EBIT)	\$2.3 BN	\$2.2 BN	~\$2.2 BN
Operating income margin (EBIT margin)	14.2 %	14.2 %	~14.5 %
Net income ¹	\$1.05 BN	\$1.01 BN	\$1.0 BN to \$1.05 BN
Net income growth ¹	-6 %	-9 %	Decrease of 5 % to 10 %
Basic earnings per share growth ¹	-5 %	-9 %	In line with the expected development of net income
Capital expenditures	\$920 M		~\$900 M
Acquisitions and investments	\$1.8 BN		~\$1.3 BN
Net cash provided by operating activities	\$1.9 BN		>\$1.5 BN
Net cash provided by (used in) operating activities in % of revenue	11.8 %		>10 %
Free cash flow in % of revenue	5.9 %		>4 %
Debt/EBITDA ratio	3.1		~3.0
Employees ²	99,895		~97,000
Dividend	€0.78 ³ per share (+1 %)		Earnings-driven dividend policy
Research and development expenses	\$122 M		~\$140 M

¹ Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.

² Full-time equivalents.

³ Proposal to be approved by the annual general meeting on May 19, 2015.

THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

As expected, 2014 was a challenging year for Fresenius Medical Care. Once again, the general conditions in our core business of dialysis did not change significantly in 2014: We have to operate in markets where rising treatment costs are not remunerated adequately. This particularly applies in the U.S., Fresenius Medical Care's most important market in terms of business volume. The reimbursement situation is also one of the main reasons why net income fell by 6% to \$1.05 BN, even though revenue rose by 8% to \$15.83 BN in the same period. Nevertheless, we mostly achieved our targets for 2014 despite the difficult situation.

To boost our profitability in the years ahead, we continued to pursue our global efficiency program in 2014, saving \$65 M on costs before tax. Implementation costs are already factored into this figure. We expect savings to rise to \$300 M before tax by 2017.

In the future, we aim to focus even more on offering our patients holistic treatment by expanding the medical services we provide beyond dialysis treatment. We combined these strategic measures to enhance our business under the heading "care coordination" in the last fiscal year, and bolstered them significantly through acquisitions. A part of the total volume of around \$1.8 BN that we spent on acquisitions in 2014, accounted for care coordination initiatives. In addition, we continued our investment activities at an undiminished pace. We invested around \$900 M in 2014, mainly in expanding our production capacity and extending our network of dialysis clinics.

Our strategic decisions and activities in 2014 have set the course for the future. Fresenius Medical Care stands on strong foundations. We aim to build on these in the next few years.

Further information on our business performance can be found in the "Events significant for business development" section starting on page 53.

RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES

57

The financial year 2014 progressed in line with our expectations:
We achieved sound results despite challenging market conditions.

RESULTS OF OPERATIONS

Revenue

In the year under review, Fresenius Medical Care increased its revenue by 8% to \$15.83 BN, corresponding to a 10% growth rate in constant currency terms. The organic revenue growth amounted to 5%, while acquisitions accounted for 5% of revenue growth. Health care services revenue rose by 10% (+12% on a constant currency basis) to \$12.25 BN. Dialysis product revenue was up 3% to \$3.58 BN. On a constant currency basis, the increase was 4%. At the end of 2014, we operated 3,361 dialysis clinics, 3% more than at the end of 2013. We treated 286,312 dialysis patients by the end of 2014, an increase of 6%. The number of treatments rose by 6% to around 42.74 M in the reporting year.

Revenue in North America, still our most important business region with a share of 66%, was \$10.50 BN in 2014, 9% above the \$9.61 BN generated in the previous year. The organic revenue growth amounted to 5%, while acquisitions accounted for 4% of revenue growth. Health care services revenue increased by 10% to \$9.66 BN in 2014 (2013: \$8.77 BN). Dialysis product revenue increased by 1% to \$845 M (2013: \$834 M).

Revenue in the International segment, which includes all regions outside North America, improved by 6% (+11% on a constant currency basis) to \$5.27 BN in 2014. Acquisitions had the positive effect to increase revenue by 5%, while organic growth was 6%. Health care services revenue in the International segment grew by 10% over the previous year to \$2.59 BN. In constant currency terms, this represents an increase of 18%. Dialysis product revenue rose by 2% to \$2.67 BN in 2014, corresponding to 4% organic growth in constant currency terms.

The largest business region in the International segment is Europe/Middle East/Africa (EMEA). Here, revenue rose by 2% to \$3.07 BN in the past financial year. On a constant currency basis, revenue was up 4%. The region's share of total revenue was 20% (2013: 21%). By the end of 2014, we were treating 52,848 patients in 635 dialysis facilities, over 1,300 patients or 3% more than twelve months before. In 2014, we generated revenue of \$1.44 BN from health care services in this region, up 2% over the preceding year. In constant currency terms, this represents a 5% increase. Dialysis product revenue totaled \$1.63 BN, up 1% year-on-year. In constant currency terms, we posted revenue growth of 2%.

T. 2.19

REVENUE BY SEGMENT

in \$M

	2014	2013	Change	Exchange rate effects	Organic growth	Acquisitions
North America						
Dialysis products	845	834	1%	0%	1%	0%
Health care services	9,655	8,772	10%	0%	5%	5%
Thereof dialysis services	8,616	8,244	5%			
Thereof care coordination	1,039	528	97%			
► TOTAL	10,500	9,606	9%	0%	5%	4%
International						
Dialysis products	2,670	2,612	2%	-2%	4%	0%
Health care services	2,595	2,358	10%	-8%	8%	10%
► TOTAL	5,265	4,970	6%	-5%	6%	5%
Worldwide						
Dialysis products ¹	3,582	3,480	3%	-1%	4%	0%
Health care services	12,250	11,130	10%	-2%	6%	6%
► TOTAL	15,832	14,610	8%	-2%	5%	5%

¹ Including revenue generated by corporate functions in the amount of \$67 M for 2014 and \$34 M for 2013.

Revenue in the Latin America region fell by 1% to \$836 M; based on constant currencies, there was an increase of 16%. The share of total revenue fell from 6% to 5% as against the previous year. At \$588 M, health care services revenue was at the previous year's level of \$589 M. In constant currency terms,

revenue rose by 21%. We generated revenue of \$248 M from dialysis products, down 2% on the previous year. Based on constant currencies, there was an increase of 6%. By the end of 2014, almost 32,000 patients were receiving dialysis treatment in the 247 clinics in this business region.

T. 2.20 REVENUE BY REGION				
<i>in \$M</i>				
	2014	2013	Change	Percentage of total revenue
North America	10,500	9,606	9 %	66 %
Europe/Middle East/Africa	3,072	3,023	2 %	20 %
Latin America	836	843	-1 %	5 %
Asia-Pacific	1,357	1,104	23 %	9 %
Corporate	67	34	100 %	0 %
► TOTAL	15,832	14,610	8 %	100 %

T. 2.21 PATIENTS			
	2014	2013	Change
North America	176,203	171,440	3 %
Europe/Middle East/Africa	52,848	51,541	3 %
Latin America	31,983	29,272	9 %
Asia-Pacific	25,278	17,869	41 %
► TOTAL	286,312	270,122	6 %

T. 2.22 TREATMENTS			
<i>in M</i>			
	2014	2013	Change
North America	26.61	25.66	4 %
Europe/Middle East/Africa	8.05	7.73	4 %
Latin America	4.81	4.42	9 %
Asia-Pacific	3.27	2.65	23 %
► TOTAL	42.74	40.46	6 %

T. 2.23 CLINICS			
	2014	2013	Change
North America	2,162	2,133	1 %
Europe/Middle East/Africa	635	632	0 %
Latin America	247	231	7 %
Asia-Pacific	317	254	25 %
► TOTAL	3,361	3,250	3 %

The Asia-Pacific region recorded an increase in revenue of 23% to \$1.36 BN. This corresponds to 26% revenue growth based on constant currencies. The share of total revenue of this region rose from 7% in 2013 to 9% in 2014. Health care services revenue rose by 57% (+64% on a constant currency basis) to \$568 M. Dialysis product revenue rose by 6% (+8% on a constant currency basis) to \$789 M. By the end of 2014, we were treating around 25,000 patients in 317 dialysis facilities.

Earnings

Gross profit

Gross profit in 2014 amounted to \$5.00 BN, up 5% compared to 2013. The gross profit margin declined from 32.4% to 31.6%. The decrease in the margin is largely due to the lower gross profit margin in North America.

Selling, general and administrative expenses rose by 11% to \$2.64 BN (2013: \$2.39 BN) and from 16.4% to 16.7% as a percentage of revenue.

Depreciation and amortization totaled \$699 M in 2014 compared with \$648 M in 2013.

Research and development expenses were \$122 M, roughly on a par with the previous year's figure of \$126 M.

Operating income (EBIT)

Earnings before interest and taxes (EBIT) were almost unchanged from the previous year at \$2.26 BN in 2014.

In North America, operating income improved by 1% to \$1.64 BN in 2014. The operating income margin decreased from 16.9% in 2013 to 15.6% in 2014.

In the International segment, operating income was up 8% to \$970 M in 2014 compared with \$897 M in 2013. The operating income margin rose from 18.1% in 2013 to 18.4% in 2014.

Corporate costs increased in the course of 2014, as expected, particularly due to the higher legal and consultancy expenses. The total corporate operating expenses amounted to \$358 M in 2014, after \$264 M in 2013.

T. 2.24 OPERATING INCOME (EBIT)			
	in \$M		
	2014	2013	Change
North America	1,643	1,623	1%
International	970	897	8%
Corporate	(358)	(264)	36%
► TOTAL	2,255	2,256	0%

T. 2.25 CONDENSED STATEMENT OF INCOME			
	in \$M		
	2014	2013	Change
Revenue	15,832	14,610	8%
Cost of revenue	10,836	9,872	10%
► GROSS PROFIT	4,996	4,738	5%
In % of revenue	31.6	32.4	—
► OPERATING INCOME (EBIT)	2,255	2,256	0%
Interest expense, net	411	409	1%
► EARNINGS BEFORE TAXES	1,844	1,847	0%
► NET INCOME¹	1,045	1,110	-6%

¹ Net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA.

Net interest

Net interest expenses in 2014 amounted to \$411 M, after \$409 M in 2013. This development mainly stemmed from the increase in average debt level as well as one-time-costs related to the amended 2012 credit agreement, which was expanded. This was partly offset by a higher percentage of debt with lower interest rates.

Detailed information can be found in the "Financial situation" section starting on page 61 and in the "Liquidity and capital resources" section starting on page 158.

Tax rate

Income tax expense in the year under review amounted to \$584 M, compared with \$592 M in 2013. This corresponds to an effective tax rate of 31.7%, after 32.0% in 2013. The adjusted tax rate for 2014 was 33.4%.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA fell by 6% to \$1.05 BN in the financial year 2014.

Earnings per share

Basic earnings per share (EPS) fell by 5% in 2014 to \$3.46, compared with \$3.65 in 2013. The average weighted number of shares outstanding in 2014 was around 302.3 M (2013: 303.8 M). Details on how

earnings per share are derived can be found in the "Notes to consolidated financial statements" starting on page 178.

Value added statement

The value added statement reflects Fresenius Medical Care's total economic output in 2014. All outlays, such as the consumption by value of purchased goods and services as well as depreciation and amortization, have been deducted from the company's performance. The value added of Fresenius Medical Care in 2014 was \$8.16 BN, up 9% from \$7.50 BN in 2013. The bulk of this, 71% or \$5.82 BN, was paid to employees, while 7% or \$584 M went to the public sector. Lenders partook of around \$495 M or 6%. The shareholders and noncontrolling interests received around 7% or \$529 M. \$731 M from the value added remained in the company for reinforcement of business.

Status of incoming orders

Just under three-quarters of Fresenius Medical Care's business model involves regular services that are not determined by project-related incoming orders. Product business, which chiefly consists of single-use products, is mainly characterized by consistent long-term demand rather than product-related orders. For these reasons, reporting of the order volume is not an informative indicator for the earnings development of Fresenius Medical Care.

T. 2.26

VALUE ADDED STATEMENT

in \$M

	2014		2013	
Creation				
Company output	15,877	100 %	14,668	100 %
Outlays	(7,016)	-44 %	(6,525)	-44 %
Gross value added	8,861	56 %	8,143	56 %
Depreciation and amortization	(699)	-4 %	(648)	-4 %
► NET VALUE ADDED	8,162	52 %	7,495	52 %
Utilization¹				
Employees	5,823	71 %	5,199	69 %
Public sector	584	7 %	592	8 %
Lenders	495	6 %	448	6 %
Shareholders and noncontrolling interests	529	7 %	454	6 %
Company	731	9 %	802	11 %
► NET VALUE ADDED	8,162	100 %	7,495	100 %

¹ Assuming the distribution of 2014 profits is approved by the annual general meeting on May 19, 2015.

FINANCIAL SITUATION

In the last financial year, we adapted our investment and financing strategy to the strategic expansion of our business. Consequently, in addition to the strengthening of our dialysis services business, investing activities were focused on expanding medical care beyond dialysis treatment. We still regard our financing options as being very stable and flexible.

Principles and objectives of financial management

Besides optimizing our financial costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The company ensures this flexibility by using a wide range of financial instruments and securing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide spread of maturities up to 2024.

Our main financing instrument is the syndicated amended 2012 credit agreement with revolving credit facilities and loans in u.s. dollars and euros. In addition, in recent years, we have placed unsecured senior notes in euros and u.s. dollars. Furthermore,

Fresenius Medical Care has sufficient financing flexibility in the form of credit facilities and an accounts receivable facility. These instruments enable us to borrow funds at short notice as required.

With only partially drawn credit facilities and our accounts receivable facility, which was extended in November 2014, we have sufficient financial resources. Our target for committed and unutilized credit facilities remains between \$300 M and \$500 M. Our main 2015 financing needs are the principal repayments under the syndicated credit agreement and the dividend payment estimated at \$287 M.

In our long-term financial planning, we focus primarily on the leverage ratio, defined as the debt/EBITDA ratio. This sets our total financial debt in relation with our earnings before interest, taxes, depreciation and amortization (EBITDA). Fresenius Medical Care holds a strong position in the growing dialysis sector, which is considered in general non-cyclical. This industry is characterized by relatively stable cash flows. Our market position is further supported by a high creditworthiness of most of our customers. A substantial portion of our accounts

T. 2.27 MAJOR FINANCING INSTRUMENTS

	Amount in M	Coupon	Maturity
Credit agreement, revolving credit facility in \$	\$1,000	–	October 30, 2019
Credit agreement, revolving credit facility in €	€400	–	October 30, 2019
Credit agreement, term loan A in \$ ¹	\$2,500	–	October 30, 2019
Credit agreement, term loan A in € ¹	€300	–	October 30, 2019
Senior notes 2010–2016	€250	5.50%	July 15, 2016
Senior notes 2011–2016	€100	3-month Euribor +3.50%	October 15, 2016
Senior notes 2007–2017	\$500	6.875%	July 15, 2017
Senior notes 2011–2018	\$400	6.50%	September 15, 2018
Senior notes 2011–2018	€400	6.50%	September 15, 2018
Senior notes 2012–2019	€250	5.25%	July 31, 2019
Senior notes 2012–2019	\$800	5.625%	July 31, 2019
Equity-neutral convertible bonds 2014–2020 ²	€400	1.125%	January 31, 2020
Senior notes 2014–2020	\$500	4.125%	October 15, 2020
Senior notes 2011–2021	\$650	5.75%	February 15, 2021
Senior notes 2011–2021	€300	5.25%	February 15, 2021
Senior notes 2012–2022	\$700	5.875%	January 31, 2022
Senior notes 2014–2024	\$400	4.75%	October 15, 2024
Accounts receivable facility	\$800	–	November 24, 2017

¹ Initial amount before amortization.

² Concurrently with the bond issuance, Fresenius Medical Care has purchased call options (cash-settled) on its shares to off-set in full the economic exposure from a potential exercise of the conversion rights embedded in the bonds. Therefore, the instrument will not result in the issuance of new shares upon conversion. A dilution of Fresenius Medical Care's share capital through issuance of new shares in connection with this transaction is ruled out.

receivable are generated by governmental health care institutions. While payment and collection practices vary not only between countries but also between individual authorities, governmental payors usually represent a lower to moderate credit risk. This allows us a more consistent and higher level of debt than may be the case in other industries. At the end of 2014, the debt/EBITDA ratio was 3.1. Further information on this can be found in the "Strategy, objectives and corporate management" section starting on page 41 and in the "Outlook" chapter starting on page 105.

For detailed information on financing, please see the "Liquidity and capital resources" section starting on page 158.

Credit rating

Standard & Poor's Ratings Services confirmed Fresenius Medical Care's corporate credit rating of "BB+" and gave a "positive" outlook. The rating from Moody's remains "Ba1" with a "stable" outlook. The ratings agency Fitch confirmed the corporate credit rating of "BB+" and gave a "positive" outlook.

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

Fresenius Medical Care is not involved in any off-balance-sheet transactions that would be likely to materially affect the company's financial situation, profit and loss position, liquidity, investments, assets or capitalization.

Liquidity analysis

Our main sources of liquidity are our net cash provided by operating activities and loans granted by third parties, as well as the use of other financing instruments as required. We need these resources primarily to finance working capital, to fund acquisitions, to

build, expand and equip our own dialysis centers and production facilities, and to repay debt and to pay dividends. For detailed information on liquidity, please see the "Liquidity and capital resources" section starting on page 158.

18th consecutive dividend increase

Management board and supervisory board will propose the 18th consecutive dividend increase to the annual general meeting: The recommended dividend per share is to increase from €0.77 for 2013 to €0.78 for 2014. The total dividend payout expected will amount to approximately €237 M (2013: €232 M). For further information on the dividend, please refer to the "Dividend continuity" section on page 31.

