

OPERATIONS

We are the number one specialist in health care solutions for patients with chronic kidney failure. With innovative products and therapies, we set the highest possible standards in dialysis treatment.

COMPANY PROFILE

THE WORLD'S LEADING INTEGRATED DIALYSIS COMPANY

Fresenius Medical Care is the world's leading provider of products and services for people with chronic kidney failure, around 2.8 M of whom worldwide regularly undergo dialysis treatment. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in the event of kidney failure.

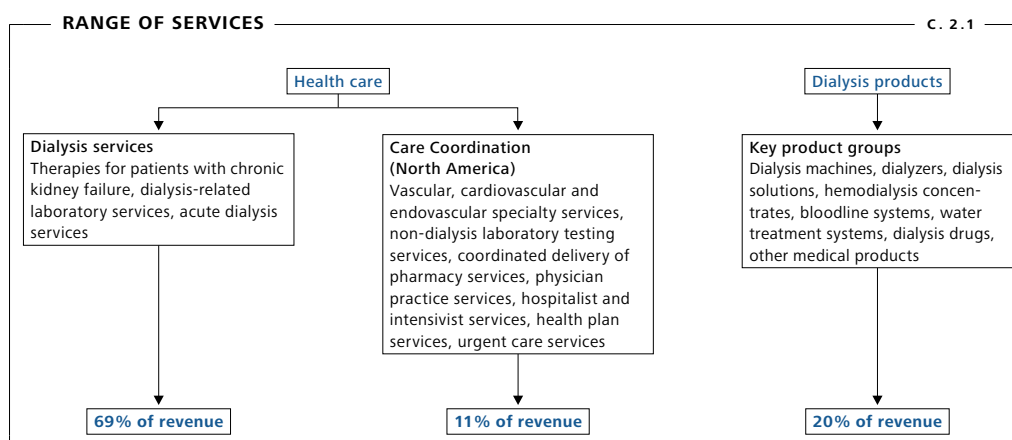
Formed in 1996 following the merger of the dialysis business of the Fresenius AG and the u.s. dialysis service provider National Medical Care, Fresenius Medical Care is a vertically integrated company that

provides products and services across the entire dialysis value chain. As the leading provider of dialysis products such as dialysis machines, dialyzers and associated disposable accessories, we are present in more than 120 countries around the world. At the same time, we care for over 294,000 dialysis patients in all 3,418 dialysis clinics in more than 45 countries. 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.

Demographic factors 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 as a result of continuous improvements to the quality of treatment and ever higher standards of living, also in developing countries.

In addition to dialysis treatment itself, we provide medical services, which are grouped under the heading "Care Coordination". In our reporting, we combine revenues from our dialysis services business and from Care Coordination under health care – see chart 2.1. Nevertheless, the main part of our revenue is still generated by dialysis products and dialysis services.

Fresenius Medical Care has more than 104,000 employees in over 50 countries, and generated revenue of \$16.74 BN in 2015.



LEGAL AND ORGANIZATIONAL GROUP STRUCTURE

Fresenius Medical Care has the legal form of a partnership limited by shares (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 108. The members of the Management Board are presented on page 20; information on the positions of the Management Board and the Supervisory Board can be found starting on page 136.

Fresenius Medical Care has a decentralized organizational structure and is divided into the North America, EMEA (Europe, Middle East, Africa), Latin America and Asia-Pacific regions, which also constitute our segments – see chart 2.2.

Fresenius Medical Care's 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.). A list of our major holdings can be found starting on page 210.

REPORTING ON THE BASIS OF U.S. GAAP

Fresenius Medical Care is listed on the Frankfurt and New York Stock Exchanges and reports on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) with the U.S. dollar as the reporting currency. The Company is therefore obliged to submit a Form 20-F annual report to the U.S. Securities and Exchange Commission (SEC), on which this publication is partly based. Furthermore, the Company prepares reports in accordance with the International Financial Reporting Standards (IFRS) and German Commercial Code (HGB). These publications are also available on the Internet at www.fresenius-medicalcare.com.

OUR RANGE OF SERVICES

Healthy kidneys rid the blood of waste products, regulate water levels, and produce important hormones. If the kidneys are irreparably damaged and are therefore no longer able to function properly for a longer period of time, this is known as chronic kidney failure. Many diseases can lead to chronic kidney failure, particularly diabetes, chronic nephritis, and high blood pressure.

There are currently two treatment options for chronic kidney failure: kidney transplant and dialysis. We distinguish between two dialysis methods: hemodialysis (HD) and peritoneal dialysis (PD). Fresenius Medical Care offers products, therapies and services for both dialysis methods.

Our dialysis products

We use our dialysis products in our own dialysis clinics and also sell them to third parties. In 2015, revenue from our dialysis products business accounted for 20% of our total revenue.

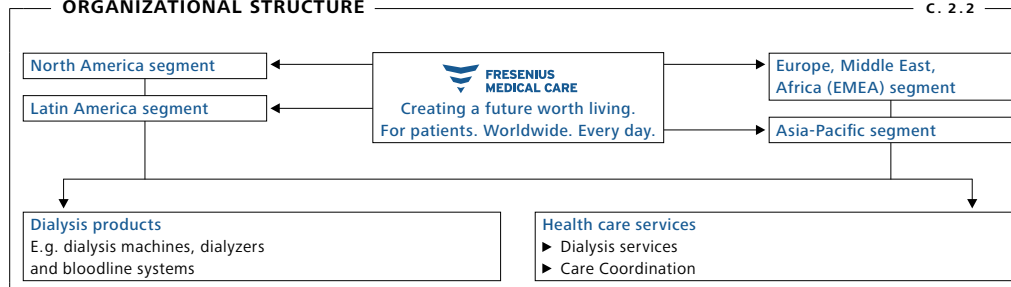
Hemodialysis

Hemodialysis (HD) is by far the most common type of therapy for chronic kidney failure. Overall, 88% of dialysis patients receive this treatment. In this process, the patient's blood is filtered outside the body in what is called a dialyzer. This removes toxins and excess water from the blood, while retaining blood cells and important proteins. Blood circulation is monitored and controlled during treatment by a dialysis machine.

Fresenius Medical Care provides a wide range of products for HD for use in both our own and third-party clinics. These include machines and modular machine components, dialyzers, bloodline systems, HD solutions and concentrates, water treatment systems, as well as data processing and analysis systems. Fresenius Medical Care is the clear leader in the

ORGANIZATIONAL STRUCTURE

C. 2.2



market for dialysis machines and dialyzers. We sold more than 46,000 dialysis machines worldwide in 2015 (2014: 43,000). This means that more than one in two systems bought are produced by Fresenius Medical Care. In addition, we sold around 120 M dialyzers in 2015 (2014: 115 M). The Company therefore accounts for almost half of global sales of these products. For further information, see the “Sector-specific Environment” section starting on page 62.

Home hemodialysis (home HD) is an alternative to treatment in a dialysis clinic. This form of dialysis therapy is performed by patients at home, usually with the assistance of a partner or trained personnel. The market for home HD is still small: At the end of 2015, only around 0.6% of all dialysis patients received this treatment. Fresenius Medical Care provided care for around 4,100 home HD patients in the year under review; around 24% of all home HD patients therefore use our dialysis products.

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. We offer systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD). In the case of 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

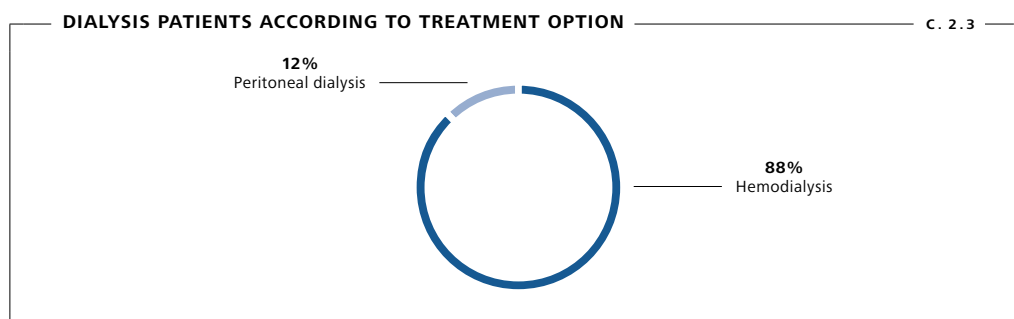
empty bag and replaces it with fresh solution. This ensures that the blood is continuously and gently cleansed. APD is mostly carried out at night. A special device called a cycler takes over the exchange of dialysis fluid. In the evening, the patient connects up with the cycler, which then automatically 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. As a result, the blood is continuously cleansed at night and virtually no treatment is required during the day.

In the year under review, around 12% of all dialysis patients worldwide underwent PD treatment. We provided products to approximately 53,000 PD patients by the end of the year, meaning that around 16% of all PD patients use our dialysis products.

Acute dialysis

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. Continuous renal replacement therapy is used in intensive-care units to treat acute kidney failure in critically ill patients. Fresenius Medical Care also provides products and services for this.

In 2015, Fresenius Medical Care launched the therapy system multiFiltratePRO. It builds on the Company’s extensive experience with its successful anticoagulant Ci-Ca® that allows patients to undergo particularly lengthy treatment without the need for heparin. For further information, see the “Research and Development” chapter starting on page 55.



Source: Company data and estimates

Further 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 (liver support therapy). Excess blood fats or pathogenic antibodies can also be removed in this way (therapeutic apheresis). It is mainly used in patients who can no longer be treated successfully with medication. In 2015, Fresenius Medical Care launched the absorber IgEnio, which is used to treat severe asthma, for example. For further information, see the “Research and Development” chapter starting on page 55.

Dialysis drugs

As well as their key function of excreting the end products of metabolism, our kidneys produce hormones such as vitamin D for healthy bone metabolism and erythropoiesis-stimulating agents (ESAs), such as EPO, which stimulate the formation of red blood cells. In addition, the kidney regulates the body's mineral balance. Although dialysis can perform some functions in patients with kidney failure to a large extent, patients must also take drugs to replace missing hormones and maintain the body's mineral balance. These usually include agents to stimulate red blood cell production, iron compounds, phosphate binders, vitamin D preparations and calcimimetics – see the Glossary starting on page 214.

We obtain vitamin D from specialist suppliers. The vast majority of our ESAs, phosphate binders, potassium binders and iron compounds are also sourced from Vifor Fresenius Medical Care Renal Pharma, a joint venture with the Swiss company Galenica. Further information can be found in the “Events Significant for Business Development” section starting on page 68.

Our dialysis services

In our 3,418 dialysis clinics worldwide, we provide 294,381 patients with life-saving dialysis treatment and other associated services such as laboratory tests. Dialysis treatment at our clinics is usually performed three times a week for several hours by trained medical staff. We are also available as a point of contact at our dialysis clinics to provide medical support and training for home dialysis patients.

Patient care

Our aim in providing care for our patients is to give them the best possible quality of treatment. Our therapy concept for dialysis treatment is therefore 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 being refined by our research and development team.
- ▶ We provide our patients with comprehensive treatment and medical advice from specialized clinical personnel and physicians.
- ▶ We place great value on the dialysis clinics themselves, as they create a pleasant atmosphere for patients and employees while enabling safe, efficient dialysis treatment.
- ▶ We have continuous improvement systems in place to further enhance our high-quality dialysis treatment while ensuring that the resources used are handled efficiently.
- ▶ We gear our work to internal and external quality standards, for example in relation to patient care, hygiene in clinical practice, the architecture of our facilities and the purity of water used in treatment.

Quality management in our dialysis clinics

We have installed special quality management systems at our dialysis clinics and regularly inspect their application ourselves as well as having this checked by third parties. In Europe, for example, this is performed by the technical inspection association 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.

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 2015, we again provided our patients all over the world with top-quality treatment, as shown by the current medical quality parameters in table 2.4. Detailed information on the parameters can be found in the Glossary starting on page 214.

We carry out regular patient surveys to find out where we can make further improvements and in which areas we should expand our services. In the U.S., the state-run public health care authority CMS specifies the content of patient satisfaction 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.

Medical services – Care Coordination

Since 2014, our non-dialysis services have been bundled in the Care Coordination division. Care Coordination currently includes vascular, cardiovascular and endovascular surgery services, non-dialysis laboratory testing services and physician practice services, as well

as coordination of hospitalist and intensivist services, health plan services, coordinated delivery of pharmacy services and urgent care services.

Care Coordination enables us to expand and increase the growth of our business beyond dialysis, for example in markets where the privatized dialysis market is relatively well developed and we already have high market share. Even though our Care Coordination strategy is globally oriented, our non-dialysis services are currently mainly available in our biggest market, the U.S., where the health care system is undergoing major change and moving away from reimbursement of individual services towards holistic and coordinated care. With our activities in the Care Coordination division and our experience in dialysis, we can help to shape the evolution of the health care system and use this as a basis for additional growth.

QUALITY DATA

Relating to the fourth quarter of the respective year, in %

T. 2.4

	Description	Possible impact if too low	U.S.		Europe/ Middle East/ Africa		Latin America		Asia-Pacific ¹	
			2015	2014	2015	2014	2015	2014	2015	2014
Kt/V > 1,2	Effectiveness of dialysis: measures how well the patient was detoxified	Possibly more days spent in hospital; increased mortality	98	96	96	96	92	90	97	97
Hemoglobin = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicative of anemia	72	74	77	76	52	50	60	60
Hemoglobin = 10–13 g/dl (int. reg.)			78	80	77	77	69	66	68	69
Calcium 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	84	85	77	76	75	76	75	76
Albumin ≥ 3.5 g/dl ²			81	83	92	92	90	90	89	91
Phosphate ≤ 5.5 mg/dl			64	64	79	79	75	75	72	70
Patients without catheter (after 90 days)	Measures the number of patients with vascular access	Possibly more days spent in hospital ²	84	83	82	83	83	82	91	92
Days in hospital per patient	Result of complications during dialysis	Restriction to patients' quality of life	10.0	10.3 ³	9.5	9.4	3.5	3.2	4.2	4.3

¹ Includes data from the dialysis service provider Jiatai in Taiwan and the Philippines.

² International standard BCR CRM470.

³ U.S. hospitalization data source was revised in 2015, therefore the numbers for 2014 restated.

Figures based on:

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

– EBPG standard (European Best Practice Guidelines) in Europe,

– KDIGO guidelines (Kidney Disease: Improving Global Outcomes), a recent but increasingly important global initiative.

At the same time, patients and health care systems can benefit from coordinated care and lower costs respectively. Further information can be found in the “Sector-specific Environment” section starting on page 62 and the “Events Significant for Business Development” section starting on page 68.

In 2015, Care Coordination in North America accounted for around 11% of our total revenue. We plan to further expand this area in the future. Further information can be found in the “Objectives and Strategy for Sustainable Value Enhancement” section starting on page 39.

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 10% based on the number of treated patients. Not only do we care for the largest number of dialysis patients, we also operate more dialysis clinics than any other company: In 2015, we ran 3,418 (2014: 3,361) clinics worldwide. We treated most of our patients (62%) in North America, 19% in Europe, 10% 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 2015 (2014: 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 45% (2014: 44%) and 50% (2014: around 50%) respectively.

Detailed information on the major markets and the position of Fresenius Medical Care can be found in the “Sector-specific Environment” section starting on page 62.

Expanding Care Coordination

We currently offer services in the area of Care Coordination almost exclusively in our largest market, the U.S. Our goal is to expand this business area in the future.

One of our providers in Care Coordination is Sound Inpatient Physicians, Inc. (Sound Physicians), a health care service provider that we acquired in 2014. Sound Physicians coordinates a network of more than 2,000 specialized hospitalists as well as intensivists and specialists in care transition at nearly 300 hospitals and post-acute facilities in U.S.

QUALITY REQUIREMENTS AND REIMBURSEMENT SYSTEMS

Reimbursement systems for dialysis treatment 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. Thanks to this international experience, we are able to support the efforts of national health care systems to create suitable reimbursement structures, adapt our business to local conditions and operate on a profitable basis. Further information can be found in the “Sector-specific Environment” section starting on page 62.

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 dialysis treatment at our own clinics. These underlying requirements are stipulated in numerous national and international legal provisions, standards and norms, which form 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 Range of Services” section starting on page 32 and the “Procurement and Production” section starting on page 37.

PROCUREMENT AND PRODUCTION

The Global Manufacturing and Quality (GMQ) division centrally manages all of Fresenius Medical Care's activities worldwide in the procurement of raw materials and semi-finished goods, production including quality management, and distribution in North America – see chart 2.5. 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.

At the end of 2015, GMQ had 15,350 employees (2014: 14,767) at 37 production sites in more than 20 countries.

Strategic purchasing: Global responsibility

Strategic purchasing at Fresenius Medical Care is geared towards ensuring the availability, safety and quality of the materials used in production. The goal is to further expand our competitive and internationally balanced supplier network.

At around \$1.4BN, the purchasing volume of materials and bought-in services in the GMQ division in 2015 was roughly on a par with the previous year's figures. Although greater demand for dialysis products boosted production volumes and consequently purchasing volumes as well, this was not reflected in a higher turnover adjusted for currency fluctuations.

By further standardizing our procurement processes and making them more transparent, we are able to continuously improve our efficiency in purchasing

while ensuring a constant supply of material and maintaining our quality level. The focus here is on enhancing processes across all regions within the purchasing function as well as optimizing processes at interfaces to other departments.

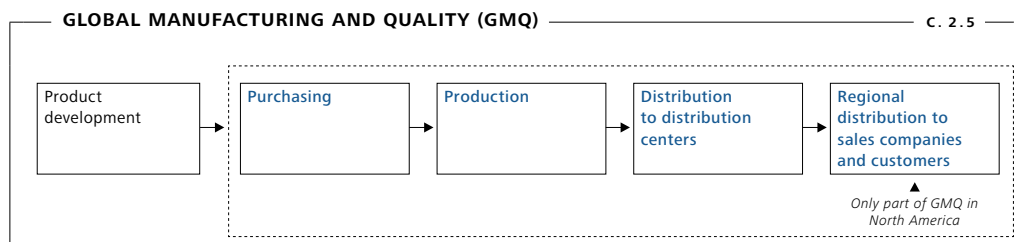
Our production sites: Task allocation in a growing global network

Our production strategy is aimed at manufacturing top-quality products in the right place at the right time on the best possible terms. We are able to successfully implement this strategy thanks to a network of large production sites that allow us to make technically sophisticated products and sell them worldwide as well as production sites that primarily supply products regionally. The most important plants for dialyzer production are in St. Wendel (Germany), Ogden (U.S.), L'Arbresle (France), Changshu (China) and Buzen (Japan). We manufacture dialysis machines in Schweinfurt (Germany) and Concord, California (U.S.).

Chart 2.6 on page 38 presents an overview of our main production sites.

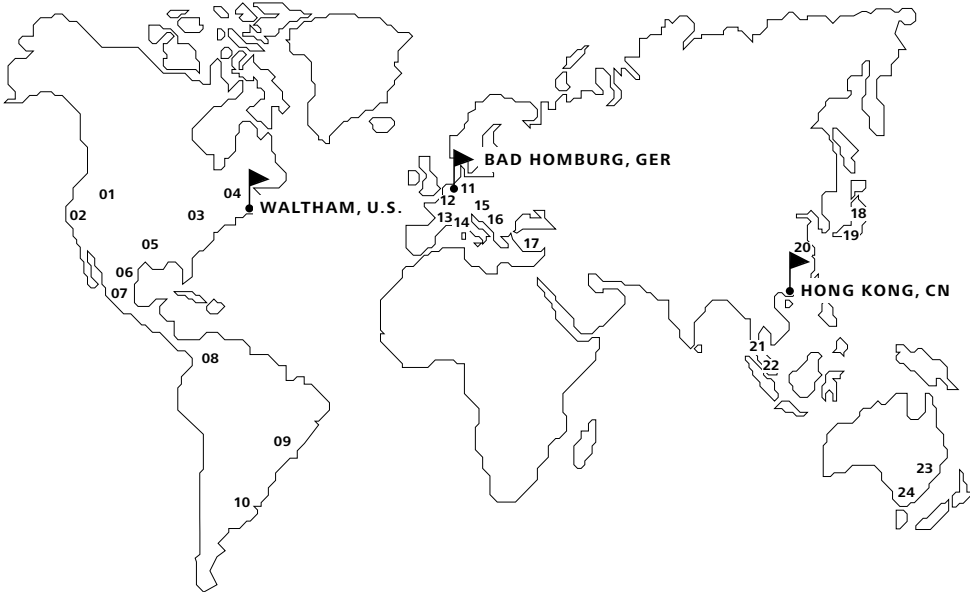
Highest quality standards

At Fresenius Medical Care, we believe in supplying products and therapies of the highest quality and as reliably as possible to ensure the best medical care for our patients and customers. To enable us to fulfill this aspiration and the numerous regulatory requirements, our processes in the business regions are embedded in comprehensive quality management systems. These ensure that all of our products and procedures comply with quality and safety standards – from their development, market approval, manufacture and use in clinics, right up to training



MAJOR LOCATIONS

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America

WALTHAM, U.S.
Regional headquarters
North America

01 Ogden, U.S.	Dialyzers
02 Concord, U.S.	Dialysis machines
03 Toledo, U.S.	Hemodialysis concentrates
04 Montreal, CA	Hemodialysis concentrates
05 Irving, U.S.	Hemodialysis concentrates
06 Reynosa, MX	Bloodline systems
07 Guadalajara, MX	Dialysis solutions, hemodialysis concentrates
08 Santafé de Bogotá, CO	Dialysis solutions, hemodialysis concentrates
09 Jaguariúna, BR	Dialysis solutions, hemodialysis concentrates
10 Pilar, AR	Hemodialysis concentrates

Europe

BAD HOMBURG, GER
Company headquarters and regional
headquarters for Europe, Middle East,
Africa and Latin America

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

Asia-Pacific

HONG KONG, CN
Regional headquarters
Asia-Pacific

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

customers and dealing with complaints. In addition, our production sites are certified according to regional quality standards, in some cases to several at once.

