FRESENIUS

ANNUAL REPORT 2012

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FRESENIUS

FRESENIUS GROUP IN FIGURES (U.S. GAAP)

€ in millions	2012	2011	2010	2009	2008
Sales and Earnings					
Sales	**19,290**	16,361[1]	15,972	14,164	12,336
EBITDA	**3,851**[2]	3,237	3,057	2,616	2,260[3]
EBIT	**3,075**[2]	2,563	2,418	2,054	1,727[3]
Net income (before special items)[4]	**938**	770	660	514	450
Depreciation and amortization	**776**	674	639	562	783
Earnings per share in € (before special items)[4]	**5.42**	4.73	4.08	3.18	2.85
Cash flow and Balance sheet					
Operating cash flow	**2,438**	1,689	1,911	1,553	1,074
Operating cash flow in % of sales	**12.6%**	10.3%	12.0%	11.0%	8.7%
Total assets	**30,664**	26,321	23,577	20,882	20,544
Non-current assets	**22,551**	19,170	17,142	15,519	15,466
Equity[5]	**12,758**	10,577	8,844	7,491	6,943
Net debt	**10,143**	9,164	8,015	7,879	8,417
Net debt/EBITDA	**2.6**[6]	2.8	2.6	3.0	3.6[7]
Equity ratio[5]	**42%**	40%	38%	36%	34%
Investments[8]	**4,179**	2,395	1,402	931	4,617
Profitability					
EBIT margin	**15.9%**[2]	15.7%	15.1%	14.5%	14.0%[3]
Return on equity after taxes (ROE)[4]	**12.3%**	12.9%	13.3%	12.1%	10.5%[7]
Return on operating assets (ROOA)	**11.0%**[2]	10.9%	11.6%	10.5%	9.8%[7]
Return on invested capital (ROIC)	**9.0%**[2]	8.8%	8.9%	8.2%	7.3%[7]
Dividend per share in €	**1.10**[9]	0.95	0.86	0.75	0.70
Employees (December 31)	**169,324**	149,351	137,552	130,510	122,217

[1] 2011 sales were adjusted by -€161 million according to a U.S. GAAP accounting change. This solely relates to Fresenius Medical Care North America.
[2] 2012 adjusted for one-time costs (€6 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG as well as for other one-time costs (€86 million) at Fresenius Medical Care.
[3] 2008 adjusted for special items relating to the acquisition of Fresenius Kabi USA (formerly APP Pharmaceuticals)
[4] Net income attributable to shareholders of Fresenius SE & Co. KGaA, 2012 adjusted for a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as for one-time costs (€29 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG.
2009 – 2011 adjusted for the effects of mark-to-market accounting of the MEB and the CVR.
2008 adjusted for special items relating to the acquisition of Fresenius Kabi USA (formerly APP Pharmaceuticals)
[5] Including noncontrolling interest
[6] Before special items
[7] Pro-forma Fresenius Kabi USA (formerly APP Pharmaceuticals) and excluding special items
[8] Investments in property, plant and equipment, and intangible assets, acquisitions
[9] Proposal

You will find a 10-year overview on our website: www.fresenius.com under “Investor Relations.”

FRESENIUS MEDICAL CARE

DIALYSIS PRODUCTS,
DIALYSIS CARE

	2012 US$ in millions	2011 US$ in millions	Change
Sales	**13,800**	12,571[1]	10%
EBIT	**2,329**[2]	2,075	12%
Net income[3]	**1,118**[2]	1,071	4%
Operating cash flow	**2,039**	1,446	41%
Capital expenditure/ acquisitions	**2,561**	2,614	-2%
R & D expenses	**112**	111	1%
Employees (December 31)	**90,866**	83,476	9%

FRESENIUS KABI

INFUSION THERAPY, IV DRUGS,
CLINICAL NUTRITION,
MEDICAL DEVICES/
TRANSFUSION TECHNOLOGY

	2012 € in millions	2011 € in millions	Change
Sales	**4,539**	3,964	15%
EBIT	**934**	803	16%
Net income[3]	**444**	354	25%
Operating cash flow	**596**	462	29%
Capital expenditure/ acquisitions	**1,153**	188	--
R & D expenses	**194**	162	20%
Employees (December 31)	**30,214**	24,106	25%

FRESENIUS HELIOS

HOSPITAL OPERATION

	2012 € in millions	2011 € in millions	Change
Sales	**3,200**	2,665	20%
EBIT	**322**	270	19%
Net income[3]	**203**	163	25%
Operating cash flow	**240**	294	-18%
Capital expenditure/ acquisitions	**759**	202	--
Order intake	**n/a**	n/a	
Employees (December 31)	**42,881**	37,198	15%

FRESENIUS VAMED

ENGINEERING AND SERVICES
FOR HOSPITALS AND
OTHER HEALTH CARE FACILITIES

	2012 € in millions	2011 € in millions	Change
Sales	**846**	737	15%
EBIT	**51**	44	16%
Net income[3]	**35**	34	3%
Operating cash flow	**35**	-83	142%
Capital expenditure/ acquisitions	**55**	10	--
Order intake	**657**	604	9%
Employees (December 31)	**4,432**	3,724	19%

[1] 2011 sales were adjusted by -US$224 million according to a U.S. GAAP accounting change
[2] Before special items
[3] Net income attributable to the parent company of the respective business segment

FRESENIUS

FRESENIUS MEDICAL CARE

FRESENIUS KABI

FRESENIUS HELIOS

FRESENIUS VAMED

Fresenius is a health care group providing products and services for dialysis, hospitals, and the medical care of patients at home. In addition, Fresenius focuses on hospital operation, as well as on engineering and services for hospitals and other health care facilities. Approximately 170,000 employees have dedicated themselves to the service of health in about 100 countries worldwide.

To Our Shareholders:

2012 marked our 100th anniversary. As a leading global health care group we are dedicated to the advancement of medicine and human health – values we have upheld ever since our founding as a small pharmacy lab in 1912.

Our corporate culture has been vital to this success. Fresenius strives to seize the opportunities created by constant change. We make bold decisions that move the company forward while staying true to our values and principles. We are committed to innovation, entrepreneurship, and decentralized management structures. We have successfully expanded our business worldwide by maintaining a global view and remaining responsive to the demands of our local markets. We also stand for continuity, demonstrated in long-term value creation, solid financial management, compliance with all applicable laws and regulations, adherence to the highest ethical standards, and stable management. To sum it up, this culture has made us a reliable partner for the health care industry around the globe.

The Group's dynamic growth of recent years proves the value of these principles: In the last decade alone, Fresenius has nearly tripled sales and increased net income more than eight-fold. Today, each of our four business segments is among the leaders in its respective markets.

Our history of growth continued in 2012, with sales and earnings setting new records. Group sales rose by 13 percent in constant currency to €19.3 billion. Net income before special items reached €938 million, an increase of 17 percent in constant currency. We also achieved a record EBIT margin of 15.9 percent.

All business segments grew at double-digit rates in both sales and EBIT, posting significant organic sales growth and taking advantage of opportunities created by market consolidation. With the acquisition of Fenwal Holdings, Fresenius Kabi now enjoys a leading position worldwide in transfusion technology. The acquisition of the Damp Group significantly strengthened Fresenius Helios' hospital network in Northern Germany.

Our goal of combining RHÖN-KLINIKUM AG with Fresenius Helios unfortunately did not materialize. Pooling these two companies' strengths would have enabled us to develop new, forward-looking approaches to health care in Germany. Following our unsuccessful takeover bid, we evaluated alternative transaction structures to achieve our initial goals with a manageable level of risk. None proved viable. In the interest of clarity for all parties, and in keeping with our tradition of sound and disciplined acquisition decisions, we have not submitted a second takeover offer to RHÖN-KLINIKUM AG shareholders.

At the end of 2012, we announced the decision to discontinue our Fresenius Biotech business with its two antibodies ATG-Fresenius S and Removab. We are currently exploring a sale of Fresenius Biotech while simultaneously assessing the equally viable option of retaining the immunosuppressive drug ATG-Fresenius S within the Group. This product has been well established in the hospital market for decades and is consistently profitable. Fresenius will divest the Removab business, resulting in a positive effect on Group earnings starting this year. Going forward, we will focus on our four established business segments, which offer significant growth opportunities.