Capital expenditures and acquisitions

In 2014, Fresenius Medical Care spent \$2.69 BN on capital expenditures, acquisitions and the purchase of intangible assets. \$1,996 M of this was spent on the North America segment, \$407 M on the International segment and \$287 M for corporate functions.

Total net investment in property, plant and equipment was \$920 M, up from \$728 M in 2013. A large portion of capital expenditures – \$489 M – concerned equipping existing and new clinics. In addition, \$286 M was invested in the maintenance and expansion of production capacity, primarily in Germany, North America, Colombia and Serbia. \$157 M was spent on equipping sales companies, including the capitalization of dialysis machines provided to customers – mainly in the International segment. A lesser amount of \$12 M accrued due to divestments. Capital expenditures on property, plant and equipment amounted to some 6% of overall revenue, at the same level as in the previous year.

T. 2.28

CREDIT RATING

	Corporate credit rating			Outlook	Senior debt	
	2014	2013	2012	2014	2014	2014
					secured	unsecured
Standard & Poor's ¹	BB+	BB+	BB+	Positive	BBB-	BB+
Moody's	Ba1	Ba1	Ba1	Stable	Baa3	Ba2
Fitch	BB+	BB+	BB+	Positive	BBB-	BB+

¹ In January 2015, Standard & Poor's raised the corporate credit rating to BBB- and issued a stable outlook.

50% of net investments were used for expansion activities, while 50% were spent on maintaining existing production sites and dialysis clinics.

In geographical terms, 44% of our net investments were made in North America, followed by corporate functions with 31%, Europe with 17%, Asia-Pacific with 4% and Latin America with 4%.

In 2014, \$1,779 M was spent on acquisitions, primarily for expanding care coordination activities and acquiring clinics. \$1,602 M of this sum was for the North America segment, \$175 M for the International segment and \$2 M for corporate functions. For further details on acquisitions, please see the "Liquidity and capital resources" section starting on page 158.

Cash flow analysis

Our consolidated statement of cash flows gives an insight into how our company has generated and used cash and cash equivalents (cash flow). In conjunction with the other main components of the

consolidated financial statements, the consolidated statement of cash flows provides information that helps to assess the changes to our net assets and our financial structure (including liquidity and solvency).

The cash flow from operating activities is used to assess whether a business can generate the funds required to finance replacement and expansion investments. The indicator "net cash provided by (used in) operating activities in percent of revenue" shows what percentage of revenue is available in the form of funds.

Net cash provided by operating activities is impacted by the profitability of our business and the development of our working capital, primarily inventories and receivables.

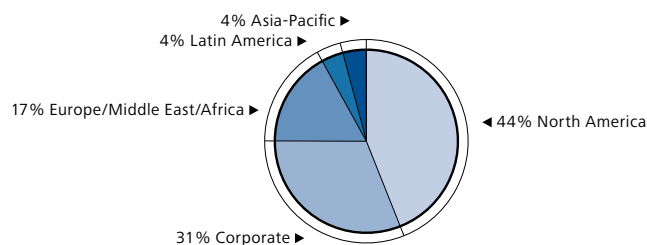
The days sales outstanding, in other words the number of days that pass before customers settle outstanding invoices of Fresenius Medical Care, decreased in the year under review. The days sales outstanding in the North America segment were reduced

T. 2.29 NET INVESTMENTS AND ACQUISITIONS

in \$M

	2014	Of which property, plant and equipment	Of which acquisitions/intangible assets and other investments	Of which divestitures	2013
North America	1,996	403	1,602	9	771
International	407	232	175	0	268
Corporate	287	285	2	0	167
► TOTAL	2,690	920	1,779	9	1,206

C. 2.30 NET INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT BY REGIONS



by a further three days in 2014. The high days sales outstanding in the International segment compared with the North America segment mainly reflect the average payment delays by government and private entities.

Public health institutions in numerous countries outside the U.S. require a significant length of time until payment is made because a substantial number of payors are government entities whose payments are often determined by local laws and regulations and budget constraints.

In 2014, net cash provided by operating activities was down on the previous year at \$1.86 BN. Cash flows were used for investing activities (expenditures and acquisitions). A detailed description of additional factors is presented in the "Liquidity and capital resources" section starting on page 158.

In the year under review, we achieved a free cash flow of \$0.94 BN compared to \$1.31 BN in 2013. Taking account of payments for acquisitions (net of divestitures) of \$1.77 BN (2013: \$478 M), we achieved a free cash flow after acquisitions and divestitures of \$-829 M compared to \$829 M in the previous year.

For further information, please see the "Capital expenditures and acquisitions" section starting on page 53.

ASSETS AND LIABILITIES

We recorded an increase in total assets and improved our asset situation once again in the year under review. The key balance sheet indicators reflect our sustainable growth and successful performance.

T. 2.31 DAYS SALES OUTSTANDING

in days, December 31

	2014	2013	Change
North America	50	53	-3
International	114	110	4
► TOTAL	72	73	-1

T. 2.32 ABBREVIATED STATEMENT OF CASH FLOW¹

in \$M

	2014	2013	Change
Cash and cash equivalents at the beginning of the year	683	688	-1%
Net cash provided by operating activities	1,861	2,035	-9%
Net cash provided by investing activities	(2,690)	(1,206)	123%
Net cash provided by financing activities	805	(808)	-
Effect of exchange rate changes on cash and cash equivalents	(25)	(26)	-
Cash and cash equivalents at the end of the year	634	683	-7%
Free cash flow	941	1,307	-28%

¹ A detailed representation can be found in the "Consolidated statements of cash flows" section starting on page 174.

C. 2.33 NET CASH PROVIDED BY OPERATING ACTIVITIES

in \$M

2014	1,861
2013	2,035

Balance sheet structure analysis

The group's total assets increased by 10% year-on-year to \$25.45 BN. The growth rate on a constant currency basis was 15%.

Non-current assets increased by 11% (+15% on a constant currency basis) to \$18.72 BN at the end of 2014. This corresponds to approximately 74% of the group's total assets. The increase in non-current assets in absolute terms is mainly attributable to acquisitions and capital expenditures.

Non-current assets include goodwill of \$13.08 BN (previous year: \$11.66 BN), primarily from the foundation of Fresenius Medical Care in 1996, the acquisition of Renal Care Group, Inc., in 2006 and the acquisition of Liberty Dialysis Holdings, Inc., in 2012 as well as acquisitions in the fiscal year. Property, plant and equipment increased by 6% to \$3.29 BN in the year under review, largely as a result of capital expenditures. Further information on this can be found in the "Capital expenditures and acquisitions" section starting on page 53.

Current assets increased by 7% (+13% on a constant currency basis) to \$6.72 BN at the end of 2014. The main reason for this development was the 11% increase in other assets. The increase is attributable to a rise in tax refund claims and available for sale financial assets. In addition, receivables increased by

6% (+13% on a constant currency basis). This development was primarily attributable to the group's business growth. For further information, see the "Financial situation" section starting on page 61.

On the liabilities side of the balance sheet, equity increased by 6% to \$10.03 BN at the end of 2014. This was primarily a result of earnings, the purchase of noncontrolling interests and the exercise of stock options. The equity base was reduced by foreign-currency translation adjustments, mainly due to the appreciation of the U.S. dollar against the euro, actuarial losses in the valuation of benefit obligations, payment of the dividend for 2013 and the fair value measurement of noncontrolling interests subject to put provisions. The equity ratio fell by two percentage points year-on-year to 39%.

Liabilities increased by 13% (+16% on a constant currency basis) to \$15.42 BN. Financial liabilities amounted to \$9.53 BN after \$8.42 BN in 2013. Of this figure, \$0.45 BN related to current financial liabilities (2013: \$0.67 BN). Non-current financial liabilities amounted to \$9.08 BN in 2014 after \$7.75 BN in 2013. As in the previous year, 72% of financial liabilities were U.S. dollar-denominated.

More information can be found in the "Liquidity and capital resources" section starting on page 158 and in the "Consolidated balance sheets" starting on page 172.

T. 2.34

BALANCE SHEET STRUCTURE

in \$ M

	2014	As % of total assets	2013	As % of total assets
Assets				
Non-current assets	18,722	74 %	16,833	73 %
Current assets	6,725	26 %	6,287	27 %
Thereof accounts receivable	3,397	13 %	3,190	14 %
Thereof inventories	1,116	4 %	1,097	5 %
Thereof other assets	2,212	9 %	2,000	8 %
► TOTAL ASSETS	25,447	100 %	23,120	100 %
Equity and liabilities				
Equity	10,028	39 %	9,485	41 %
Liabilities	15,419	61 %	13,635	59 %
Thereof non-current liabilities ¹	11,942	47 %	10,081	44 %
Thereof current liabilities	3,477	14 %	3,554	15 %
► TOTAL EQUITY AND LIABILITIES	25,447	100 %	23,120	100 %

¹ Including noncontrolling interests subject to put provisions.

RESEARCH AND DEVELOPMENT

Developing new products and improving our dialysis treatments form an integral part of our growth strategy. Our global research and development (R & D) activities enable us to develop products efficiently and to systematically promote the exchange of knowledge and technology between the regions.

GLOBAL RESEARCH AND DEVELOPMENT STRATEGY

We are present in more than 120 countries around the world with our products. The market conditions in some of these countries vary considerably. Fresenius Medical Care successfully takes these differences into account with its differentiated product range. Our familiarity with the particular features of our markets helps us to build trust and rapport with our patients. Our R & D activities also benefit from this: As we develop our products locally, we can address regional requirements quickly.

The demand for improved, high-quality yet cost-efficient treatment methods is raising, worldwide. To enable us to respond even better to this situation in the future, we have reorganized our research and development in the last two years. Overall, we have identified six core areas as the future focal points of our R & D activities, see chart 2.35.

1. Market leadership

The treatment of chronic kidney disease is a medical success story that Fresenius Medical Care has contributed to significantly over the past decades; we are now the world's leading provider of dialysis products and services. To maintain this position in the future, our R & D teams face the major task of continuously researching new technical possibilities and further enhancing therapies.

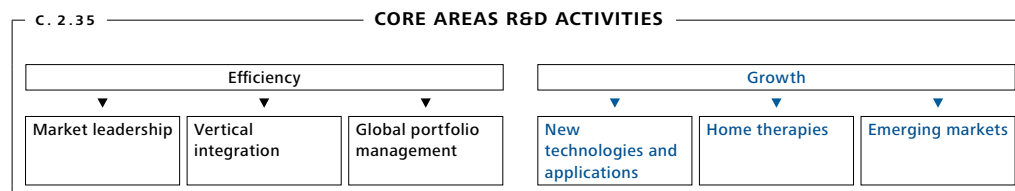
2. Vertical integration

As we are a vertically integrated company, our employees in the R & D department also benefit from direct access to the opinions and experience of patients and experts at our own dialysis centers. This helps them to enhance our products in such a way as to optimize and further automate processes in the clinics, and to simplify operations. This again enables us to further improve patient safety.

Health care systems face major financial challenges in the long term. This is even more reason for Fresenius Medical Care to abide by a principle that is also specified in our internal research guidelines: Innovations not only have to be of high quality, but they must also be affordable so that patients can benefit from them. Based on our experience in operating our own dialysis clinics, we do not consider these to be incompatible demands.

3. Global portfolio management

Different markets have different requirements. Our modular system in the area of product development enables us to standardize the basic functions and individual components of our therapy systems internationally. At the same time, it allows us to respond to local requirements with suitably adapted products. In future, we aim to further expand this uniform platform architecture with the aim of reducing development times, achieving economies of scale in purchasing and bundling our development resources.



As a provider of medical products, we are subject to a host of requirements imposed by various state regulatory bodies. To comply with these, our portfolio management also includes standardizing our process and control structures as well as supporting various quality initiatives within the company.

4. New technologies and applications

Dialysis has only been available as a standard treatment for chronic kidney failure for about 50 years. However, the complex interactions and concomitant effects that occur with kidney failure are being increasingly explored. At the same time, the technological possibilities for treating patients are also improving. Our aim is to quickly turn new findings into market-ready products, enabling us to offer patients gentler, safer and more individual treatment.

In 2014, we again pressed ahead with enhancing our products and introduced several major innovations in our markets. The main new products for home dialysis are sleep.safe harmony and Liberty PDx for automated peritoneal dialysis, which is usually performed at night. Both products are now easier to use and also feature a wide range of expanded therapy options. This makes it possible to cater for patients' individual needs in home dialysis, too, as well as providing safer and more flexible treatment. In addition, the devices are equipped with modern communication technology to ensure an uninterrupted exchange of information with the treating clinic.

In the area of hemodialysis, we launched a new version of our proven Crit-Line system for monitoring the blood volume, which communicates directly with the dialysis machine. This allows the Crit-Line device to automatically regulate fluid removal from the patient in line with the physician's prescription. As scientific studies consistently show that fluid status is a key criterion for patients' long-term prognosis, we expect this automatic regulation to provide widespread improvement in terms of this treatment parameter without increasing the workload of nursing staff.

For several years, clinical research has provided new insights into the role of sodium concentration in the plasma of dialysis patients, partly influenced by the level of sodium in the dialysate. Previously, a patient's so-called sodium balance

during dialysis treatment depended on a number of factors, some of which were beyond the control of the prescribing physician. In the year under review, Fresenius Medical Care launched a system to automatically balance sodium levels for the 5008 series dialysis machines, allowing the machine to control the sodium balance itself.

5. Home therapies

More people than ever suffer from chronic kidney failure. The resultant higher cost burden for health care systems and limited availability of trained personnel for dialysis centers boosts demand for home therapy systems. Home dialysis and its associated technologies and products are therefore another key focal point of our R & D activities.

In addition to the sleep.safe harmony and Liberty PDx devices mentioned above, which we unveiled in 2014, we continued developing a portable dialysis machine and bundled our activities in this area. The focus of our work here was on the Portable Artificial Kidney (PAK), which we expect to launch in the U.S. in 2015. The main advantages of the PAK compared with conventional dialysis machines are its small size and transportability along with a significant reduction in the amount of water required from 120 liters on average to between six and ten liters per treatment. This means that the PAK is extremely resource-efficient, flexible and can be used almost anywhere, giving home dialysis patients maximum independence and mobility.

6. Emerging markets

Our growth strategy includes gearing our business operations towards attractive future markets. In addition, we want to provide more and more people with access to life-saving dialysis treatment. For example, we plan to offer basic therapy systems in future that are especially tailored to the Chinese market. We aim to press ahead with our R & D activities in this area especially in our new "China Design Center" in Shanghai; the conditions for establishing this were put in place in 2014. Teams of employees from R & D, Production and Purchasing will work together in this center on an interdisciplinary basis to develop market-ready products for the local dialysis market in an efficient way.

RESULTS OF OUR CLINICAL RESEARCH

In addition to developing new products and procedures and continuously enhancing existing ones, we are also active in areas of clinical research that are relevant to our work, such as chronic kidney failure in the broadest sense and technologically related blood purification procedures.

In 2014, we again undertook clinical studies to examine the automatic regulation of the electrolyte balance; they were instrumental in the development of the system described above for automatically balancing sodium levels for dialysis machines.

Another current focus of our clinical studies is peritoneal dialysis (PD) and especially overhydration, which affects many PD patients. We carried out a study to show that active fluid management increases the survival rate, reduces the number and duration of hospital stays and improves maintenance of residual renal function. In the area of hemodialysis, our Body Composition Monitor (BCM) analysis system is already an integral part of therapy, enabling us to determine each patient's individual fluid status and body composition. The study makes it clear that the BCM can also help to improve fluid management in PD patients, thus increasing their life expectancy.

COOPERATION IN RESEARCH EXTENDED

We work with universities and research institutes around the world that operate in our specialist field. One example is Danube University Krems in Austria, where we have funded research into extracorporeal blood purification processes with sorbents for more than 20 years. This long-standing partnership with an excellent team of specialists was ultimately one of the reasons why we decided to invest further in our Krems facility.

We also maintain close contact with research institutes in the U.S., where our cooperation partners

include renowned universities as well as the Renal Research Institute (RRI) in New York. This subsidiary of Fresenius Medical Care North America is a leading institution in the field of clinical research into chronic kidney failure. Together, we are working on some fundamental issues related to dialysis treatment. These include the complex causes of kidney disease as well as issues such as fluid management in dialysis patients.

In our collaboration with national and international universities and other scientific institutions, we use various financing models. Some of our research alliances are also publicly funded.

RISE IN R & D EXPENDITURE

In the year under review, Fresenius Medical Care spent a total of around \$122 M on research and development (2013: \$126 M). Around a quarter of our R & D expenditure was spent on advance development, in which the foundations for future product innovations are laid.

At the end of 2014, our patent portfolio comprised some 6,133 property rights in approximately 960 patent families, i.e. groups of patents linked to an invention. Our development work in the year under review produced around 70 additional patent families. Fresenius Medical Care is continuously working on innovative, multifunctional blood cassettes for use in extracorporeal treatment methods. The innovations could significantly improve the handling, patient safety and therapeutic capability of the blood cassettes. A broad portfolio of patents will provide us with a wide range of treatment options in future in this area, which is also the subject of research by competitors.

In 2014, 599 highly qualified employees worked for Fresenius Medical Care in R & D worldwide (2013: 552). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams.

Around 370 and therefore most of our employees in R&D are based in Europe. Most activities are carried out at our German facilities in Schweinfurt and Bad Homburg. Other R&D sites are in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). The company maintains centers of excellence in the U.S. for device development in Concord and Lake Forest, California, as well as for the development of dialyzers and other disposable products in Ogden, Utah.

Development activities in Hong Kong and Changshu (China) are focused on the growing demand for cost-effective dialysis systems. Cooperation and technology exchange between the various sites are coordinated by the global R&D organization.