Our quality management systems 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 214 – for optimizing production and testing processes as well as general workflows.

STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

VISION AND PRINCIPLES FOR OUR CORPORATE MANAGEMENT

Sustainable and responsible corporate action is essential for Fresenius Medical Care to allow us to continue investing successfully in our employees, our research and development as well as production, and enhancing our divisions now and in the future. We are guided in this by our vision of creating a future worth living for patients, worldwide, every day.

Our efforts to provide our patients around the world with a better life through excellent products and services are based on our commitment to the core values of our Company: Quality, honesty and integrity, innovation and progress, respect and dignity. Our corporate culture and policy as well as our entire business activities are guided by our values. This also applies to our work and business relationships with our patients, customers, business partners, public authorities, investors and the general public, as well as with our employees.

These fundamental values are firmly established in our Code of Ethics and Business Conduct. Our Code of Conduct describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies. Details

on corporate governance and compliance at Fresenius Medical Care can be found in the "Corporate Governance Report" starting on page 108. Further information on our understanding of corporate responsibility can be found starting on page 44.

OBJECTIVES AND STRATEGY FOR SUSTAINABLE VALUE ENHANCEMENT

Our aim is to further consolidate 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. Moreover, with Care Coordination we want to expand our offering to additional medical services. In doing so, we want to continuously increase the enterprise value of Fresenius Medical Care and create added value for patients, health care systems, employees, and investors worldwide. Our financial stability enables us to benefit from attractive corporate financing and a degree of flexibility that we intend to uphold. Over the next few years, we will continue to pursue our aim of consolidating our leading position in a financially responsible manner.

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

- Demographic change: As the average life expectancy is rising, the share of older people in the population is growing. However, 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 key factor in the number of dialysis patients, which is expected to rise from around 2.8 M worldwide in 2015 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. They can cause damage to the human body and also impair kidney function in the long-term.
- 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 the 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 fields of application related to dialysis and coordinating them more effectively.

Fresenius Medical Care's corporate strategy in the coming years will therefore 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 strategic objectives, 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.

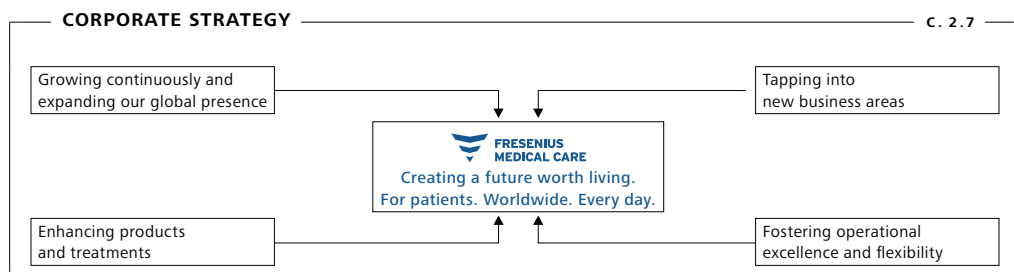
To strengthen our market position, we have developed various approaches ranging from organic growth to continuously assessing suitable acquisitions. Another requirement for lasting, profitable growth is aligning our business activities to attractive future markets. One opportunity for tapping into new 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 considers its main focus to be the holistic care of dialysis patients and dialysis-related treatments. In addition to our products and the dialysis treatment itself, 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. We have 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 open up 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 have a global network of research and development



centers. This 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. This gives rise to an increasing 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 55.

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, we put our patients 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 attention is paid to improving Fresenius Medical Care’s profitability with lasting effect and managing the Company even more efficiently. We will continue to optimize and modernize our administrative structures and processes in the future and make greater use of synergies, for example in our “Global Manufacturing and Quality” and “Global Research and Development” business areas. In this way, we aim to meet the growth in demand and create the conditions to be able to respond more flexibly to changes in the market.

At the same, we will use our regional structure in the future to be a strong, reliable local partner and to react quickly to specific customer needs or changes in our markets or in the regulatory environment and further improve access to new markets.

The Global Efficiency Program launched in 2013 should further improve the performance of the entire organization and thus boost its competitiveness and investment capacity in the years ahead. Consequently, we expect long-term efficiency gains over the next few years, which should increase to \$300 M before tax by the beginning of 2017.

Growth strategy 2020

Based on this strategic focus, we set ourselves new long-term targets in 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%. At the same time we expect high single-digit annual growth in net income. In addition to our ongoing strong performance in our existing core business with dialysis products and treatment for dialysis patients, we also want to achieve these ambitious goals with the expansion of additional medical services that go beyond dialysis treatment. We will continue to expand these services, which we have pooled under the heading “Care Coordination”, in the future. Their share of total revenue is expected to rise from 11% in 2015 to around 18% in 2020. This increase in revenue should stem from both organic growth and acquisitions. An investment volume of up to \$3 BN has been budgeted for this by 2020.

FINANCIAL STRATEGY

Besides optimizing our financial costs, ensuring financial flexibility takes top priority in Fresenius Medical Care’s financing strategy. The Company remains financially flexible by using a wide range of financing instruments in different markets and currencies ensuring a high level of diversification in terms of the 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 and is characterized by relatively stable cash flows. For further information on our financial strategy, see the “Financial Situation” section starting on page 77.

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 management ratios used in the individual business segments are identical. The aim is to ensure long-term corporate success. These 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 2.8.

OTHER FINANCIAL AND NON-FINANCIAL PERFORMANCE INDICATORS

In addition to our key performance indicators, 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 2015 remained stable at 6.9%.
- ROOA (return on operating assets) expresses how efficiently a company manages its total employed capital by calculating profit in relation to total capital. At 9.6% in 2015, Fresenius Medical Care's ROOA was comparable to the previous year (2014: 9.7%).

KEY PERFORMANCE INDICATORS

T. 2.8

	Definition	2015	2014
Revenue	Proceeds from provision of services and sale, letting or leasing	\$16,738 M	\$15,832 M
Operating income (EBIT)	Indicator for assessing earning power	\$2,327 M	\$2,254 M
Operating income margin (EBIT margin)	Ratio of operating income to revenue; indicator for assessing profitability	13.9%	14.2%
Growth in net income	Earnings after taxes and net income attributable to non-controlling interests; indicator for assessing earnings power	-2%	-6%
Growth in earnings per share	Net income divided by the weighted average number of shares outstanding during the year	-2%	-5%
Capital expenditures	Ratio relating to the capital employed in the Company in the form of replacement and expansion investments	\$936 M	\$920 M
Net cash provided by operating activities in % of revenue	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) relative to net revenue	11.7%	11.8%
Free cash flow in % of revenue	Freely available cash flow after capital expenditures in relation to revenue; indicator of the funds available for acquisitions, dividends and loan repayments relative to net revenue	6.1%	5.9%
Delivered EBIT	As a result of the increase of noncontrolling interest holders in our operations, we believe a measure that is meaningful to investors is operating income less noncontrolling interests ("Delivered EBIT"); delivered EBIT approximates the operating income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA	\$2,043 M	\$2,040 M
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	2.7	3.1

- ROE (return on equity) provides an insight into a company's earning power. To calculate this, 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 10.4% in 2015, ROE (after tax) was slightly below the previous year's level.
- 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 2015 was 6.5%, after 6.4% in the previous year. Comparing the Company's WACC with its ROIC of 7.1% reveals that in 2015, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

In addition, we measure our success on the basis of clearly defined non-financial indicators, although these do not form the core of Fresenius Medical Care's corporate management. They include:

- Number of dialysis patients: In 2015, Fresenius Medical Care treated a total of 294,381 patients in more than 45 countries (2014: 286,312 patients).
- Number of dialysis clinics: The number of dialysis clinics operated by Fresenius Medical Care was 3,418 in 2015 (2014: 3,361).
- Number of dialysis treatments: We performed 44.6 M dialysis treatments in 2015 (2014: 42.7 M).
- Number of employees: The number of employees has risen steadily in recent years. In 2015, 104,033 people worked at Fresenius Medical Care, compared with 99,895 in the previous year. This is attributable to acquisitions, particularly in the field of dialysis services, as well as organic growth.

We manage our investments using a detailed coordination and evaluation process. The Management Board sets the investment budget for the group as well as the focus of investments. 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 procedures 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 "Financial Situation" section starting on page 77.

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 71.

CORPORATE RESPONSIBILITY

Not only are a company's activities affected by a number of external factors; companies themselves also influence their environment in many ways. Our activities are always focused on our patients. As a manufacturer and provider of dialysis products and health care services, we are a business partner to suppliers as well as to other companies and organizations in the health care system. We are also an international employer. At the same time, we gear our corporate activities towards using resources in an environmentally sound way. We act as a partner for state health care systems, i.e. governments, and thus making an important contribution to society. Corporate responsibility at Fresenius Medical Care therefore goes beyond economic responsibility and is geared towards sustainability and trust with regard to our stakeholder groups and their many demands on Fresenius Medical Care.

Consequently, we consider sustainable action to be an integral part of our commercial success rather than just one of many factors. Responsible management and trust-based dialog with our stakeholders are therefore firmly embedded in our Code of Conduct.

For Fresenius Medical Care, sustainability means acting responsibly to achieve commercial success as well as environmental and social progress and secure the Company's future. In doing so, we distinguish between the following four areas:

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

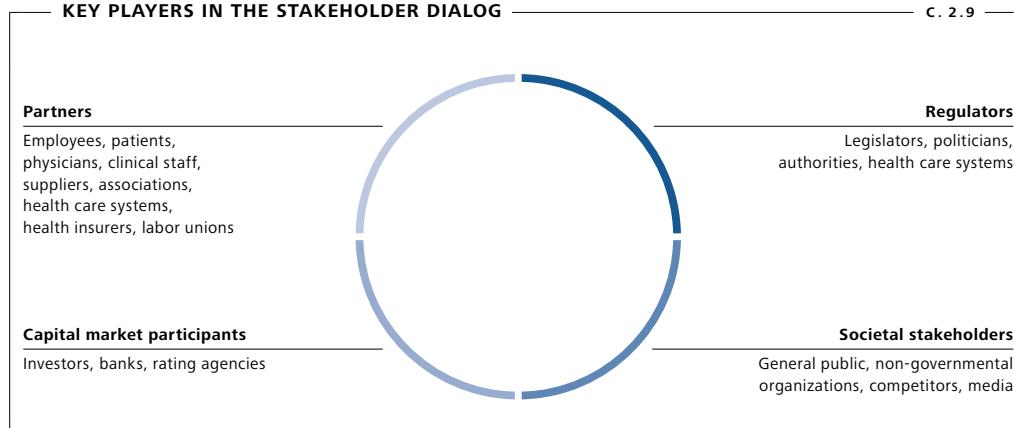
Fresenius Medical Care's sustainability activities again won plaudits in 2015: Our Company has featured in the prestigious Dow Jones Sustainability Europe Index every year since 2009 and in the Dow Jones Sustainability World Index since 2013.

STAKEHOLDER DIALOG AND SUSTAINABLE VALUE-ADDED

Our business activities are based on responsible management that is rooted in integrity, sound corporate governance and adherence to compliance principles and requires and encourages ethically impeccable conduct from all employees and managers. Due to Fresenius Medical Care's global presence and regional diversity, our sustainability management is largely

KEY PLAYERS IN THE STAKEHOLDER DIALOG

C. 2.9



organized on a regional basis, in the same way as our operations management.

Regular, trust-based interaction with our stakeholders – see chart 2.9 on page 44 – is very important to us. They place many different demands on Fresenius Medical Care both at a national and an international level. We aim to make our corporate decisions more transparent and create trust through dialog. At the same time, by interacting with our stakeholders, we can identify a wide range of trends at an early stage, strengthen our social commitment and act sustainably.

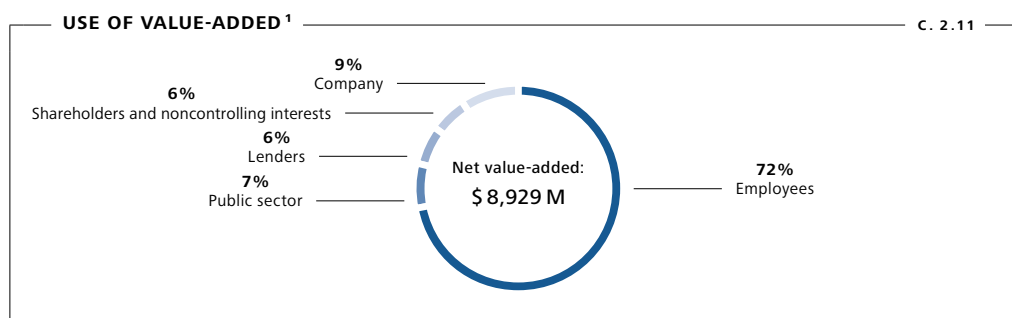
Sustainable corporate development is based on economic responsibility and business success. We can only create value for our stakeholders by being successful as defined by our strategy with a focus on profitable growth. This in turn provides a long-term foundation for Fresenius Medical Care. For this reason, the value analysis in table 2.10 not only depicts the Company's business success in the strict sense of the term (revenue, profit, returns on capital employed), but also its more broadly defined measurable output that also benefits our various interest and stakeholder groups. Through our corporate activities and ongoing business operations, we generate value and

thus meet our stakeholders' expectations as a reliable employer for managers, physicians, medical staff and many other employees. We provide our creditors with interest, and our investors with dividends and increases in value on the capital market. By paying business tax, we make a direct contribution to society.

Value-added – in other words the Company's contribution to private and public income and its distribution among all participants – is the result of the Company's output after outlays such as material expenses or depreciation and amortization have been deducted. Company output includes revenue, changes in inventories, own work capitalized, other operating income, interest income, and income from investments. In 2015, we increased our value-added by 10% to \$8,929 M – see table 2.10.

Chart 2.11 shows the breakdown of the value-added we created for our stakeholders in 2015. Our employees benefit from by far the biggest share of the value-added generated by Fresenius Medical Care. Significant amounts of our value-added also go to our lenders and shareholders and to society as a whole in the form of taxes.

ORIGIN OF SUSTAINABLE VALUE-ADDED				T. 2.10	
in \$M					
	2015		2014		
Creation					
Company output	16,729	100 %	15,877		100 %
Outlays	(7,083)	– 42 %	(7,016)		– 44 %
Gross value added	9,646	58 %	8,861		56 %
Depreciation and amortization	(717)	– 4 %	(699)		– 4 %
► NET VALUE ADDED	8,929	54 %	8,162		52 %



¹ Subject to approval of the proposal for the appropriation of earnings at the Annual General Meeting on May 12, 2016.

ECONOMIC RESPONSIBILITY

Economic responsibility is an integral part of our corporate strategy and management. Fresenius Medical Care again achieved economic success in 2015 and posted profitable growth. We improved our revenue in line with our strategy, thus generating economic value-added.

We present our economic development and responsibility in detail, particularly in the section "Objectives and Strategy for Sustainable Value Enhancement" starting on page 39, "Results of Operations, Financial Situation, Assets and Liabilities" starting on page 71 as well as in the Consolidated Financial Statements starting on page 139.

RESPONSIBILITY FOR OUR EMPLOYEES

Fresenius Medical Care owes its business success to the commitment of its employees. We offer them a varied working environment and long-term prospects. Our strategy of recruiting employees with outstanding skills and great potential and supporting their development within the Company using targeted measures also means that we are investing in the future of our Company. By offering diversity, fair, performance-related working and pay conditions, continuous personnel development and a healthy work-life balance, Fresenius Medical Care aims to retain and increase its attractiveness as an employer.

Our personnel management is organized on a regional basis to meet the requirements in different countries. Higher-level strategic personnel management issues are managed centrally.

Number of employees continues to grow

As of December 31, 2015, Fresenius Medical Care employed a total of 104,033 members of staff (full-time equivalents) in more than 50 countries worldwide. This means that our workforce grew by 4% or more than 4,138 in absolute terms compared to the previous year. This was attributable mainly to general growth in our regions and to acquisitions.

At the end of the year, most of our employees were based in North America, followed by the EMEA region (Europe, Middle East, Africa) – see table 2.13 on page 47. The workforce in the North America region grew fastest last year as a result of expanding our clinic network.

Staff costs rose to \$6.49 BN in 2015 (2014: \$5.82 BN), corresponding to 39% (2014: 37%) of revenue. Average staff costs per employee stood at \$62,342 (2014: \$58,291).

In Germany, Fresenius Medical Care employed approximately 4,900 people (2014: around 4,500) at the end of the year under review, accounting for around 5% (2014: 5%) of the total workforce. This underscores our very high degree of internationalization. The average age of our employees in Germany was 43.3 years, somewhat above the previous year's figure (42.4 years). The average length of employment in the Company slightly declined from 12.0 years in 2014 to 11.8 years in 2015. The staff turnover rate was 5.8% (2014: 3.6%).

NUMBER OF EMPLOYEES

Full-time equivalents

C. 2.12

2015	104,033
2014	99,895
2013	90,690
2012	86,153
2011	79,159

Recruitment: Enhancing our attractiveness as an employer

As well as retaining employees with outstanding skills and great potential, we face the challenge now more than ever of positioning Fresenius Medical Care as an attractive employer on the employment market. This makes it easier to recruit qualified new employees now and in the future.

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 and master 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 of this is our partnership with the University of Applied Sciences in Würzburg-Schweinfurt (FHWS). The FHWS is renowned for providing high-quality education in business engineering, plastics technology, mechanical engineering and computer engineering, especially electrical engineering with a focus on medical technology and automation technology.

Its students and graduates are attractive potential employees for Fresenius Medical Care, particularly for our dialysis machine development and production site in Schweinfurt. For this reason, we have signed a cooperation agreement with FHWS covering aspects such as scholarships and student excursions to the Schweinfurt plant, as well as lectures and semester-long projects within various divisions of our Company.

In addition to 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 and 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. In collaboration with higher education institutions, at career fairs, on our website and in social networks, we can now address our target groups in an even more focused way and emphasize the wide range of career opportunities at Fresenius Medical Care.

EMPLOYEES BY REGION		T. 2.13		
Full-time equivalents				
	2015	2014	Change	Share
► NORTH AMERICA	54,103	51,329	2,774	52%
Health care services	52,886	50,085		
Dialysis products	1,217	1,244		
► EUROPE, MIDDLE EAST AND AFRICA	16,695	16,302	393	16%
Health care services	13,595	13,280		
Dialysis products	3,100	3,022		
► ASIA-PACIFIC	8,260	7,718	542	8%
Health care services	6,454	6,123		
Dialysis products	1,806	1,595		
► LATIN AMERICA	9,005	9,066	(61)	9%
Health care services	8,207	8,274		
Dialysis products	798	792		
► WORLDWIDE	104,033	99,895	4,138	100%
Health care services	81,142	77,762		
Dialysis products	6,921	6,653		
Corporate ¹	15,970	15,480	490	15%

¹ Including the divisions Global Manufacturing and Quality and Global Research and Development.

Promoting diversity in the Company

Fresenius Medical Care brings together a variety of cultures and skills under one corporate roof. As a company with global operations, we value the diversity that our employees provide in the form of their qualifications, personal strengths, characteristics, interests and ideas. We intend to continue promoting diversity in the Company in the future and encourage employees in all regions to embrace it as one of the Company's strengths.

Key issues in this respect are the share of women and men in the Company as a whole and in management positions. In 2015, 69% of employees were female. The proportion of women in the first management level was around 18.8% and of the second management level below the Management Board was 28.0% by the end of 2015. The first management level includes all direct reports worldwide to a member of the Management Board who are participants of the Long Term Incentive Program (or any successive program). The second management level includes all direct reports worldwide to a member of the first management level who are participants of the Long Term Incentive Program (or any successive program).