Looking back on 2012, I would like to express my sincere appreciation and gratitude to our employees for their dedication and outstanding work. Thanks to their extraordinary efforts and commitment, Fresenius had another year of great progress and achievement.

With a century's worth of experience and knowledge, Fresenius is well positioned to meet the challenges of the future and to capitalize on the growth prospects created by increasing demand for high-quality health care around the world. We foresee a number of significant opportunities:

- We expect further dynamic growth in emerging markets. With the number of dialysis patients in these countries growing at double-digit rates, Fresenius Medical Care will continue to expand its dialysis product and service business. Emerging markets will also offer above-average growth for Fresenius Kabi. Developing health care systems in these countries drive increasing demand for nutrition and infusion products.
- The rising trend towards generic drugs worldwide will benefit Fresenius. Generics are indispensable to affordable and high-quality health care since they are significantly cheaper than branded drugs.
- Hospital privatizations continue to represent a growth opportunity for Fresenius, allowing us to strengthen our leading position in the German hospital market.
- We meet increasing global demand for high-performance health care facilities with project design and process solutions that raise medical standards and improve efficiency.

For all our growth opportunities, we must strive to keep our products and services affordable. With aging populations in many countries, the affordability of health care poses an increasing challenge. To meet this objective, we will continue to reduce costs, optimize processes, and harness economies of scale.

Looking ahead, we have set ambitious financial goals for 2013. On a constant currency basis, Group sales are expected to grow by 7 to 10 percent, and net income before special items by 7 to 12 percent. We will integrate our recent acquisitions swiftly and thoroughly into the Group, continue to generate high organic growth, and strive for operational excellence.

Helping seriously ill people and promoting medical progress is at the heart of everything we do. We will continue to pursue this goal in the future. Our values, experience, and knowledge have served our company well for the past 100 years. Fresenius is entering its second century with confidence and commitment.

We remain grateful for your continued trust and support.

Dr. Ulf M. Schneider
Chairman of the Management Board

100 YEARS OF FRESENIUS

100 years ago, Dr. Eduard Fresenius set the cornerstone of our business. In the laboratory of his Frankfurt pharmacy he started a small pharmaceutical company that became the global health care group Fresenius. Entrepreneurial thinking combined with the courage to seize opportunities and make pioneering strategic decisions – this has always been the success formula for our dynamic growth.

The commitment to advancing medical progress and helping seriously ill people with our products and services is still at the heart of everything we do. Fresenius will continue to pursue this goal in the future, setting milestones in medical care for the benefit of human health. This is what Fresenius has stood for over the last 100 years: Forward-Thinking Healthcare.

100 YEARS OF FRESENIUS

1912 1913 1914 1915 1916 1917 1918 1919 1920 1921 1922 1923 1924 1925 1926 1927 1928 1929 1930 1931 1932 1933 1934 1935

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1912

FOUNDING

In October 1912, Dr. Eduard Fresenius, the pharmacist and owner of the Hirsch Pharmacy, which was known locally by its German name, Hirsch-Apotheke, established the pharmacy business Dr. E. Fresenius chemisch-pharmazeutische Industrie KG.

The Hirsch Pharmacy was one of Frankfurt's oldest apothecary shops, with a history that could be traced back to 1462.

The products that Dr. Fresenius produced and sold with his new company included special compounds for colds, such as the nasal ointment Bormelin. The business was successful and grew out of numerous collaborative relationships entered into by Dr. Fresenius with well-known medical specialists. For example, it produced a solution for Nobel Laureate Paul Ehrlich used in his syphilis treatment, Salvarsan: "Injectio Fresenius," ultrapure distilled water.

1934

RELOCATION TO BAD HOMBURG

In 1934, Dr. Fresenius relocated his chemical-pharmaceutical company to Bad Homburg. He intensified his focus on the company, which employed around 400 people in the years to follow.

1937

BRILLIANT IDEAS

Dr. Fresenius had many ideas that made his pharmacy and business well known and were often far ahead of their time. One of these was the *Unterhaltungsblatt der Hirsch-Apotheke* (Hirsch Pharmacy's popular paper), which he published in the early 1930s, to win his customers' loyalty and to promote his company's products.

He had a courier service – still out of the ordinary at that time – which allowed the business to make fast delivery of drugs to its customers.

Another example of Dr. Fresenius' ingenuity was the diet pavilion that he first opened in Bad Homburg in 1937. There, Fresenius employees offered visitors to the famous spa town freshly made fruit and vegetable juices during the summer months, and prepared special drinks for dieting patients according to doctors' prescriptions. These latter drinks were prepared for people with stomach and digestive ailments who generally could only consume fruits and vegetables in limited amounts. The precisely dosed, freshly squeezed juices were given to patients upon consultation with their doctors and facilitated their intake of essential vitamins. Milk-Mix drinks, an early form of milkshakes, were particularly popular.

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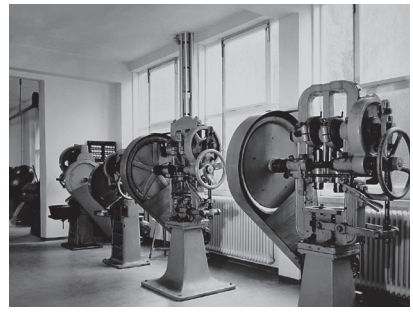

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1946

A NEW START AFTER DIFFICULT TIMES

The Hirsch Pharmacy in Frankfurt was destroyed in the air raids of March 1944. While the business premises in Bad Homburg were not damaged by bombing, shortages of raw materials made the resumption of production difficult.

Dr. Fresenius died in February 1946, leaving his property to a community of heirs, among them his faster daughter Else Fernau. The community of heirs decided that Else Fernau should take over the pharmacy and the company. She assumed this responsibility after completing her studies in pharmacy in 1951, at the age of 26.

From the 1950s, Else Fernau concentrated on relaunching the production at the company in Bad Homburg, and looked to employ specialist staff and assistants. It was the economist and jurist Hans Kröner who offered particularly helpful expert advice. She first consulted him on legal questions, but soon also enlisted his help in developing business strategies for the company. At first, the Bad Homburg site mainly produced infusion solutions, and later Else Fernau and Hans Kröner expanded the product portfolio to a comprehensive range including high-quality special solutions.

1955

EXPANSION OF PRODUCTION OF INFUSION SOLUTIONS

To create space for the production of infusion solutions, Fresenius erected a new building at Gluckensteinweg 5, in Bad Homburg, in 1955.

Infusion solutions marked the beginning of the company, and in the 1960s the continuous expansion of this field began. This included the development of new nutrition and volume replacement solutions as well as intravenously administered generic drugs.

1966

ENTERING THE DIALYSIS MARKET

Up until the early 1960s, there was little help for patients suffering from acute renal failure. Many patients died because no dialysis machines were available for their treatment. For this reason, in 1966, Fresenius started distributing and maintaining dialysis machines made by manufacturers in the U.S. Through their contact with the medical staff who used them, Fresenius employees acquired knowledge and were then able to develop their own dialysis machines starting in the early 1970s.

1963 1964 1965 1966 1967 1968 1969 1970 1971 1972 1973 1974 1975 1976 1977 1978 1979 1980 1981 1982 1983 1984 1985 1986 1987 1988 1989

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1971

A TIME OF EXPANSION

A newly established research department opened up new areas of activity in nutritional medicine for the company in the early 1970s. Fresenius employees, in collaboration with research institutes and clinics, developed an effective composition corresponding to the natural amino acid pattern of the potato and the egg. It set new standards in parenteral nutrition.

In 1971, in Switzerland and France, the first foreign subsidiaries were established. Today, Fresenius operates all over the world in about 80 countries.

In 1974, the new production plant for infusion solutions was opened in St. Wendel, Germany. Today, this site produces highly innovative Polysulfone dialyzers for Fresenius Medical Care.

1979

GROUNDBREAKING INNOVATIONS IN DIALYSIS

In a newly acquired plant in Schweinfurt, Germany, Fresenius commenced production of its own dialysis machines: with the A 2008, dialysis time is reduced by more than half. It was awarded a gold medal at the Leipzig Trade Fair.

In 1982, Fresenius developed the Polysulfone membrane, which is still the standard today in dialyzer technology.