As part of our innovation culture, we also strive to carry out research and development responsibly. For more information on this, see the "Responsibility" chapter starting on page 86.

T. 2.36		EXPENDITURES FOR R&D				
		in \$ M				
		2014	2013	2012	2011	2010
► TOTAL		122	126	112	111	97

T. 2.37		NUMBER OF PATENTS				
	2014	2013	2012	2011	2010	
► TOTAL	6,133	5,560	4,850	4,415	3,601	

T. 2.38		NUMBER OF EMPLOYEES IN R&D				
		Full-time equivalents				
		2014	2013	2012	2011	2010
► TOTAL		599	552	530	530	503

PROCUREMENT AND PRODUCTION

As the industry leader in dialysis, we can call on considerable internal resources in production. These include manufacturing capacity in all regions as well as expertise in complex production technologies and processes. Furthermore, we have extensive skills in quality management, procurement and logistics for sophisticated medical products.

CENTRAL GLOBAL MANUFACTURING OPERATIONS DIVISION: EFFICIENCY IN THE VALUE CHAIN

The Global Manufacturing Operations (GMO) division manages all of Fresenius Medical Care's activities in purchasing of raw materials and semi-finished goods, production including quality management, and distribution in North America. This centralized approach enables us to

- ▶ continuously enhance the efficiency of our processes,
- ▶ optimize cost structures,
- ▶ improve returns on our capital invested in manufacturing,
- ▶ respond more flexibly,
- ▶ fulfill our commitment to meeting high quality and safety standards.

In this way, we are able to make a lasting contribution to the success of our operating activities.

With a focus on quality, costs and availability, GMO has introduced a state-of-the-art infrastructure with corresponding efficient processes and systems in the last few years, as well as bundling and optimizing existing structures.

At the end of 2014, GMO had 14,767 employees (2013: 13,706) at 40 production sites in around 25 countries. In the sections below, we describe the functions and activities of the GMO division across our value chain.

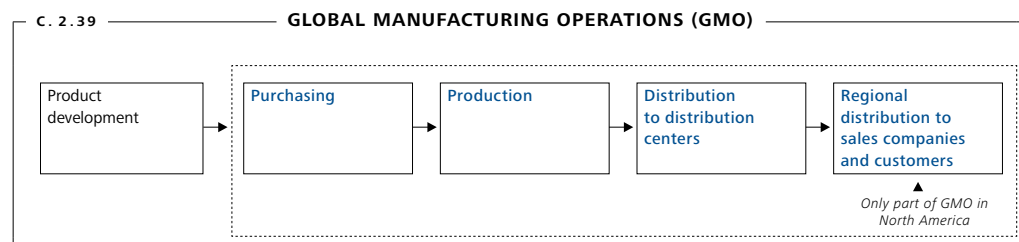
STRATEGIC PURCHASING: GLOBAL RESPONSIBILITY, CONSISTENT QUALITY

Our strategic purchasing is geared towards ensuring the availability, safety and quality of the materials used in production. The goal is to further expand Fresenius Medical Care's competitive and globally balanced supplier network. Our purchasing employees in the various regions work closely together to select the right business partners for the flexible supply of raw materials.

The purchasing volume of materials and bought-in services in the GMO division in 2014 totalling around \$1.4 BN was up slightly on the previous year's figure of \$1.3 BN. This was mainly due to increased demand for dialysis products and the resultant rise in the production volume. Relative to revenue, material expenses within GMO amounted to 9%, and were therefore largely unchanged compared to the previous year.

Our procurement strategy focuses on supporting the company's strategy for sustainable growth in the best possible way. We achieve this by procuring high-quality materials and components through long-term mutual relationships with our suppliers.

To enable us to identify opportunities to increase efficiency even more reliably and make more effective use of them, we have further expanded our global activities and international coordination processes in purchasing. In the year under review, we



focused on structuring a global purchasing organization and enhancing our global IT systems. In the next few years, we will also focus on purchasing-related processes and systems, for example expanding our international reporting and controlling systems or harmonizing and standardizing system support for purchasing-related quality processes.

As was the case last year, greater diversification of our supplier portfolio is a key priority in the field of risk management. The aim here is to avoid supply bottlenecks and minimize price fluctuations.

By further standardizing our procurement processes, centralizing them and making them more transparent, we can continuously boost our efficiency in purchasing while ensuring a constant supply of material and maintaining our quality level. In the year under review, we took another major step towards globally harmonized procurement processes by incorporating North America, the only region not yet included, in our strategic purchasing system.

OUR PRODUCTION SITES: DIVISION OF TASKS IN THE GROWING GLOBAL NETWORK

Our production strategy is aimed at manufacturing top-quality products in the right place at the right time at the best possible price. We are able to implement this strategy successfully thanks to a network of large production sites that allows us to make technically sophisticated products and sell them worldwide as well as production sites that primarily supply products regionally.

For example, we produce dialysis machines at two sites: in Schweinfurt (Germany) and in Concord (U.S.). We manufacture most of our other products directly in the regions in which they are needed. Our dialyzer production facilities include Ogden (U.S.), St. Wendel (Germany), L'Arbresle (France) and Buzen (Japan). Concentrates for hemodialysis are manufactured in Germany, Great Britain, Spain, the U.S., Argentina and Australia, among others. Most of the solutions used for peritoneal dialysis are supplied by our production sites in St. Wendel and Ogden. Local markets are served by our production facilities in Brazil, Columbia and Mexico, for example.

Our largest locations in terms of production volume are in the U.S. and Germany. Chart 2.2 starting on page 38 presents an overview of our main production sites.

Some of our production facilities have long-standing experience in manufacturing certain products.

As our centers of excellence, they use their expertise in core technologies and materials to advise our local production sites on harmonizing their processes. With this approach, we encourage the exchange of particularly successful procedures and methods between the different regions and locations.

At the same time, we are continuously assessing new opportunities for different regions to supply each other with products and components. Our aim in doing so is to further increase efficiency in our production network and ensure that we can continue to meet the growing demand in the future. Thanks to harmonized processes as well as standardized materials and product components, the whole company benefits from the production capacities in the various regions.

Production facilities expanded

We expanded and modernized many of our production sites in 2014. For example, in St. Wendel we commissioned a new polysulfone spinning system. Polysulfone fibers are a key component of our dialyzers. To meet the growing demand in this area, we plan to invest around €70M in the next three years in the expansion of our plant in L'Arbresle, France. A total of seven production lines for polysulfone fibers are to be installed in a new wing by 2018. We have also started building a new production site in Columbia. It will completely replace the old one at the end of 2015 to become our largest facility in Latin America.

Our production facility in Vršac, Serbia, went into operation in December 2014. Here, we aim to double our production capacity for specific disposable products such as bloodline systems in Serbia, enabling us to cover the expected growing demand in Europe and Latin America in the years ahead.

Highest quality standards

At Fresenius Medical Care, we believe that the quality and reliability of our products and therapies must be as high as possible to ensure the best medical care for our patients and customers. To help us fulfill this aspiration and the numerous regulatory requirements, our processes in the business regions are incorporated into comprehensive quality management systems. These ensure that all of our products and procedures comply with quality and safety standards from development, market approval, manufacture and their use in clinics, right up to training customers and dealing with complaints. Our quality management systems used in production combine internal regulations, processes and procedures with the demands of generally recognized external standards and guidelines. Our

plants apply recognized quality management tools such as Lean Six Sigma — see the glossary starting on page 247 — for optimizing production and testing processes as well as general workflows.

Fresenius Medical Care has established comparable processes in production in all regions to ensure adherence to in-house quality standards and legal requirements. In addition, some of our production sites are certified according to several regional quality standards. To further harmonize our processes and link them throughout the company, we continued to run projects with the aim of further integrating and standardizing the quality management system in the year under review. In doing so, we systematically compare the methods established in different regions and then implement the best possible solution, fulfilling the highest possible quality standards in all areas.

In the year under review, we developed a system that records, assesses and processes corrective and preventive measures in the GMO division in a standardized form. We want to introduce this system at all production facilities in the first half of 2015. The aim is to further improve communication processes across all sites, thus further minimizing the risk of supply bottlenecks.

DISTRIBUTION TO THE REGIONS

In North America, GMO manages the entire value chain — from purchasing raw materials to delivering finished products to our customers. In the other regions, GMO's responsibility only goes as far as delivering finished goods to our central distribution centers; the regions themselves are responsible for the further stages of the supply chain.

Our regional supply chain management teams work closely with GMO and Sales and Marketing to be able to align production capacities and inventory management even more closely with medium-term demand patterns. In addition, we are continuously expanding our planning system for demand assessment and inventory management with respect to our most important disposable products. A special distribution logic ensures that production orders for the same products and manufacturing methods are efficiently spread among the relevant production sites.

We are continuously enhancing our products based on our longstanding experience and extensive technical expertise. Our aim is to constantly optimize the success of dialysis treatment, minimize risk factors for cardiovascular diseases, make the daily routine easier for dialysis patients, and improve their quality of life. Our main considerations in developing and manufacturing our dialysis products are their quality and safety.

PRODUCTS FOR HEMODIALYSIS

Hemodialysis (HD) is by far the most common type of therapy for chronic kidney failure. In dialysis centers, the patient's blood is filtered outside the body in what is called a dialyzer. In this process, toxins and excess water are removed from the blood, while blood cells and important proteins are retained. Blood circulation is monitored and controlled by a dialysis machine during treatment. Fresenius Medical Care offers a comprehensive range of products for HD, including machines and modular machine components, dialyzers, bloodline systems, HD solutions and concentrates, water treatment systems, data processing and analysis systems, and dialysis chairs.

Dialysis machines

Computer-controlled dialysis machines perform key tasks in hemodialysis: They pump the blood from the body through a bloodline system into the dialyzer. A dialysis fluid absorbs the toxins filtered out of the blood and excess water and transports them out of the body. The dialysis fluid is fed into the dialyzer via a separate cycle. The device can also add an anti-coagulation drug to the blood. In addition, the machine is equipped with various automatic monitoring and control functions that are intended to ensure safe and efficient dialysis treatment. The special design of our hemodialysis machines allows treatment to be tailored to patients' individual needs and makes it easier for us to constantly enhance our devices and modules.

With its 2008T, 4008S classic and 5008 CorDiax series dialysis machines, Fresenius Medical Care is the clear market leader in this product segment. We sold around 43,000 dialysis machines worldwide in 2014 (2013: 44,000). This means that around one in two systems sold are produced by Fresenius Medical Care.

The 5008 CorDiax and 5008S CorDiax therapy systems feature an extremely intuitive user interface. A touchscreen makes the devices easy and safe for physicians and nursing staff to use. In addition, these dialysis machines allow for HighVolumeHDF – see glossary

starting on page 247 – as a standard feature. The CorDiax series enables very easy and safe HDF treatments with a high replacement volume. HighVolumeHDF has numerous benefits with regard to dialysis-related cardiovascular risk factors. It is currently recognized as the most effective form of dialysis treatment, and comes closest to the function of a healthy kidney. The 4008S classic system boasts impressive standard features and delivers very high treatment quality as well as reliability and safety at a low price. This gives even more dialysis patients easier access to high-quality dialysis treatment, for instance in regions with a poor infrastructure.

The 2008T dialysis machine for the North American market combines state-of-the-art treatment technology with the Fresenius Clinical Data Exchange (CDX) system, a software to record and exchange clinical data. This means that nursing staff have direct on-site access to dialysis treatment data and all other clinical data that was previously recorded and stored in different sources. As a result, this integrated treatment system simplifies routines as well as billing.

Dialyzers

The dialyzer assumes key functions of the kidney. The patient's blood flows through a plastic tube approximately 30 centimeters long with up to 20,000 ultra-thin fibers. These extremely high-performance fibers are made of Fresenius Polysulfone, a special plastic characterized by exceptional cleansing properties and blood compatibility. This material is the result of our pioneering work in the development and production of dialyzers, and sets new standards in dialysis. The Helixone membrane, also developed and produced by Fresenius Medical Care, is an enhanced form of Polysulfone.

Fresenius Medical Care also leads the field worldwide in the area of dialyzers. We provide a wide range of these devices comprising our FX and FX CorDiax dialyzer series as well as the Optiflux series in North America. In doing so, we meet the specific requirements of various therapy methods and patients' individual needs. Fresenius Medical Care has

also developed dialyzers with a low blood-priming volume specifically for treating children with dialysis. Fresenius Medical Care sold about 115 M dialyzers in 2014 (2013: 106 M). The company therefore accounts for almost half of these products sold worldwide.

From manufacturing membranes to packaging, Fresenius Medical Care carries out the entire production process for dialyzers under one roof. This enables us to ensure high quality standards.

Analysis systems

Overhydration is a widespread problem among dialysis patients and a significant cause of cardiovascular diseases. In addition, it can reduce the effectiveness of medication prescribed for illnesses associated with kidney failure. An optimum fluid balance is therefore a key challenge in treating patients with chronic kidney failure.

The patient's individual fluid status can be measured extremely well with the Fresenius Medical Care Body Composition Monitor analysis system. The results can also be used to track and better understand the correlation between overhydration and blood pressure in individual patients.

The Crit-Line analysis device developed for the North American market also measures changes in the fluid balance of hemodialysis patients during treatment. This makes it possible to identify risk patients who are severely overhydrated but otherwise show no clinical symptoms. Crit-Line is also used to support the treatment of anemia in kidney patients.

PRODUCTS FOR PERITONEAL DIALYSIS

In peritoneal dialysis (PD), the peritoneum is used as a natural filter. It has similar properties to dialyzer membranes: It allows certain substances to permeate its pores, while retaining others. PD is carried out by patients themselves while at home or away, for example at work. Most PD patients still have a certain degree of residual kidney function. We offer systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD). Both therapies are supported by our patient management software.

Continuous ambulatory peritoneal dialysis

In continuous ambulatory peritoneal dialysis (CAPD), dialysis solution is fed manually from a bag through a catheter into the patient's abdominal cavity, where it is flushed through the peritoneum. This process is carried out three to five times a day. After four to five hours, the patient drains the dialysis solution – now mixed with metabolic products – into an empty bag and replaces it with fresh solution. This ensures that the blood is continuously and gently cleansed.

Stay.safe is a secure system provided by Fresenius Medical Care for CAPD. It consists of a bag filled with fresh dialysis solution, an empty bag for the used solution, a system of tubes, and DISC, a central control switch specially developed by Fresenius Medical Care. Thanks to PIN technology – an automatic valve system – and DISC, all treatment steps can be performed safely and easily in a defined sequence. This virtually eliminates operating errors and prevents bacteria from entering the catheter. All stay.safe components are made of Biofine, an environmentally friendly plastic developed by Fresenius Medical Care comprising only carbon and hydrogen. Products made of Biofine can either be recycled or disposed of in an environmentally friendly way. The PD-Paed Plus System is a product combination that is specifically approved for babies and small children with a body weight of up to 10 kilogram. It is suitable for treating chronic and acute kidney failure as well as enabling treatment in an incubator.

Automated peritoneal dialysis

Automated peritoneal dialysis (APD) is mostly carried out at night. A special device called a cycler takes over the exchange of dialysis fluid. In the evening, the patient connects up with the cycler, which then automatically replaces the dialysate several times during the night after just a short time in the abdominal cavity. The cycler ensures that the dialysis solution mixed with metabolic products is fed in and drained out. This ensures that the blood is continuously cleansed at night and that virtually no treatment is required during the day.

In September 2014, Fresenius Medical Care launched sleep.safe harmony, a new device for APD that enables tailored treatment geared towards the patient's needs. Fresenius Medical Care also offers modern cyclers for APD such as sleep.safe and the Liberty Cycler specifically for the North American market. All devices are simple and safe to operate thanks to user-friendly software, easy to carry and allow patients to sleep comfortably during overnight treatment.

Patient management software

We offer various patient management programs in our regions that support both CAPD and APD treatment. They include PatientOnLine, IQsystem, Pack-PD, and FITTesse. These programs help medical staff to tailor dialysis treatment to the patient's individual needs.

PRODUCTS FOR FURTHER HOME THERAPIES

Home hemodialysis (home HD) is an alternative to dialysis in a clinic. In this form of therapy, patients perform their own dialysis treatment at home, usually with the assistance of a partner or trained personnel. To do this, patients must be trained at a training center or a clinic.

Fresenius Medical Care's home HD products are extremely safe. In addition, in certain cases, patients can be connected to the dialysis center from home via a data line to ensure even greater safety. Fresenius Medical Care also supports home HD patients with comprehensive, easy-to-understand training and special services.

Our home HD therapy systems, the 2008K@home for the North American market and a home HD variant of the 5008S CorDiax, are specifically geared to the requirements of this form of treatment.

PRODUCTS FOR ACUTE DIALYSIS

Continuous renal replacement therapy is used in intensive-care wards to treat acute kidney failure in critically ill patients.

Fresenius Medical Care has developed multiFiltrate, a therapy system that can be used for a wide variety of continuous treatments. Special therapy options are also available for children's intensive-care wards.

To prevent blood coagulation during dialysis treatment, heparin is generally administered to patients. Fresenius Medical Care was the first company to develop a complete system for continuous renal replacement therapy that uses citrate as an anticoagulant – the multiFiltrate Ci-Ca. In contrast to heparin, citrate only prevents coagulation in the blood circulation outside the body. This especially helps patients with acute bleeding or a susceptibility to bleeding, for example caused by an injury or after an operation.

PRODUCTS FOR OTHER BLOOD CLEANSING PROCEDURES

Extracorporeal blood cleansing is used not only to treat chronic kidney failure, but also to support the liver function on a temporary basis. Excess blood fats or pathogenic antibodies can also be removed in this way.

Liver support therapy

The liver performs numerous vital functions in the body. If it cannot fulfill them adequately due to illness, harmful substances quickly build up in the patient's blood. This can lead to life-threatening symptoms and, in extreme cases, even make a liver transplant necessary. To bridge the gap until the transplant or to prevent one altogether, fast and effective treatment is required.