For us the composition of participants in the group-wide Long Term Incentive Program is a good indicator of the number of women in leading executive positions around the world. The proportion of women in this group of our top 850 executives was approximately 32%.

At Fresenius Medical Care, qualifications are the paramount consideration in all hiring and promotion decisions. This means that women and men with comparable abilities have the same career opportunities. Fresenius Medical Care will continue to rigorously apply this principle, while naturally adhering to the obligations arising from the new act on the equal participation of women and men in executive positions in private companies and the public sector.

Training young people

In Germany, we invest in the Company's future by offering professional training for young people, for example. In association with the Fresenius Group, we can offer young women and men a wide range of prospects in the form of apprenticeships as part of a dual education in a variety of trades, from warehouse logistics specialists, electronics technicians for operating equipment and IT specialists to industrial business management assistants as well as internships as part of 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 training opportunities in digital media studies at our headquarters in Bad Homburg in cooperation with the Baden-Württemberg Cooperative State University. In 2015, we provided more than 3,600 apprentices with vocational training jointly with the Fresenius Group. In addition, more than 70 students were enrolled in dual education courses last year.

Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the past 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 expressed an interest in working at our Company.

Through our involvement in and with schools, we aim to continue encouraging young people to start their career at Fresenius Medical Care and giving them career advice. To this end, we organize information days for pupils, parents and teachers, visits to plants for school classes, internships, support for bachelor theses and job application training courses. For example, in 2015, we were involved in the "Training Night" in Bad Homburg for the fifth time. At this event, students and parents can find information about vocational training and dual education as well as career prospects.

EMPLOYEES BY FUNCTIONAL AREA

Full-time equivalents

T. 2.14

	2015	2014	Change	Share
Production and services	91,208	88,019	3,189	87%
Headquarters	9,298	8,848	450	9%
Sales and marketing	2,878	2,429	449	3%
Research and development	649	599	50	1%
► TOTAL	104,033	99,895	4,138	100%

Enhancing 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 with this in mind.

Life-long learning, continuous feedback on personal performance, and professional challenges in line with employees' abilities are the most important instruments in our company-wide personnel development program. Our global presence gives employees the opportunity to work abroad. In this way, we can offer talented employees clear career prospects while ensuring effective succession planning.

Programs for specialist staff and managers

Our managers and employees with leadership potential are given the opportunity to take part in training programs developed especially for them. Here are three examples:

- ▶ The Global Executive Challenge (GEC) is a global program for employees in management positions aimed at capturing synergies across regions and encouraging cooperation. The GEC program gives participants the impetus to put their newly acquired knowledge into practice in their day-to-day work with the goal of strengthening their skills as managers.
- ▶ The Fresenius Top Executive Program is a worldwide, company-specific program for personnel development in top management positions, focusing on leadership, change management and globalization. We run this program in cooperation with Harvard Business School.
- ▶ The Fresenius Strategic Management Skills Program is a global program for personnel development at middle management level as well as for employees with management potential; we run this program in cooperation with the University of St. Gallen.

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 offer needs-based training for employees at our dialysis clinics, mostly at a regional level. Examples from the U.S. include:

- ▶ The UltraCare Clinical Advancement Program (UCAP) consists of five modular training levels and is aimed at new and experienced employees in dialysis 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 as a clinic manager, health trainer for patients, or mentor to clinic staff, for example. We have continuously enhanced the program over the past few years. In the year under review, more than 4,700 dialysis specialists were enrolled in this development program.
- ▶ Mentor Connection is a mentoring program in which senior dialysis specialists coach, assist, and advise new colleagues. In this way, we support young managers on-site in our clinics and enable them to settle into their new leadership positions quickly.

E-learning further expanded

A medium that gained further importance for personnel development at Fresenius Medical Care across all functional areas is e-learning: This comprises digital training courses via the internet and intranet. Our Fresenius Learning Center is an interactive e-learning platform that allows access to a large number of learning programs for different target groups, often in the respective language. The aim is to make company-wide standards known worldwide. In 2015, we added around 20 new e-learning programs to the Fresenius Learning Center. We aim to integrate IT-based forms of learning into personnel development to an ever greater extent in future, too, in the form of blended learning.

PERCENTAGE OF MEN AND WOMEN IN THE COMPANY

T. 2.15

Based on headcount

	2015	2014
Total employees in %		
Male	31	31
Female	69	69
Employees in upper management positions in %		
Male	68	68
Female	32	32

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 2015, each eligible employee received a profit share of €2,335 for the preceding financial year. Employees receive half of this amount in the form of Fresenius Medical Care stocks, while the other half is paid in cash.

Remuneration program with long-term incentive effect

Since 2011, a remuneration program incorporating long-term incentives has been in place at Fresenius Medical Care; this is a combination of a stock option plan and a phantom stock plan. In this program, exercising options is linked directly to the Company's success. Over a period of five years, senior managers at Fresenius Medical Care 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 the condition that the adjusted earnings per share (EPS) have increased by at least 8% in each year or as a 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 850 senior managers worldwide participated in this program in 2015.

Further information on the stock option plan and the phantom stock plan can be found in the "Notes to Consolidated Financial Statements" starting on page 148.

Creating an attractive working environment

We aim to offer our employees an attractive working environment that enables them to combine their professional and family lives. We support this with flexible working hours, part-time work models, childcare allowances, health care and sports programs. This commitment is paying off: In 2015, Fresenius Medical Care North America was named one of the best employers in the U.S. by the business magazine Forbes.

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 on, for example for their professional development or 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.

Health care management programs

We offer our employees at our different locations a wide range of company health schemes adapted to their requirements as well as their individual physical and mental strain. These include company relaxation and exercise courses, subsidized back training, information and events relating to health as well as regular health checks for executives.

PROFIT SHARING

T. 2.16

	2015	2014	2013	2012	2011
Figure in €	2,335	2,134	2,164	2,036	2,000
Number of eligible employees	3,417	3,213	3,325	3,231	3,068

Setting the highest standards for occupational safety

We are continuously enhancing our occupational safety measures and standards. Each year, our production sites and laboratories in the U.S. are put through a formal program to monitor environmental and occupational safety standards. Audits are carried out to check 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 2015, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 16th 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 to damage and risk prevention.

In the EMEA region (Europe, Middle East and Africa), we bundled our occupational 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. In 2015, we once again focused on reviewing our processes in the event of work-related accidents and the resultant preventive measures.

RESPONSIBILITY FOR THE ENVIRONMENT

To ensure that we fulfill our corporate responsibility to the environment in a systematic and coordinated way, we have established a company environmental management system. This enables us to implement environmental requirements and design our operational processes to use resources as efficiently as possible, and in this way to save on costs. The main objectives of environmental protection at our Company are to comply with environmental regulations, continuously optimize the use of resources and reduce 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.

Environmental management organization and environmental strategy

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

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 Global Research and Development, in our certified plants and certified national clinic organizations. At the end of 2015, eight of our European production sites (2014: nine) and our medical product development were certified according to ISO 14001. This drop in numbers is due to the closure of one of our Italian production sites. The certified environmental management system has now been introduced in 14 European countries (2014: 13). Our clinic organization in Bosnia-Herzegovina introduced the system in 2015 and had it certified according to ISO 14001.

We have also set ourselves the target of further reducing water consumption by 11% on average, and electricity consumption by 7% per dialysis treatment between 2013 and 2018. We already achieved reductions of 7% (water) and 15% (electricity) by 2015. In recent years, we have significantly reduced the volume of blood-contaminated waste. Our aim is to keep these figures down in the future, taking existing legislation into account.

Environmental management at our production sites

At our European production sites, we use performance indicators for energy and raw material consumption to calculate the resource efficiency of our production processes. This enables us to identify further potential in a production process that has already been largely optimized. A certified energy management system based on ISO 50001 is in place at our two largest German production sites in St. Wendel and Schweinfurt. By assessing the energy efficiency of all processes and facilities, we aim to identify further potential savings and then introduce appropriate measures.

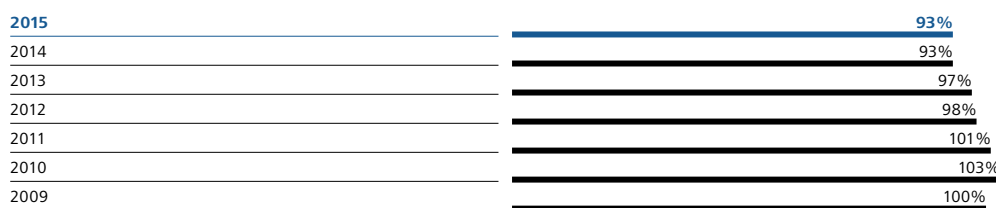
We are also continuously striving to make our production processes even more environmentally friendly in North America. For example, in Ogden, our largest production site in North America, we recycle the large amounts of water and solvent required for dialyzer production. In 2015 alone, we recovered and reused around 250 M liters of water and 12 M liters of solvent. In addition, we recycle much of the plastic and cardboard waste from our North American production sites.

At Enstek, our production site in Malaysia, we commissioned a solar power unit in 2015, which allows us to cover part of the site's energy requirement. We intend to install another of these power units at our site in Smithfield, Australia, in 2016.

DEVELOPMENT OF AVERAGE ELECTRICITY CONSUMPTION

C. 2.17

Per dialysis treatment

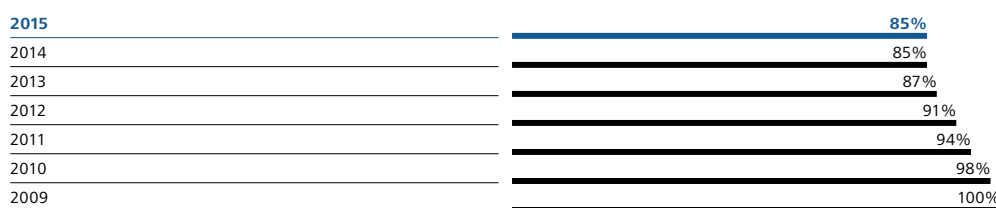


Source: Clinical software e-con5 for the region Europe, Middle East and Africa

DEVELOPMENT OF AVERAGE WATER CONSUMPTION

C. 2.18

Per dialysis treatment

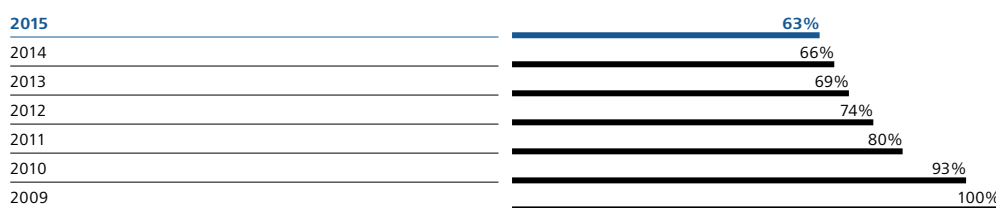


Source: Clinical software e-con5 for the region Europe, Middle East and Africa

DEVELOPMENT OF AVERAGE BLOOD-CONTAMINATED WASTE

C. 2.19

Per dialysis treatment



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

In addition, we implemented further environmental projects at our production sites worldwide in 2015 to reduce water and electricity consumption and save on packaging material.

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. In this way, we aim to provide our customers with added value by helping them save on costs or fulfill environmental requirements more effectively.

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, modernizing, and running environmentally friendly dialysis clinics.

For example, in North America, internal guidelines ensure that our dialysis clinic buildings and interiors are designed to be as environmentally compatible as possible. We meet or surpass industry standards for the insulation of roofs, walls, doors, and windows. We also increasingly ensure that water treatment systems purchased for dialysis use resources and energy efficiently.

We established the eco4dialysis initiative in 2015. We intend to use this in future to offer both our own dialysis clinics and those of other operators in the

EMEA region the service of making their technical and medical processes more efficient and adapting them to the individual local conditions. In this way, we aim to optimize the consumption of resources and reduce operating costs.

A central element in managing the resource efficiency of our dialysis clinics in the EMEA and Latin America region is our clinical software e-cons, which we launched in 2008 to create a comprehensive environmental management system for these regions. Of our dialysis clinics, 518 in Europe (2014: 502) and 209 in Latin America (2014: 206) now use e-cons, enabling them to gather and compare data on resource efficiency and quickly make improvements. In the EMEA region, thanks to this software, we have systematically reduced water and energy consumption as well as the amount of blood-contaminated waste in our dialysis clinics in the past few years – see charts 2.17, 2.18 and 2.19 on page 52.

As part of environmental management at our dialysis clinics in the U.S., we are working with an external service provider 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.

In addition, we train our employees at our dialysis clinics worldwide to raise their awareness of the contribution they can make themselves to environmental protection on a day-to-day basis. For example, our environmental department in Bogotá (Colombia) has initiated a “Green Day” for all employees on which activities covering all aspects of environmental protection are introduced and explained. 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.

SOCIAL RESPONSIBILITY

In a global market, Fresenius Medical Care is organized regionally with a high level of local responsibility for business operations. This also applies to our Company's social commitment. For this reason, we not only support global organizations and projects, but also especially 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, ensuring that they have a long-term impact.

Commitment to a better quality of life

As a dialysis company, our goal is to continuously improve the quality of life of kidney patients. We pursue this aim also 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.

To this end, we sponsor the Renal Support Network in the U.S., a charitable association run by and for patients with chronic kidney failure. It aims to provide patients and their families with health education, give them more confidence in day-to-day life and boost their initiative.

In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation that helps young dialysis patients in the province of Rio de Janeiro. This organization is committed to raising awareness among the authorities and the public of the need to ensure the supply of medication for children and adolescents and give them access to kidney transplants, as well as establishing more pediatric dialysis units in hospitals. At the same time, it organizes special programs for young patients, such as exercise, art, and music therapy classes, 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 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, the only meal of the day for many of them. It also offers patients in need free travel between their home and the dialysis clinic. In 2015, 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. This low level of education 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 running and expanding for many years in conjunction with the Ministry of Education of Buenos Aires province, we now offer classes for patients at 18 of our dialysis clinics to enable them to obtain their qualifications.

Raising public awareness

We regularly take advantage of the annual World Kidney Day to inform people worldwide about the importance of the kidneys and the negative effects of kidney diseases. With a wide range of different measures, our employees take part in awareness-raising initiatives in hospitals, shopping centers, schools, and the social media.

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, thus helping to ensure a high level of quality in dialysis. This is especially important in regions where modern health care standards are still being developed. One example is our partnership with the Sustainable Kidney Care Foundation. We support this foundation via our subsidiary, the Renal Research Institute. It promotes projects, mainly in Africa, that give patients with acute kidney failure access to dialysis treatment, including in regions without an existing supply structure.

Emergency aid in crisis situations and donations

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 and to give patients the best possible care, even under difficult conditions.

In crisis situations or 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. For example, after the devastating earthquake in Nepal in April 2015, we provided dialysis machines, water treatment systems, and disposable accessories, enabling dialysis patients to receive their vital treatment even though many medical facilities and items of equipment were badly damaged by the earthquake. In Tianjin (China) we donated several acute dialysis machines and disposables to treat injured people after the explosion disaster at the container terminal in August 2015.

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. This center is in close contact with the Kidney Community Emergency Response Coalition (KCER), a U.S.-wide crisis network. This grouping of various organizations and institutions includes patient and professional associations in nephrology, dialysis providers, hospitals and authorities such as the FDA (Food and Drug Administration), and the CMS (Centers for Medicare and Medicaid Services). By collaborating with KCER, we can closely coordinate our crisis management as required with the activities of government bodies such as the United States Department of Homeland Security and the Federal Emergency Management Agency (FEMA), which reports to it. FEMA is a national coordination office for disaster relief.

RESEARCH AND DEVELOPMENT

Developing innovative 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 regions.

GLOBAL RESEARCH AND DEVELOPMENT STRATEGY

Health care systems face major financial challenges now and in the long-term. With regard to our R&D activities, this confirms our intention to develop innovative products that are not only of the highest quality, but are also affordable so that caregivers and patients can benefit from them. Based on our experience in operating our own dialysis clinics, we do not consider these to be incompatible aims.

During the past two years, we have reorganized our R&D activities away from a regional structure and towards a more global approach. This enables us to respond even better to the demand for improved high-quality yet cost-efficient treatment methods, which is growing worldwide. In doing so, we continue to take regional market conditions into account by offering a differentiated product range in more than 120 countries.

Our new R&D strategy is focused on improving our ability to deliver innovative competitive products on time and enhancing our focus on developing countries. We have identified six core areas as the future focal points of our R&D activities — see chart 2.20 on page 56.

Market leadership

To maintain our position as market leader, we aim to consistently and sustainably offer innovative technology, products and features that put us ahead of the competition and improve processes, manufacturing, services and, most importantly, the quality of life and medical outcomes for our patients.

Vertical integration

R&D analyzes and improves therapy systems as well as processes in our clinics using lean principles supported by technology. As we are a vertically integrated company, our R&D benefits from direct access to the opinions and experience of patients and clinical staff at our own dialysis centers. This helps them to enhance the usability and features of our products in such a way as to optimize and further automate processes in the clinics and simplify operations.

Global portfolio management

We actively manage and control our global product portfolio to identify synergies between different product families. By exploiting these synergies, we can improve R&D efficiency and speed up time to market. Even though different markets have different requirements, our platform approach and modular system components enable us to reduce development times, achieve economies of scale in purchasing and bundle our development resources.

New technologies and applications

Apart from new products that are about to enter the market, we are working on and significantly investing in new technologies and applications for mid and long-term growth. A stringent and systematic portfolio management approach ensures transparency across all projects and new ideas.

In addition to our internal R&D efforts, we collaborate with external partners to create a comprehensive innovation and technology network. These include numerous academic institutions, such as research institutes at renowned universities in the U.S.

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 fundamental issues related to dialysis treatment. To encourage open innovation, we are increasingly working with start-ups to gain access to latest technologies in our core business as well as in adjacent areas of future strategic interest.

Home therapies

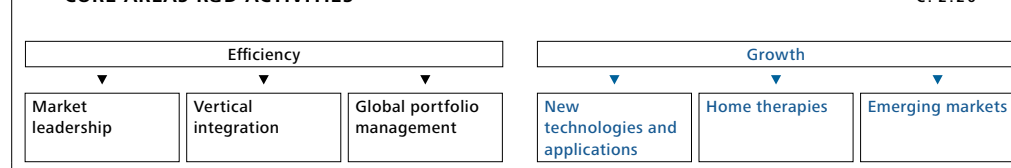
More people than ever suffer from chronic kidney failure. The resultant higher cost burden for health care systems and the limited availability of trained personnel for dialysis centers are boosting demand for home therapy systems worldwide. Home dialysis and its associated technologies and products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

Emerging markets

Many dialysis patients in emerging markets still lack reliable access to treatment. Extending dialysis coverage in these markets offers potential for growth and can save many lives. To achieve this, we are developing a dedicated product portfolio for these markets and expanding our local presence. As one of the larger emerging markets, China is a major focus of our efforts. In 2015, we established the China Design Center in Shanghai. This new facility significantly extends the footprint of our existing R&D teams and provides insights and proximity to local customers, regulatory bodies and our local supplier networks. Teams of employees from R&D, production and purchasing are working together to

CORE AREAS R&D ACTIVITIES

C. 2. 20



develop market-ready products for the local dialysis market. It is part of a long-term strategy that the China Design Center will provide multiple advantages to the existing global R&D organization, for example, faster and easier market access due to the proximity to local regulatory bodies, lower product costs and higher integration with existing supplier networks in Asia and an improved product roadmap due to a deeper understanding of local customer and market requirements. While the focus is currently on PD products and dialysis machines, the aim is to develop a complete product portfolio especially for this market.

INNOVATIONS 2015 AND BEYOND

In the past year, we launched a number of new products for renal therapy on the global market. One example is the multiFiltratePRO therapy system for continuous renal replacement therapy (CRRT), primarily for the treatment of acute kidney failure in critically ill patients at intensive care units. The system includes a multitude of advanced features that support physicians and caregivers, who are increasingly subject to a greater workload. These include a large touchscreen monitor that displays all required information, intuitive handling, fully integrated fluid heaters for reliably accurate fluid temperature control and a “care mode” that prevents unnecessary alarms. The multiFiltratePRO platform also builds on our substantial experience with our Ci-Ca® regional anticoagulation system, resulting in fewer bleeding complications for patients.

Other new products and features introduced in 2015 include new software to facilitate operations in dialysis clinics by improving access to patient and treatment information at the bedside, improved central station monitoring and optimized treatment prescriptions for individual patients. Based on our fluid management technology, the CritLine-Clc blood volume monitor makes it easier to correct overhydration,

thus contributing to fewer hospitalizations and improving the quality of life for patients.