1986

GOING PUBLIC

At the end of 1981, the previous limited partnerships (Kommanditgesellschaften) are transferred to a joint stock company. As the principal shareholder, Else Kröner, née Fernau, assumed 95 percent of the original stock and became Chairman of the Supervisory Board, while her husband Hans Kröner became Chairman of the Management Board. With the introduction of preference shares in 1986, Fresenius was listed on the Frankfurt stock exchange. Ordinary shares were introduced in 1992.

In 2009, the preference shares of Fresenius SE were integrated into Germany's benchmark stock index, the DAX. From 2007 on, Fresenius has operated as a European company (Societas Europaea or SE).

1996

FRESENIUS MEDICAL CARE AND FRESENIUS VAMED

In 1996, the new business segment Fresenius Medical Care emerged from the merger of National Medical Care and Fresenius' worldwide dialysis business.

In the same year, Fresenius was able to purchase the majority interest in VAMED AG. VAMED had been founded for the planning and construction of the Vienna General Hospital in 1982.

1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012

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1999

FRESENIUS KABI

In 1999, the business segment Fresenius Kabi was created through the acquisition of the international infusions business of the American-Swedish company Pharmacia & Upjohn. Numerous additional acquisitions around the world followed, including the U.S. company APP (American Pharmaceutical Partners) in 2008. This took Fresenius Kabi into the North American pharmaceuticals market and made it one of the world's leading suppliers of generic IV drugs.

2005

FRESENIUS HELIOS

In 2005, Fresenius acquired the private hospital operator HELIOS Kliniken GmbH and merged it with the Wittgensteiner hospitals, which it had acquired in 2001. The result of this was the creation of the new business segment Fresenius Helios, which today is one of the largest private hospital operators in Germany.

2011

CHANGE IN LEGAL FORM

The change of the company's legal form into a partnership limited by shares – Kommanditgesellschaft auf Aktien (KGaA) – took place in combination with the conversion of all preference shares into ordinary shares.

2012

100 YEARS OF FRESENIUS

In its centennial year, Fresenius ended the fiscal year with new records for sales and earnings. Approximately 170,000 employees have dedicated themselves at Fresenius to the service of health in about 100 countries worldwide.

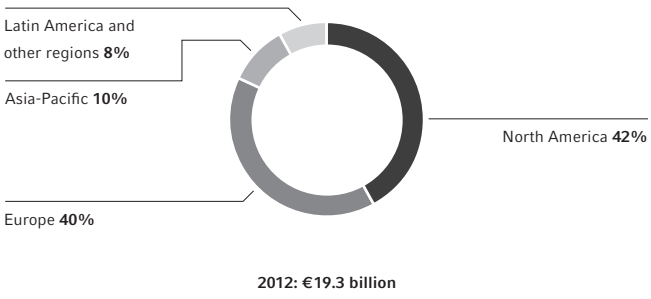
(1) The Hirsch Pharmacy in Frankfurt at the time of the company's founding.
(2) Bormelin ointment for the treatment of swollen mucous membranes in the nose.
(3) The employees of Dr. Eduard Fresenius chemisch-pharmazeutische Industrie KG. Front, sitting, with hat: Dr. Fresenius.
(4) Brilliant ideas: The "diet pavilion" on the terrace of the Kurhaus in Bad Homburg.
(5) Else Fernau, who worked at the Hirsch Pharmacy during her studies, takes over management of the company in 1951.
(6) Company signet from the mid-1940s.
(7) Else Fernau among her colleagues and construction workers at the topping-out ceremony for the new premises at Gluckensteinweg 5.
(8) Machines in the new building from 1955 in Bad Homburg.
(9) A bottle washing system in the St. Wendel plant.
(10) In the field of dialysis, Fresenius closely collaborated with doctors and clinics from the very start. Pictured here is Else Kröner together with the medical director of the Bad Homburg hospital, in Germany, Dr. Rossenheck, and the district administrator, Dr. Jürgens, in front of the clinic's first A 2008 C.
(11) Fresenius makes significant contributions to the development of capillary dialyzers. The capillary dialyzer is now the standard in dialysis.
(12) Press conference held upon entry into the stock exchange in Frankfurt in 1986.
(13) Production of IV drugs at Fresenius Kabi.
(14) 2005: New hospital building in Berlin-Buch, the most state-of-the-art hospital building in Europe at the time.
(15) Headquarters of Fresenius SE & Co. KGaA.

SUMMARY OF THE FISCAL YEAR

SALES. Consolidated sales increased by 18% to €19,290 million in 2012 (2011[1]: €16,361 million). Organic sales growth of 6% was achieved, while acquisitions contributed 8%. Divestitures reduced sales growth by 1%. Currency translation had a positive effect of 5%.

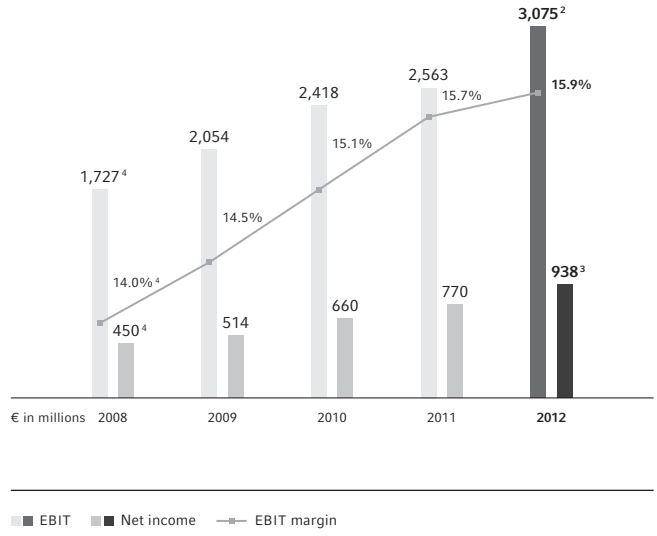
EARNINGS. Operating income[2] (EBIT) grew by 20% to €3,075 million (2011: €2,563 million). The EBIT margin increased to a new record level of 15.9% (2011: 15.7%). Group net income[3] increased by 22% to €938 million (2011: €770 million) and earnings per share[3] by 15% to €5.42 (2011: €4.73).

SALES BY REGION



2012: €19.3 billion

EARNINGS DEVELOPMENT

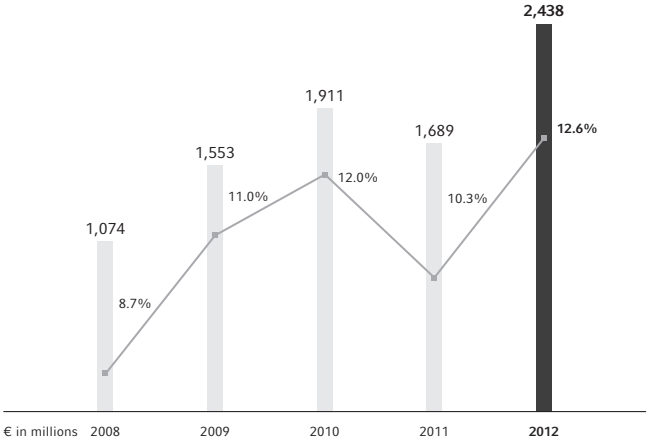


[1] 2011 sales were adjusted according to a U.S. GAAP accounting change. The sales adjustment of -€161 million solely relates to Fresenius Medical Care North America.
[2] Adjusted for one-time costs related to the offer to the shareholders of RHÖN-KLINIKUM AG (€6 million) and for other one-time costs at Fresenius Medical Care (€86 million)
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as for one-time costs (€29 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG. 2011 adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights.
[4] Before special effects of the acquisition of Fresenius Kabi USA (formerly APP Pharmaceuticals)

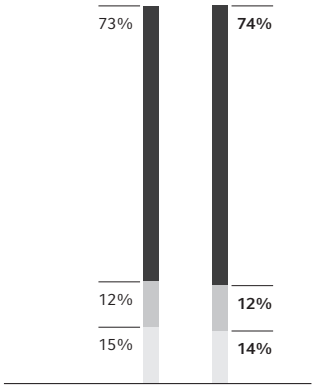
CASH FLOW. Operating cash flow was €2,438 million (2011: €1,689 million). This was mainly driven by strong earnings growth and tight working capital management. Cash flow margin strongly improved to 12.6% (2011: 10.3%). Cash flow before acquisitions and dividends was €1,486 million (2011: €931 million).