Fresenius Medical Care's Prometheus therapy system combines hemodialysis treatment with an adsorptive method, thus temporarily relieving the liver.

Therapeutic apheresis

Therapeutic apheresis is a medical process whereby specific pathogenic components are removed from the blood or plasma outside the body. It is mainly used in patients who can no longer be treated successfully with medication.

The therapeutic removal of specific blood fats (lipoproteins) is called lipoprotein apheresis (LDL or lipid apheresis). DALI and MONET are two effective and gentle therapy methods developed by Fresenius Medical Care for LDL apheresis. Treatment usually takes one to two hours. Weekly treatment is sufficient for most patients.

Immunoapheresis is a therapy option for removing antibodies that cause diseases or rejection reactions after transplants. Immunosorba and Globafin are two different sorbents offered by Fresenius Medical Care for immunoapheresis. During treatment, plasma is separated from the blood and fed through one of the two sorbents. This binds the antibodies so that they accumulate in the sorbent and are removed from the plasma. The cleaned plasma is then returned to the patient.

DIALYSIS DRUGS

As well as having the key function of excreting the end products of metabolism, our kidneys also produce hormones such as vitamin D for healthy bone metabolism and erythropoietin (EPO), which stimulates the formation of red blood cells. In addition, the kidney regulates the body's mineral balance. Although dialysis can largely perform some functions in patients with kidney failure, patients must also take drugs to replace missing hormones and maintain the body's mineral balance.

Minerals such as phosphate – which is important for the bones and the energy balance – and potassium are constantly absorbed from food. However, excessive phosphate levels in the blood can contribute to arteriosclerosis, and excessive potassium content can cause cardiac arrhythmias. In healthy people, these excess minerals are excreted via the kidneys. In dialysis patients, the phosphate and potassium content in the blood can rise to dangerous levels between treatments. Drugs such as phosphate and potassium binders are taken at mealtimes. They bind phosphate or potassium while it is still in the intestine, thus controlling the increase in blood values. Fresenius Medical Care offers several phosphate binders for patients with various needs.

Anemia is a common complication in patients with chronic kidney failure. To treat it, the body must be supplied with sufficient quantities of iron. The iron compounds that Fresenius Medical Care sells in collaboration with Vifor Pharma are among the most widely used on the market.

Our unrivaled experience as a provider of dialysis services makes us a valued partner in the health care system. We care for over 286,000 dialysis patients in a network comprising a total of 3,361 dialysis centers in more than 45 countries. In addition, we have expanded our network for medical services in the current financial year.

COMPREHENSIVE TREATMENT THROUGH CARE COORDINATION

Comprehensive care is a key factor when it comes to achieving the best possible treatment quality for patients with chronic kidney disease. In the year under review, we expanded our network for medical services significantly and combined them under the term “care coordination”. This area focuses on care for our patients based on a holistic treatment approach. In addition to dialysis treatment itself, the services we provide include pharmacy services, vascular, cardiovascular and endovascular surgery services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, non-dialysis health plan services and urgent care services. By offering these supplementary services, we aim to provide holistic care for our patients in the future and thus achieve a lasting improvement in our patients’ quality of life. In addition to treating dialysis patients, we have stepped up our commitment to identifying kidney disease at an early stage. Early detection and appropriate treatment can help to avoid dialysis altogether for some patients, or at least to delay its onset. If dialysis becomes inevitable, patients are in better health so that the start of dialysis can be gentler and a form of therapy can be chosen, which is individually tailored to the patients’ needs.

Our therapy concept is based on the following principles:

- We use our own high-quality products, pharmaceuticals and procedures in our clinics and in caring for home dialysis patients; these are continually refined by our research and development team.
- We provide our patients with comprehensive treatment and medical advice from qualified clinical personnel and physicians.
- We try to create a safe and pleasant atmosphere in our dialysis centers for both patients and employees.
- We systematically improve our performance and efficiency levels by working according to both external and internal quality standards as well as continually analyzing and evaluating treatment data in our own clinics.

In line with these principles, our dialysis clinics are subject to specific standards relating to patient care, hygiene in clinical practice, the architecture of our facilities and the purity of water used in treatment, to name just a few. In many dialysis centers, nutrition specialists and social workers assist our teams of physicians and dialysis specialists. To help patients better understand the issues of living with dialysis, we also provide our own educational material such as films and patient magazines.

In our regions, medical advisory boards and committees support and advise us on improving our treatment standards and services. These are then continuously enhanced in internal expert working groups. One example is the first government-certified Patient Safety Organization (PSO) for kidney disease in North America. All employees at our clinics in the U.S. report critical incidents to the PSO, which then derives recommendations for treating kidney patients.

Services in the North America segment further expanded

In North America, the changes in the U.S. reimbursement system for state-insured patients have particularly affected our dialysis business in recent years – see the “Health care and reimbursement systems vary from country to country” section starting on page 50. Our aim is to provide holistic care for our patients. To achieve this, we have continuously increased the scope of the services we provide and extended our range of medical services. In the U.S., we will make these services a more integral part of our core business to create an even more effective network for patients with kidney disease. In the year under review, we expanded this network with the acquisition of a majority stake in Sound Inpatient Physicians, Inc., a network of hospitalists in the U.S. This enables us, for instance, to ensure better coordination of outpatient and inpatient services to improve treatment quality – see the “Operations and strategy” chapter starting on page 37. In addition, we have developed the Renal Care Coordinator Program, for example, a concept to help us support physicians in caring for patients with chronic kidney disease. In this way, we can improve treatment quality as well as slowing down the progression of the illness.

The International segment: diverse and complex

Our services business in the International segment is characterized by the diversity and complexity of the different health care and remuneration systems. Therefore, uniform quality and management standards are crucial to our patients' quality of life, our employees' satisfaction and our own commercial success. The NephroCare Excellence system with defined quality and business targets, standards and values enables us to operate successfully in Europe and Latin America and offers each of our patients the best possible quality of life even under such heterogeneous conditions.

QUALITY MANAGEMENT IN OUR DIALYSIS CENTERS

Not only at our production sites but also at our dialysis centers, we have installed special quality management systems, which we regularly inspect ourselves as well as having them checked by third parties. In Europe, for example, this is performed by the technical certification organization TÜV. Its experts inspect our clinics in standardized annual audits to control conformance to the ISO 9001 standard for quality management and the ISO 14001 standard for environmental management. In the U.S., our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a public health care authority.

T. 2.40

QUALITY DATA

For the fourth quarter of respective years, in %

	Description	Possible impact if too low	U.S.		Europe/ Middle East/ Africa		Asia-Pacific ¹	
			2014	2013	2014	2013	2014	2013
Kt/V > 1.2	Effectiveness of dialysis: measures how well the patient was detoxified	Possibly more days spent in hospital; higher risk of mortality	96	97	95	95	97	96
Hemoglobin = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicative of anemia	74	75	76	73	60	59
Hemoglobin = 10–13 g/dl (international)			80	81	77	75	69	68
Calcium 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance	Higher risk of mortality	85	84	76	75	76	75
Albumin ≥ 3.5 g/dl ²			83	86	92	90	91	91
Phosphate ≤ 5.5 mg/dl			64	66	79	76	70	70
Patients without catheter (after 90 days)	Measures the number of patients with vascular access	Possibly more days spent in hospital	83	83	83	83	92	92
Days in hospital per patient	The result of complications during dialysis	Restriction to patients' quality of life	9.1	9.4	9.4	9.4	4.3	4.2

¹ Includes data from the dialysis service provider Jiatai in Taiwan and the Philippines.² International standard BCR CRM470.

Figures based on:

– KDOQI guidelines (Kidney Disease Outcomes Quality Initiative) from the U.S.

– EBPG standard (European Best Practice Guidelines) from Europe.

– KDIGO guidelines (Kidney Disease: Improving Global Outcomes), a recent global initiative, which is gaining in significance.

Clinical quality data in line with recognized standards

We measure and assess the treatment quality at our dialysis clinics on the basis of generally recognized quality standards such as industry-specific clinical benchmarks, as well as our own quality targets. In 2014, we again provided our patients all over the world with top-quality treatment, as shown by the current medical quality parameters in table 2.40. Detailed information on the parameters can be found in the glossary starting on page 247.

Quality surveys to ensure continuous improvement

We regularly carry out patient surveys to find out where we can make further improvements and in which areas we should expand our services. In the year under review, we conducted a patient survey in ten European countries and questioned almost 15,000 patients at 280 dialysis centers. The evaluations show that nearly 90% of patients are very satisfied with the dialysis clinics and their employees. Furthermore, over 95% of our patients would recommend the Fresenius Medical Care dialysis clinic where they receive treatment to friends or relatives. The patients feel well looked-after and adequately informed about the treatment steps by our dialysis experts during dialysis treatment.

In North America, the content of patient satisfaction surveys has been specified by the state-run public health care authority CMS (Centers for Medicare and Medicaid Services) since 2012; the surveys themselves are conducted by an independent company to ensure confidentiality of the data and anonymity. Health-related quality of life is another key factor that we regularly measure in patient surveys. We use the results to inform and train both our patients and our clinic staff in a more targeted way with the aim of improving our patients' quality of life in the long term.

SERVICE FOR PATIENTS AND PARTNERS

For Fresenius Medical Care, a holistic quality concept means providing the best possible patient care, even beyond dialysis products and services. We therefore offer advice for patients and health care partners as well as other services in addition to our core offering as a dialysis company.

Advice and care programs enhanced

The better informed kidney patients are about their illness and how they themselves can influence the course of the disease, the better the treatment results usually are. This is why Fresenius Medical Care places great value on educating dialysis patients and providing them with intensive medical advice.

The first phase of treatment is often especially difficult for dialysis patients as it drastically changes their daily routine: They need to schedule several hours for treatment a few times a week, the range of food they are allowed to eat is restricted and they are required to take numerous drugs every day while greatly reducing their fluid intake. Many patients find it difficult to muster the necessary discipline for this treatment plan, especially when they know little about their illness. To train new dialysis patients during this critical first therapy phase beyond their visits to our clinic and to boost their confidence, we offer RightStart in North America and the Patient Introduction Package in the EMEALA region. These programs are intended to ease the transition to life on dialysis. They enable us to provide our patients with comprehensive information on the course of their illness and treatment, the importance of a high-quality vascular access, a healthy diet and specific treatment requirements and show how they themselves can help to significantly improve their quality of life. In addition to our services for dialysis patients, we also run programs for patients in the preliminary stages of chronic kidney failure. The Kidney Options Forum events in the International segment and the Treatment Options Program (TOP) in the U.S. give patients the opportunity to talk with experts and find out about the various treatment options for chronic kidney disease.

Patient programs for home therapies expanded

In addition to holistic treatment concepts for our patients in dialysis centers, we offer various home dialysis programs.

In the North American market, we have developed a home dialysis program that not only supplies patients with our products, but also provides supplementary services to boost the success of home therapy. These include ongoing training and support for our patients and their partners from physicians, dieticians, social workers and other members of the dialysis support team, technical assistance and constant access to the dialysis center.

In the EMEALA region, we have developed a holistic treatment concept specifically for peritoneal dialysis under the brand name P³. It is designed to improve patients' quality of life and supports nursing staff, physicians and patients step by step during therapy. The P³ program enables us to align the medical parameters of peritoneal dialysis even more closely to patients' needs to ensure that their dialysis treatment at home is as successful as possible.

Dialysis services in emergency situations

To ensure that patients' vital dialysis treatment is not interrupted even in extreme weather conditions such as severe storms or floods, Fresenius Medical Care's professional emergency response teams are called into action in the affected regions. Their task is to protect patients and employees in emergency situations, for example during natural disasters or pandemics, and to give patients the best possible care, even under difficult conditions. In 2014, for example, our crisis teams and volunteers from Fresenius Medical Care were brought in during Winter Storm Pax on the east coast of the U.S., and in the aftermath of the severe weather that brought floods in the Balkans.

In North America, the Fresenius Medical Care Incident Command Center coordinates emergency task forces in critical situations, for example during hurricanes, storm surges or in the tornado season. The Incident Command Center is in close contact with the U.S.-wide Kidney Community Emergency Response Coalition (KCER). This is a network of different organizations and institutions, such as patient and professional nephrology associations, dialysis providers, hospitals, and authorities such as the Food and Drug Administration (FDA) and the CMS. By working with KCER, we can closely coordinate our crisis management as needed with the activities of government emergency organizations, such as the Federal Emergency Management Agency (FEMA), a U.S. national coordination office for disaster relief, and the United States Department of Homeland Security, to which FEMA reports.

Fresenius Medical Care owes its business success and its leading position in the dialysis market to the commitment of its employees. We offer a rewarding working environment and good long-term prospects for their professional growth. By recruiting talented new employees and supporting their development within the company using targeted measures, we are also investing in the future of our company.

NUMBER OF EMPLOYEES CONTINUES TO GROW

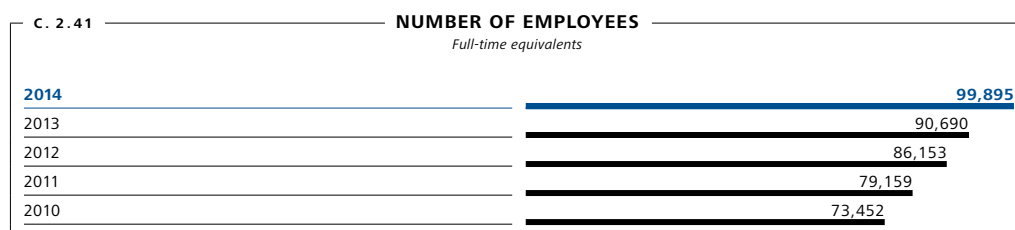
As at December 31, 2014, Fresenius Medical Care employed a total of 99,895 members of staff (full-time equivalents) in more than 50 countries. Our workforce therefore grew by 10% or more than 9,200 in absolute figures compared to the previous year. This was mainly attributable to our acquisitions, especially in the area of dialysis services and supplementary medical services: In the year under review, acquisitions accounted for 9% of our worldwide increase in employee numbers.

At the end of the year under review, 59% of our employees were based in North America, 22% in the EMEA region (Europe, Middle East, Africa), 10% in Latin America and 9% in the Asia-Pacific region. Our staff count grew fastest in the North America region in the past year with a rise of 5,057 employees,

followed by the Asia-Pacific region with an increase of 3,010 employees, due in particular to the expansion of our network of clinics as a result of acquisitions.

Staff costs at Fresenius Medical Care rose to \$5.82 BN in 2014 (2013: \$5.20 BN). This corresponds to 37% (2013: 36%) of revenue. Average staff costs per employee stood at \$58,291 (2013: \$57,335).

In Germany, Fresenius Medical Care employed approximately 4,500 people (2013: around 4,400) at the end of the year under review, accounting for around 5% (2013: 5%) of the total workforce. This underscores our high degree of internationalization. The average age of our employees in Germany was 42.4 years, somewhat below the previous year's figure (42.7 years). The average length of employment in the company rose from 11.5 years in 2013 to 12.0 years in 2014. The staff turnover rate was once again low at 3.6% (2013: 3.9%).



T. 2.42 **EMPLOYEES BY FUNCTIONAL AREA**
Full-time equivalents

	2014	2013	Change	Share
Production and services	80,106	73,069	7,037	80%
Administration	16,760	14,675	2,085	17%
Sales and marketing	2,430	2,394	36	2%
Research and development	599	552	47	1%
► TOTAL	99,895	90,690	9,205	100%

PROMOTING DIVERSITY IN THE COMPANY

Fresenius Medical Care brings together a variety of cultures and talents worldwide. As a global company, we value the diversity our employees provide in the form of personal strengths, characteristics, interests and ideas. We intend to continue promoting diversity in the company in the future to encourage employees in all regions to embrace it as one of the company's strengths.

One key issue in this respect is the percentage of men and women in the company as a whole and in management positions. In 2014, 69% of employees were women (2013: 69%). Fresenius Medical Care also has a relatively high proportion of women in upper management positions at 32% (2013: 33%). When recruiting staff, our focus is on the qualifications of potential employees; gender is not a determining factor. For this reason, we have refrained from introducing fixed quotas.

CREATING AN ATTRACTIVE WORKING ENVIRONMENT

We aim to create an attractive working environment for our employees to enable them to combine their professional and family lives. We support this by flexible working hours, part-time work models, childcare allowances, and health care and sports programs.

Work-life balance

To supplement our other working time models, we have introduced compensation time accounts in Germany. In addition to a salary component in line with collective pay agreements, employees can "pay" value equivalents such as vacation days or compensation components into these personal time accounts and use them later, for example for their professional development or to ensure a flexible transition to retirement. The aim of this program is to offer our employees attractive long-term prospects within the company and thus benefit from their experience for as long as possible.

T. 2.43

EMPLOYEES BY REGION

Full-time equivalents

	2014	2013	Change	Share
► NORTH AMERICA	59,401	54,344	5,057	59 %
Health care services	50,093	45,651		
Dialysis products	9,308	8,693		
► EUROPE / MIDDLE EAST / AFRICA	21,638	21,327	311	22 %
Health care services	13,279	13,240		
Dialysis products	8,359	8,087		
► LATIN AMERICA	9,761	8,946	815	10 %
Health care services	8,274	7,573		
Dialysis products	1,487	1,373		
► ASIA-PACIFIC	8,973	5,963	3,010	9 %
Health care services	6,123	3,543		
Dialysis products	2,850	2,420		
► WORLDWIDE	99,895	90,690	9,205	100 %
Health care services	77,769	70,007		
Dialysis products	22,004	20,573		
Corporate ¹	122	110		

¹ The divisions Global Manufacturing Operations and Research and Development are not included.