The year 2016 will be marked by the launch of a new dialysis machine, our next-generation hemodialysis platform for the treatment of chronic renal failure. At the core of this system is an array of new technologies and inventions that combine user-friendliness and cost efficiency with the highest treatment quality.

In the same year, we will also generate the first clinical data of a new dialyzer. By modifying the inner wall of the hollow fiber, we will create a more hemocompatible fiber surface and reduce the need for heparin in standard dialysis treatments.

Fresenius Medical Care offers home dialysis patients innovative product solutions for both home hemodialysis and peritoneal dialysis. We are also expanding our product offerings in Asia-Pacific by developing and launching new continuous ambulatory peritoneal dialysis (CAPD) products and solutions in local manufacturing sites

We currently develop a portfolio of state-of-the-art peritoneal dialysis (PD) technologies together with our partners. The new product platform will offer dialysis systems, so-called cyclers, designed for use in Automated Peritoneal Dialysis (APD) therapy, which is the most frequently utilized home therapy for the treatment of end-stage renal disease. They are lightweight and compact, making it more practical to dialyze at home. The smaller size of this new generation of PD cyclers will provide flexibility for dialysis patients.

Our ongoing development efforts in the area of home dialysis also include the Portable Artificial Kidney (PAK). The main advantages of the PAK compared to conventional dialysis machines are its small size and transportability along with a significant reduction in the amount of water required from 120 liters per treatment on average in conventional machines to between six and ten liters in the PAK. This means that the PAK is extremely resource-efficient and flexible, giving home dialysis patients maximum independence and mobility.

ETHICAL STANDARDS IN R&D

As part of our innovation culture, we also strive to carry out research and development responsibly.

Whenever Fresenius Medical Care launches a new medical device or pharmaceutical product, the Company is legally required to prove and extensively document its effectiveness and safety. This can result in the need for clinical studies. 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.

EXPENDITURES FOR R&D

in \$ M

T. 2.21

	2015	2014	2013	2012	2011
► TOTAL	140	122	126	112	111

NUMBER OF PATENTS

T. 2.22

	2015	2014	2013	2012	2011
► TOTAL	6,643	6,133	5,560	4,850	4,415

NUMBER OF EMPLOYEES IN R&D

Full-time equivalents

T. 2.23

	2015	2014	2013	2012	2011
► TOTAL	649	599	552	530	530

R&D RESOURCES

In the year under review, Fresenius Medical Care spent a total of around \$140 M on R&D (2014: \$122 M). Around a quarter of our R&D expenditures went into funding advance developments, laying the foundations for future product innovations.

At the end of 2015, our patent portfolio comprised some 6,643 patents in approximately 1,025 patent families, i.e. groups of patents linked to the same invention. Our R&D work in the year under review produced around 86 additional patent families. A broad portfolio of patents will provide us with a wide range of treatment options in this competitive area in future.

In 2015, 649 highly qualified employees worked for Fresenius Medical Care in R&D worldwide (2014: 599). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams.

Around 370 employees, and therefore the majority of our R&D staff, are based in Europe. Most activities are carried out at our facilities in Schweinfurt and Bad Homburg (Germany). Other R&D sites are in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). In the U.S., the Company maintains centers of excellence for the development of devices in Concord and Lake Forest, California, and for dialyzers and other disposable products in Ogden, Utah. Development activities in Shanghai and Changshu (China) are focused on the growing demand for cost-effective dialysis systems for Asia and emerging markets. The global R&D organization coordinates collaboration and technology exchange among the various sites.

BUSINESS DEVELOPMENT

The dialysis market is a growth market with demand for products and services for kidney patients steadily rising. This is partly 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.

GENERAL SITUATION

OVERALL ECONOMIC ENVIRONMENT

Global economy: Sluggish development

In 2015, global economic growth stabilized at a low level; however, the economic slump anticipated by economists in the meantime did not occur. The u.s. and other advanced economies again experienced a moderate expansion rate with the momentum varying

considerably between individual regions. By contrast, growth in emerging countries was slow due to the deepening recessions in Russia, Brazil, and China.

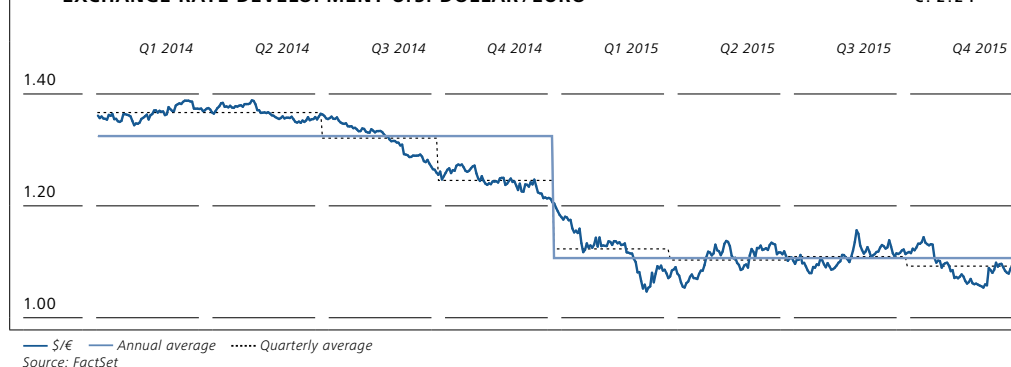
Exchange rate development: Euro further weakened

Some exchange rates fluctuated significantly in 2015. Since we generate a large part of our sales in the u.s. and the euro zone and do our financial accounting in u.s. dollars, the performance of the u.s. dollar and the euro is of particular importance to us. The euro lost around 16% against the u.s. dollar on average in 2015 compared to the previous year, with the downward trend that started in the second half of the previous year continuing throughout the whole of 2015. This development had a strong negative impact on revenue and other key income items as a result of the translation of the results of operations in euro into the reporting currency u.s. dollar.

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 the demand in our dialysis products business: As many of our production facilities are based in the markets that they serve, we incur costs in the same currency in which we generate our revenue. The exchange rate development between the euro and the local currencies is significant for our large production sites in the euro zone because of intragroup sales to group companies in other currency areas. As a result of these sales, our subsidiaries are affected by changes in the exchange

EXCHANGE RATE DEVELOPMENT U.S. DOLLAR / EURO

C. 2.24



rate between the invoicing currencies and the currencies in which they conduct their local business. In our largest division, health care services, the risk of exchange rate fluctuations is relatively low because we provide our services locally and therefore in the respective currency. Transaction effects had a slight positive impact on key income items. In total, translation and transaction effects had a negative impact on revenue and other key income items in 2015.

Further information on the economic environment can be found in the “Comparison of the Actual Business Results with Forecasts” section starting on page 69 and in the “Outlook” chapter starting on page 97.

STRUCTURAL AND LEGAL ENVIRONMENT

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.

Health care 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 structures used by health care systems to reimburse dialysis services – differ from country to country and often vary within countries. The factors determining reimbursement include regional conditions, the treatment method, 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). In this case, more responsibility is transferred to the medical service provider, subject to transparency and quality criteria. The goal of reimbursement

models of this kind is to maintain 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. This system applies to dialysis treatment for patients who are predominantly covered by national health insurance (Medicare patients); we generate around 32% of our revenue with these patients. Dialysis costs are reimbursed in the scope of a lump-sum reimbursement system that bundles specific products and services in a single reimbursement rate. This reimbursement rate is adjusted each year based on the rise in costs of a “market basket” of specific products and services for medical care less a productivity factor. In addition, between 2014 and 2017, changes in the use of specific drugs and biopharmaceuticals included in the base rate will gradually be incorporated into the reimbursement rate. In 2015, the base rate per treatment was \$239.43, up 0.2% on the previous year.

The U.S. reimbursement system also takes into account quality parameters such as the regulation of the hemoglobin content of the blood and the effectiveness of dialysis treatment (quality incentive program, QIP). For dialysis clinics that do not meet the defined quality standards, reimbursements can be cut by up to 2%. In the next few years, the underlying quality standards will be continuously adapted and extended.

We are also working closely with the Centers for Medicare and Medicaid Services (CMS), a state-run public health care authority, in the area of Care Coordination. For example, we have been involved in the “Bundled Payments for Care Improvement” (BPCI) initiative via our subsidiary Sound Physicians since April 2015. BPCI is a three-year pilot project in which specific health care services for Medicare patients are reimbursed on a lump-sum basis. As a participant in this project, we can become entitled to additional reimbursement if we provide high-quality care at a cost that is below a set threshold.

SECTOR-SPECIFIC ENVIRONMENT

The dialysis market is growing worldwide. At the end of 2015, more than 2.8 M dialysis patients were being treated. With our many 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.

Collecting and analyzing market data

Reliable information on the development of the dialysis market and its general conditions is essential for the success of our business. To enable us to obtain and manage representative market information, Fresenius Medical Care has developed its own tool, the Market and Competitor Survey (MCS). We use it to collect and analyze relevant dialysis market and competitor data once a year and leverage this 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. We regularly adapt it to account for new trends such as changes in the use of certain treatments as well as in the structure of our competitive environment caused by the entry of new providers, for example.

In recent years, the gap between information provided by the two leading U.S. data sources on patient numbers and patient number growth rates has widened. This is accompanied by a significant time lag in reporting this data. Fresenius Medical Care therefore reviewed its methods for collecting current estimates and forecasts of patient numbers in 2015. This has led to a restatement of both reported patient numbers and growth rates in North America.

Rising patient numbers

Chronic kidney failure is a global disease: At the end of 2015, approximately 3.5 M patients were being treated, either with a transplant or dialysis.

The incidence of chronic kidney failure varies between regions. 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, measured in patients per million population (pmp), can be well below 100, especially in developing countries. In countries in the European Union, it averages just over 1,100 pmp. Countries like Japan and the U.S. have very high levels that exceed 2,000 pmp in places, for example. In Taiwan, the rate is even as high as 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 varies widely.
- ▶ The genetic predisposition for kidney disease also differs significantly around the world.
- ▶ Access to dialysis is still restricted in many countries, meaning that many patients suffering from kidney failure are not treated and therefore do not appear in prevalence statistics.
- ▶ Cultural factors such as nutrition play a role.

The number of dialysis patients in 2015 rose by around 6%. In the U.S., Japan, and Western and Central Europe the increase in the number of patients was again below average in 2015. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, on the other hand,

growth was above average – an indication that access to dialysis treatment in these countries is still limited and is gradually improving. Beside an easier access to dialysis, other factors 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 approximately 2.8 M patients undergoing dialysis treatment at the end of 2015, 2.492 M – about 88% – were being treated with hemodialysis and around 326,000 (12%) with peritoneal dialysis – see the Glossary starting on page 214. In a global comparison of treatment methods, hemodialysis is clearly the most common.

DIALYSIS PATIENTS: REGIONAL DEVELOPMENT

T. 2.25

	2015	Change
North America	613,000	~4%
Europe/Middle East/Africa	690,000	~4%
Asia-Pacific	1,240,000	~8%
Latin America	275,000	~5%
► WORLDWIDE	2,818,000	~6%

Source: Company information and estimates

REGIONAL DISTRIBUTION OF DIALYSIS IN CLINICS AND HOME DIALYSIS

T. 2.26

	Clinic dialysis	Home dialysis
North America	79%	21%
U.S.	88%	12%
Europe/Middle East/Africa	93%	7%
Asia-Pacific	89%	11%
Latin America	88%	12%

Source: Company information and estimates

PATIENTS WITH CHRONIC KIDNEY FAILURE

T. 2.27

in M

Patients with chronic kidney failure	3.572	100%
Of which patients with transplants	0.709	20%
Of which dialysis patients	2.818	80%
Hemodialysis (HD)	2.492	71%
Peritoneal dialysis (PD)	0.326	9%

Source: Company information and estimates

MARKET POSITION IN KEY PRODUCT GROUPS

T. 2.28

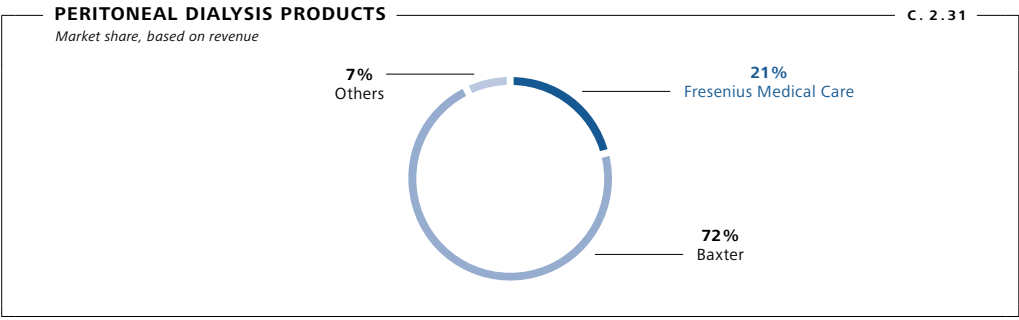
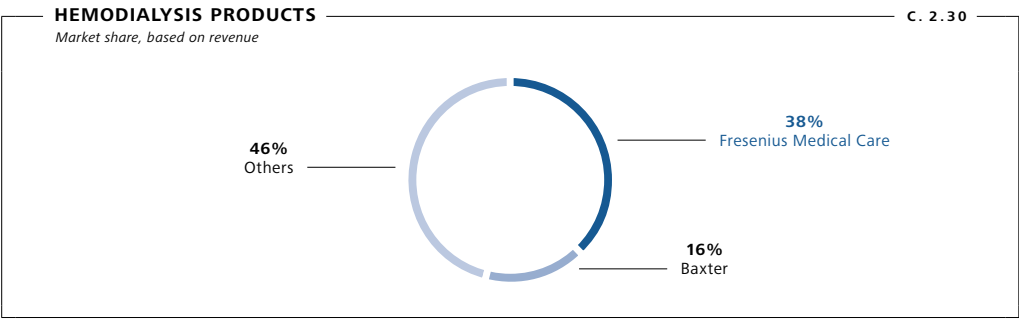
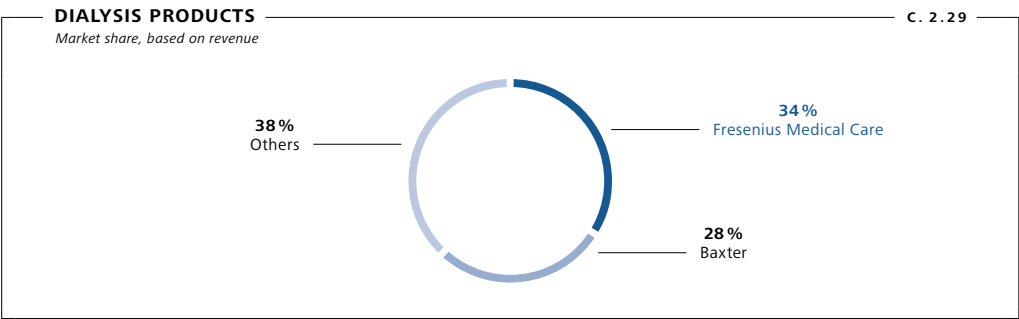
	1 st place	2 nd place
Dialyzers	Fresenius Medical Care	Nipro
Dialysis machines	Fresenius Medical Care	Nikkiso
Concentrates for hemodialysis	Fresenius Medical Care	Baxter
Bloodline systems	Fresenius Medical Care	Nipro
Products for peritoneal dialysis	Baxter	Fresenius Medical Care

Source: Company information and estimates

Dialysis patients can be treated either in a dialysis clinic or at home. Treatment options available outside dialysis clinics are home hemodialysis (relatively uncommon so far) and peritoneal dialysis. Table 2.26 on page 63 shows how the ratio of patients treated in dialysis clinics 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 709,000 patients were living with a

transplanted kidney at the end of 2015. 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.



FRESENIUS MEDICAL CARE IN A GLOBAL COMPARISON

The volume of the global dialysis market decreased to around \$73 BN in 2015, according to our estimates, due to the strong effect of exchange rate fluctuations. The market grew by 4% last year in constant currency terms. We expect the following approximate breakdown for this market volume: around \$13 BN for dialysis products and approximately \$60 BN for dialysis services (including dialysis drugs).

Dialysis products: Two major providers

The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with products for peritoneal dialysis – see the Glossary starting on page 214. In terms of revenue, the two largest manufacturers of dialysis products together accounted for approximately 62% of the worldwide market in 2015. Fresenius Medical Care was the market leader in this segment with a market share of 34%.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of more than 270 M units in 2015. Around 120 M were made by Fresenius Medical Care, meaning that we comfortably held the largest 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 2015. Hemodialysis machines constitute another key segment of our product business. Here, too, we are the clear market leader: More than

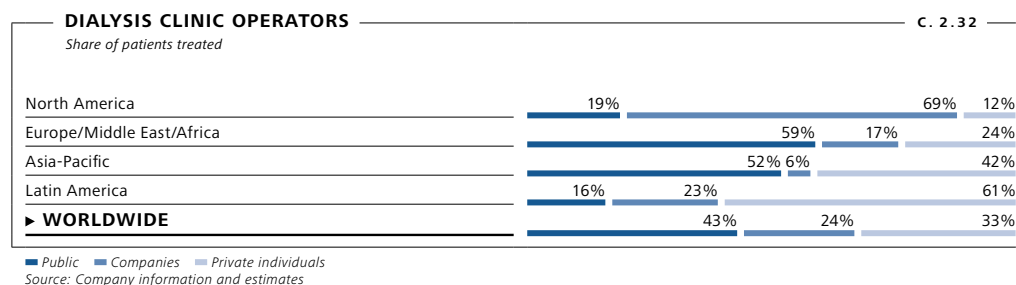
half of the around 81,000 dialysis machines sold worldwide in 2015 were produced by Fresenius Medical Care. The U.S. is our biggest sales market for dialysis machines. In the year under review, we manufactured more than 93% of dialysis machines sold there. Our 2008 machine series is the leading dialysis 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 2.31 on page 64.

Dialysis services: Most patients treated in dialysis clinics

Renal patients generally receive dialysis treatment in a hospital or dialysis clinic, 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, Fresenius Medical Care also offers services for this case. The vast majority of dialysis services, however, involve conventional treatment in hospitals or clinics.

In 2015, most dialysis patients were cared for in one of around 36,900 dialysis clinics worldwide, resulting in an average of some 75 patients per clinic. The organization of the clinics differs significantly depending on whether the health care system in the respective country is mainly state-run or privately operated.



Fresenius Medical Care operates its own dialysis clinics 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 many 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, innovative products and services, we are ideally equipped to continue expanding our position on the dialysis market.

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.

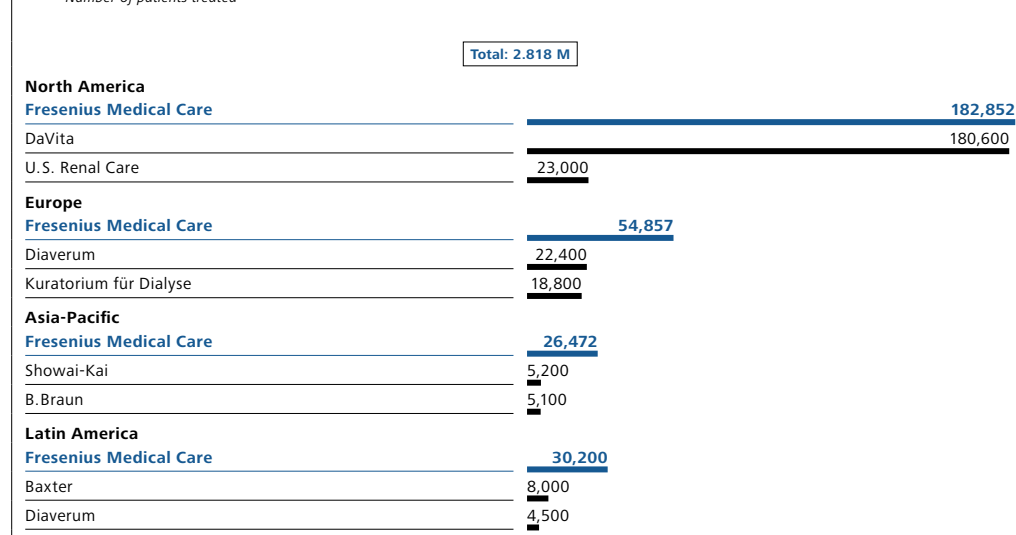
With this in mind, we will continue to drive our growth in China through continuous cooperation with local hospitals, via management contracts and for the time expand our collaboration through joint ventures providing hospital services including dialysis. So far, we cooperate with 116 clinics (previous year: 107 clinics) supplying dialysis products and providing clinical management services.