BALANCE SHEET. Total assets increased by 17% to €30,664 million. Mainly due to the capital increase, total shareholders' equity, including noncontrolling interest, increased by 21% to €12,758 million. The net debt/EBITDA [5] ratio of 2.6 (December 31, 2011: 2.8) was at the lower end of the targeted corridor of 2.5 to 3.0.

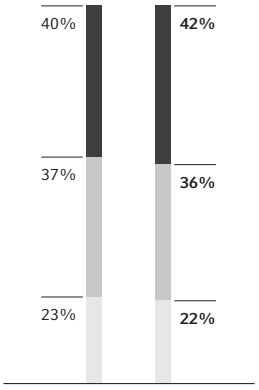
OPERATING CASH FLOW



ASSETS



EQUITY AND LIABILITIES



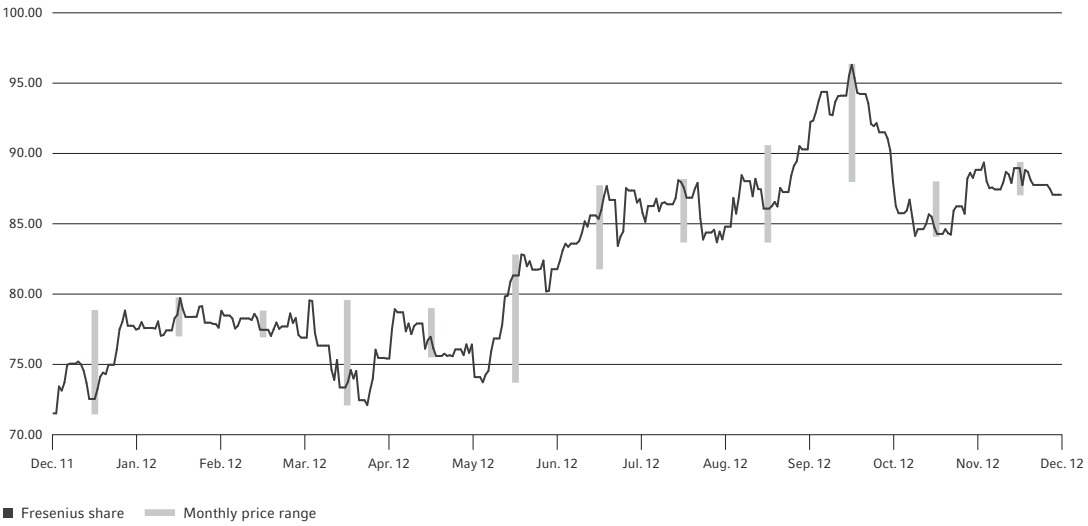
[5] Before one-time items

FRESENIUS SHARE. 2012 was an extremely successful year on the stock markets, despite the ongoing financial and debt crisis. The Fresenius share maintained excellent momentum. Its share price increased steadily and reached a new record level in October. At year-end, the share price was up by 22%.

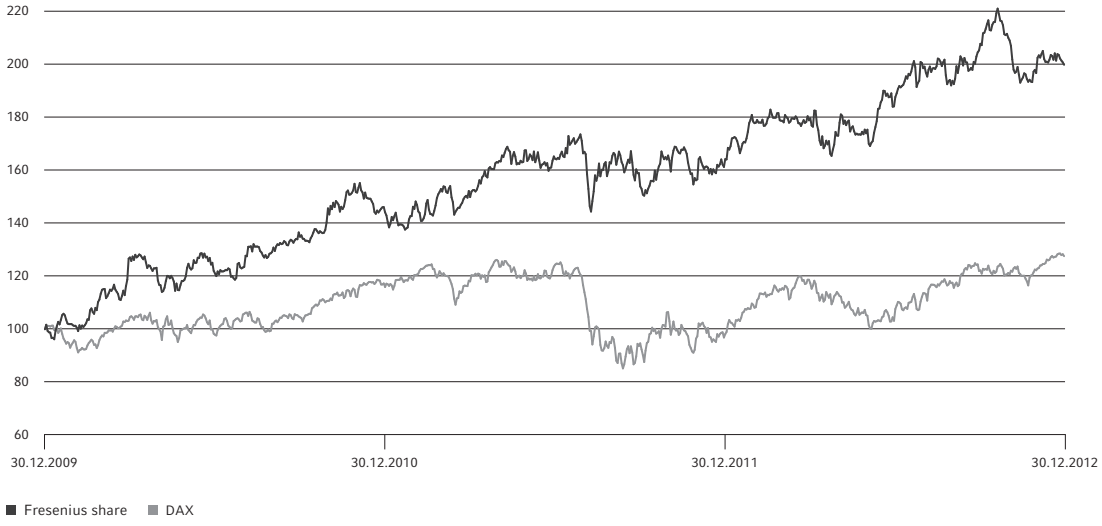
STOCK MARKETS

The stock markets followed the positive economic trend at the beginning of 2012 and started out with rising share prices. In the course of the year, the ongoing European financial and debt crisis renewed investor uncertainty and so led to higher volatility on the capital markets. A major recovery began in September once the European Central Bank and the U.S. Federal Reserve System had indicated their willingness to

ABSOLUTE SHARE PRICE PERFORMANCE – FRESENIUS SHARE IN €



3-YEAR RELATIVE SHARE PRICE PERFORMANCE – FRESENIUS SHARE VS. DAX IN %



provide additional liquidity. But the ongoing debt problems of a number of southern European countries and initial fears of a recession pushed prices back down slightly towards the end of the year, a bit below the highs achieved earlier in the year. A year-end rally starting in December had many indices ultimately ending up close to their peak for the year.

The **DAX** stood at 5,898 at the beginning of the year. It reached its peak of 7,672 in December, mainly due to a boom in cyclical shares, and ended the year at 7,612, an increase of 29%.

The **Euro Stoxx 50** gained 11% within the year. The European **Dow Jones Stoxx 600** index closed 2012 with a gain of 13%. The best performing sectors in this index were Automotive (31%), Insurance (31%), and Travel & Leisure (30%), while Utilities (-3%), Oil & Gas (-5%), and Telecommunication (-12%) were the weakest three performers. The health care sector gained 12% within the year. The leading U.S. indices also performed well: The **S & P 500** closed 2012 with a gain of 12%, while the **Dow Jones Industrial Average** gained 6%.

FRESENIUS SHARE

Market conditions featured great uncertainty and high volatility in the first half of 2012, but the Fresenius share was not much affected. The share price initially benefited from excellent operating results as well as the completion of major acquisitions. Until mid-year, the price moved laterally but increased sharply over the summer. Driven by positive market sentiment and expectations of solid quarterly results, the Fresenius share hit a new high of €96.38 on October 16, 2012. In view of the more cautious outlook for the year announced by Fresenius Medical Care, the share price decreased. The closing price for the Fresenius share on December 31, 2012 was €87.10. This represents a gain of 22% over the closing price for 2011. In a comparison over three years, the Fresenius share outperformed its benchmark DAX by 72%, as may be seen on the chart above. The DAX was up by only 28% over this period, but the Fresenius share doubled in price.

Fresenius' **market capitalization** was €15.5 billion as of December 31, 2012, an increase of 33% compared to December 31, 2011.

As the table shows, the **average daily trading** volume in Fresenius shares on Xetra decreased by 4% compared to the previous year. DAX trading volume decreased by 6% in the same time period.

XETRA TRADING VOLUME

	Average trading volume 2012 No. of shares/day	Average trading volume 2011 No. of shares/day	Change in %
Fresenius share	**482,030**	502,241	-4

The Fresenius share is listed on the stock exchanges in Frankfurt am Main, Düsseldorf, and Munich. Fresenius is included in Germany's leading index, the DAX, as well as the Prime Standard Pharma & Healthcare index, and the Dow Jones Stoxx 600 Healthcare index. The Fresenius share is also listed in the Dow Jones Euro Stoxx and the FTSE Eurofirst 300 indices.

ADR PROGRAM

On October 26, 2011, Fresenius initiated a Sponsored Level I American Depositary Receipt (ADR) program in the U.S. ADRs are certificates that enable U.S. investors to indirectly hold shares in a non-American company and to trade these in the U.S. The ADR program provides U.S. investors with an easy way to invest in Fresenius in their domestic market and in their local currency, and to share in the company's future development. Eight Fresenius ADRs correspond to one Fresenius share. They are traded in the U.S. on the over-the-counter (OTC) market.