Health care management and occupational safety programs

We offer our employees at our different locations a wide range of company health schemes, adapted to their requirements and workloads. These include company sports courses, information and events relating to health and exercise, as well as regular health checks for managers.

STRENGTHENING PERSONNEL DEVELOPMENT

We place great value on enabling our employees to apply their individual skills in our company to the best of their ability and to continue on their career path as a specialist, manager or project leader. Fresenius Medical Care is continuously expanding its training portfolio.

Life-long learning, continuous feedback on personal performance, and professional challenges in line with employees' abilities, including the opportunity to work abroad, are key instruments of our company-wide personnel development program. This enables us to offer talented employees clear career prospects while ensuring effective succession planning.

Programs for managers

Our managers and employees with leadership potential are given the opportunity to take part in specific training programs. Here are two examples:

- Global Executive Challenge (GEC) is a global program for employees in management positions aimed at capturing synergies across regions and encouraging cooperation. The program is designed to challenge participants to put the knowledge they have gained into practice in their day-to-day work, thus strengthening their skills as managers.

- Fresenius Advanced Management Program is a company-specific program for developing employees in upper management positions. We run the program in cooperation with Harvard Business School.

Programs for dialysis specialists

As one of the largest employers of medical personnel worldwide, we place great value on providing our specialist dialysis staff with a wide range of training and further educational opportunities. We provide needs-based training for employees at our clinics, mostly at a regional level. Examples from the U.S. include:

- UltraCare Clinical Advancement Program (UCAP), one of our development programs specifically for dialysis specialists. We have continuously enhanced the program over the past few years. UCAP consists of five modular training levels and is aimed at new and experienced employees in our clinics as well as in the areas of home therapy and acute dialysis. It helps dialysis specialists to develop and expand their knowledge and leadership skills and prepares them for the next step in their career, for example as a clinic manager, health trainer for patients, or mentor to clinic staff. In the year under review, more than 4,700 dialysis specialists were enrolled in the program.
- Mentor Connection is a mentoring program in North America in which senior dialysis specialists coach, assist and advise new colleagues. In this way, we support managers on-site in our clinics and enable them to settle into their new leadership positions quickly.

T. 2.44 ————— PERCENTAGE OF MEN AND WOMEN IN THE COMPANY —————

	2014	2013
Total employees in %		
Male	31	31
Female	69	69
Employees in upper management positions in %		
Male	68	67
Female	32	33

Source: Company data, based on headcount

E-learning further enhanced

A medium that gained further importance for personnel development at Fresenius Medical Care across all functional areas is e-learning – digital training courses via the internet and intranet. Our Fresenius Learning Center is an interactive e-learning platform with features including training courses in virtual classrooms, enabling participants to learn together, wherever they are. We are also continuously developing our e-learning portal, which we use above all in the U.S., into a learning tool with a wide range of subjects. In 2014, we have added over 30 new e-learning programs. We aim to integrate e-learning into personnel development to an ever greater extent in the form of blended learning.

TRAINING YOUNG PEOPLE

In Germany, we also invest in the company's future by offering vocational training for young people. In association with the Fresenius Group, we offer young men and women a wide range of prospects in a variety of trades and work-study courses, from warehouse logistics specialists, electronics technicians for operating equipment, IT specialists and industrial business management assistants to bachelor of arts courses in freight forwarding, transportation and logistics, and bachelor of science courses in business information technology. In the year under review, we offered additional vocational training opportunities in Schweinfurt for industrial electricians in the field of industrial engineering. In 2014, we provided more than 3,650 apprentices with vocational training jointly with the Fresenius Group. In addition, more than 70 students were enrolled in work-study courses last year.

Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the financial year, garnering national and Chamber-level awards from the local Chambers of Industry and Commerce. In previous years, we were able to take on all apprentices and work-study trainees who completed their courses with good grades and intended to stay in our company.

Through our involvement in and with schools, we aim to continue getting young people interested in starting their career at Fresenius Medical Care. To this end, we organize information days, visits to plants, internships and job application training courses. For example, in September 2014 we were involved in the "Training Night" at our group headquarters in Bad Homburg. At this event, students and parents were able to find information about vocational training and work-study courses as well as career prospects at our company.

INCREASING MOTIVATION AND IDENTIFICATION WITH THE COMPANY THROUGH PERFORMANCE-RELATED PAY

Fresenius Medical Care endeavors to pay its employees in line with their performance and allow them to share in the company's success. Our remuneration concept therefore comprises fixed and variable components for most employees.

Profit sharing

We encourage our employees to identify more with Fresenius Medical Care by giving them a stake in our company's success. Annual bonuses for all employees in Germany are based on the operating earnings (EBIT) of the Fresenius Group in that particular year. In 2014, each eligible employee received €2,134 for the preceding financial year. Employees receive half of this amount in the form of stocks. The other half is distributed as a cash component.

T. 2.45 PROFIT SHARING

	2014	2013	2012	2011	2010
Figure in €	2,134	2,164	2,036	2,000	1,749
Number of eligible employees	3,213	3,325	3,231	3,068	2,918

Remuneration program with long-term incentive effect

Since 2011, a remuneration program has been in place at Fresenius Medical Care incorporating long-term incentives – a combination of a stock option plan and a phantom stock plan. In this program, the exercising of options is linked directly to the company's success. Over a period of five years, senior managers receive a total of up to 12 M options for bearer shares or phantom stocks. They can exercise these after a period of four years on condition that the adjusted earnings per share (EPS) have increased by at least 8% in each year or as compounded average over the four-year period. If this hurdle is cleared in just one, two or three years, the options are reduced on a pro rata basis. If earnings per share fall short of the mark completely, the options are canceled. Some 800 senior managers worldwide participated in this program in 2014. Further information on the stock option plan and the phantom stock plan can be found in the "Notes to the consolidated financial statements" starting on page 178.

ENHANCING OUR ATTRACTIVENESS AS AN EMPLOYER

As well as retaining talented employees, we face the challenge now more than ever of positioning ourselves on the employment market as an attractive employer to gain qualified new employees.

Fresenius Medical Care gives students the opportunity to gain practical experience in various areas of the company: We supervise internships, student research and project studies as well as bachelor theses, and cooperate closely with higher education institutions to enable talented young people to get to know us as an attractive employer early on. One example is our collaboration with the University of Applied Sciences in Würzburg-Schweinfurt (FHWS). As this college offers students an excellent education in

the fields of business engineering, plastics technology, mechanical engineering, computer engineering and especially electrical engineering with a focus on medical technology and automation technology, many of its students and graduates are attractive potential employees for Fresenius Medical Care and in particular for our dialysis machine development and production site in Schweinfurt. For this reason, we have signed a cooperation agreement with FHWS including provisions on scholarships and student excursions to the plant, as well as on lectures and semester-long projects within various divisions of our company.

Other than through classic recruitment activities, we get the opportunity to meet young researchers by cooperating with international higher education institutions in the area of research and development or by supporting young scientists, for example as part of their doctoral thesis.

To strengthen our public image as an attractive employer, we further enhanced our employer branding strategy in the year under review. This enables us to address our target groups in an even more focused way, for example in collaboration with higher education institutions, at career fairs or on the internet, and to emphasize the wide range of career opportunities for employees at Fresenius Medical Care.

Sustainable action is a key to our company's success. Responsible corporate governance and trust-based dialog with our stakeholders are firmly embedded in our code of conduct. We also assume responsibility for protecting the environment and are working to improve the carbon footprints of our products and services. In addition, Fresenius Medical Care is committed to social causes worldwide.

SECURING THE COMPANY'S FUTURE WITH SUSTAINABLE ACTION

For Fresenius Medical Care, sustainability means acting responsibly to achieve commercial success as well as environmental and social progress. In terms of content, we distinguish between the following three areas:

- ▶ economic responsibility,
- ▶ responsibility for the environment,
- ▶ social responsibility.

Fresenius Medical Care's sustainability activities again won plaudits in 2014. Our company has featured in the prestigious Dow Jones Sustainability Europe Index every year since 2009 and in the Dow Jones Sustainability World Index since 2013.

WE ASSUME ECONOMIC RESPONSIBILITY

Our business activities are based on responsible management that is rooted in integrity, sound corporate governance and adherence to compliance principles as well as requiring and encouraging ethically impeccable conduct from all employees and managers. Our code of conduct, which forms the framework for correct conduct towards our stakeholders, shows how seriously we take our corporate responsibility. It is based on our company's core values of quality, honesty and integrity, innovation and progress, as well as respect, teamwork and dignity. It also emphasizes our commitment to operate in accordance with the applicable laws and regulations and our own company policies. Our code of conduct, which we thoroughly revised in the last fiscal year, covers not only the underlying corporate values, but also Fresenius Medical Care's commitment to respecting human rights. Further information on corporate governance, compliance and management board and supervisory board remuneration at Fresenius Medical Care can be found in the "Corporate governance report" starting on page 110.

We engage in dialog with our suppliers

Fresenius Medical Care places great importance on regular, trust-based dialog with its suppliers. Our procurement strategy is geared to purchasing high-quality materials and components through long-term mutual relationships with our suppliers. In the area of strategic purchasing, we also made further progress in 2014 with an initiative that focuses on environmental and social aspects in the procurement process. More specifically, this covers compliance with regulatory requirements, control over environmental and health and safety risks and fair, humane working conditions at our suppliers. For further information, see the "Procurement and production" chapter starting on page 70.

We take responsibility for our employees

Fresenius Medical Care is aware of its responsibility towards its employees. By offering fair working and pay conditions, continuous personnel development and a healthy work-life balance, Fresenius Medical Care aims to become more attractive as an employer. For further information, see the "Employees" chapter starting on page 81.

We are continuously enhancing our occupational safety measures and standards. In the U.S., we have established a formal certified program to review environmental and occupational safety standards, to which all production sites and laboratories are subjected on an annual basis. Audits monitor compliance with regulations from the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency as well as state and local statutes. At the end of August 2014, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 15th time from the U.S. casualty and property insurer CNA. This award honors the company's commitment to its employees' health, to safety as well as damage and risk prevention.

In the EMEA region (Europe, Middle East, Africa and Latin America), we bundled our occupa-

tional health measures in a central management system for occupational safety in line with the BS OHSAS 18001 standard in 2013 and incorporated it into our integrated management system. We focused our activities in 2014 on reviewing our processes in the event of work-related accidents and resultant preventive measures at our dialysis clinics.

Research and development geared to ethical standards

Whenever Fresenius Medical Care wants to launch a new medical device or pharmaceutical product, the company is legally required to prove and extensively document the effectiveness and safety of the new device or product based on clinical studies. This means applying it with a group of patients in a clinical environment over a specified period.

Our industry is subject to extensive guidelines and laws intended to ensure that no ethical principles are violated during such studies, that physicians and institutions carrying out studies on companies' behalf have been carefully selected based on their qualifications, and that scientifically accepted methods are applied. They include, for example, the declaration of the World Medical Association, which prescribes basic ethical principles for clinical research, EU directives on pharmaceuticals (such as Directive 2001/20/EC), the EU Medical Device Directive (MDD) and ISO standard 14155, which defines the criteria for clinical investigation and reporting in clinical research. Fresenius Medical Care carries out its clinical research in accordance with these regulations. In addition, we observe national laws and regulations such as the Pharmaceuticals Act (AMG) and the Medical Devices Act (MPG) in Germany, or the U.S. Food and Drug Administration (FDA) regulations. Fresenius Medical Care's own Standard Operating Procedures (SOP) for employees combine these regulations with internal rules to ensure that clinical studies commissioned by us are carried out and documented properly. Before a study can even begin, our application must be approved by ethics committees in the relevant countries.

We only use animal testing to obtain approval for new products and forms of treatment where this is prescribed by law. Such tests are carried out by third-party research institutes in recognized test laboratories, and are always approved by an ethics committee for animal testing. As a matter of principle, our strategy is to avoid animal testing and to use alternative methods wherever possible. Further information can be found in the "Research and development" chapter starting on page 66.

WE ASSUME RESPONSIBILITY FOR THE ENVIRONMENT

Our environmental management enables us to implement environmental requirements and design our operational processes to use resources as efficiently as possible, thus saving on costs. Environmental protection at our company is mainly aimed at complying with environmental regulations, optimizing the use of resources and reducing the associated CO₂ emissions. In addition, our environmental management increasingly supports the business divisions in creating added value for our customers with eco-friendly products and services. Lastly, it ensures that we as a company take our responsibility to the environment seriously.

Environmental management strategy in our regions

Thanks to our decentralized corporate structure, we implement our environmental management at a regional level, as we do with most of our other operating areas. The responsible environmental managers develop strategies to boost environmental protection at our production sites and clinics and promote environmental awareness among our employees. They also coordinate environmental audits carried out by external government agencies, institutions and our own auditors at our production sites and clinics.

Environmental management is part of our integrated management system in the EMEA region (Europe, Middle East and Africa). The German technical inspection association TÜV Süd regularly checks compliance with the ISO 14001 environmental management standard at our company headquarters, in our certified plants and at the certified national clinic organizations. At the end of 2014, nine of our largest European production sites (2013: eight) and our medical product development were certified according to ISO 14001. Furthermore, we have introduced the environmental management system in 13 European countries (2013: also 13).

Our environmental program for the EMEALA region defines five strategic environmental objectives. At its sites and clinics, Fresenius Medical Care aims to

- ▶ raise environmental awareness and encourage environmentally responsible behavior,
- ▶ enhance knowledge relating to strategic and operational environmental issues,
- ▶ increase the company's environmental performance, for example its eco-efficiency,
- ▶ improve control of environmental risks,
- ▶ ensure that environmental regulations are complied with.

Together with the respective business divisions, our environmental managers have derived a large number of individual environmental objectives from these requirements for the individual stages of the value chain, for example for research and development, our production sites, and our dialysis clinics. One aim is to recycle and incinerate at least 85% of production waste in the EMEA region by 2015. We have also set ourselves the target of further reducing water consumption by 10% on average, electricity consumption by 6% and blood-contaminated waste by 20% per dialysis treatment between 2009 and 2015. We already exceeded our targets for water consumption and waste reduction in 2013. In 2014 we also achieved our goal for the reduction of electricity consumption.

Environmental management at our production sites

At our European production sites, we use performance indicators for the use of energy and raw materials to calculate the environmental performance of our production processes. This enables us to identify additional untapped potential in a production process that has already been largely optimized. We introduced an energy management system according to ISO 50001 in St. Wendel in 2013, and rolled it out to our site in Schweinfurt in 2014. By assessing the energy efficiency of all processes and facilities, we aim to identify further potential savings and derive measures from them.

In addition, we implemented further environmental projects at our production sites worldwide in 2014 to reduce water and electricity consumption and save on packaging material.

Initiatives such as the Seeding Awareness campaign, which we established at our Mexican plant in Guadalajara in 2014, are aimed at making our employees aware of the contribution they can make to

environmental protection. Seeding Awareness consists of various actions, such as planting more than 2,000 trees or training our employees on environmental issues.

Ecologically sustainable dialysis products

We are continuously working to make our products and processes more environmentally friendly, for example by using new materials with improved environmental properties or developing new technologies that further reduce the resource consumption of our dialysis machines. The aim is to provide our customers with added value by helping them save on costs or fulfill environmental requirements better.

To this end, we are developing completely new solutions such as the Portable Artificial Kidney (PAK), which we expect to launch in the U.S. in 2015. A key advantage of the PAK compared with a conventional dialysis machine is the significant reduction in the amount of water required for each treatment. This means that the PAK is extremely resource-efficient and flexible, and can be used almost anywhere. For further information, see the "Research and development" chapter starting on page 66.

Environmental management in our dialysis clinics

One of our top priorities is to further reduce the impact of dialysis treatment on the environment while ensuring resource and cost efficiency. We achieve this by using ecologically sustainable dialysis products as well as constructing environmentally friendly dialysis centers.

In the 2014 financial year, we again pursued the aim of expanding our portfolio of environmentally friendly dialysis clinics. For instance, in Terrassa, Spain, we opened our first "green" dialysis center with class A energy performance certification. In addition to a host of environmentally friendly components such as solar cells and a pellet heating system, the clinic also treats its service water on site and uses it to water the building's green roof as well as public parks in Terrassa.

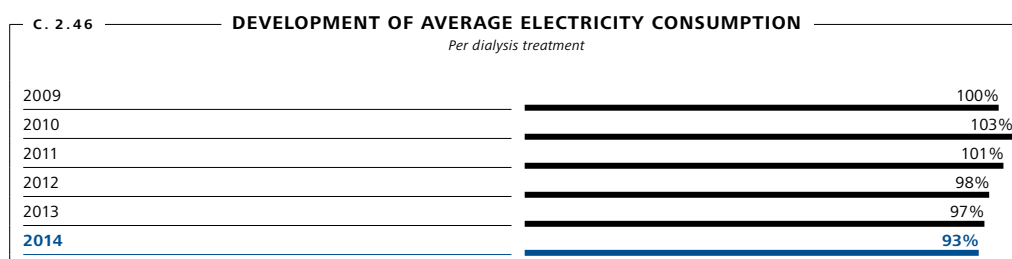
In North America, internal guidelines ensure that the equipment interiors and furnishings in our clinic buildings are as environmentally compatible as possible. We meet or surpass industry standards for the insulation of roofs, walls, doors and windows. When purchasing water treatment systems for dialysis, we also increasingly ensure that these use resources and energy efficiently.