In the U.S., Fresenius Medical Care and DaVita together treat around 75% of all dialysis patients; this means that there is already a very high concentration of dialysis clinics. In the year under review, Fresenius Medical Care treated more than 178,000 patients,

DIALYSIS SERVICES BY REGION

C. 2.33

Number of patients treated

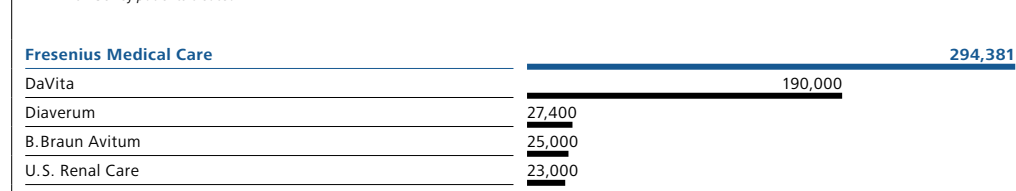


Source: Company information and estimates

TOP 5 DIALYSIS PROVIDERS WORLDWIDE

C. 2.34

Number of patients treated



Source: Company information and estimates

approximately 38% of all dialysis patients in the U.S. (2014: around 176,000 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 116,000 patients in 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 294,381 dialysis patients (2014: 286,312) in 3,418 clinics (2014: 3,361).

Dialysis drugs supplement our range

Usually, patients undergoing dialysis require medication to counteract anemia and control their mineral metabolism, both consequences of chronic kidney failure. Erythropoiesis-stimulating agents used to treat anemia account for almost two thirds of the total market for dialysis drugs. We obtain these as well as phosphate binders for controlling bone metabolism and iron compounds for treating anemia mainly from Vifor Fresenius Medical Care Renal Pharma, a joint venture with the Swiss company Galenica. More information on this can be found in the “Events Significant for Business Development” section starting on page 68.

Care Coordination: Expanding our business

Chronic diseases such as diabetes and cardiovascular diseases are becoming increasingly common and are responsible for almost two out of three deaths worldwide. In the U.S., for example, 86% of the country's health care budget is spent on treating chronic diseases. Chronic diseases have a major impact on the health economy, not only in industrialized countries, but also in many emerging countries. At present, more

than 95% of health care spending goes toward treating chronic diseases and less than 5% toward preventive measures.

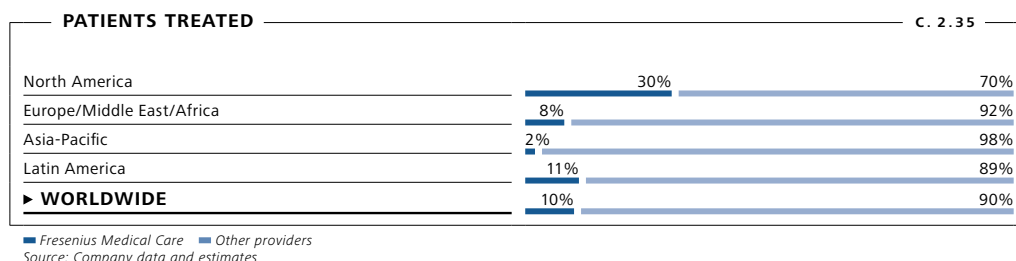
To counter the resultant rise in cost pressure, many health care systems are moving away from reimbursing individual services and towards holistic, coordinated care. One example is the reimbursement system in the U.S., our largest market. Whereas in 2010 only around 50 regionally organized health care organizations took part in a value-based reimbursement program with a holistic care approach, the number has now risen to 500.

Fresenius Medical Care is also involved in establishing value-based reimbursement initiatives and has taken part in several pilot projects run by the CMS since 2015, both in the area of dialysis and in hospital care for patients – see the “Events Significant for Business Development” section starting on page 68.

Thanks to our activities in the area of Care Coordination and our experience in dialysis, we can help to shape the development of the health care system, enabling us to grow further. At the same time, patients benefit from holistic and coordinated care. We also aim to create added value for health care systems by reducing health care costs.

We combine non-dialysis medical services in the area of Care Coordination. This currently includes services relating to vascular, cardiovascular and endovascular surgery, non-dialysis laboratory testing and physician practice services, as well as coordinating hospitalist and intensivist services by specialist physicians, health plan services, coordinated delivery of pharmacy services and urgent care services, for example.

One of our medical service providers in the area of Care Coordination is Sound Physicians, a leading health care organization, focused on improving quality and reducing cost throughout the episode of care in the communities they serve – coordinating care from emergency to inpatient care (hospitalists and



intensivists) as well as post-acute. More than 2,000 Sound Physicians providers cared for more than one million patients in 2015, at nearly 300 hospitals and post-acute facilities in U.S.

Currently, we mainly offer medical services in Care Coordination in the U.S., and have adapted our activities in this field to this market. The extent of the roll out of our Care Coordination services outside the U.S. can vary in individual countries and regions, depending on the respective reimbursement system and market environment.

OVERVIEW OF THE FISCAL YEAR

Once again, the general conditions in our core business of dialysis did not change significantly in 2015. We reached the targets we had set ourselves. 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.

EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Capital expenditures and acquisitions

In implementing our investment strategy, we gave priority to growing our clinic network and our product business once more in 2015. We also invested in expanding our research and development activities in the Asia-Pacific region by opening the China Design Center.

We had already started to step up our Care Coordination activities in 2014 by making several acquisitions in North America. Last year, we mainly concentrated our efforts on integrating and enhancing the individual companies.

Further information on our capital expenditures and acquisitions can be found in the "Financial Situation" section starting on page 77.

Divestitures

In 2015, we sold our dialysis services business in Venezuela. The challenging economic situation in the country and the resultant conditions prevented us from continuing our dialysis services business in a satisfactory manner. However, we continue to sell our dialysis products there.

Last year, we also transferred our European marketing rights for specific drugs for treating kidney diseases to Vifor Fresenius Medical Care Renal Pharma Ltd. As a result, the joint venture between Fresenius Medical Care and the Swiss company Galenica specializing in nephrology drugs has expanded its product range. Further information can be found in the "Results of Operations, Financial Situation, Assets and Liabilities" chapter starting on page 71.

Alliances

In 2015, we concluded an agreement with Galenica. The Swiss company will supply us with the drug Mircera; use is restricted to our dialysis clinics in North America. Mircera is an erythropoiesis-stimulating agent for treating anemia in adult patients with chronic kidney failure. It can be used as an alternative to the more cost-intensive EPO.

Agreement in principle

On February 15, 2016 we have reached an agreement in principle with a committee designated by the plaintiffs to resolve litigation in the U.S. involving the dialysis acid concentrates GranuFlo®/NaturaLyte®. Provided that certain thresholds and restrictions are met, the settlement amount would be \$250 M, funding provided to the plaintiffs in August 2015, partially offset by insurance recoveries of \$220 M. In addition, accruals have been made for insurance risk self-retention, legal fees and other anticipated costs associated with the finalization of the settlement in the amount of \$30 M. The net result of the above impacts in the amount of \$60 M pretax ("net settlement expense"), is included in selling, general and administrative expenses. The after tax loss related to the net settlement expense was \$37 M.

Change to the Group structure

At the beginning of 2015, we restructured our business segments and adapted our segment reporting. The four business segments of Fresenius Medical Care are North America, EMEA (Europe, Middle East, Africa), Asia-Pacific and Latin America.

New or developing reimbursement models in North America

In 2015, the Centers for Medicare and Medicaid (CMS), a state-run public health care authority, created a comprehensive new care model for the holistic treatment of patients with terminal kidney disease. Known under its acronym ESCO, this model is intended to reduce the costs for treating patients while maintaining the quality of treatment. Companies that meet the program's minimum quality standards while reducing CMS's costs for care of their patients to below a prescribed value receive a portion of the cost savings. Several of Fresenius Medical Care's dialysis clinics are taking part in the pilot project.

Another initiative in the U.S. is called Bundled Payments for Care Improvement (BPCI). Services performed during an illness or a course of treatment, such as the provision and coordination of hospitalist services by specialist physicians, accounting services for physicians and rehabilitation measures, are reimbursed on a lump-sum basis. Our subsidiary Sound Physicians joined BPCI in 2015. In the context of BPCI, we can gain entitlement to additional reimbursement if we are able to provide quality care at a cost that is below a set value. Any higher costs will then have to be borne by Fresenius Medical Care.

Business environment

The Company's business environment remained largely unchanged in many markets in 2015, as did the relevant legal frameworks for our business. Especially in the U.S., our largest sales market, we are still obliged to continue operating in an environment that does not sufficiently account for rising treatment costs in its reimbursement rates. In the past fiscal year, Fresenius Medical Care successfully continued its activities in its core business, made further progress in growing its Care Coordination operations and achieved further savings in the context of its Global Efficiency Program.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

The general conditions in our core business of dialysis did not change significantly in 2015. We met our targets for 2015.

The net settlement expense as mentioned in the "Events Significant for Business Development" section starting on page 68 was not included in the targets for the financial year 2015. To make the actual results for 2015 comparable to the targets they were adjusted accordingly. We restated operating income by \$60 M. Net income was adjusted by \$37 M.

At the beginning of the year under review, we expected revenue growth of 5 to 7% for 2015, corresponding to a 10 to 12% rise on a constant currency basis. In actual fact, we increased revenue by 6% to \$16.74 BN. On a constant currency basis, revenue rose by 11%. All regions contributed to this positive performance, especially North America and Asia-Pacific.

We had forecast moderate growth in operating income (EBIT) for 2015, wherein the net settlement expense from the agreement in the amount of \$60 M is not included. And we achieved an adjusted EBIT of \$2.39 BN, corresponding to an increase of 6%.

At the beginning of the year, we set a target range for net income growth of 0 to 5%. This included cost savings from the Global Efficiency Program and additional expenditure for the expansion of Care Coordination as part of our growth strategy 2020. The after tax loss related to the net settlement expense of \$37 M was not included in this target range. In real terms, we generated an adjusted net income of \$1.07 BN in 2015, a 2% increase, which thereby was within our target range. Even excluding earnings contributions from acquisitions made in 2015, net income was still up by 1% and was therefore in line with expectations. Further information can be found in the "Results of Operations" section starting on page 71.

Earnings per share increased by 1%, almost in line with the development of net income, as we had expected.

The steady growth of the dividend is reflected in our dividend proposal: Subject to approval by the Annual General Meeting on May 12, 2016, the dividend per share will increase by 3% to €0.80 (2015: €0.78). More information on the dividend proposal can be found in the "Dividend Continuity" section on page 24.

In 2015, we budgeted around \$1.0 BN for capital expenditures. In actual fact, our net capital expenditures came to \$0.9 BN. We earmarked \$0.4 BN for acquisitions and equity investments. This year, we have already reduced our forecast to around \$0.3 BN. Overall, we have invested \$0.1 BN in acquisitions and equity investments less divestments. For further information, see the “Financial Situation” section starting on page 77.

Net cash provided by operating activities driven by earnings development and sound management of days sales outstanding was high in 2015 at \$1.96 BN. Relative to revenue, this corresponded to 11.7%, exceeding the target of more than 10%.

Free cash flow amounted to 6.1% of revenue in 2015, and was therefore also above our expectation of “more than 4%”.

According to our forecast, the debt/EBITDA 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 2015. In actual fact, we achieved an even better figure of 2.7 as at the reporting date.

The number of employees at Fresenius Medical Care (calculated on the basis of full-time equivalents)

increased from 99,895 at the end of 2014 to 104,033 at the end of 2015. It therefore came very close to our forecast of around 105,000 employees. The Company’s organic growth and acquisitions 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 \$140 M, precisely meeting our target. Our research and development activities are focused on further developing existing product groups on an ongoing basis. Details can be found in the “Research and Development” chapter starting on page 55.

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 2015. For further information, see the “Sector-specific Environment” section starting on page 62.

TARGETS AND RESULTS

T. 2.36

	Results 2015	Results 2015 adjusted for net settlement expense	Targets 2015
Growth in revenue	6% (\$16.74 BN)		5–7%
Growth in operating income (EBIT)	3% (\$2.3 BN)	6% (\$2.4 BN)	Moderate growth
Growth in net income ¹	–2% (\$1.03 BN)	2% (\$1.07 BN)	0–5%
Growth in earnings per share ¹	–2%	1%	In line with the expected development of net income
Dividend	€0.80 ² per share (+3%)		Earnings-oriented dividend policy
Capital expenditures	\$0.9 BN		~ \$1.0 BN
Acquisitions and equity investments	\$0.1 BN		\$0.3 BN
Cash flow from operating activities in % of net revenue	11.7%		> 10%
Free cash flow in % of net revenue	6.1%		> 4%
Debt/EBITDA ratio	2.8	2.7	~ 3.0
Employees ³	104,033		~ 105,000
Research and development expenditures	\$140 M		~ \$140 M

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

² Proposal to be voted on by the Annual General Meeting on May 12, 2016.

³ Calculated on the basis of full-time equivalents.

MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

In a challenging environment, 2015 was a positive year for Fresenius Medical Care. Despite highly negative currency translation effects and a difficult reimbursement situation in the U.S., we met our targets and continued to grow. Compared with 2014, we managed to increase our revenue by 6% to \$16.74 BN, setting a new record.

For Fresenius Medical Care, 2015 was particularly characterized by strong organic growth in North America and the out-of-court settlement in principle in a product liability case. Success in our product business in the first half of the year as well as non-recurring effects from the divestiture of the services business in Venezuela and the sale of marketing rights for specific drugs for treating kidney diseases in Europe affected our business outside North America. More information can be found in the "Events Significant for Business Development" section starting on page 68.

In 2015, we also continued to enhance our Care Coordination operations. This expansion requires time and investment as well as an extensive understanding of the market dynamics. A current example is our largest market, the U.S. In the new U.S. reimbursement system, health care service providers are increasingly being paid for the overall treatment outcome rather than for individual units of care delivered. In our core business and with the expansion of our Care Coordination operations, we have been preparing for this switch for some time to ensure that we have the requisite structures in place. With our many years of experience in the dialysis market, we are uniquely placed to use this development as a long-term opportunity.

To boost our profitability in the years ahead, we continued to pursue our Global Efficiency Program in 2015, making further cost savings. We still expect to achieve our target by the end of 2016 and increase savings to \$300 M before tax.

In addition, we continued our investment activities at an undiminished pace. We invested around

\$900 M in 2015, mainly in equipping existing and new dialysis clinics, preserving and expanding production capacity and in the area of Care Coordination.

Our strategic decisions and activities in 2015 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.

RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES

The financial year 2015 was in line with our expectations: We achieved good results despite challenging market conditions.

RESULTS OF OPERATIONS

Revenue

In the year under review, Fresenius Medical Care increased its revenue by 6% to \$16.74 BN, corresponding to an 11% growth rate in constant currency terms. Organic revenue growth amounted to 6%, with acquisitions excluding sales and closures of clinics and other business units accounting for five percentage points of revenue growth. Health care services revenue rose by 9% (+13% on a constant currency basis) to \$13.39 BN. Dialysis product revenue fell by 7% to \$3.35 BN in 2015. This was due to negative currency translation effects in the three international segments. In constant currency terms, dialysis product revenue rose by 4%. At the end of 2015, we operated 3,418 dialysis clinics, 2% more than at the end of 2014. We treated 294,381 dialysis patients by the end of the year, an increase of 3%. The number of treatments rose by 4% to around 44.60 M in the year under review.

Revenue in North America, still our most important segment with a share of 71%, was \$11.81 BN in 2015, 13% more than the \$10.50 BN generated in the

previous year. Organic revenue growth amounted to 6%, with acquisitions accounting for seven percentage points. Health care services revenue increased by 13.2% to \$10.93 BN in 2015 (2014: \$9.66 BN). Of this amount, \$9.05 BN were attributable to dialysis services, up 5% compared to last year. The remaining \$1.88 BN stemmed from Care Coordination revenue with an increase of 81% compared to 2014. Dialysis product revenue grew organically by 4% to \$881 M (2014: \$845 M).

Revenue outside North America (international segments) fell by 7% (+9% in constant currency terms) to \$4.90 BN in 2015. Organic growth amounted

to 7%, with acquisitions excluding sales and closures of clinics and other business units having a positive effect of two percentage points. Health care services revenue outside North America was down 5% on the previous year to \$2.46 BN. In constant currency terms, this represents an increase of 12%. Dialysis product revenue fell by 9% to \$2.44 BN in 2015, corresponding to 6% organic growth in constant currency terms.

In the Europe, Middle East and Africa (EMEA) region, revenue declined by 14% to \$2.63 BN in the last financial year. In constant currency terms, revenue rose by 3%. It accounted for 16% of total revenue (2014: 20%). By the end of 2015, we were treating

REVENUE BY SEGMENT

T. 2.37

in \$ M

	2015	2014	Change	Exchange rate effects	Organic growth	Acquisitions net of divestments
North America						
Dialysis products	881	845	4%	0%	4%	0%
Health care services	10,932	9,655	13%	0%	7%	6%
of which dialysis services	9,050	8,616	5%	0%	5%	0%
of which Care Coordination	1,882	1,039	81%	0%	25%	56%
► TOTAL	11,813	10,500	13%	0%	6%	7%
Europe, Middle East and Africa						
Dialysis products	1,403	1,634	-14%	-17%	3%	0%
Health care services	1,226	1,438	-15%	-18%	4%	-1%
► TOTAL	2,629	3,072	-14%	-17%	3%	0%
Asia-Pacific						
Dialysis products	835	788	6%	-7%	11%	2%
Health care services	667	569	17%	-13%	5%	25%
► TOTAL	1,502	1,357	11%	-9%	9%	11%
Latin America						
Dialysis products	199	248	-19%	-23%	6%	-2%
Health care services	567	588	-4%	-21%	20%	-3%
► TOTAL	766	836	-8%	-21%	16%	-3%
Worldwide						
Dialysis products ¹	3,346	3,582	-7%	-11%	5%	-1%
Health care services	13,392	12,250	9%	-4%	7%	6%
► TOTAL	16,738	15,832	6%	-5%	6%	5%

¹ Including revenue generated by corporate functions of \$28 M for 2015 and \$67 M for 2014.

54,857 patients in 659 dialysis facilities in this region. This was 2,009 patients or 4% more than 12 months previously. In 2015, we generated revenue of \$1.23 BN from health care services, down 15% on the preceding year. On a constant currency basis, revenue was up 3%. Dialysis product revenue amounted to \$1.40 BN, down 14% year-on-year. In constant currency terms, we also posted revenue growth of 3%.

Asia-Pacific recorded an increase in revenue of 11% to \$1.50 BN. This corresponds to revenue growth of 20% based on constant currencies. This figure accounted for 9% of total revenue and therefore remained unchanged from the previous year. Health care services revenue rose by 17% (+30% on a constant currency basis) to \$667 M. Dialysis product

revenue increased by 6% (+13% on a constant currency basis) to \$835 M. By the end of 2015, we were treating more than 26,000 patients in 320 dialysis facilities in this region.

Revenue in Latin America fell by 8% to \$766 M; based on constant currencies, it grew by 13%. This accounted for 4% of total revenue, down from 5% in the previous year. At \$567 M, health care services revenue was below the previous year's level of \$588 M. In constant currency terms, revenue rose by 17%. We generated revenue of \$199 M from dialysis products, 19% less than in the previous year. Based on constant currencies, it grew by 4%. By the end of 2015, more than 30,000 patients were receiving dialysis treatment in the 229 clinics in this business region.

PATIENTS

T. 2.38

	2015	2014	Change
North America	182,852	176,203	4%
Europe, Middle East and Africa	54,857	52,848	4%
Asia-Pacific	26,472	25,278	5%
Latin America	30,200	31,983	-6%
► TOTAL	294,381	286,312	3%

TREATMENTS

in M

T. 2.39

	2015	2014	Change
North America	27.69	26.61	4%
Europe, Middle East and Africa	8.21	8.05	2%
Asia-Pacific	3.79	3.27	16%
Latin America	4.91	4.81	2%
► TOTAL	44.60	42.74	4%

CLINICS

T. 2.40

	2015	2014	Change
North America	2,210	2,162	2%
Europe, Middle East and Africa	659	635	4%
Asia-Pacific	320	317	1%
Latin America	229	247	-7%
► TOTAL	3,418	3,361	2%

Earnings

Gross profit

Gross profit in 2015 amounted to \$5.33 BN, up 7% compared to 2014. The gross profit margin grew from 31.6 to 31.9%. The higher margin was largely based on lower costs for disposable products, particularly as a result of a reduction in the cost of erythropoietin-stimulating substances (ESA) in North America. By contrast, the margin in Latin America decreased due to higher (production) costs due to inflation and was partly offset by positive exchange-rate effects.