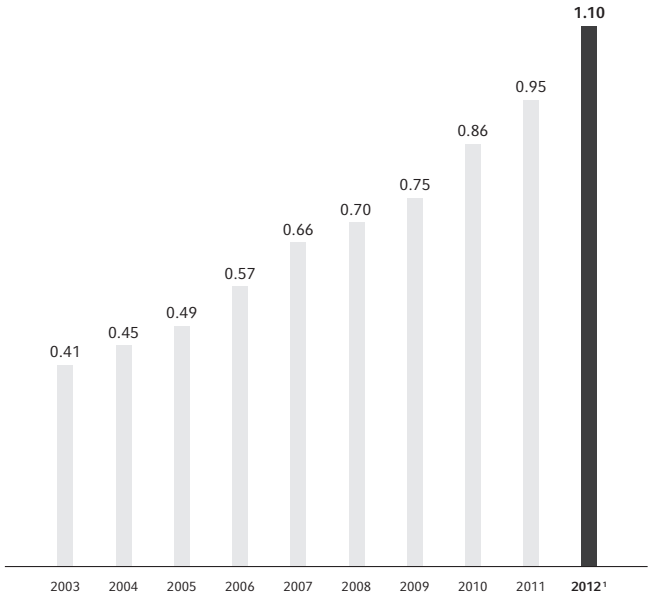
CAPITAL STRUCTURE

Fresenius completed a capital increase in May 2012. The new shares were placed with institutional investors through an accelerated book built offering. In connection with the capital increase, 13.8 million new ordinary shares were issued at a price of €73.50 per share. The new shares have full dividend entitlement for the fiscal year 2012. After issuance of the new shares, the total number of outstanding ordinary shares of Fresenius SE & Co. KGaA increased from 163,366,002 to 177,166,002.

Furthermore, stock options under the 1998, 2003, and 2008 stock option plans were exercised in 2012. Further information on the stock option plans can be found on pages 197 to 204 of the Notes of this Annual Report.

The number of shares increased by 14,950,924 to a total of 178,188,260 shares by the end of 2012.

DEVELOPMENT OF DIVIDENDS IN €



[1] Proposal

DIVIDEND

Based on the Group's excellent financial results, we intend to increase the dividend for 2012 and thus continue our **earnings-linked dividend policy**. For the 20th consecutive year, we are proposing to our shareholders a dividend increase to €1.10 (2011: €0.95) per share, an increase of 16% per share. The total proposed dividend distribution will be €196.0 million, equivalent to 21% of Group net income before special items. Based on the proposed dividend and the closing price of our share at the end of 2012, the dividend yield would be approximately 1.3%.

Fresenius shares are an attractive investment. Anyone who invested about €1,000 in Fresenius ordinary shares five years ago and reinvested the dividends would have increased their capital to €1,594 as of December 31, 2012. That is an average annual return of 11%.

We have added a total return calculator as a service on our website at www.fresenius.com under Investor Relations – Fresenius Share/ADR – Share Price. You can use the value calculator to determine the total return on your Fresenius shares, including dividend payments.

SHAREHOLDER STRUCTURE

The following charts describe the shareholder structure by the end of 2012. The Else Kröner-Fresenius-Stiftung was the largest shareholder of Fresenius SE & Co. KGaA, with approximately 27% of the shares. In addition, we received notifications pursuant to the German Securities Trading Act (WpHG) from BlackRock and The Capital Group Companies, Inc. For further information on these notifications, please see pages 176 and 177 of the Notes.

As of **December 31, 2012**, a **shareholder survey** identified the ownership of about 93% of our subscribed capital. The survey performed showed that the shareholder base of Fresenius is solid: a total of 691 institutional investors held about 109.1 million shares or 61% of subscribed capital; 8.2 million shares were identified as retail holdings. The **top ten investors** held 20% of the share capital. Our shares were mostly held by investors in Germany, Great Britain, and the United States.

ANALYST RECOMMENDATIONS

The recommendations published by financial analysts are an important guide for institutional as well as private investors when making investment decisions. According to our survey, as of February 22, 2013, we were rated with 21 "buy," 6 "hold," and 1 "sell" recommendations.

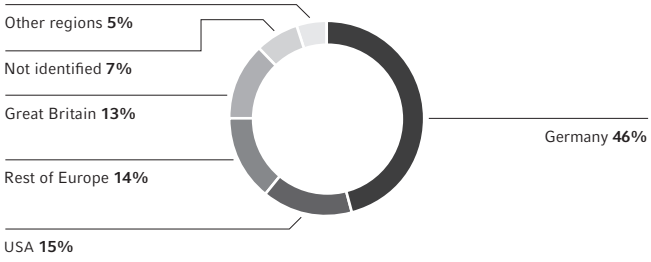
The latest list of banks that provide regular analyst coverage of Fresenius and their latest recommendations can be found on our website www.fresenius.com under Investor Relations – Fresenius Share/ADR – Analysts.

INVESTOR RELATIONS

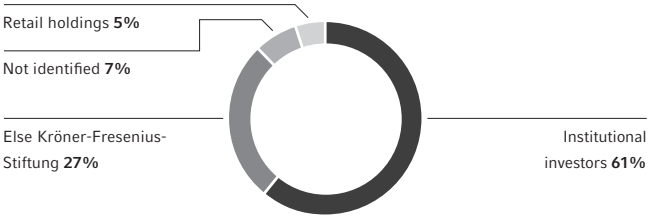
Our Investor Relations activities are in accordance with the transparency rules of the German Corporate Governance Code. We pursue comprehensive, timely, and open communication with private and institutional investors as well as financial analysts. The equal treatment of all market actors is very important to us.

We intensified our **dialog with the capital markets** in 2012, in order to enable investors and analysts to make a fair assessment of the Fresenius Group's business situation and market conditions. By means of its annual analysts' meeting

SHAREHOLDER STRUCTURE BY REGION



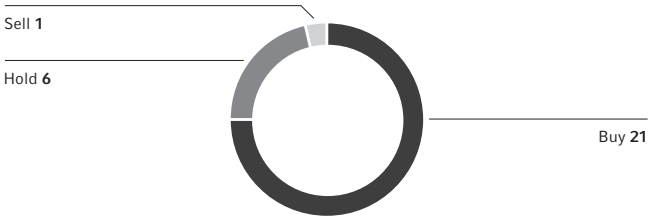
SHAREHOLDER STRUCTURE BY INVESTORS



and its quarterly conference calls and webcasts, Fresenius gave presentations in all the major financial European and U.S. markets. We expanded our contacts with institutional investors and analysts at 20 international investor conferences, 27 roadshows, and countless one-on-one meetings. We also organized field trips with banks, giving investors and analysts the opportunity to discuss matters with the Management Board. As part of a Capital Market Day in June 2012, we presented the strategy and growth prospects for Fresenius Kabi. The presentations and additional information about Fresenius Kabi's Capital Market Day are available on our website under Investor Relations – Presentations.

We also continued the dialog with our **private investors**, especially via the internet. Our private shareholders can follow live webcasts of the quarterly conference calls and annual analysts' meetings on our website at www.fresenius.com. Presentations can be downloaded shortly before and, of course, after the events under Investor Relations – Presentations. We also publish all presentations given at international investor conferences. In 2013, we also plan to increase the information content of our website. We intend to make further improvements in the ways we communicate with private shareholders and would welcome any suggestions you may care to make.

ANALYST RECOMMENDATIONS



Number of recommendations as of February 22, 2013

Along with six other DAX30 companies in the top assessment group, our reporting on the Company's outlook was designated as having "Excellent Transparency" in 2012. To achieve this, Deutsche Schutzvereinigung für Wertpapierbesitz e.V. (DSW) (Germany's oldest and largest association for private investors) and Kirchhoff Consult analyzed the qualitative and quantitative information given by each DAX30 company in its management report on its expected net income and its sales and earnings growth.

If you would like to contact us or find out about key dates in our 2013 financial calendar, please take a look at the last page of this report or visit us at our website www.fresenius.com under Investor Relations.