A central element in managing the resource efficiency of our dialysis clinics in the EMEALA region is our clinical software e-con5, which we have been installing in our clinics since 2008 to create a comprehensive environmental management system for the region. Of our dialysis centers, 502 in Europe (2013: 501) and 206 in Latin America (2013: 168) now use e-con5, enabling them to gather and compare environmental performance data and quickly implement potential improvements. The results show that this has enabled us to systematically reduce water and energy consumption as well as the amount of blood-contaminated waste in our dialysis centers in the past few years – see charts 2.46, 2.47 and 2.48. They also show that we exceeded our reduction targets for dialysis clinics based on the EMEALA environmental

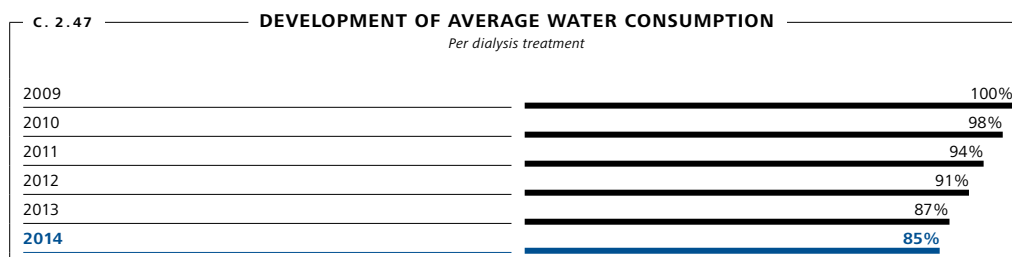
program already in 2013 and 2014 earlier than the originally set target date of 2015.

In the U.S., we are working on improving the environmental management of our dialysis clinics with an external service company that records and documents energy and water consumption in all our clinics on an ongoing basis. Its tasks also include checking and settling the corresponding energy and water bills and compiling analysis reports on subjects such as greenhouse gas emissions and our carbon footprint.

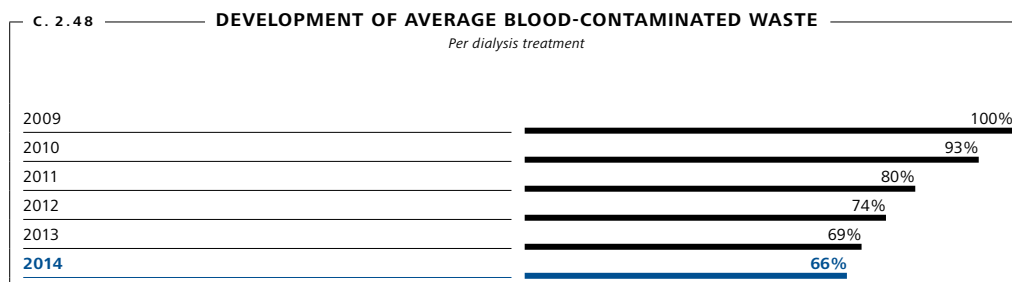
In addition, we train our employees at our dialysis centers to raise their awareness of how they can contribute to environmental protection on a day-to-day basis. For example, our environmental department in Bogotá (Colombia) initiated a “Green



Source: Clinical software e-con5 for the region Europe, Middle East and Africa



Source: Clinical software e-con5 for the region Europe, Middle East and Africa



Source: Clinical software e-con5 for the region Europe, Middle East and Africa

Day” for all employees with activities covering all aspects of environmental protection. Furthermore, in the context of the “Environmental Leaders” program in Colombia, we train volunteers in clinics, who then go on to support the implementation of environmental projects.

WE ASSUME SOCIAL RESPONSIBILITY

In a global market, Fresenius Medical Care is organized regionally with a high level of local responsibility. This also applies to our company’s social commitment. For this reason, as well as globally active organizations and projects, we particularly support regional and local initiatives, which are as diverse as our employees. In this respect, we mainly focus on projects that serve the common good and promote sustainable development according to the principle of helping others to help themselves, thus ensuring a long-term impact.

Commitment to a better quality of life

As a dialysis company, our aim is to continuously improve the quality of life of kidney patients. We pursue this aim above and beyond our core range of products and services by cooperating globally with regional and international associations and institutions that champion the interests of dialysis patients. In addition, we develop our own initiatives to help patients lead a healthier and more active life.

In the U.S., for instance, we sponsor the Renal Support Network, a charitable association run by and for patients with chronic kidney failure, which aims to provide patients and their families with health information, give them more confidence in their everyday lives and strengthen their initiative.

In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation committed to helping young dialysis patients in the province of Rio de Janeiro. This organization works with authorities and the public to supply medication for children and adolescents and give them access to kidney transplants, and to establish more pediatric dialysis units in hospitals. At the same time,

it organizes special programs for young patients, such as exercise, art and music therapy courses, and trains parents in how to deal with their children’s disease.

In Colombia, we have set up our own foundation to promote the health and well-being of our patients above and beyond actual dialysis treatment. The Fundación Fresenius is financed by donations from industry, our employees and private individuals. For example, the foundation provides patients with a hot meal after dialysis treatment; for many of them, this is the only meal of the day. It also offers free travel between home and the dialysis center for patients in need. In 2014, a large number of patients also took part in cultural and sporting events organized by the foundation.

In Argentina, one in three dialysis patients leave school with no qualifications and therefore have difficulty reading and writing. The low standard of education also limits patients’ quality of life. It makes it harder for them to find a job, and amplifies the typical problems of living with dialysis, such as complying with the treatment plan and taking medication regularly. As part of a program that we have been expanding for many years in conjunction with the Ministry of Education of Buenos Aires province, we now offer classes for patients at thirteen of our dialysis centers. This enables them to complete their schooling.

Using our expertise and network for social commitment

Fresenius Medical Care organizes and supports scientific conferences with international nephrology experts as well as training programs for physicians and dialysis specialists worldwide, thereby helping to ensure quality in dialysis. This is especially important in regions where modern health care standards are still being developed. One example of this is our partnership with the Sustainable Kidney Care Foundation. We support the foundation via our subsidiary, the Renal Research Institute. It promotes projects, mainly in Africa, to give patients with acute kidney failure access to dialysis treatment in regions without an existing supply structure.

Our emergency aid in crisis situations

In crisis situations and in the event of international disasters, the company as a whole fulfills its social responsibility. We provide funds, dialysis machines and medical supplies for institutions that need specific aid quickly. Our global crisis teams can provide immediate assistance during hurricanes or other natural disasters. In 2014, for example, our crisis teams and volunteers from Fresenius Medical Care were in action during Winter Storm Pax on the east coast of the U.S., as well as following the severe weather that brought floods in the Balkans. For further information on our crisis teams in the regions, see the chapter "Our services" starting on page 77.

RISK AND OPPORTUNITIES REPORT

Risk and opportunities management is an integral component of management and control within the company. As a company with global operations, Fresenius Medical Care is naturally exposed to risks associated with its business activities. Ultimately, we can only leverage opportunities for our business if we are willing to take certain risks. Many years of expertise and our extensive knowledge of the markets enable us to uncover and assess risks and opportunities for our business.

RISK MANAGEMENT

We see risk management as the ongoing task of determining, analyzing and evaluating the spectrum of actual and potential risks within the company's operations and its environment, and, where possible, taking corrective measures. The risk management system, which is described in more detail in the following, provides us with a basis for these activities. It enables management to identify risks that could jeopardize the growth or continued existence of Fresenius Medical Care, and to take steps to minimize any negative impact. As such, it is an important component of Fresenius Medical Care's management and governance.

RISK MANAGEMENT SYSTEM

Risk management is part of Fresenius Medical Care's integrated management system. The main objective is to identify potential risks as early as possible to assess their impact on the business activities and, where necessary, to take appropriate countermeasures. Opportunities are not covered by the implemented risk management system. The two pillars of our risk management are the corporate controlling function, which is used for the identification and steering of short-term risks and the internal risk monitoring system, which is typically used for the identification and steering of mid- to long-term risks. In the monitoring system, regional risk managers are responsible for identifying, assessing and managing potential as well as existing industry and market-related risks in their region and reporting them to the regional chief financial officers. Twice a year, the regional chief financial officers send their aggregated risk management reports to the central risk management coordinator who consolidates the reports and presents them to the management board. The main focus lays on material risks that could have a total negative impact of €25M or more in relation to the operating income. The risk management reports

contain further information on potential risks. The management board is informed directly and immediately of any newly identified significant risks (for risk reporting see chart 2.49 on page 93). The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the supervisory board. More information is available in the "Report of the supervisory board" starting on page 24 and in the "Declaration on corporate governance" starting on page 110.

In addition to risk reporting, standard reporting to management is an important tool for managing and controlling risks, as well as for taking preventive measures in a timely manner. Therefore, the management board of Fresenius Medical Care is informed on a monthly basis about the industry situation, our operating and non-operating business, and the outcome of analyses of our earnings and financial position, as well as of the assets position on a quarterly basis.

Part of our risk management system is the Global Internal Audit department which is regularly informed about the results of the risk management system. It audits a selected number of company departments and subsidiaries worldwide each year. The department works according to internationally accepted standards of the Institute of Internal Auditors (IIA). The scope of internal auditing is widespread and involves, among others, the efficiency of controls over business processes, the reliability of special parts of financial reporting and compliance with accounting regulations and internal policies. The company's locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. This annual audit plan is reviewed by the management board and approved by the Audit and Corporate Governance Committee of the supervisory board. It comprises financial audits of individual balance sheet positions, as well as full audits of all business processes of subsidiaries or business units. All audit reports are presented to the management board. The Global Internal Audit department is also responsible for monitoring the

implementation of measures documented in the reports. The management board is informed about the implementation status on a quarterly basis. The Audit and Corporate Governance Committee of the supervisory board is also informed of the audit results. In 2014, a total of 50 audits were carried out at the company's various worldwide sites.

Nevertheless it is important to note that even a functioning and adequate risk management system like the company's cannot guarantee that all risks are fully identified and controlled.

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP'S ACCOUNTING PROCESS

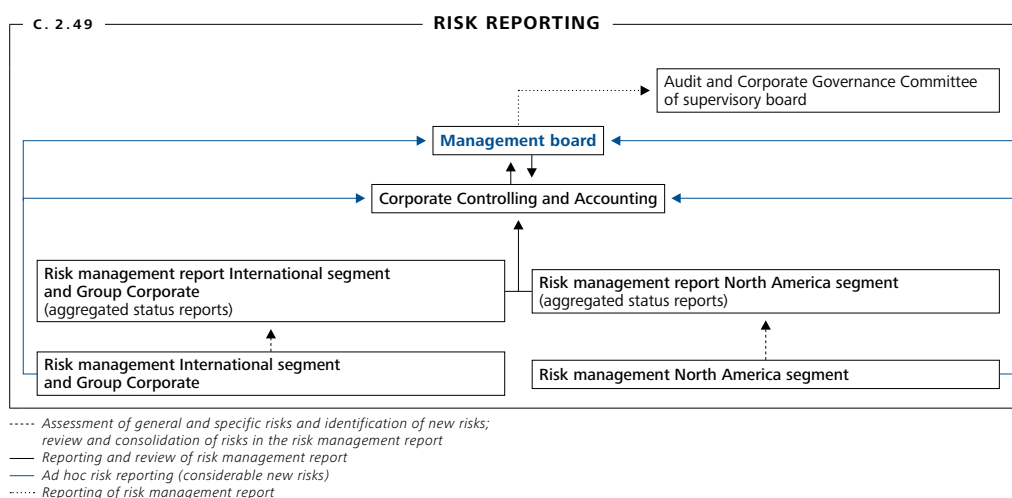
Fresenius Medical Care's internal control system over financial reporting ensures compliance with applicable accounting standards. The goal is to ensure that the group financial statements are issued in accordance with appropriate accounting principles. The company's internal reporting process is generally carried out at four levels and ensures that financial data and key figures are reliably recorded, processed and controlled. At each of these four reporting levels – the local entity, the region, the segment and the entire group – the figures and data are compared regularly on a monthly and quarterly basis with the previous year's values, budget targets, and the latest projections. In addition, the management board and the departments responsible for preparing the annual and consolidated group financial statements discuss in-depth all parameters, assumptions and estimates

that substantially affect the group and segment results reported externally. The Audit and Corporate Governance Committee of the supervisory board also reviews current quarterly results and compares them with budgets and projections.

Control mechanisms and compliance

The internal control system contains guidelines and instructions that ensure, for example, that all Fresenius Medical Care transactions are presented accurately, or that significant earnings and expenses are only recorded after management approval (dual control principle).

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions within the accounting and the consolidation process include automated and manual reconciliations, as well as the separation of certain personnel functions to prevent potential conflicts of interest. The fact that all process owners assess the risks of their respective processes in terms of their implications for accounting also ensures that risks with a direct impact on financial reporting are identified and that controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis and considered in the preparation of the financial statements. Employees responsible for financial reporting are given regular and extensive training to be up to date with changes regarding accounting standards. The consolidation is performed centrally by the department which is responsible for the group accounting. The basis for the consolidation is derived from reporting packages and sub-group consolidated financial statements prepared and



submitted by the local group entities. The preparation of the reporting packages and the sub-group consolidated financial statements is performed according to the requirements and guidelines issued by the department which is responsible for the group accounting.

Furthermore, Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program, which is monitored continuously, in all of its regions with the intention to ensure that its business activities adhere to recognized standards as well as local laws and regulations in all respects. Monitoring compliance is a management task at all the company's decision-making levels. An important element of the compliance program is the code of conduct that considers the locally different legal and ethical standards. It encourages our employees worldwide to conduct themselves in a professional and responsible manner at all times. More information on this can be found in the "Compliance" section starting on page 115.

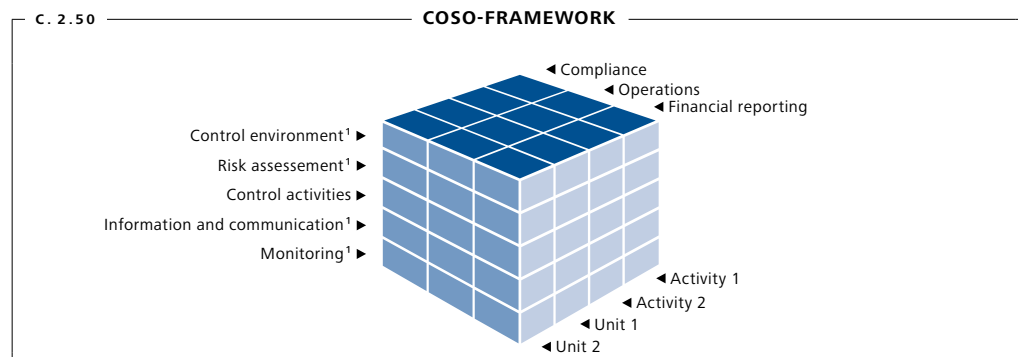
Special control and transparency requirements in the u.s.

As Fresenius Medical Care is also listed on the New York Stock Exchange, it is required to adhere to the requirements of the u.s. Sarbanes-Oxley Act (SOX). Section 404 of this federal law stipulates that the management boards of companies listed in the u.s. must take responsibility for implementing and adhering to an appropriate internal control system to guarantee reliable financial reporting. Based on this requirement, we review the design and operating effectiveness of our internal control system over financial reporting in regular internal audits. These

criteria are also included in the review by the company's independent auditors.

To assess the effectiveness of our internal control system over financial reporting, we apply the criteria of the COSO model, which has been revised in 2013, see chart 2.50. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission (SEC). In accordance with the COSO model, Fresenius Medical Care's internal control system over financial reporting is divided into the five levels control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these levels is regularly documented, tested and assessed. Within the revised COSO model, the before mentioned levels are explained by 17 principles, which are supported by 85 points of focus. The company aligned its internal controls to fulfill the requirements of the COSO model in all respects.

Our review of the internal control system over financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting). For our review, we use a special software which takes into account the definitions and requirements of this guideline. In a first step, regional project teams coordinate the assessment of the internal control system in each region, after which the results are consolidated for the whole group. Based on this, management then evaluates the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A corporate steering committee meets several times a year to review



¹ Entity level controls.

changes and new requirements of the SOX, to discuss possible control deficiencies, and derive further measures. In addition, in its meetings, the Audit and Corporate Governance Committee of the supervisory board is informed regularly of the results of management's assessment.

As of December 31, 2014, management assessed Fresenius Medical Care's internal control system over financial reporting and deemed it effective.

Internal control systems over financial reporting are subject to inherent limitations, no matter how carefully they are designed. As a result, there is no absolute assurance that financial reporting objectives can be met, nor that misstatements will always be prevented or detected.

RISK AREAS

Of all the risks identified for the company, those that could significantly impact the financial situation, assets and liabilities of Fresenius Medical Care as things stand today are described below. Further risks of which we are not yet aware, or major changes to factors which we currently rate as un-critical could also adversely affect our operating activities. Wherever possible and economically viable, we obtain company-wide insurance cover for insurable risks.

Risks related to the economy as a whole

Fresenius Medical Care's international business activities are subject to a number of political, legal and financial risks, which we carefully monitor and assess in addition to the general development of the global economy. We also conduct continuous and comprehensive analyses of country-specific risks with our international markets in mind.

Industry risks

Risks related to changes in the health care market are of major importance to Fresenius Medical Care. Key factors here are new products and therapies developed by competitors as well as regulatory changes in the health care sector.

Strategic risk and competition risks

We carry out research and development activities to counter the risk of a competitor's products and processes impairing our sales opportunities or of our strategy falling short of the trends in the market. We work closely with medical and scientific communities to allow us to quickly identify and further develop important technological and pharmaceutical innovations. These alliances also guarantee that Fresenius Medical Care has extensive knowledge of recent advances in alternative treatment methods and enable us to review and, if necessary, adjust our corporate strategy. Based on this, we analyze and evaluate trends and review the progress of research and development projects on an ongoing basis.

In addition, we closely monitor the market, especially our competitors' products and newly launched dialysis-related products. These include generics and patented drugs for kidney patients, as these can affect the business with drugs distributed by Fresenius Medical Care. To monitor the market, the company maintains strategic departments in-house whose main tasks are to identify and analyze information on the dialysis market as well as activities that could affect the group's business, and communicate these within the company on a regular basis. This helps us to anticipate changes in market conditions early on.