Selling, general and administrative expenses rose by 10% to \$2.90 BN (2014: \$2.64 BN) and from 16.7 to 17.3% as a percentage of revenue. This development stemmed from cost increases in percentage of revenue, mainly in Latin America where it was driven by the impact of the loss from the divestment of the service business in Venezuela and in Asia-Pacific due to unfavorable foreign exchange effects. In the EMEA region, on the other hand, costs decreased, largely caused by a gain from the sale of our European marketing rights for certain renal pharmaceuticals. In addition, varying margins in all four business segments generated a positive effect.

Research and development expenses were \$140 M, up on the previous year's figure of \$122 M.

Operating income (EBIT)

Earnings before interest and taxes (EBIT) rose by 3% in 2015 to \$2.33 BN, compared with \$2.25 BN in the previous year. The operating margin fell from 14.2 to 13.9%. This was due to the higher share of revenue of selling and administrative expenses. However, it was partially offset by an increase in the gross profit margin. Operating income excluding non-recurring effects – excluding net expenses from the basic out-of-court settlement in a product liability case (see the "Events Significant for Business Development" section starting on page 68 and note 19 in the "Notes to Consolidated Financial Statements" on page 190), the negative effect from the sale of the services business in Venezuela,

the positive effect from the sale of European marketing rights for certain renal pharmaceuticals and the negative effect of the closure of production plants in 2014 – rose by 5% to \$2.39 BN, compared with \$2.27 BN in 2014.

In North America, operating income was up 9% to \$1.80 BN in 2015. The operating margin decreased from 15.6% in 2014 to 15.2% in 2015.

Outside North America, operating income fell by 5% to \$923 M in 2015. The operating margin grew from 18.4 to 18.9%. Table 2.41 on page 75 provides a detailed overview of operating income by region.

Delivered EBIT

As a result of the increase in noncontrolling interests in our business operations, we have included operating earnings net of noncontrolling interests (Delivered EBIT) in our reporting as an additional performance indicator.

In 2015, Delivered EBIT remained virtually unchanged compared to the previous year at \$2.04 BN.

Net interest

Net interest expenses in 2015 amounted to \$391 M, after \$411 M in 2014. This development was mainly due to favorable effects from converting the interest expenses of euro-denominated bonds to U.S. dollars as well as to interest income from the early repayment of interest-bearing financial investments (see note 7 in the "Notes to Consolidated Financial Statements" on page 165). In addition, the adjustment of our 2012 credit agreement had a negative impact on the previous year's figures. The increase in the average debt level had the opposite effect.

Further details on our financial situation can be found starting on page 77.

Tax rate

Income tax expense in the year under review amounted to \$623 M, compared with \$584 M in 2014. This corresponds to an effective tax rate of 32.1%, after 31.7% in 2014.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA fell by 2% to \$1.03 BN in 2015, compared with \$1.05 BN in 2014.

Net income excluding net expenses from the out-of-court settlement in principle in a product liability case of \$60 M before tax and \$37 M after tax, the negative effect (\$27 M after tax) from the sale of the dialysis services business in Venezuela, the positive effect (\$11 M after tax) from the sale of our European marketing rights for specific drugs for the treatment of kidney diseases, and the negative effect (\$13 M after tax) from the closure of production sites on net income in 2014 rose by 2% in 2015 from \$1.06 BN to \$1.08 BN. For more information see chart 2.42 on page 76.

Earnings per share

Basic earnings per share (EPS) fell by 2% in 2015 to \$3.38, compared with \$3.46 in 2014. The average weighted number of shares outstanding in 2015 was around 304.4 M (2014: 302.3 M). This increase stems from exercising stock options. Details on how earnings per share are derived can be found in the "Notes to Consolidated Financial Statements" starting on page 148.

Performance indicators for Care Coordination in North America

In 2015, we defined new performance indicators for the North America region. These relate to u.s. health care programs in which we are involved and with which we intend to make statements on our business development in the area of Care Coordination in the region – see chart 2.44 on page 77. Further information on the programs concerned can be found in the "Events Significant for Business Development" section starting on page 68.

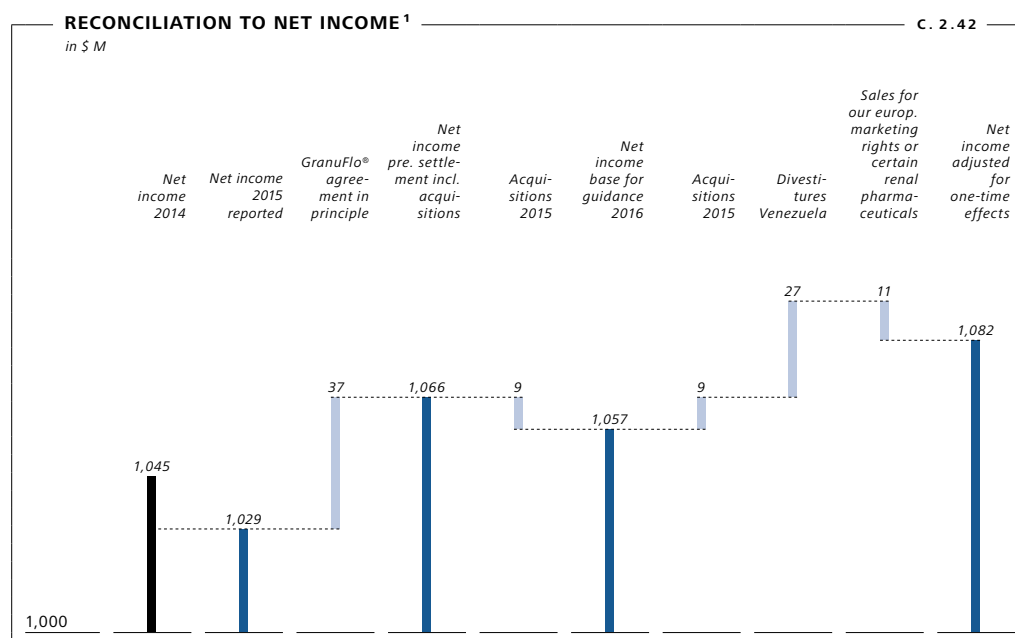
OPERATING INCOME (EBIT) AND DELIVERED EBIT

T. 2.41

in \$ M

	2015	2014	Change
North America			
EBIT	1,798	1,643	9%
Delivered EBIT	1,524	1,436	6%
Europe, Middle East and Africa			
EBIT	577	590	-2%
Delivered EBIT	574	587	-2%
Asia-Pacific			
EBIT	298	279	7%
Delivered EBIT	291	274	6%
Latin America			
EBIT	48	101	-52%
Delivered EBIT	48	101	-53%
Corporate functions			
EBIT	(394)	(358)	10%
Delivered EBIT	(394)	(358)	10%
► TOTAL			
EBIT	2,327	2,255	3%
Delivered EBIT	2,043	2,040	0%

- Member months under medical cost management: This is calculated by multiplying the number of patients included in value-based reimbursement programs such as Medicare Advantage or other value-based programs in the U.S. by the corresponding number of months they have been members of these programs ("member months"). In the aforementioned programs, we assume the risk associated with generating savings. If the number of participating patients rises, this can impact our results.
- Medical cost under management: This relates to the management of medical costs associated with our patient membership in value and risk-based programs.
- Care Coordination patient encounters: This is the sum of all encounters and procedures completed during a certain period by Sound Physicians, Med-Spring Urgent Care, Fresenius Vascular Care, and National Cardiovascular Partners as well as the corresponding figures relating to patients in our Fresenius Medical Care Rx Bone Mineral Metabolism program.



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

ABRIDGED STATEMENT OF INCOME T. 2.43

in \$ M

	2015	2014	Change
Revenue	16,738	15,832	6 %
Cost of revenue	11,407	10,836	5 %
► GROSS PROFIT	5,331	4,996	7 %
in % of revenue	31,9	31,6	
► OPERATING INCOME (EBIT)	2,327	2,255	3 %
Interest expenses, net	391	411	-5 %
► EARNINGS BEFORE TAXES	1,936	1,844	5 %
► NET INCOME ¹	1,029	1,045	-2 %

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

Status of incoming orders

Eighty percent 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 project-related orders. For these reasons, the order volume is not an informative indicator for the earnings development of Fresenius Medical Care.

FINANCIAL SITUATION

Our investment and financing strategy did not change significantly in the last financial year. This is also due to our business model, which allows us a more consistent and higher level of debt than may be the case in other industries in view of stable, high cash flows. We still regard our refinancing options as being very stable and flexible. In the year under review, our investing activities were again focused on our health care services business.

Principles and objectives of financial management

Besides optimizing our financial costs, ensuring financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The Company remains flexible by using a wide range of financial instruments and guaranteeing 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 credit agreement with revolving credit facilities and long-term loans in U.S. dollars and euros. We also use

a range of other medium-term and long-term financing instruments, particularly bonds in U.S. dollars and euros as well as an equity-neutral convertible bond. Furthermore, Fresenius Medical Care has sufficient financing flexibility in the form of credit facilities, an accounts receivable securitization program and, since January 2016, a commercial paper program (see note 9 in the "Notes to Consolidated Financial Statements" starting on page 166). These instruments enable us to borrow funds at short notice as required.

We intend to continue to meet our current cash and cash equivalents and financing requirements from net cash provided by operating activities, existing and future credit agreements as well as the issue of commercial papers (see note 9 in the Notes to Consolidated Financial Statements starting on page 166) and bonds. In addition, we expect to secure the funds required for acquisitions or other purposes by successfully concluding long-term financing, for example by issuing bonds. We also aim to maintain our financial flexibility with a target of at least \$500 M in committed and unutilized credit facilities.

Our main financing needs in 2016 comprise the repayment of bonds, quarterly payments in the context of the 2012 credit agreement and dividend payments amounting to an estimated \$244 M in May 2016. We assume that these payments and the expected capital expenditures on property, plant and equipment as well as acquisitions and equity investments will be covered by the cash flow, the credit facilities currently in place and, if necessary, additional borrowing. Our obligations arising from the financing agreements currently give us enough flexibility to meet our short-term financing requirements. In general, we assume that we will also have sufficient funds to reach our objectives and growth targets in the future.

In our long-term financial planning, we focus primarily on our leverage ratio, defined as the debt/EBITDA ratio. This compares our total financial debt

KEY PERFORMANCE INDICATORS IN CARE COORDINATION

T. 2.44

	2015	2014	Change
North America			
Member months under medical cost management	208,933	15,853	1,218%
Medical cost under management in \$ M	1,660	122	1,255%
Care Coordination patient encounters	5,005,695	1,818,170	175%

with our earnings before interest, taxes, depreciation and amortization (EBITDA).

Although we are not immune to the global financial crisis, we believe that we are well-placed to continuously expand our business while fulfilling our financial obligations in the event of maturity. Due to the ongoing demand for our health care services and dialysis products, and the fact that we receive most of our reimbursements for health care services from state health care organizations, our business is generally non-cyclical. A substantial portion of our accounts receivable are generated by government entities. While payment and collection practices vary not only between countries but also between individual authorities in a country, governmental payors are usually associated with a low to moderate credit risk. At the end of 2015, the debt/EBITDA ratio was 2.8. Further information on this can be found in the “Strategy, Objectives and Corporate Management” chapter starting on page 39 and in the Outlook starting on page 97.

Credit rating

In January of the year under review, Standard & Poor's Ratings Services increased Fresenius Medical Care's corporate credit rating from “BB+” to “BBB-” and gave a “stable” outlook. Moody's continued to rate the Company “Ba1” with a “stable” outlook. In addition, the ratings agency Fitch confirmed our corporate credit rating of “BB+” and gave a “positive” outlook.

Relevance of off-balance-sheet financing instruments for 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.

MAJOR FINANCING INSTRUMENTS

T. 2.45

	Amount in M	Coupon	Maturity
Credit agreement for revolving credit facility in \$	\$1,000	–	October 30, 2019
Credit agreement for revolving credit facility in €	€400	–	October 30, 2019
Credit agreement, term loan A in \$	\$2,300	–	October 30, 2019
Credit agreement, term loan A in €	€276	–	October 30, 2019
Accounts receivable facility	\$800	–	November 24, 2017
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 ¹	€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

¹ 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.

Liquidity analysis

Our main sources of liquidity are net cash provided by operating activities, short-term financial liabilities to third parties and associated companies, and income from the issue of long-term debt and shares. We use this liquidity primarily to:

- ▶ finance our working capital,
- ▶ fund acquisitions and joint ventures,
- ▶ develop independent dialysis clinics and other health care facilities,
- ▶ purchase equipment for existing or new dialysis clinics and production sites,
- ▶ repay debt,
- ▶ pay dividends and buy back shares.

19th consecutive dividend increase

The Management Board and Supervisory Board will propose the 19th consecutive dividend increase to the Annual General Meeting: The recommended dividend per share represents an increase from €0.78 for 2014 to €0.80 for 2015. The total dividend payout is expected to amount to approximately €244 M (2014: €237 M). For further information on the dividend, please refer to the "Dividend Continuity" section on page 24.

Capital expenditures and acquisitions

In 2015, Fresenius Medical Care spent \$1.00 BN on capital expenditures, acquisitions and the purchase of intangible assets minus income from divestments. Of this amount, \$498 M was spent on the North America region, \$135 M on the EMEA region, \$49 M on Asia-Pacific, \$47 M on Latin America and \$272 M on corporate functions.

Total net capital expenditures on property, plant and equipment amounted to \$935 M, up from \$920 M in 2014. The majority of capital expenditures were used for equipping existing and new clinics, preserving and expanding production capacity, primarily in North America, Germany, France, Colombia and Malaysia, as well as for dialysis machines made available to customers and for Care Coordination. Capital expenditures on property, plant and equipment amounted to almost 6% of overall revenue, roughly on a par with the previous year.

In addition to the above-mentioned capital expenditures on property, plant and equipment, we used funds for acquisitions, equity investments and purchasing intangible assets. Capital expenditures in North America mainly comprised financial assets available for sale, the purchase of dialysis clinics and loan receivables to an associated company. Capital expenditures in the EMEA region mainly related to the purchase of dialysis clinics and capital contributions to an associated company. Capital expenditures in the Asia-Pacific region largely consisted of the acquisition of a distributor. By contrast, income was raised, for example, through the repayment of a loan with the nature of a financial investment in the form of a credit facility (see note 7 in the "Notes to Consolidated Financial Statements" on page 165), repayment of a loan granted to an associated company in 2014, and the sale of European market rights for specific drugs for treating kidney diseases. Table 2.47 and chart 2.48 on page 80 show the regional breakdown of capital expenditures.

Expansion activities accounted for 48% of capital expenditures, while 52% went on maintaining existing production sites and dialysis clinics.

CREDIT RATING

T. 2.46

	Company rating			Outlook	Financial liabilities	
	2015	2014	2013		Secured	Unsecured
	2015			2015	2015	2015
Standard & Poor's	BBB–	BB+	BB+	Stable	BBB–	BB+
Moody's	Ba1	Ba1	Ba1	Stable	Baa3	Ba2
Fitch	BB+	BB+	BB+	Stable	BBB–	BB+

Cash flow analysis

Our consolidated statement of cash flows gives an insight into how our Company has generated and used cash and cash equivalents. 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 company 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 (DSO), in other words the number of days before customers settle outstanding invoices of Fresenius Medical Care, decreased by a further day in the year under review from a total of 72 days as at the end of 2014 to a total of 71 days as at the end of 2015.

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. Table 2.49 on page 81 shows DSO by region.

The DSO increase in the North America segment is due to payment delays following the implementation of the BPCI program, which resulted in certain

NET CAPITAL EXPENDITURES AND ACQUISITIONS BY SEGMENT

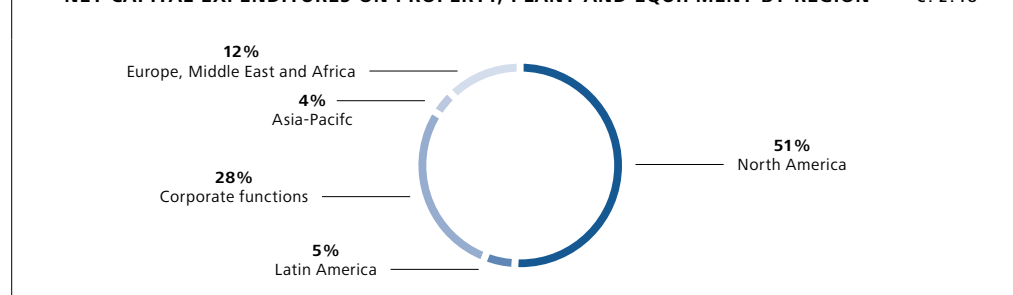
T. 2.47

in \$ M

	2015	Of which property, plant and equipment	Of which acquisitions/ intangible assets and other capital expenditures	Of which divestments	2014
North America	498	480	229	211	1,996
Europe, Middle East and Africa	135	112	54	31	209
Asia-Pacific	49	36	13	0	128
Latin America	47	46	1	0	70
Corporate functions	272	261	20	9	287
► TOTAL	1,001	935	317	251	2,690

NET CAPITAL EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT BY REGION

C. 2.48



subsidiary entities changing their legal name, requiring the introduction of new billing numbers. The decrease in DSO in the Asia-Pacific segment reflects an improvement in payment collections in China and the takeover of a distributor. The rise in DSO in the Latin America segment stems from increased sales in the region coupled with periodic delays in payment by public health care organizations in certain countries.

Because we receive most of our reimbursements from government health organizations and private insurance companies, we assume that most of our receivables are collectable.

In the year under review, we achieved a free cash flow of \$1.02 BN, compared to \$0.94 BN in 2014. Accounting for payments for acquisitions (net of divestitures) of \$66 M (2014: \$1.77 BN), our free cash flow after acquisitions and divestitures was \$959 M, compared to \$-829 M in the previous year.

ASSETS AND LIABILITIES

Balance sheet structure analysis

The Company's total assets remained virtually unchanged from the previous year at \$25.53 BN (2014: \$25.38 BN). On a constant currency basis, they rose by 4% to \$26.42 BN.

Non-current assets amounted to \$18.55 BN at the end of 2015, compared to \$18.66 BN at the end of 2014. This corresponds to approximately 73% of the Company's total assets. They include goodwill of \$13.03 BN (2014: \$13.08 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 further acquisitions in previous years. Property, plant and equipment increased by 4% to \$3.43 BN in the

DAYS SALES OUTSTANDING

in days, December 31

T. 2.49

	2015	2014	Change
North America	53	50	3
Europe, Middle East and Africa	104	104	0
Asia-Pacific	113	124	-11
Latin America	141	128	13
► TOTAL	71	72	-1

ABBREVIATED STATEMENT OF CASH FLOW¹

in \$ M

T. 2.50

	2015	2014	Change
Cash and cash equivalents at the beginning of the year	634	683	-7%
Net cash provided by operating activities	1,960	1,861	5%
Net cash provided by investing activities	(1,001)	(2,690)	-63%
Net cash provided by financing activities	(1,008)	805	-
Exchange rate-related changes in cash and cash equivalents	(35)	(25)	-
Cash and cash equivalents at the end of the year	550	634	-13%
Free cash flow	1,025	941	9%

¹ More details can be found in the Consolidated Cash Flow Statement starting on page 144.

NET CASH PROVIDED BY OPERATING ACTIVITIES

in \$ M

C. 2.51

2015	1,960
2014	1,861

year under review, largely as a result of capital expenditures. Further information on this can be found in the “Financial Situations” section starting on page 77.

Current assets amounted to \$6.98 BN at the end of 2015, compared with \$6.72 BN in the previous year. The increase in current assets stems from larger inventories, mainly as a result of higher stocks of disposable products, particularly ESAs, an increase in trade receivables and other current assets. The increase in other current assets largely results from the rise in insurance reimbursement claims in connection with the basic settlement regarding the Naturalyte® and GranuFlo® cases and from the financial assets available for sale, partly offset by a decrease in tax refund claims and the receivables in the context of the Medicare and Medicaid programs.

On the liabilities side of the balance sheet, equity was up 5% to \$10.50 BN at the end of 2015. This increase was mainly attributable to earnings after income tax as well as cash inflows from exercising stock options. It was countered by foreign-currency translation effects, dividend payments and the

fair-value measurement of noncontrolling interests subject to put provisions. The equity ratio rose by one percentage point year-on-year to 41%.

At \$15.04 BN, liabilities were 2% (+1 in constant currency terms) down on the previous year's figure of \$15.35 BN. This total includes the respective noncontrolling interests with put options. Financial liabilities amounted to \$8.65 BN, compared to \$9.47 BN in 2014. Current financial liabilities accounted for \$0.79 BN of this figure (2014: \$0.45 BN). This increase largely stems from the rise in the current component of the senior notes. Non-current financial liabilities amounted to \$7.86 BN in 2015, compared to \$9.02 BN in 2014. This decrease was mainly a result of the partial repayment of drawings under the accounts receivable facility, the quarterly repayment of the Amended 2012 credit agreement and the reclassification of the before mentioned current portion of our senior notes. The financial liabilities included 73% posted in U.S. dollars, compared with 72% in 2014. For further information, see the Consolidated Balance Sheet starting on page 142.