KEY DATA OF THE FRESENIUS SHARE

	2012	2011	2010	2009	2008
Number of shares	**178,188,260**	163,237,336	162,450,090	161,315,376	161,143,734
Stock exchange quotation[1] in €					
High	**96.38**	75.62	67.59	43.76	60.87
Low	**72.07**	59.90	41.80	27.69	31.93
Year-end quotation	**87.10**	71.48	62.75	43.45	36.23
Market capitalization[2] in million €	**15,520**	11,668	10,301	7,538	6,270
Total dividend distribution in million €	**196.0**[3]	155.1	139.7	121.8	113.6
Dividend per share in €	**1.10**[3]	0.95	0.86	0.75	0.70
Earnings per share in €	**5.42**[4]	4.73[5]	4.08[5]	3.18[5]	2.85[6]

[1] Xetra closing price on the Frankfurt Stock Exchange
[2] Total number of ordinary shares multiplied by the respective Xetra year-end quotation on the Frankfurt Stock Exchange (ordinary and preference shares until January 28, 2011)
[3] Proposal
[4] Net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as for one-time costs (€29 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG.
[5] Adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds (MEB) and Contingent Value Rights (CVR)
[6] Before special items relating to the acquisition of Fresenius Kabi USA (formerly APP Pharmaceuticals)

CORPORATE GOVERNANCE DECLARATION AND REPORT.

The Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term corporate strategies, solid financial management, strict adherence to legal and ethical business standards, and transparency in corporate communication are key factors.

In this Corporate Governance Declaration, the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE (Management Board), report, pursuant to Section 289a of the German Commercial Code (HGB), on corporate management and, pursuant to number 3.10 of the German Corporate Governance Code, on the Corporate Governance at the Company (Corporate Governance Report). The Corporate Governance Declaration and the Corporate Governance Report are published on the Company website at www.fresenius.com, see Who we are – Corporate Governance.

CORPORATE GOVERNANCE DECLARATION

GROUP MANAGEMENT AND SUPERVISION STRUCTURE AND CORPORATE BODIES

GROUP MANAGEMENT AND SUPERVISION STRUCTURE

The Company has the legal form of a KGaA (Kommanditgesellschaft auf Aktien – partnership limited by shares). The **Annual General Meeting**, the **Supervisory Board**, and the **general partner** Fresenius Management SE are the legal corporate bodies. There have been no changes in the Group management and the supervision structure in the reporting period. The chart on the following page provides an overview of the Group structure.

The articles of association of Fresenius SE & Co. KGaA, which, in addition to legal provisions, further define the responsibilities of the individual corporate bodies, can be downloaded from our website www.fresenius.com, see Who we are – Corporate Governance.

SHAREHOLDERS

The shareholders uphold their rights at the Annual General Meeting, where they exercise their **voting rights**. Every ordinary share of Fresenius SE & Co. KGaA confers one vote. None of the shares carry multiple or preferential voting rights.

We treat all shareholders and principal interest groups equally. We make information on significant new circumstances publicly available without delay. Equal treatment is an essential prerequisite for building confidence in the capital market.

We report in more detail on our investor relations activities in the section "Fresenius share" on pages 13 and 14.

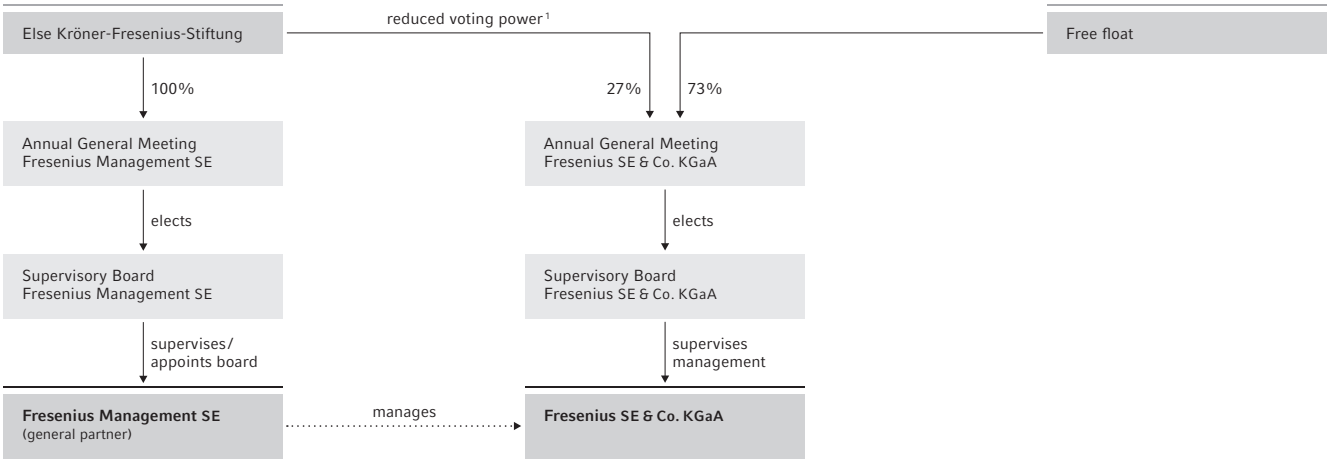
ANNUAL GENERAL MEETING

Our Annual General Meeting (AGM) was held on May 11, 2012, in Frankfurt/Main. Approximately 76% of the share capital was represented. Those shareholders unable to attend the AGM were able to listen to the speech of the Chairman of the Management Board, which is broadcast live over the Internet on our website www.fresenius.com, see Investor Relations – Annual General Meeting. In addition, shareholders were able to have their voting rights exercised by proxy, or, in line with the recommendation in the Code, by a voting representative appointed by Fresenius SE & Co. KGaA.

During the AGM on May 11, 2012, the shareholders voted with a majority of 99% of the votes cast for the proposal made by the general partner and the Supervisory Board to increase the dividend for 2011 by 10% to €0.95 per ordinary share. With a majority of more than 98%, they authorized the general partner, with the approval of the Supervisory Board, to issue option bearer bonds and/or convertible bearer bonds for a total nominal amount of up to €2.5 billion. To enable shares to be granted to holders of option bearer bonds and/or convertible bearer bonds issued under the terms of this authorization, the shareholders approved a new Conditional Capital IV of €16,323,734.00.

The shareholders further resolved with a majority of 98% that the Company be authorized to acquire and utilize own shares comprising up to 10% of its subscribed capital. Further resolutions included approval of changes to the system of compensation of the members of the Management Board of the general partner and the approval of the Company's annual

STRUCTURE FRESENIUS SE & CO. KGAA



[1] For selected items no voting power, e. g., election of Supervisory Board SE & Co. KGaA, discharge of general partner and Supervisory Board of SE & Co. KGaA for the fiscal year, election of auditors

financial statements. The resolutions on the approval of the Company's annual financial statements, the authorization of the issuance of option bearer bonds and/or convertible bearer bonds alongside the creation of Conditional Capital IV, and the authorization to acquire and utilize own shares also required the approval of the general partner, which was duly given.

With regard to certain subject matters, legally required voting right exclusions exist for the general partner and/or its sole shareholder, the Else Kröner-Fresenius-Stiftung. These pertain, for example, to the appointment of the Supervisory Board of Fresenius SE & Co. KGaA, the approval of the actions of the general partner and the members of the Supervisory Board, and the selection of the auditor. This guarantees that the remaining shareholders retain the sole authority to decide on these matters, especially those that pertain to the supervision of management.

Documents and information on the Annual General Meeting are available on our website at www.fresenius.com, see Investor Relations – Annual General Meeting.

MANAGEMENT BOARD AND SUPERVISORY BOARD PROCEDURES

The **responsibilities** are distributed as follows in Fresenius SE & Co. KGaA: The Management Board of the general partner is responsible for conducting the business of Fresenius SE & Co. KGaA. The Supervisory Board of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner.