Lastly, our many years of experience and our leading position in the dialysis industry give us a competitive edge, as do the synergies resulting from teamwork between the various technical, medical and academic institutions within our vertically integrated company.

Risks arising from legal conditions in the health care sector

In the highly regulated environment in which we operate, changes in the law, especially those relating to reimbursement, can have a major impact on Fresenius Medical Care's business success and strategy. For this reason, we not only carefully monitor legislative activities and plans, but also work intensively with government health care agencies.

In 2014, the company generated around 31% of its global revenue from providing services that are reimbursed by U.S. federal health insurance programs such as Medicare and Medicaid. To receive the reimbursements, dialysis facilities for patients with end-stage renal disease must fulfill specific conditions. Furthermore, government authorities can change the requirements or conditions for participation in the health care programs and review discount and price calculations. This could affect the amounts already estimated or paid (for instance compensation payments).

Another portion of the company's revenue stems from reimbursement by non-governmental insurers. In the past, these reimbursement rates were generally higher than government program rates in the respective countries. However, non-governmental insurers also check the level of reimbursements that the company receives for its products and services.

Details on the changes in the reimbursement system in the U.S., our most important market, can be found in the "Health care and reimbursement systems vary from country to country" section starting on page 50 and in the "Capital market and shares" chapter starting on page 29.

Risks associated with operating activities

We counter potential risks in our product and services business with preventive and quality-enhancing measures.

Quality risks in production, for products and processes

We ensure that we comply with legal and company product and production regulations first and foremost by means of extensive quality management systems

in our regions. In implementing these regulations, our employees have access to documented process and work instructions. Regular audits are carried out by authorized quality management staff at each of our production sites to ensure adherence to the guidelines. The audits cover all areas and aspects of quality, from management and administration to development, production and customer satisfaction. Furthermore, the production processes in our plants are inspected by external bodies, for example by the technical certification organization TÜV in Europe and by the Food and Drug Administration (FDA) in the U.S.

We also apply the methods of lean management and Six Sigma in our plants, see glossary starting on page 247. These management tools are used to analyze all production processes and coordinate them better to permanently reduce the error rate. Our goal here is to achieve more consistent production results and to continuously improve the quality of our products and related production processes. Quality management in our production is centrally coordinated by our international business unit Global Manufacturing Operations (GMO) with the aim of identifying and managing quality risks even better. For further information on GMO, see the "Procurement and production" chapter starting on page 70.

Dialysis treatment and the use of the requisite products involve specific risks for patients, which could damage Fresenius Medical Care's reputation if they were to occur. National as well as international standards and laws stipulate binding safety standards for dialysis products. In addition, we have drawn up our own quality guidelines for research and development that in part exceed the legal requirements.

We also document our research and development work in comprehensive scientific studies and publications; we produce detailed product information packs and instructions for users of our products, and conduct risk and error analyses according to the most stringent criteria. In addition, Fresenius Medical Care focuses on developing procedures and devices as part of a continuous product improvement process with the aim of minimizing as far as possible the risk of a patient being harmed due to a technical fault or human error.

Quality risks for our services

The very nature of the medical services we provide to patients at our dialysis clinics presents inherent risks. These include operational risks, for example in the area of hygiene. We counteract these with strict organizational and operational procedures, ongoing personnel training and by gearing our working methods to patients' needs. In Europe, for instance, our health care services quality management system, certified according to ISO 9001, is incorporated in our integrated management system. In the U.S., our quality improvement program successfully complies with the standards outlined in the Kidney Disease Outcomes Quality Initiative (KDOQI) and the Centers for Medicare and Medicaid Services (CMS). We assess both our treatment data and our methods in annual internal audits to enable us to achieve lasting improvements to our processes and treatment results. External institutions such as the German TÜV and CMS in the U.S. also audit our clinic quality management system each year. As a consequence, we are able to quickly identify quality flaws and risks and remedy them in a timely manner.

Quality management in our company also includes environmental management, as environmental resources are used for manufacturing dialysis products and the operation of dialysis centers produces clinical waste. More information on this can be found in the "Responsibility" chapter starting on page 86.

Risks in research and development

The risk of goals not being achieved or being achieved much later than anticipated is inherent in the development of new products and therapies. Comprehensive, cost-intensive preclinical and clinical tests are required before regulatory approval is granted. We systematically monitor, test and improve all products, packaging, applications and technologies. The development cycle for products made by Fresenius Medical Care is substantially shorter than for pharmaceutical products as a rule. It normally takes between two and three years from concept to market launch. Fresenius Medical Care counteracts risks in research and development by regularly analyzing and assessing development trends and reviewing the progress of projects. Furthermore, we ensure that the legal

regulations governing clinical, chemical and pharmaceutical research and development are strictly adhered to. Our research team for dialysis products develops new products and technologies in close cooperation with representatives from the medical and scientific communities. For further information, see the "Research and development" chapter starting on page 66.

Patent risks

One of the typical patent risks faced by Fresenius Medical Care is inadequate patent protection for technologies and products developed by the company. As a result, competitors could copy our products without incurring comparable development costs. To mitigate this risk, we have installed a comprehensive patent management program with defined processes, responsibilities and reporting lines.

Furthermore, there is the risk that Fresenius Medical Care could infringe upon the patent of a competitor and thus be liable for damages; this could result in a ban on further sales of the affected product. We minimize this risk by systematically monitoring and reviewing patent applications by competitors as well as issued patents to ensure that our products do not violate the rights of third parties. However, as the claim of a patent, i.e. its scope, sometimes cannot be determined until a product has been launched, this risk can never be fully eliminated.

Procurement risks

We counter the risk of low-quality raw materials, semi-finished goods and other components that we procure externally mainly by imposing comprehensive quality standards on suppliers. For example, we demand that our suppliers provide certification from external institutes and undergo regular audits; in addition, Fresenius Medical Care carries out extensive evaluations of sample products and regular quality control checks. We source only high-quality products that are verifiably safe and suitable for their intended use from certified suppliers that meet Fresenius Medical Care's specifications and requirements and have a proven track record in manufacturing these materials. These suppliers are constantly evaluated as part of our exacting supplier management system.

Our purchasing strategy is aimed at developing partnerships with existing strategic suppliers through long-term contracts and building relationships with new high-performing partners. At the same time, we aim to ensure that we have at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). This strategy in combination with continuously monitoring market developments enables us to minimize the risk of bottleneck situations considerably, even at times when the availability of materials is limited. All relevant suppliers are subject to regular company-wide performance and risk monitoring. More information on this can be found in the “Strategic purchasing: global responsibility, constant quality” section starting on page 70.

Fresenius Medical Care is also exposed to market-driven fluctuations in the price of raw materials. By continuously conducting market analyses, shaping supplier relations and contracts in accordance with our needs, and reviewing the use of financial instruments on a case-by-case basis, we are able to counteract these fluctuations to a certain extent. By intensifying cooperation between our procurement teams in different regions, we are able to benefit from international price advantages and counter risks related to currency fluctuations or dependencies on individual suppliers. More information on this can be found in the “Strategic purchasing: global responsibility, constant quality” section starting on page 70.

Personnel risks

Our company's success depends to a large extent on the dedication, motivation and abilities of our employees. We counter the risk of not being able to attract and retain sufficient qualified personnel at Fresenius Medical Care with extensive precautionary personnel marketing and recruitment measures as well as personnel development programs for specific target groups.

Our continued growth in the area of health care services depends in particular on our ability to recruit and retain qualified care personnel. Especially in the U.S., where we operate most of our dialysis clinics, competition for such employees is intense. As a result, we are currently expanding various measures and initiatives with the aim of further increasing the satisfaction of our clinic personnel, maintaining their

high level of motivation and further reducing the fluctuation rate in our clinics. For more information on this, see the “Employees” chapter starting on page 81.

Our personnel management department addresses the general risk of not being able to attract or retain highly qualified personnel. Its job is to find and cultivate new talent with targeted measures. Fresenius Medical Care offers employees a challenging work environment and long-term perspectives for their professional development. Furthermore, our employees can take advantage of performance-based bonus payments and attractive social benefits. Detailed information relating to personnel management can be found in the “Employees” chapter starting on page 81.

Risks due to non-compliance with laws and standards

Our code of conduct specifies general conditions of our conduct within the company as well as towards our patients, external partners and the public and encourages our employees to comply with applicable laws and company standards at all times. Together with our overall compliance program, this code is intended to help us meet our own expectations and those of our stakeholders, and to successfully align our business activities to recognized standards as well as applicable laws and regulations. Further details on our compliance program can be found starting on page 115.

Risk of dependency on major customers

In addition to a number of state-owned and public health insurance funds, Fresenius Medical Care's customers include private health insurers and companies. Our biggest private-sector customer, U.S. dialysis clinics operator DaVita, is also the second largest provider of dialysis services in the world. DaVita accounted for about 1% of Fresenius Medical Care's total revenue in 2014.

Acquisition and investment risks

Fresenius Medical Care assesses potential financial risks arising from acquisitions and capital expenditures early on with the help of internal and, if necessary, external specialists. Potential acquisitions and investments are analyzed by an internal committee (Acquisition Investment Committee, AIC) based on minimum requirements relating to a number of parameters, with the objective of ensuring that the decision to buy or invest is profitable. The profitability

of acquisitions and investments is also monitored after the event on the basis of these key indicators. More information on corporate management and control can be found [starting on page 41](#).

Financial risks

The main financial risks that affect our company are currency and interest rate risks. We use derivative financial instruments to protect us against these risks, but not for trading or speculation purposes. All transactions are conducted with highly rated banks (the majority have at least an "A" rating) that have been approved by the management board.

We use interest rate hedging instruments to avert the risk of changes in interest rates from our long-term debt that is subject to floating interest rates. A sensitivity analysis revealed that if relevant reference interest rates for the company, such as Libor, increased by 50 basis points based on the current high level of hedging, respectively on the high percentage of fixed interest liabilities, net income (attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) would fall by around 1%. The interest derivatives will expire between 2016 and 2019.

Our foreign exchange risks primarily result from transactions such as sales and purchases between group companies located in different regions and currency areas. Most of our transaction risks arise from sales of products in the euro zone to other international business units. The foreign exchange risks are therefore related to changes in the euro against various other currencies. To hedge against these risks, we generally use foreign exchange forward contracts. We use a cash-flow-at-risk (CFaR) model to estimate and quantify transaction risks in foreign currencies. CFaR indicates the amount of a potential loss of the forecast foreign exchange cash flows over the next twelve months with a probability of 95%. As of December 31, 2014, Fresenius Medical Care's CFaR amounted to \$32.4 M. More information can be found in the "Quantitative and qualitative disclosures about market risk" section [starting on page 136](#).

Debtor risks

To minimize the risk of delayed or non-payment by customers, we evaluate the credit standing of new customers and review customers' credit limits. We monitor outstanding receivables of existing customers

while assessing the possibility of default. For further details on outstanding receivables, please see the "Quantitative and qualitative disclosures about market risk" section [starting on page 163](#).

Legal risks

Risks associated with litigation are continuously identified, assessed and reported within our company. Fresenius Medical Care is involved in various legal proceedings resulting from our business operations. For details on ongoing proceedings and further information on material legal risks to which Fresenius Medical Care is exposed, please refer to the "Notes to consolidated financial statements" [starting on page 178](#).

Tax risks

Fresenius Medical Care is subject to tax audits, which can lead to subsequent changes in tax assessment notices and assessment notices of withdrawal restrictions. Risks resulting from this are continually identified and evaluated. Further details on ongoing legal proceedings and more information on major tax risks can be found in the "Notes to the consolidated financial statements" [starting on page 178](#).

IT risks

As Fresenius Medical Care continues to grow in size and become more international, the processes within the company are increasingly complex. Accordingly, we are dependent to an ever greater extent on information and communication technologies to structure our processes and harmonize them between different regions. Fresenius Medical Care uses constantly updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). With the help of our Information Security Management System (ISMS) based on the internationally recognized security standard ISO 27002, we are continuously enhancing IT security guidelines and processes within Fresenius Medical Care. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for our business. Potential IT risks are covered by a detailed disaster recovery plan, which is tested and improved on an ongoing basis. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems. We use a mirrored

infrastructure that creates a copy of critical systems, including clinical systems as well as the communication infrastructure and servers. To minimize organizational risks such as manipulation and unauthorized access, access is protected by passwords that must be changed regularly. With our strategy of operating three separate data centers in all our major geographic locations, we reduce the risk of complete, worldwide system outages even further. Moreover, we observe company guidelines relating to data protection, which also regulate the assignment of access rights. Compliance is monitored by measures including checks based on Section 404 of the Sarbanes-Oxley Act; see also page 94. Operational and security audits are carried out every year both internally and by external auditors.

Other operating risks

Potential risks that could arise during the construction of new production sites or the introduction of new technologies are considered early on in the planning stage and reviewed on an ongoing basis. When building new production units, we use internal milestones and continuously monitor whether they are achieved. Further preventive risk management measures particularly counter the effect of environmental factors on our business: Many of our proprietary dialysis clinics have emergency generators to ensure that life-saving dialysis treatments can be continued even in the event of a complete power failure. Furthermore, in the U.S. for example, a Fresenius Medical Care disaster response team steps in around the year in the event of natural disasters such as hurricanes to professionally coordinate relief efforts and provide dialysis treatment for patients in the affected regions. More information on this can be found in the "Dialysis services in emergency situations" section on page 80.

Further information on the risks for Fresenius Medical Care can be found in the consolidated financial statements and in the Form 20-F report on the Internet at www.freseniusmedicalcare.com in the "Investors" section.

OPPORTUNITIES MANAGEMENT SYSTEM

In addition to systematic risk management, we ensure the company's long-term success through holistic opportunity management. The aim here is to identify opportunities as soon as possible, assess them and initiate suitable measures to turn the opportunities into commercial success for Fresenius Medical Care.

Much of our business is organized regionally. This enables us to identify industry-specific trends and requirements as well as the resultant opportunities in the various regions at an early stage and gear our actions to them. To make the most of business opportunities, we also perform comprehensive quantitative and qualitative analyses. This involves evaluating market data and closely examining research projects as well as taking general societal health trends into consideration, see the "Strategy, objectives, and corporate management" section starting on page 41. We monitor general economic, industry-specific, regional and local developments as well as regulatory changes. Close cooperation between our strategy, planning and other departments allows us to recognize global opportunities as early as possible.

We evaluate the ideas for growth initiatives that we develop on this basis in the context of our annual budget planning, and in-between if required. Using a detailed coordination and evaluation process, we manage the investments required to implement the projects. The management board sets the investment budget for the group as well as the focus of investment. Before specific investment projects are realized, an internal committee examines the individual projects and measures, taking into account the return on investment and potential return. Commonly used methods such as the net present value and internal interest rate methods, among others, are used here; payback periods are also included in the assessment. In this way, we try to ensure that we only make those investments and acquisitions that boost shareholder value.

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our 3,361 dialysis clinics in more than 45 countries constitute the largest and most international network in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we understand that high quality is not only the key to a better quality of life for patients, but that it can also make a significant contribution to reducing the costs of health care. Based on this knowledge and our business model, we see several opportunities for further growth, which are explained in greater detail in the following section.

Industry-specific opportunities

The dialysis market is a growth market that is generally unaffected by macroeconomic influences. This is partly explained by the fact that an aging population requires increasingly comprehensive medical care. In addition, due to stable demand for dialysis products and services, Fresenius Medical Care is subject to economic fluctuations only to a relatively small extent. More information on this can be found in the “Overall economic environment” section starting on page 46 and the “Outlook” chapter starting on page 105.

Patient growth and demographic development

According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising by around 6% annually. This number is expected to reach almost 2.8 M in 2015 and is set to exceed 3.8 M in 2020. Several social trends contribute to this growth in patient numbers. In Europe and the U.S., for example, they include the aging population and the increasing incidence of diabetes and hypertension, two illnesses that frequently precede the onset of end-stage renal disease. In developing and emerging countries, the expanding population and the gradual improvement in access to dialysis as a result of increasing wealth are key factors that further boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

Whether or not private companies can offer dialysis treatment and in what form depends on the health care system of the country in which they operate and its legal framework. For Fresenius Medical Care, opportunities to tap into new markets or to expand its market share arise if a country opens up to private dialysis providers or allows cooperation between public and private providers, for instance through public-private partnerships. These decisions are increasingly influenced by the following factors:

- In many countries, the resources for financing, managing and providing health care services are becoming ever scarcer. This situation has worsened as a result of the financial and economic crisis.
- At the same time, health care systems face the challenge of having to provide their population with increasingly comprehensive medical services. This is due to longer life expectancy and the associated increase in concomitant diseases or because fully-functioning health care provision is still being established.
- Dialysis is a complex life-sustaining procedure, which places high demands on a health care system in terms of expertise and efficiency. For these reasons, public health care providers are increasingly looking to work with private providers to develop high-quality, sustainable health care solutions for patients with chronic kidney failure. This constitutes a huge opportunity for Fresenius Medical Care.

One example is Germany, the fifth-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis centers are predominantly operated by physicians in private practice, hospitals, and non-profit organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in medical care centers (Medizinische Versorgungszentren – MVZ): These are facilities for outpatient care managed by physicians with different areas of expertise who are employed as salaried physicians. At the end of 2014, we were involved in 18 medical care centers (2013: 16). As an experienced partner, we want to continue to support our customers when it comes to setting up new structures in the German health care system and take advantage of the opportunity to strengthen our business in the long term. In Japan,

where dialysis centers are primarily managed by private nephrologists, new sales opportunities could also open up for private companies such as Fresenius Medical Care in the long term.