BALANCE-SHEET STRUCTURE

T. 2.52

in \$ M

	2015	Share of total assets	2014	Share of total assets
Assets				
Non-current assets ¹	18,549	73%	18,663	74%
Current assets ¹	6,984	27%	6,718	26%
Of which receivables	3,503	14%	3,397	13%
Of which inventories	1,341	5%	1,116	4%
Of which other assets	2,140	8%	2,205	9%
► TOTAL ASSETS	25,533	100%	25,381	100%
Equity and liabilities				
Equity	10,496	41%	10,028	40%
Liabilities ¹	15,037	59%	15,353	60%
Of which non-current liabilities ^{1,2}	10,852	43%	11,876	47%
Of which current liabilities	4,185	16%	3,477	13%
► TOTAL EQUITY AND LIABILITIES	25,533	100%	25,381	100%

¹ After value adjustments on receivables from provision of health care services.

² Including noncontrolling interests with put options.

RISK AND OPPORTUNITIES REPORT

Risk and opportunities management is an integral component of management and control at Fresenius Medical Care. The Company's risk and opportunities profile has not changed significantly compared to the previous year. There are no discernible risks that could jeopardize the continued existence of the Company.

RISK AND OPPORTUNITIES MANAGEMENT

As a manufacturer and service provider with global operations, we are naturally exposed to risks associated with our entrepreneurial activities. Ultimately, we can only take advantage of opportunities that arise for our business if we are willing to take certain risks. Thanks to our many years of experience and our extensive knowledge of the markets, we are able to uncover and realistically assess risks and opportunities.

We see risk management as the ongoing task of promptly identifying, determining and analyzing the spectrum of risks within our business operations and our sector that could jeopardize the growth or the continued existence of Fresenius Medical Care, assessing their influence on business activities and, where possible, taking corrective measures. We use our risk management system as the basis for these activities.

In addition, we ensure the Company's long-term success through our opportunity management. The aim here is to identify opportunities for the Company as soon as possible, assess them and initiate suitable measures to translate them into commercial success for Fresenius Medical Care. We take long-term and medium-term opportunities into account in our strategy and budget planning. Opportunities that are feasible in the short-term are used for our ongoing business operations, provided that they are commercially viable and in line with our objectives.

RISK MANAGEMENT SYSTEM

Risk management is part of Fresenius Medical Care's integrated management system. Opportunities are not covered by the risk management system.

The two pillars of our risk management system are the corporate controlling function, which serves to identify and manage short-term risks, and the internal risk monitoring system, which is used in particular for identifying and managing mid- to long-term risks. In the risk monitoring system, regional risk coordinators are responsible for finding, 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 CFOs send their aggregated risk management reports to the central risk management coordinator, who consolidates them and passes them on to the Management Board. The main focus is on material risks with a total negative impact of €25 M or more in relation to operating income (EBIT). The Management Board is informed directly and immediately of any newly identified significant risks (for risk reporting see chart 2.53 on page 84). 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 103 and in the "Declaration on Corporate Governance" starting on page 108.

Standard reporting to management is another important tool for controlling risks, as well as for taking preventive measures promptly. 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 our assets position on a quarterly basis.

A further element of the risk management system is our Internal Audit department, which is regularly informed about the results of the internal risk monitoring system. Each year, it examines selected departments and group companies worldwide on the basis of the internationally recognized standards defined by the Institute of Internal Auditors (IIA). The Internal Audit department covers a wide spectrum including aspects such as the efficiency of controls in business processes, the reliability of financial reporting and compliance with accounting regulations and internal policies. Which of the Company's locations and units are to be audited is determined annually on the basis of a selection model. In 2015, a total of

50 audits were carried out at Fresenius Medical Care's sites, including international ones.

Nevertheless it is important to note that even a functioning and adequate risk management system like the one in place at Fresenius Medical Care cannot guarantee that all risks are identified and controlled.

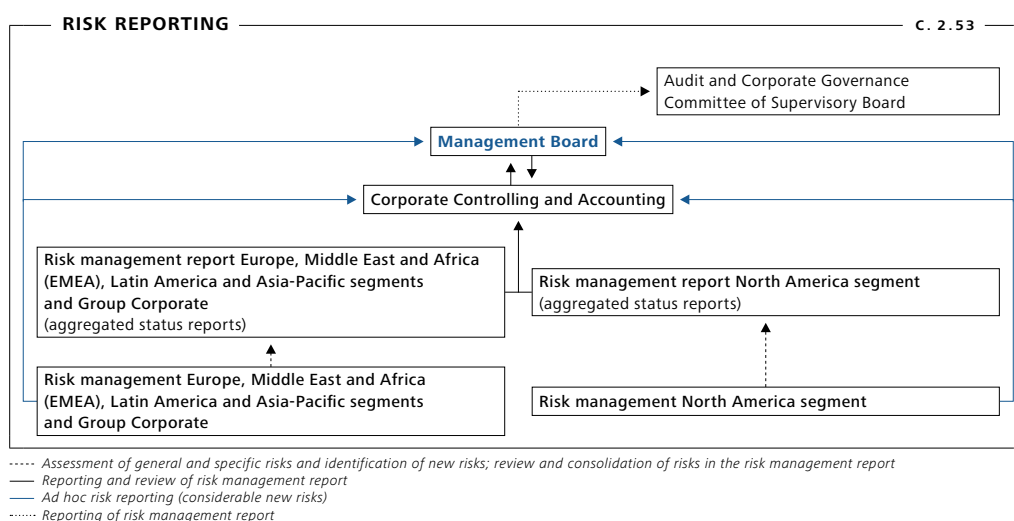
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (ICS)

Fresenius Medical Care's ICS for financial reporting ensures that the Company complies with applicable accounting standards. An internal reporting process that is generally carried out at four levels ensures that financial data and key figures are reliably recorded, processed and controlled. At each of these 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, and discussed in detail. Finally, in addition to the Management Board and the departments responsible for preparing the annual and consolidated financial statements, the Audit and Corporate Governance Committee of the Supervisory Board analyzes and evaluates current financial data.

Control mechanisms and compliance

Our ICS contains guidelines and instructions with the aim of guaranteeing that all Fresenius Medical Care transactions are accurately reported and significant earnings and expenses are recorded only after management approval (dual-control principle).

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions in accounting and the consolidation process include system-supported 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 helps to ensure that risks with a direct impact on financial reporting are identified and controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis within the Company and taken into consideration when preparing the financial statements; employees responsible for financial reporting are also given regular and extensive training on the subject. Consolidation is performed centrally by the department responsible for group accounting based on the reporting packages and sub-group financial statements submitted by the local group entities.



Furthermore, Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program, which are continuously monitored. We aim to ensure that our business activities fully adhere to recognized standards as well as local laws and regulations. An important element of the compliance program is the Code of Conduct. 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 subject to the requirements of the u.s. Sarbanes-Oxley Act (sox). Section 404 of this u.s. federal law stipulates that the management boards of companies listed in the u.s. must take responsibility for implementing and adhering to an appropriate ICS to guarantee reliable financial reporting. To this end, we review the appropriateness and effectiveness of our ICS for financial reporting in regular internal audits. All these criteria are also included in the review by the Company’s independent auditors.

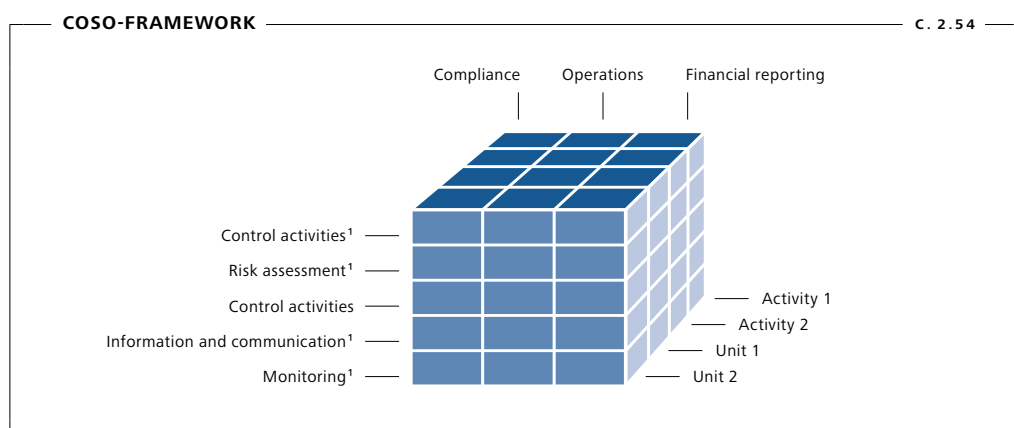
To assess the effectiveness of our ICS for financial reporting, we apply the coso model – see chart 2.54. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the u.s. Securities and Exchange Commission (SEC). In accordance with the

coso model, Fresenius Medical Care’s ICS for financial reporting is divided into five levels: control environment, risk assessment, control activities, information and communication, as well as monitoring of the ICS. Each of these levels is regularly documented, tested and assessed. Fresenius Medical Care has aligned its internal controls to fulfill the requirements of the coso model in all respects.

Our review of the ICS for financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management’s Report on Internal Control Over Financial Reporting). Management evaluates the effectiveness of the ICS for the current fiscal year, consulting external advisers if necessary. A corporate steering committee meets several times a year to review changes to and new requirements of the sox, discuss possible control deficiencies, and derive measures. In addition, the Audit and Corporate Governance Committee of the Supervisory Board is informed regularly in its meetings of management’s assessment of the effectiveness of the ICS.

As of December 31, 2015, the management assessed Fresenius Medical Care’s ICS for financial reporting and deemed it effective.

Internal control systems for 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.



¹ Entity level controls.

RISK AREAS

Of all the risks to which the Company is exposed, those that could significantly impact Fresenius Medical Care's financial situation, assets and liabilities as things stand today are described below. Further risks of which we are not yet aware could also adversely affect our operating activities.

Region-specific risks

Fresenius Medical Care's international business activities are subject to a number of political, legal and financial risks, which we carefully monitor and assess. We, our customers as well as private and government health insurers rely on capital to transact business. If access to capital via the financial markets is made more difficult or expensive, this impairs our business operations. We also conduct continuous and comprehensive analyses of country-specific risks with our international markets in mind. These risks can stem from political, social, or economic instability in individual countries, for instance.

Industry-specific risks

Risks relating to changes in the health care market are of major importance to Fresenius Medical Care. Key factors in this respect are regulatory changes in the health care sector as well as the development of new products and treatments by competitors.

Strategic and competition risks

Fresenius Medical Care has numerous competitors in the area of health care services as well as the sale of dialysis products. There is the risk of a competitor impairing our sales opportunities, thus causing us to lose market share, or of our strategy failing to account for key trends in the market.

We counter this risk with our research and development activities. Working closely with medical and scientific communities enables us to identify and enhance important technological and pharmaceutical innovations at an early stage. These alliances also guarantee that we have a high degree of knowledge about recent advances in alternative treatment methods and allow us to adjust our corporate strategy as required.

In addition, we comprehensively monitor and analyze the market environment, the competitive situation and the legal conditions in the respective sectors and regions. These include the market for generics and patented drugs for kidney patients, as increased demand for these products can adversely affect our business with pharmaceutical drugs. To this end, we maintain strategic departments in-house that identify and analyze relevant information relating to our markets and communicate it within the Company on a regular basis.

As a vertically integrated company, we also benefit from direct contact with our patients and medical staff. This proximity to the market means that we have access to important information that allows us to develop and offer products and treatments that meet demand. Furthermore, we are consistently pressing ahead with our programs to cut costs and improve the efficiency of our processes to boost our competitive position.

Risks arising from legal conditions in the health care sector

Our health care services and our products are subject to extensive government regulation in almost every country in which we operate. In addition, we have to comply with specific legal requirements in each country, including antitrust regulations. This applies to areas including:

- ▶ the quality, safety and effectiveness of medical and pharmaceutical products and precursors,
- ▶ the operation of production facilities, laboratories and dialysis clinics,
- ▶ labeling and advertising of products,
- ▶ correct reporting and invoicing of reimbursements from government and private health insurers,
- ▶ the discounting of reimbursed drug and medical device products and the reporting of drug prices to government authorities;
- ▶ the collection, dissemination, access, use, security and privacy of protected health information; and
- ▶ remuneration for medical personnel as well as financial agreements with physicians and institutions that arrange patient referrals.

Violating health regulations or other regulations under public law can result in far-reaching legal repercussions. These include in particular the loss or

suspension of federal certifications, penalties and fines, increased costs for fulfilling regulatory requirements, exclusion from reimbursement programs of the respective government health care system, or even a total or partial ban on business operations. To ensure that our products and services meet the applicable quality requirements, we have introduced quality management systems in the various regions. In addition, we perform internal checks of our production sites and clinics to ensure that they adhere to the quality standards.

In the highly regulated environment in which we operate, changes in the law, especially relating to reimbursement, can also impact our business success and the implementation of our strategy. The same is true for health care reforms that could change the reimbursement method for health care service providers.

In 2015, we generated much of our global revenue from providing dialysis services that are reimbursed by the U.S. federal health insurance programs Medicare and Medicaid. To receive the full reimbursement rate granted under the lump-sum reimbursement system, dialysis facilities must meet specific quality standards. If Fresenius Medical Care fails to meet them, this could adversely affect the Company's revenue, financial situation and operating result. Furthermore, government authorities can change the requirements or conditions for participating in health care programs as well as the methods used for calculating discounts and prices. This too could significantly reduce our revenue and operating result. For this reason, we monitor legislative activities and plans very carefully and work closely with government health care agencies.

Another portion of our revenue, also in the U.S., stems from reimbursements by non-governmental insurers. So far, these reimbursement rates have often been considerably higher than those of comparable government programs in the respective countries. However, non-governmental insurers could also change the level of reimbursements for products and services. We maintain close business relationships with private health insurers, which we attempt to

secure by concluding contracts that are as long-term as possible to ensure that our business remains profitable and stable.

Details on changes in the reimbursement system in the U.S., our most important market, can be found in the "Structural and Legal Environment" section on page 61.

Risks associated with operating activities

We are exposed to risks associated with operating activities through manufacturing our products and offering dialysis-related services.

Quality risks

Dialysis treatment and the use of the requisite products involve specific risks for patients, which could have negative repercussions for Fresenius Medical Care if they were to occur. In addition to national and international standards and laws that set binding safety standards for dialysis products, we have drawn up in-house quality guidelines, some of which even exceed the statutory requirements. Rigorous compliance with all quality requirements is ensured primarily by our extensive quality management systems, which contain documented process and work instructions for the employees concerned. Moreover, we perform internal checks of our production sites and clinics to ensure that our dialysis products and health care services adhere to quality standards. Our plants and clinics are also subject to external checks by the responsible regulatory bodies.

Our quality management encompasses environmental management, as environmental resources are used for manufacturing dialysis products and the operation of dialysis clinics produces clinical waste. More information on this can be found in the "Corporate Responsibility" chapter starting on page 44.

Risks in research and development (R&D)

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. We counter potential risks in the area of R&D by continuously analyzing and assessing development trends and examining whether R&D projects fit in with Fresenius Medical Care's overall strategy. For further information, see the "Research and Development" chapter starting on page 55.

Patent risks

One typical patent risk is inadequate protection for technologies and products developed by Fresenius Medical Care. This could result in competitors' copying our products without incurring comparable development costs. To mitigate this risk, we have installed a comprehensive patent management 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 even 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.

Risks in purchasing

As part of our purchasing strategy, we secure the production capacity of established strategic suppliers through long-term contracts on the one hand, and build relationships with new, high-performing partners on the other. At the same time, we generally rely on at least two sources for all supply-critical and price-critical primary products (dual sourcing, multiple sourcing). This strategy, combined 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.

Fresenius Medical Care is 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 can benefit from international price advantages and counter risks related to currency fluctuations or dependencies on individual suppliers.

A further risk relates to low-quality raw materials, semi-finished goods and components that we procure externally. We source only high-quality products that are verifiably safe and suitable for their intended use from certified suppliers that meet our strict specifications and requirements and have a proven track record in manufacturing these materials. We ensure that our suppliers are qualified by requiring certification by external institutes as well as regular audits; in addition, we perform an extensive evaluation of sample products and carry out regular quality checks. We also continuously assess our suppliers in the context of our demanding supplier management system.

Personnel risks

Our Company's success depends to a large extent on the dedication, motivation and abilities of our employees and managers.

Our continued growth in the area of health care services depends in particular on our ability to recruit and retain qualified physicians and skilled care personnel. As a result, we are currently enhancing various measures and initiatives with the aim of further increasing the satisfaction of our clinic personnel and maintaining their high level of motivation.

Competition for experienced engineers and technical research and development staff is intense. We minimize the associated risks through our active human resources management. The purpose of this is to find and cultivate new employees with potential as well as specialist staff and managers, and to support their development with targeted measures. Fresenius Medical Care offers employees a challenging work environment, long-term prospects for their

professional development, performance-related bonus payments and attractive social benefits. Detailed information relating to human resources management can be found in the “Responsibility for our Employees” section starting on page 46.

Risks due to non-compliance with laws and standards

Fresenius Medical Care’s decentralized structure means that it has thousands of employees working at numerous subsidiaries. Despite training, supervision and compliance programs, we cannot fully guarantee that employees will not inadvertently, negligently, or deliberately violate Company compliance guidelines or anti-corruption legislation. Such infringements could disrupt our business operations and adversely affect our operating result or financial situation. Our Code of Conduct describes our Company’s business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies. Further details on our compliance program can be found starting on page 115.

IT risks

As Fresenius Medical Care continues to grow and become more international, the processes within the Company are becoming increasingly complex. This makes us more dependent on the information and communication technologies we use to structure our processes which we are increasingly harmonizing between different regions. A breakdown of these systems could temporarily lead to standstill of extensive parts of our business and consequently cause heavy damages. By loss of sensitive data or non-compliance with data protection related laws, regulations and standards, our position in competition, our reputation as well as our whole business could be threatened. Hence, we use constantly updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). We are continuously enhancing our IT security guidelines and processes with the help of our

Information Security Management System (ISMS) based on the internationally recognized security standard ISO 27002. Business data is regularly backed up. 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 and prevent complete, worldwide system outages. We mirror critical systems, such as the clinical systems and the communication infrastructure and servers, creating a copy of them.

To minimize organizational risks arising from manipulation or unauthorized access, access is protected by passwords that are changed regularly. 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 85. Operational and security audits are carried out every year both internally and by external auditors.

Acquisition and investment risks

The dialysis services market is characterized by a high level of consolidation. Whether and to what extent we can make further acquisitions in the future also depends on the available financial resources, the applicable antitrust legislation in various countries and existing credit agreements. In addition, our acquisition and investment decisions must be viable. This is why financial risks in connection with acquisitions and investments are assessed at an early stage by 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. 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 39.

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. However, we do not use them for trading or speculation purposes. We take out these derivative financial instruments with highly rated banks (the majority have at least an "A" rating) that have been approved by the Management Board.

Foreign exchange risks

Our foreign exchange risks primarily result from transactions (purchases and sales) between group companies located in different regions and currency areas. Most of our transaction risks stem from sales of products in the euro zone to other international group companies. The foreign exchange risks are therefore related to changes in the euro against the U.S. dollar in particular. We use the statistically calculated cash-flow-at-risk model to roughly quantify transaction risks in foreign currencies. This indicates the amount of a potential loss from the forecast foreign exchange cash flows over the next twelve months with a probability of 95%. As of December 31, 2015, our cash flow at risk amounted to \$51.2 M.

Interest rate risks

We use interest rate hedging instruments to prevent the risk of changes in interest rates arising from long-term debt that is subject to variable interest rates. According to a sensitivity analysis, if the relevant reference interest rates for the Company, such as Libor, increased by 50 basis points, based on the current high level of hedging and 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.

Liquidity and financing risks

To ensure the continued existence of Fresenius Medical Care, we must be able to meet the obligations arising from our operating and financial activities. Management uses effective working capital and cash management and a forward-looking valuation of refinancing alternatives to control the Company's liquidity and thus reduce potential liquidity risks.

As of December 31, 2015, our financial liabilities totaled €7.94 BN. Our credit and bond agreements contain conditions that require adherence to specific financial key ratios. Non-compliance with these conditions could lead to an obligation to repay the financial liabilities prematurely. We believe that we are in a position to comply with the required key figures.

Other risks

Further risks to our Company arise from legal disputes and tax audits.