General partner – Management and Supervisory Boards

The general partner Fresenius Management SE, represented by its Management Board, manages Fresenius SE & Co. KGaA at its own responsibility and conducts its business. The Management Board formulates the strategy, discusses it with the Supervisory Boards of Fresenius Management SE and of Fresenius SE & Co. KGaA, and oversees its implementation. Its actions and decisions are aligned with the best interests of Fresenius SE & Co. KGaA. The Management Board is committed to increasing the value of the Company on a sustainable basis. The rules of procedure for the Management Board were established by the Supervisory Board of Fresenius Management SE. They define the activities within the board more specifically, especially with regard to the individual duties and responsibilities of the members, matters reserved for the full Management Board, and resolutions to be passed by the full Management Board. The **meetings of the Management Board** are convened as required, but at least once a month, and are chaired by the Chairman of the Management Board or, if he is incapacitated, by the Chief Financial Officer or, if he is also incapacitated, by the Management Board member present who is most senior in age. However, Management Board meetings are usually held twice a month. The person chairing the meeting decides the order in which the items on the agenda are dealt with and the form in which the voting is conducted. The Management Board passes its resolutions by a simple majority of the votes cast or, outside its meetings, by a simple majority of its members, except in cases where mandatory provisions of law or the Company's articles of association require a unanimous vote or action by all the Management Board members. The Chairman of the Management Board has the casting vote if a vote is tied. If the Chairman is incapacitated or absent, the motion is deemed rejected if a vote is tied. The rules of procedure for the Management Board also govern the relations between the Management Board and the Supervisory Board of the general partner as well as between the general partner and the Supervisory Board of Fresenius SE & Co. KGaA, and also matters that require approval of the general partner's Supervisory Board.

The Management Board consists of seven members: the Chairman, the Chief Financial Officer, the Chief Legal and Compliance Officer and Labor Relations Director, as well as the chief executive officers of the four business segments. This ensures that the full Management Board is kept constantly

informed about important events, plans, developments, and measures within the business segments. There are no Management Board committees owing to Fresenius SE & Co. KGaA's role as an operating holding company. The Management Board is listed in the Annual Report on pages 214 to 218.

As a European company (SE – Societas Europaea), Fresenius Management SE has its own **Supervisory Board**. It consists of six members, and its Chairman is Dr. Gerd Krick. The Supervisory Board appoints the members of the Management Board of Fresenius Management SE and supervises and advises the Management Board by conducting the business. It established its rules of procedure following the recommendation in number 5.1.3 of the Code.

An overview of the Supervisory Board members of Fresenius Management SE can be found on page 218 of the Annual Report.

The Supervisory Board of Fresenius SE & Co. KGaA

The Supervisory Board of Fresenius SE & Co. KGaA supervises the management of the Company's business by the general partner. It supervises business operations to ensure that corporate decisions are compliant, suitable, and financially sound. The members of the Management Board of the general partner are appointed by the Supervisory Board of Fresenius Management SE, not – as already explained – by the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board of Fresenius SE & Co. KGaA consists of twelve members. Half of its members are elected by the AGM. The proposals for the members of the Supervisory Board primarily take account of the knowledge, ability, and expert experience required to perform the tasks. The election proposal provided by the Supervisory Board will take into account the Company's international activities, potential conflicts of interest, the number of independent members of the Supervisory Board within the meaning of number 5.4.2 of the Code, and diversity. This also includes the aim to establish appropriate female representation on a long-term basis. It is not in the Company's interest to generally limit the selection of qualified candidates. However, in the Company's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. The statutorily required declaration of conformity concerning the Code accordingly includes a justified limitation. A Nomination Committee has been instituted for election proposals for the **shareholders' representatives**. Its activities are aligned with the provisions of law and the Code. The European works council elects the **employee representatives** to the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board includes what it deems to be an appropriate number of **independent members** who do not have any business or personal relationship with the Company, its corporate bodies, a controlling shareholder, or a party related to the latter that may give grounds for a material and not merely temporary conflict of interest. The **articles of association** of Fresenius SE & Co. KGaA regulate the details with regard to the Supervisory Board's election, constitution, term of office, meetings and resolutions, and rights and duties. They are published on our website at www.fresenius.com, see Who we are – Corporate Governance, where they can be downloaded.

The Supervisory Board of Fresenius SE & Co. KGaA has established its rules of procedure in accordance with number 5.1.3 of the Code. The Chairman of the Supervisory Board is responsible for coordinating the activities of the Supervisory Board, chairing the **meetings**, and representing its interests externally. The Supervisory Board should convene once each calendar quarter, and must convene twice each calendar half-year. The meetings are convened and chaired by the Chairman or, if he is incapacitated, by a chairperson named by the Chairman. The person chairing the meeting decides the order in which the items on the agenda are dealt with and the form in which the voting is conducted. Unless other majorities are mandatory by law, the Supervisory Board passes its resolutions by a simple majority of the votes submitted in the voting. If a vote is tied, the Chairman has the casting vote or, if he does not take part in the voting, the matter is decided by the vote of the Deputy Chairman, who is a shareholder representative.

The Supervisory Board of Fresenius SE & Co. KGaA conducts its business in accordance with the provisions of law, the articles of association of Fresenius SE & Co. KGaA, and its rules of procedure. The Management Board of the general partner Fresenius Management SE continuously informs the Supervisory Board of the corporate development, planning, and strategy. The Supervisory Board supervises the Company's management and, taking into account the auditor's reports, reviews the Group's annual financial statements. Another important part of the Supervisory Board's activities is the work conducted within the committees formed in accordance with the requirements of the German Stock Corporation Act and the recommendations of the Code.

The members of the Supervisory Board keep themselves regularly informed, through internal and external sources, about the latest requirements with regard to their supervisory activities. With the support of the Company, the Supervisory Board at all times ensures that its members are suitably qualified, keep their professional knowledge up to date, and further develop their judgment and expertise to the extent necessary for the proper performance of their duties, including those of the Supervisory Board committees. Information is sourced from various external experts. In addition, representatives from the Company's specialists division provide information about important developments, for example about the strategic orientation of the Company in growth markets, relevant new laws and precedents, or changes in the U.S. GAAP and IFRS accounting and auditing standards.

An overview of the members of the Supervisory Board of Fresenius SE & Co. KGaA can be found on pages 214 to 215 of the Annual Report.

On pages 208 to 213 of the Annual Report, the Supervisory Board reports on the main focuses of its activities and those of its committees in 2012.

Supervisory Board efficiency evaluation

The Supervisory Board of Fresenius SE & Co. KGaA deliberated on the efficiency evaluation in accordance with number 5.6 of the Code at its meeting in March 2012.

It reviewed the efficiency of its activities through an open discussion within the full Supervisory Board. A **company-specific questionnaire** covering the salient points for a self-evaluation served as the basis for the discussion. Among other things, this included the organization and structuring of the meetings, the amount of information, and how this information was provided. The self-evaluation showed that the Supervisory Board was efficiently organized, and that the cooperation between the Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA worked very well.

Cooperation between general partner and Supervisory Board of Fresenius SE & Co. KGaA

Good corporate governance requires **trusting and efficient cooperation** between the Management and the Supervisory Board. The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA closely cooperate for the benefit of the Company. Open communication is essential. The common goal is to sustainably increase the company value in line with the corporate governance and compliance principles. The general partner and the Supervisory Board of Fresenius SE & Co. KGaA coordinate with each other, especially with regard to the Company's strategic focus. As the monitoring body, the Supervisory Board of Fresenius SE & Co. KGaA also needs to be fully informed about operating performance and corporate planning, as well as the risk situation, risk management, and compliance. The general partner provided this information in full and in compliance with its duties.

COMPOSITION AND PROCEDURES OF THE SUPERVISORY BOARD COMMITTEES

The Supervisory Board of Fresenius SE & Co. KGaA forms two **permanent committees** from among its members: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The committee members were elected for the duration of their term as a member of the Supervisory Board of Fresenius SE & Co. KGaA. In accordance with the articles of association of Fresenius SE & Co. KGaA, only members of the Audit Committee receive additional compensation (Section 13 (2)). There is no Personnel Committee in the KGaA because the Supervisory Board of Fresenius SE & Co. KGaA is not responsible for appointing members of the Management Board of the general partner or for their contracts. Responsibility for these personnel matters lies with the Supervisory Board of the general partner.

The provisions for the Supervisory Board of Fresenius SE & Co. KGaA apply analogously to the committees. The committees hold meetings as required. The meetings are convened by the committee chairmen. They report during the following Supervisory Board meeting about the work of the respective committee. The rules of procedure for the committees are regulated in the rules of procedure of the Supervisory Board of Fresenius SE & Co. KGaA. The committees do not have their own rules of procedure.

The members of the Supervisory Board's committees are listed on page 215 of the Annual Report.