Public-private partnerships

In some countries, public-private partnerships (PPP) promise to be an attractive business model for Fresenius Medical Care. These are contractually defined project alliances between the public sector and private companies in which both partners assume a specified share of the financing, tasks, risks, and opportunities. Here, our extensive expertise in dialysis again gives us a competitive edge, as it enables us to make suitable offers flexibly for various levels of care for hospitals, health insurances, local or national authorities. Depending on the contract, we can set up new dialysis clinics and install the equipment, train medical personnel on quality, hygiene and nutrition or manage the clinics ourselves on the terms agreed. PPP therefore offer an opportunity for both partners: The public sector benefits from private investments in a dialysis infrastructure based on high standards of treatment, from the transfer of knowledge on quality, technology and management issues, and from the operational efficiency of a global dialysis company, helping it to provide patients with better and, at the same time, more cost-effective health care. In turn, the PPP model allows Fresenius Medical Care to tap into new markets, expand its market share, and extend its range of products and services with new forms of health care. Partnerships of this type can also be the first step towards complete privatization. We are already part of PPP initiatives, for example in Bosnia, Argentina, Australia, the Philippines, India, South Africa, Russia, Kazakhstan and the UAE. The relevant contracts are tailored to the respective needs of the partners involved as well as to the local legal conditions.

Growing demand for integrated health care

Cost pressure and the growing number of patients are causing an increase in global demand for a comprehensive – or integrated – health care concept for patients with chronic kidney failure. This is based on the following principle: All health care services and therapies associated with the treatment of a kidney patient – possibly going even one step further to include the treatment of concomitant diseases – are

combined to create an integrated program that is tailored to the patient's individual requirements and the needs of the insurer.

Depending on the contract and which elements a health care system prescribes as part of basic treatment, this can involve, for example, special medical tests, drugs for kidney patients, the insertion and medical supply of the vascular access connecting a patient to the dialysis equipment (vascular access management), or the patient's travel to and from the dialysis center in addition to dialysis itself.

This comprehensive care from a single source is aimed at improving the way in which the different stages of treatment are coordinated and controlled, minimizing complications and thereby avoiding additional stays in hospital, which are a significant burden for patients, as far as possible. As a consequence, it increases the patient's quality of life and the quality of treatment, while reducing the overall costs of the treatment.

Fresenius Medical Care is particularly well placed to offer integrated treatment programs with a high level of quality for chronically ill kidney patients for several reasons: As a manufacturer of leading dialysis products and an operator of the largest international dialysis clinic network worldwide, we have long-standing experience in providing comprehensive care for dialysis patients. Thanks to the high quality and reliability of our products and services, we enjoy a very good reputation in the industry. In addition, we use sophisticated internal feedback instruments to measure and compare the success of treatment at our clinics and to rapidly identify any potential for improvement.

We also benefit from a network in the field of medical services in addition to our core business with dialysis products and the treatment of dialysis patients. These services include vascular care and medication management for patients with kidney disease, as well as our laboratory and pharmacy business. We plan to expand this network further in the future.

Opportunities related to our business operations

Horizontal expansion of our portfolio

Dialysis drugs supplement our range of dialysis services and products, enabling us to expand our portfolio horizontally. In line with our strategy and the trend towards integrated care, they offer the company further opportunities for growth.

New products and technologies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of clinics is no longer sufficient to treat all patients, home therapies are expected to take on a more crucial role. This development offers Fresenius Medical Care opportunities for growth. Home dialysis as well as associated technologies and products will therefore continue to be a key focal point of our R&D activities. One major aim here is to significantly reduce water consumption for home hemodialysis in order to give dialysis patients the greatest possible independence and mobility with a resource-efficient and flexible device. We will continue to expand our range of innovative products and technologies in the future to react to growth opportunities – increasingly also with the aim of best meeting demand for integrated care.

Internal organization and procedures

The way in which Fresenius Medical Care organizes and shapes its business operations presents us with a number of opportunities that will help to improve the company's success in the long term. For example, we use the lean management and Six Sigma management methods to analyze and better coordinate our production processes worldwide in order to further reduce both our defect rates and manufacturing cycles. We are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency, for example by saving resources; see the "Procurement and production" chapter starting on page 70.

Acquisitions

By expanding our health care services business through acquisitions as well as procuring expertise and relevant technologies in the area of research and development, we are investing in our future growth. The close collaboration between our strategy and planning departments and the managers responsible for our acquisitions ensures that we are able to identify suitable potential acquisitions worldwide as early as possible. Further information on our acquisitions in the year under review can be found in the "Capital expenditures and acquisitions" section starting on page 53 and in the "Financial situation" section starting on page 61.

Fresenius Medical Care's business model

Finally, our business model also provides opportunities for our company's future growth. As a vertically integrated dialysis company, we not only offer almost all of the products and services that a patient with chronic kidney failure requires for treatment, but also use these on a daily basis in our own clinics. Consequently, we benefit a great deal from the feedback of patients, physicians and nurses worldwide in developing and manufacturing new products as well as in organizing our clinic management.

MANAGEMENT ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES

The management board bases its assessment of overall risk on Fresenius Medical Care's risk management system, which is regularly checked by third parties and by senior management. The company's overall risk situation is determined by the risks described above. In 2014, there were no major changes in the risk structure compared with the previous year. The management is not currently aware of any risks that threaten the continued existence of Fresenius Medical Care. The effectiveness of this risk management system is monitored and, if necessary, improved as part of a company-wide review of the integrated management system. The management board will continue to expand our risk management and its review of the associated management system to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures. From an organizational point of view, we believe that we have created all the necessary conditions to identify emerging risk situations early and to react appropriately if necessary.

We remain confident that our group's earning power constitutes a sound basis for our business development, enabling us to utilize the opportunities that arise for the company. In view of our leading position on the dialysis market, our innovative strength, our committed staff and our structured processes for identifying risks early and in the area of opportunity management, we firmly believe that we can continue to successfully capture any opportunities that arise.

No significant events took place between the closing date of December 31, 2014 and the annual report's editorial deadline of March 11, 2015.

ECONOMIC AND BUSINESS ENVIRONMENT

There were no fundamental changes in the economic and business environment in our field of activity either. Dialysis continues to be a medically indispensable and life-saving treatment for acute or chronic kidney failure for which there is no comparable alternative treatment with the exception of kidney transplantation.

We are currently not planning any major changes in Fresenius Medical Care's organizational structure, administration, legal form or with regard to personnel which could lead to a significant impairment of the results of operations, financial situation, assets and liabilities of our company.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Fresenius Medical Care's business development met our expectations in the first weeks of 2015.

From today's perspective, we expect to achieve our revenue, earnings and the other performance ratios as planned. At this report's editorial deadline, the current development of our business is basically in line with our expectations.

We increased our earnings continuously throughout the 2014 financial year and achieved our revenue and profit targets. Thanks to our strong operating basis, our latest acquisitions in the area of care coordination and our global efficiency program, we will again be able to grow our net income in the current financial year.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We aim to further expand this position in the years ahead. As always, the groundbreaking principle of our corporate strategy is to fully utilize the potential of the vertically integrated company. This means rigorously using the advantages that arise from covering the complete value chain of dialysis. Fresenius Medical Care considers its main focus to be the holistic care of dialysis patients and dialysis-related treatments. In addition to our products and dialysis treatment itself, we will continue to expand our activities in the area of care coordination and offer supplementary medical services for the treatment of our patients in the future.

We have no plans to make significant changes to our business policy. Further information can be found in the "Operations and strategy" section starting on page 37.

PROSPECTS FOR THE GLOBAL ECONOMY SOMEWHAT BRIGHTER

In 2015, we expect the global economy to perform slightly better compared with the previous year. The

USA in particular is set for higher economic growth. Economic output in the euro zone should rise to some extent in the coming year, and we also anticipate stable growth rates in emerging countries. We forecast an increase in global gross domestic product (GDP) of around 3.7% (2014: 3.4%) in 2015.

North America segment:

Positive growth forecast for 2015

We expect economic output in the USA to continue improving in 2015. The better situation on the employment market is leading to higher income, thereby boosting private consumption. More favorable financing conditions are likely to help drive an upturn in corporate investment.

International segment: Further regional differences in development expected in 2015

According to forecasts, the euro zone should see a slight economic recovery in 2015. We expect overall economic production in emerging countries to grow only moderately, with growth rates remaining below the high levels recorded in the past, particularly in China and some East Asian nations. Latin America should enjoy faster expansion, with exports benefiting from a small rise in commodity prices.

T. 2.51 REAL GROSS DOMESTIC PRODUCT

Expected change from the previous year in %

	2014	2013
U.S.	2.2	3.2
Germany	1.5	1.7
Euro zone	0.8	1.2
China	7.4	7.0
India	5.9	6.5
Asia	6.6	6.6
Latin America	1.1	2.1
► WORLDWIDE	3.4	3.7

Source: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2014", December 17, 2014

THE DIALYSIS MARKET CONTINUES TO GROW

Fresenius Medical Care expects the number of dialysis patients worldwide to increase by about 6% in 2015. Some significant regional differences will probably remain. We anticipate a 1 to 4% growth in patient numbers in the U.S., Japan, Western and Central Europe. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue growing in the coming years, see chart 2.53 on page 107.

Demographic factors are one of the main reasons for the continued growth of dialysis markets, including the aging population and the mounting incidence of diabetes and high blood pressure – two diseases that often precede end-stage renal disease. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, even in developing countries.

As a result of the anticipated differences in growth rates, a higher proportion of patients will undergo dialysis treatment in Asia, Latin America, Eastern Europe, the Middle East and Africa in future. This opens up huge potential for the entire spectrum of dialysis services and products, as more than 80% of the world's population lives in these regions.

We do not expect significant changes in treatment methods. Hemodialysis will remain the treatment of choice, accounting for about 89% of all dialysis therapies. Peritoneal dialysis will continue to be the preferred treatment for about 11% of all dialysis patients. The volume of the worldwide dialysis

market, which amounted to about \$77 BN last year according to preliminary estimates, is expected to increase by around 4%. This is based on the assumption that exchange rates remain stable in the forecasting period. As a result, the overall volume of the dialysis market for 2015 could reach around \$80 BN.

GROWTH MARKETS AND FUTURE SALES MARKETS

We consider care coordination to be a growth market for Fresenius Medical Care. We almost doubled our revenue in this area in the past year; as a result, care coordination accounted for 7% of total revenue. We expect to generate revenue of around \$1.7 BN with these services in 2015.

Above and beyond this, we have had our own sales organizations in the product business in key growth markets in Eastern Europe, Latin America and Asia for several years and already hold a leading market position. We serve smaller markets via distributors. We intend to continue expanding our regional range of products and local production in the future. Acquisitions can also help us to achieve our aim of strengthening our business.

LEGAL STRUCTURE AND ORGANIZATION

The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) since 2006. Changes to the legal form are not planned in the foreseeable future. We also intend to retain our decentralized organizational structure. In our view, this well-proven structure guarantees maximum flexibility and allows us to adapt to the requirements of individual markets.

T. 2.52 EXPECTED GROWTH IN PATIENT NUMBERS

	Growth 2015
North America	~4%
Europe/Middle East/Africa	~4%
Asia-Pacific	~7%
Latin America	~5%
► WORLDWIDE	~6%

Source: Internal estimate

BUSINESS DEVELOPMENT OF FRESENIUS MEDICAL CARE IN 2015

Exchange rates

Fresenius Medical Care's forecasts with regard to business development in 2015 and the growth rates for 2016 are based on the prevailing exchange rates at the start of 2015. As mentioned in the "Economic environment" section starting on page 46, the relationship of the U.S. dollar to the euro is especially important for Fresenius Medical Care.

Revenue

We aim to further increase our revenue in the current financial year by between 5 and 7% compared with 2014.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to grow by up to 5% in 2015 compared to the previous year. This includes cost savings from the global efficiency program and additional expenditure for the expansion of care coordination as part of the growth strategy 2020. It does not include future acquisitions.

Earnings per share

In the 2015 financial year, earnings per share are expected to develop largely in line with net income year-on-year.

Dividend

We intend to maintain our profit-oriented dividend policy on principle. Information on the proposed dividend increase can be found in the "Dividend continuity" section on page 31.

Capital expenditures and acquisitions

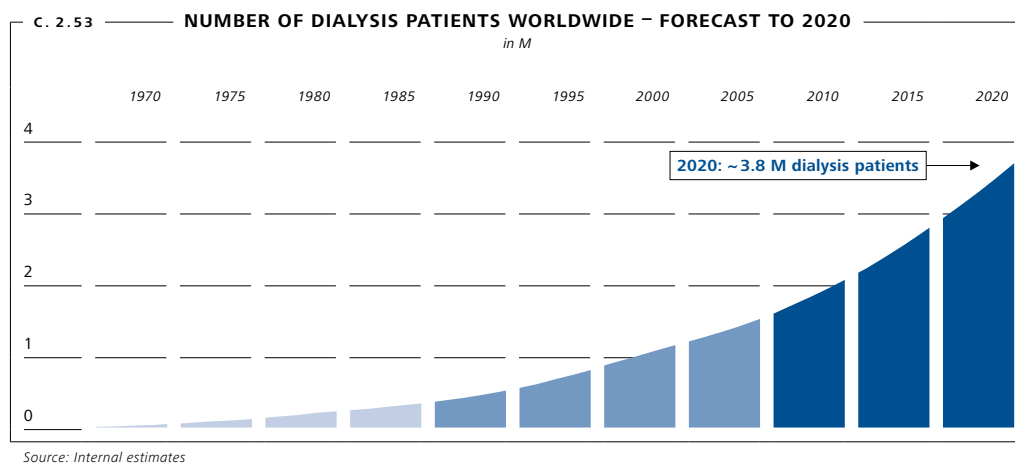
In 2015, we intend to spend around \$1.0 BN on capital expenditures, with about 50% earmarked for expansion investments.

In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will primarily be used to open new dialysis centers and expand our worldwide production capacities as well as for dialysis machines as part of long-term supply contracts. Additionally, capital expenditures will be used to rationalize production processes and to improve system support for internal processes.

Approximately \$0.4 BN will be used for acquisitions and equity investments.

Cash flow

Cash flow from operating activities is again expected to account for more than 10% of revenue in 2015, while the free cash flow is set to reach more than 4% of revenue.



Debt/EBITDA ratio

Fresenius Medical Care takes the relationship between financial liabilities and earnings before interest, taxes, depreciation and amortization expenses (debt/EBITDA ratio) as its guideline for long-term financial planning. This ratio was 3.1 at the end of 2014 and is expected to be around 3.0 in 2015.

Financing

The company's financing strategy gives top priority to ensuring our financial flexibility. Thanks to partially drawn down credit facilities and our accounts receivable facility, which was extended in November 2014, we have sufficient financial resources. We are continuing to pursue a target of secured and unutilized credit facilities of between \$300M and \$500M. Our main financing needs in 2015 comprise the principal repayments under the syndicated credit agreement and the dividend payment estimated at \$287M. For further information, see the "Financial situation" section starting on page 61.

Employees

Due to the anticipated expansion of our business, we expect the number of employees to grow in all

regions in the current year, particularly in the area of dialysis services. By the end of 2015, the number of people working for Fresenius Medical Care is set to increase to more than 105,000 full-time equivalents.

Research and development

We plan to spend approximately \$140M on research and development in the 2015 financial year. The number of employees in this area (currently 599 full-time equivalents) is not expected to change significantly in 2015.

Our targets for the financial year 2015 are summarized in table 2.54.

GROWTH IN THE COMING YEARS

We expect revenue to grow between 9 and 12% in 2016, and the net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA to increase by between 15 and 20%.

With a view to the growth targets issued for the period to 2020, we anticipate average annual revenue growth of around 10% and high single-digit annual growth in net income.

T. 2.54

TARGETS 2015

	Results 2014	Targets 2015
Revenue	\$ 15.8 BN	Growth 5 – 7 %
Operating income (EBIT)	\$ 2.3 BN	Moderate growth
Net income growth ¹	–6 %	0 – 5 %
Basic earnings per share growth ¹	–5 %	In line with expected development of net income
Capital expenditures	\$ 0.9 BN	~ \$ 1.0 BN
Acquisitions and investments	\$ 1.8 BN	~ \$ 0.4 BN
Net cash provided by (used in) operating activities in % of revenue	11.8 %	> 10 %
Free cash flow in % of revenue	5.9 %	> 4 %
Debt/EBITDA ratio	3.1	~ 3.0
Employees ²	99,895	> 105,000
Dividend	€0.78 ³ per share (+1 %)	Earnings-driven dividend policy
Research and development expenses	\$ 122 M	~ \$ 140 M

¹ Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.

² Full-time equivalents.

³ Proposal to be approved by the annual general meeting on May 19, 2015.

GENERAL ASSESSMENT OF EXPECTED DEVELOPMENT

In 2015, we will again be operating in a challenging business environment in which cost increases are not adequately reflected in higher reimbursement rates. This particularly applies to the U.S., Fresenius Medical Care's most important market in terms of business volume. Despite this, due to our strong operating basis and our latest acquisitions in the area of care coordination, we expect to grow our income in the current financial year and beyond. This development will also be driven by our global efficiency program, which already enabled us to achieve sustainable efficiency gains of \$65 M before taxes in 2014. By 2017, this figure is set to increase to \$300 M a year. As such, we believe we are in a position to achieve our growth targets for the 2015 and 2016 financial years as well as the forecast growth rates for the period to 2020.

The outlook describes the expected development of Fresenius Medical Care in the 2015 financial year. It takes into account all events known at the time the financial statements were prepared that could influence our business development in 2015. As in the past, we take every effort to ensure that we achieve and – where possible – exceed our targets. The forecasts may be adversely affected by unfavorable developments in our risk situation. Further information on the risks to which Fresenius Medical Care is exposed can be found in the "Risk and opportunities report" starting on page 92, the consolidated financial statements, and the Form 20-F report in the Investors section at www.freseniusmedicalcare.com.