Legal risks and product liability

As a company with global operations in the health care industry, Fresenius Medical Care is exposed to legal risks. These can pertain to industry-specific lawsuits relating to negligence, product liability, treatment errors and other claims. Risks associated with legal disputes are continuously identified, assessed and reported within our Company. These disputes can lead to compensation claims and legal costs, regardless of whether the claimant is ultimately entitled to compensation. Medical products can be subject to recall campaigns, which can have a negative impact on our financial and earnings situation. Fresenius Medical Care is involved in various legal disputes resulting from our business operations. We always counter risks arising from legal disputes with the assistance of a lawyer. If necessary, we make accounting provisions by setting up reserves. For details on ongoing legal 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 148.

Tax risks

Fresenius Medical Care is subject to applicable country-specific tax laws and regulations. Any changes to these can lead to higher tax expenses and higher tax payments. Modifications to or the developments within tax systems can affect tax liabilities and profitability. Fresenius Medical Care is regularly inspected by various financial authorities. Tax risks resulting from this are continually identified and evaluated. Details on major tax risks can be found in the "Notes to Consolidated Financial Statements" starting on page 148.

Risks due to global economic conditions and disruptions in financial markets

The Company is dependent on the conditions of the financial markets and the global economy. In order to pursue its business, the Company is reliant on capital, as are its renal product customers and commercial health care insurers. Limited or expensive access to capital in the financial markets could adversely affect the Company's business.

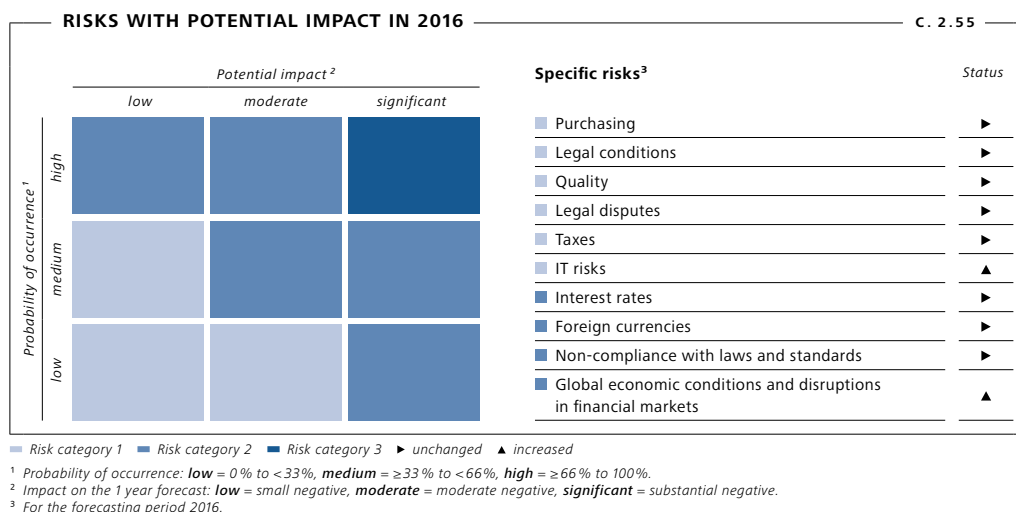
The global recovery from the financial crisis continues. This development is accompanied by unexpected interferences like emerging geopolitical conflicts in several world regions. Thus, the overall global economic outlook remains uncertain and current economic conditions could adversely affect the Company's business and profitability. To the extent that payors are negatively impacted by a decline in the economy, the Company may experience further pressure on commercial rates, a further slowdown in collections and a reduction in the amounts it expects

to collect. Devaluation of currencies and worsening economic conditions, including inflationary cost increases in various markets in connection with deteriorating country ratings also increase the risk of a goodwill impairment, which could lead to a partial or a total goodwill write off in the affected cash generating units. If the global economic conditions continue or worsen, the Company's financial cost could increase, its financial flexibility could be limited and its results of operations could be adversely affected. The Company believes to be well positioned to continue to grow its business while meeting its financial obligations.

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.

RISK ANALYSIS AND ASSESSMENT

In chart 2.55, we use key terms to describe the probability of the stated risks occurring in the forecast period of 2016 and their potential impact on the development of Fresenius Medical Care's results of operations, financial situation, assets and liabilities. This makes our assessments of the individual risk areas easier to understand. Allocating these risks to risk categories (RC) 1 to 3 also clarifies our current assessment of the risk; the status shows how the allocation has changed in relation to the previous year.



OPPORTUNITIES MANAGEMENT

As a vertically integrated dialysis Company, we can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our 3,418 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 can also make a significant contribution to reducing the costs of health care. Based on this understanding and our business model, major opportunities arise that could have a positive impact on the results of operations, financial situation, assets and liabilities of Fresenius Medical Care as things stand today.

Regional and industry-specific opportunities

As much of our business is organized regionally, we can identify industry-specific trends and requirements as well as the resultant opportunities in the different regions at an early stage and gear our actions to them. To capture business opportunities, we also perform comprehensive quantitative and qualitative analyses. This involves systematically evaluating relevant market data, closely examining research projects and taking general societal health trends into consideration – see the “Strategy, Objectives and Corporate Management” section starting on page 39. Our analyses focus on general economic, industry-specific, regional and local developments as well as regulatory changes. In addition, close cooperation between our Strategy and Planning departments and the managers of other departments allows us to identify global opportunities as early as possible.

Patient growth and demographic development

The dialysis market is a growth market that is largely unaffected by macroeconomic influences. According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising at a relatively constant rate of around 6% annually. It is expected to reach more than 2.8 M patients in 2016 and around 3.8 M by 2020. Social trends contribute to this rise in patient numbers. In Europe and the U.S. in particular, 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 growing population and gradually improved 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. These decisions are also increasingly influenced by the following factors:

- Health care systems face the challenge of having to deliver ever more comprehensive medical care (longer life expectancy, increase in concomitant diseases, fully-functioning health care provision still being established).
- Dialysis is a complex life-sustaining procedure, which places high demands on health care systems in terms of expertise and efficiency. Therefore, public health care providers are increasingly looking for solutions with private providers.

One example is Germany, the seventh-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis clinics are operated predominantly 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 out-patient medical care centers. At the end of 2015, we were involved in 26 care centers (2014: 18). As an experienced partner, we want to continue to support our customers in setting up new structures in the German health care system and take advantage of the opportunity to strengthen our business in the long-term.

Public-private partnerships (PPP)

In some countries, public-private partnerships (PPP) are 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 share the financing, tasks, risks and opportunities of a project. Our extensive dialysis expertise gives us a competitive edge here, too, as it enables us to make suitable offers flexibly for various levels of care for hospitals, health insurers, local or national authorities. Depending on the contract, we set up new dialysis clinics and install the equipment, train medical personnel in quality, hygiene and nutrition, or manage the clinics ourselves on the terms agreed. This enables the public sector to care for more patients more effectively and less expensively. 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.

Growing demand for integrated health care

Cost pressure and the growing number of patients are resulting in an increase in global demand for a holistic (integrated) health care concept for patients with chronic kidney failure. All health care services and therapies associated with the treatment of a kidney patient are combined to create a holistic program that is tailored to the patient's individual needs and the requirements of the health insurer. Depending on the contract and the structure of the health care system, dialysis can be supplemented by medical tests, drugs for kidney patients and vascular access management, for example. 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 as far as possible. 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, high-quality treatment programs for chronically ill kidney patients for several reasons: As a manufacturer of market-leading dialysis products and an operator of the largest global dialysis clinic network, 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.

Beyond our core business with dialysis products and the treatment of dialysis patients, we benefit from a network in the field of medical services. These services include vascular care and medication management for patients with kidney disease, as well as our laboratory and pharmacy business. This provides us with significant opportunities for the future. We plan to expand this network further in the coming years.

Opportunities related to business operations

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, home therapies are expected to take on a more crucial role in dialysis. This development presents us with 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 give dialysis patients the greatest possible independence and mobility with a resource-efficient and flexible device. We will continue to add innovative products and technologies to our range in the future to react to growth opportunities and meet the demand for integrated care as effectively as possible.

Internal organization and processes

Fresenius Medical Care can benefit from a number of long-term opportunities in organizing and shaping its business operations. To this end, we use the lean management and Six Sigma management methods to analyze and better coordinate our production processes worldwide in order to keep on reducing both our defect rates and manufacturing cycles. We are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency.

Capital expenditures and acquisitions

We evaluate ideas for growth initiatives generated from market analyses in the context of our annual budget planning, or more frequently if necessary. We manage the investments required for implementing projects using a detailed coordination and evaluation process. The Management Board sets the investment budget for the group as well as the focus of investment. Before realizing investment projects, an internal committee examines the individual projects and measures, taking into account their yield requirements and potential return on investment. Projects are then initiated if they help to increase the Company's value.

By expanding our health care services business through acquisitions and purchasing expertise and relevant technologies in the area of research and development, we are investing in our future growth. Through close collaboration between our Strategy and Planning departments and the managers responsible for our acquisitions, we are able to identify suitable potential purchases worldwide at an early stage. Further information on our acquisitions in the year under review can be found in the "Financial Situation" section starting on page 77.

Fresenius Medical Care's business model

Our business model itself 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. As a result, we can benefit a great deal from the feedback of our patients, physicians and nurses worldwide in developing and manufacturing new products as well as in organizing our clinic management. This gives us a crucial competitive advantage.

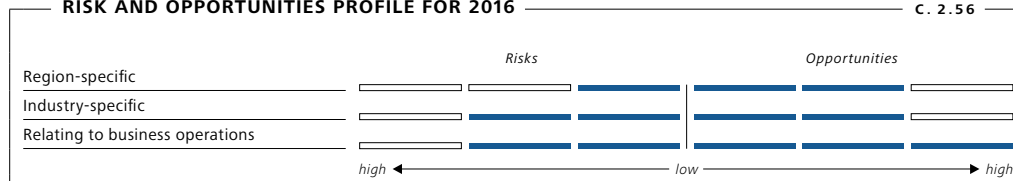
MANAGEMENT BOARD ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES

The Management Board bases its assessment of overall risk on Fresenius Medical Care's risk management system, which is regularly reviewed by third parties and by senior management. The Company's overall risk situation is determined by the risks described above. Management is not currently aware of any risks that threaten the continued existence of Fresenius Medical Care.

The effectiveness of the implemented 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 the risk management and the 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.

RISK AND OPPORTUNITIES PROFILE FOR 2016

C. 2.56



We remain confident that our integrated global business model and our group's earning power constitute a sound basis for our business development, enabling us to utilize the potential that arises 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 managing opportunities, we firmly believe that we can continue to make the most of any opportunities that arise for our business in a responsible manner.

According to our estimates, we have a well-balanced risk/opportunities profile both in the long-term and for the 2016 forecasting period.

SUBSEQUENT EVENTS

Fresenius Medical Care's business development met our expectations in the first weeks of 2016.

MANAGEMENT BOARD CHANGES

In January 2016, Fresenius Medical Care announced a change on the Management Board. Harry de Wit will become a new Management Board member for the Asia-Pacific region effective April 1, 2016. He will succeed Roberto Fusté, who has decided to resign from his operational responsibilities and stepping down from the Management Board of Fresenius Medical Care effective March 31, 2016. He will advise the Company on strategic decisions until 2018. Harry de Wit has been working in various areas of the medical technology sector for over 25 years. He served as President for Asia at Covidien in Singapore from 2010. After Covidien was taken over by Medtronic, he opted to leave the company.

AGREEMENT IN PRINCIPLE IN PRODUCT LIABILITY LITIGATION

On February 17, 2016, the Company reached an agreement in principle to resolve the GranuFlo®/NaturaLyte® product liability litigation, which is reflected in the Consolidated Financial Statements as of December 31, 2015 starting on page 139, the section "Overview of the Fiscal Year" starting on page 68 and in the section "Results of Operations, Financial Situation, Assets and Liabilities" starting on page 71.

ECONOMIC AND BUSINESS ENVIRONMENT

There were no fundamental changes in the economic and business environment in our field of activity. 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 2016.

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.

OUTLOOK

We continue to remain optimistic regarding Fresenius Medical Care's performance in the years ahead. In the future, we aim to further expand our product and services business and reduce costs. Thanks to our strong operating basis in our core business of dialysis and in the area of Care Coordination as well as our Global Efficiency Program, we will 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 capture the potential of the vertically integrated company. This means rigorously utilizing the advantages that arise from covering the complete value chain of dialysis. Fresenius Medical Care pursues the aim of making constant progress in providing holistic care to dialysis patients and in 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.

OUR INDUSTRY ENVIRONMENT CONTINUES TO GROW

Fresenius Medical Care expects the number of dialysis patients worldwide to increase by about 6% in 2016. Some significant regional differences are likely to remain. We anticipate 1 to 4% growth in patient numbers in the U.S., Japan, Western and Central Europe. The number of patients with chronic kidney disease is already relatively high in these regions 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 table 2.57.

Demographic factors are one of the main reasons for the continued growth of dialysis markets, including the aging population and the rising number of patients with diabetes and high blood pressure – two diseases that often precede chronic kidney failure. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and ever higher standards of living, even in developing countries.

As a result of an improved infrastructure, the establishment of health care systems and an increase in chronic diseases in Asia, Latin America, Eastern Europe, the Middle East and Africa, we expect high growth

EXPECTED GROWTH IN PATIENT NUMBERS

T. 2.57

	Growth 2016
North America	~4%
Europe/Middle East/Africa	~4%
Asia-Pacific	~8%
Latin America	~5%
► WORLDWIDE	~6%

Source: Internal estimate

rates in dialysis. This opens up huge potential for the entire spectrum of dialysis services and products, as most of the world's population live in these regions.

We do not expect significant changes in treatment methods. Hemodialysis will remain the treatment of choice in future, accounting for about 88% of all dialysis therapies. Peritoneal dialysis will continue to be the preferred treatment for about 12% of all dialysis patients. The volume of the worldwide dialysis market, which amounted to about \$73 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 could reach around \$75 BN in 2016.

GROWTH MARKETS AND FUTURE SALES MARKETS

We consider Care Coordination to be a growth market for Fresenius Medical Care. We significantly increased our revenue in this area last year. In the North America region, Care Coordination accounted for 11% of total revenue. We expect revenue from this to rise substantially in 2016.

We also see growth potential in our core business. Our aim is to keep on expanding our dialysis services business worldwide. Above and beyond this, we have operated 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 in these regions. We serve smaller markets via distributors. We intend to continue expanding our regional range of products and services in the future. Acquisitions can help us to achieve our aim of strengthening our business.

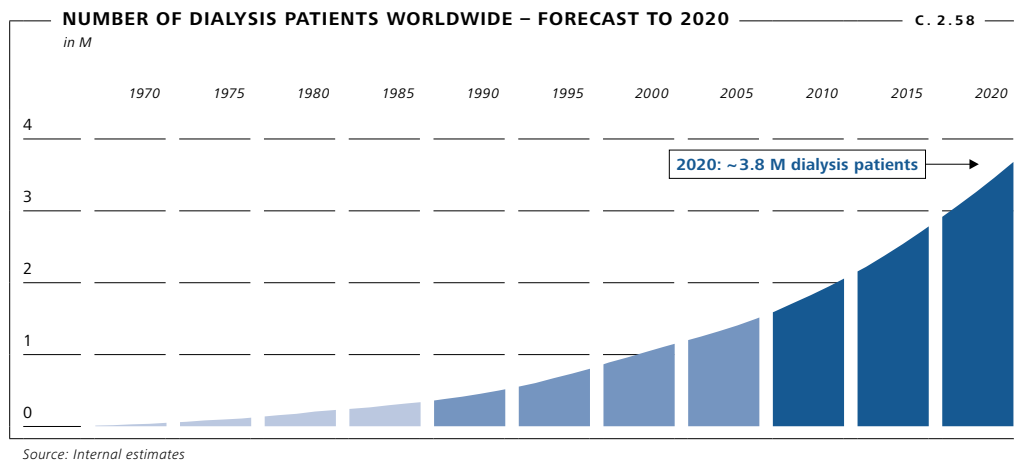
LEGAL STRUCTURE AND ORGANIZATION

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.

BUSINESS DEVELOPMENT OF FRESENIUS MEDICAL CARE IN 2016

Once again, we have set ourselves ambitious targets for 2016 based on the following assumptions:

- ▶ Savings from the Global Efficiency Program are included in the earnings targets.
- ▶ Acquisitions made in 2015 and 2016 are not included.



Exchange rates

Fresenius Medical Care's forecasts for business development in 2016 are based on the prevailing exchange rates at the start of 2016. As mentioned in the "Overall Economic Environment" section starting on page 60, the relationship of the u.s. dollar to the euro is particularly important for Fresenius Medical Care.

Revenue

In 2016, we expect revenue growth of 7 to 10% in constant currency terms.

Earnings

Operating income

We expect operating income and delivered EBIT after considering minority interests to exceed the planned growth in revenue in 2016.

Net income

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to grow by 15 to 20% in 2016 compared to 2015. This income forecast is based on net income in 2015 of \$1.057 BN

(adjusted for the costs of the out-of-court settlement in principle in the GranuFlo® product liability case of \$-37 M and \$9 M for acquisitions).

Earnings per share

In the 2016 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 in principle. Information on the proposed dividend increase can be found in the "Dividend Continuity" section on page 24.

Capital expenditures and acquisitions

We plan to spend \$1.0 BN to \$1.1 BN on capital expenditures. Around 50% of this amount is earmarked for expansion investments.

Apart from financing projects to expand capacity and optimize costs in our production sites, capital expenditures will be used primarily to construct new dialysis clinics, equip distribution companies and make essential replacements.

OUTLOOK FOR 2016

T. 2. 59

	Adjusted income for 2015 -excluding net expenses from settlement-	Targets for 2016
Revenue ^{1,2}	\$16.7 BN	Growth of 7-10% (on a constant currency basis)
Operating income	\$2.4 BN	Growth > growth in revenue
Residual EBIT	\$2.1 BN	Growth > growth in revenue
Net income ³	\$1.1 BN	
Growth in net income ^{2,3}		15-20%
Growth in earnings per share ^{2,3}		in line with the expected development of net income
Capital expenditures	\$0.9 BN	\$1.0 BN-\$1.1 BN
Acquisitions and equity investments	\$0.1 BN	~\$0.75 BN
Net cash provided by operating activities in % of revenue	11.7%	>10%
Free cash flow in % of revenue	6.1%	>4%
Debt/EBITDA ratio	2.7	<3.0
Employees ⁴	104,033	>109,000
Research and development expenditures	\$140 M	\$160 M-\$170 M

¹ After value adjustments on receivables from the provision of health care services.

² Targets for 2016 exclude contributions from acquisitions made in 2015 and 2016.

³ Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.

⁴ Full-time equivalents.

Approximately \$0.75 BN is reserved mainly for supplementary acquisitions and equity investments in the health care services sector.

Liquidity

Cash flow

Net cash provided by operating activities is again expected to account for more than 10% of revenue in 2016, while the free cash flow is set to exceed 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 or leverage ratio) as its guideline for its long-term financial planning. This ratio was adjusted 2.7 at the end of 2015, and is expected to remain below 3.0 in 2016.

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 continue to aim for secured and unutilized credit facilities of between \$300 M and \$500 M. Our main financing needs in 2016 comprise principal repayments under the syndicated credit agreement and a dividend payment estimated at \$266 M. For further information, see the "Financial Situation" section starting on page 77.

Non-financial performance indicators

Employees

Due to the anticipated expansion of our business, we expect the number of employees to grow in 2016, particularly in the area of dialysis services. By the end of 2016, the number of people working for Fresenius Medical Care is set to increase to more than 109,000 full-time equivalents.

Research and development

We plan to spend approximately \$160 M to \$170 M on research and development in 2016. The number of employees in this area (currently 649 full-time equivalents) is not expected to change significantly in 2016.

Our targets for the financial year 2016 are summarized in table 2.59 on page 99.

LONG-TERM GROWTH TARGET

With a view to the growth targets issued for the period to 2020, we anticipate revenue of \$28 BN. This corresponds to an average annual revenue growth of around 10%. The share of revenue from services combined under the heading "Care Coordination" is likely to increase significantly up to 2020. Net income is expected to achieve high single-digit growth on a yearly basis.

GENERAL ASSESSMENT OF EXPECTED DEVELOPMENT

We remain optimistic regarding the performance of Fresenius Medical Care in the years to come. We aim to further expand our core business with dialysis products and services in the future, too. In addition, we will enhance our Care Coordination activities in the years ahead. Consequently, we expect to achieve significant income growth in this financial year and beyond, driven partly by our Global Efficiency Program. By the end of 2016, this figure is set to increase to \$300 M a year. We therefore believe that we are able to achieve our growth targets for 2016.

The outlook describes the expected development of Fresenius Medical Care in the 2016 financial year. It takes into account all events known at the time the financial statements were prepared that could influence our business development in 2016. 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 83, the consolidated financial statements, and the Form 20-F report in the "Investors" section at www.freseniusmedicalcare.com.