Audit Committee

The Chairman of the Audit Committee of Fresenius SE & Co. KGaA satisfies the requirements of number 5.3.2 of the Code. Prof. Dr. h. c. Roland Berger is the Chairman of the Audit Committee and meets the required qualification of the **financial expert** stated in Section 100 (5) of the German Stock Corporation Act (AktG). The Audit Committee's function is, among other things, to prepare the Supervisory Board's approval of the financial statements – and the consolidated financial statements – and the Supervisory Board's proposal to the AGM on the appointment of the auditor for the financial statements, and to make a preliminary review of the proposal on the allocation of distributable profits. It also reviews the quarterly reports before they are published and – following discussions with the Management Board of the general partner – engages the auditor for the financial statements (and concludes the agreement on the auditor's fees), determines the main focuses of the audit, and defines the auditor's reporting duties in relation to the Supervisory Board of Fresenius SE & Co. KGaA. Other matters within its remit are to review the effectiveness of the internal controls system, of the risk management system, of the internal audit system, and of the compliance.

The Audit Committee consists of Prof. Dr. h. c. Roland Berger (Chairman), Konrad Kölbl, Dr. Gerd Krick, Gerhard Roggemann, and Rainer Stein.

Nomination Committee

The Nomination Committee proposes suitable candidates to the Supervisory Board for the nominations it makes to the AGM for the election of Supervisory Board members on the shareholders' side. It consists solely of shareholder representatives. In making its proposals, the Nomination Committee is guided by the requirements of the Code.

The Nomination Committee consists of Dr. Gerd Krick (Chairman), Prof. Dr. h. c. Roland Berger, and Dr. Gerhard Rupprecht.

Mediation Committee

Fresenius SE & Co. KGaA does not have a Mediation Committee because the provisions of the German Co-Determination Act that require such a committee do not apply to a partnership limited by shares and because the Code also does not require such a committee.

Joint Committee

For some matters, which are defined in further detail in Section 13c (1) of the articles of association of Fresenius SE & Co. KGaA, the general partner requires the approval of the Joint Committee if 40% of the consolidated sales, the consolidated balance sheet total, and the consolidated profit are

affected by the matter. These include, for example, the divestiture and acquisition of large investments and business units or the divestiture of large business units from the assets of Fresenius SE & Co. KGaA or a wholly owned company. The approval of the Joint Committee is also required for certain legal transactions between Fresenius SE & Co. KGaA or its affiliates and the Else Kröner-Fresenius-Stiftung.

Dr. Gerd Krick and Dr. Gerhard Rupprecht are members of the Joint Committee. Other members are Dr. Dieter Schenk (Chairman) and Dr. Karl Schneider, who were appointed by the general partner. The Joint Committee did not meet in 2012.

Committee related to the capital increase

The Supervisory Board formed a committee and delegated the exercise of the Supervisory Board's rights of consultation and approval related to the capital increase in May 2012 to this committee. The committee resolved to utilize Authorized Capital I in the amount of €13.8 million, to exclude subscription rights and it approved the issue price. The committee consisted of Dr. Gerd Krick, Dr. Gerhard Rupprecht, Rainer Stein and Niko Stumpfögger.

Information on positions held by committee members on statutorily required supervisory boards and comparable domestic and foreign control bodies of other business enterprises can be found on pages 214 to 218 of the Annual Report.

RELEVANT DISCLOSURES ON CORPORATE GOVERNANCE PRACTICES

The general partner, represented by its Management Board, manages the Company's business with the due care and diligence of a prudent and conscientious company director in compliance with the provisions of the law, the articles of association, the rules of procedure for the Management Board, the resolutions passed by the full Management Board, and the Supervisory Board of the general partner. Corporate governance practices extending beyond the requirements of law are defined in the **Fresenius Code of Conduct**. This Code of Conduct contains the key principles and rules for our conduct within the Company and in our relations with external partners and with the public. We have published the Fresenius Code of Conduct on our website at www.fresenius.com, see Who we are – Corporate Governance. The Code of Conduct is binding for all Company employees and must be complied with regarding any type of business relationship. The Fresenius Code of Conduct was implemented by the Management Board in 2010. Our executives regard ensuring compliance with the principles of the Code of Conduct as part of their managerial responsibilities.

COMPLIANCE

Our "Forward Thinking Healthcare" model is the maxim for corporate governance at Fresenius, determines our corporate culture, and is an integral part of our day-to-day work. It is the basis for our corporate values reflected in the **Fresenius Code of Conduct**. In the Fresenius Code of Conduct, the Management Board commits itself without limitation to binding principles and rules for conduct within the Company and in its course of the business. These include professionalism, honesty, and integrity in relations with our patients, customers, suppliers, employees, and shareholders. Furthermore, in its Code of Conduct, Fresenius commits itself to fair competition and to dealing honestly with business partners and officials. Fresenius expects all of its employees to comply with all applicable principles, laws, and regulations. Breaches will not be tolerated and will be pursued.

Company guidelines and rules of procedure provide specific details regarding the regulations included in the Fresenius Code of Conduct. Their purpose is to help our employees make the right decisions in their day-to-day work. The Fresenius Code of Conduct is complemented by the codes of conduct and compliance programs of the Company's business segments. The latter comply with the requirements that arise from their specific activities and are generally not interfered with as long as they are not in conflict with the Fresenius Code of Conduct. The Fresenius Code of Conduct accordingly applies to all employees of the Fresenius Group.

Employees are obliged to report any non-compliance with the Code, or if they become aware of a potential non-compliance, to their superiors or a compliance manager. The Code of Conduct explicitly rules that no employee may incur any disadvantage as a result of reporting a potential breach of the Code. That is why breaches of the Code of Conduct may also be reported anonymously to an e-mail address set up for this purpose.

Regular **training**, for example on the Code of Conduct in general or on specific topics, such as cartel law, helps our employees to comply with the Fresenius Code of Conduct, the company guidelines and our rules of procedure. Fresenius gives top priority to this training, which is obligatory for all employees, including management. The aim is to make participants aware of potential breaches of compliance and for them to learn to recognize and avoid risks and conflicts of interest at an early stage. Since 2012, besides participating in person, it has been possible to do the training online. In addition, a quarterly Compliance Newsletter provides information on the latest developments in this field.

The **Internal Audit** division audits business segments and Group companies also in regard to compliance-relevant issues. It discusses potential areas of risk prior to and takes account of them in its audit. If the results of an audit reveal any potential for improvement, this will be implemented jointly with the Corporate Compliance department at Fresenius SE & Co. KGaA.

Monitoring compliance is a central duty of management at all levels. The Corporate Compliance department reports to the **Chief Compliance Officer** – the member of the Management Board responsible for Legal Affairs, Compliance, and Human Resources. It supports him in developing and implementing guidelines and procedures aimed at ensuring compliance with statutory regulations and the requirements of the Fresenius Compliance Program.

Each business segment has initiated compliance activities and guidelines, and appointed a chief compliance officer. This officer is in charge of introducing, developing, and monitoring compliance. Depending on the organizational and business structures, the chief compliance officer is assisted by additional compliance officers. The employees at the Corporate Compliance department similarly support and advise the compliance officers of the business segments, as well as at the regional and local levels.

The **Compliance Steering Committee** is the central committee for discussing compliance issues. It comprises the Chief Compliance Officer, the Chief Financial Officer, and the heads of Legal Affairs, Internal Audit, and the Corporate Compliance department. It deals with the status of major projects and discusses procedures concerning recognized risks and the steps to be taken to identify breaches of compliance. It also specifies procedures for dealing with any breach.

The supervisory bodies at Fresenius SE & Co. KGaA as well as the general partner, Fresenius Management SE, are regularly informed – no less than once a year – about compliance within the Group.

RISK MANAGEMENT AND CONTROL SYSTEM

In our view, the responsible handling of risks is an element of good corporate governance. Fresenius has a systematic risk management and control system that allows the Management Board to make early identifications of risks and market trends and to react promptly to relevant changes in our risk profile. Our risk management and control system and efficiently designed processes help to enhance the Company's performance. Our risk management is reviewed as part of the annual audit of the financial statements. The control system is regularly reviewed by the Management Board and the Internal Audit division. Further information can be found on pages 103 to 104 of the Management Report.

The Internal Audit division supports the Management Board as an independent function outside the Company's day-to-day operations. The division assesses internal processes from an objective viewpoint and with the necessary distance. Our goal is to create added value for Fresenius, and thus to

help achieve organizational goals through improved internal controls, optimized business processes, cost reduction, and efficiency increases, as well as the prevention of corruption.

Fresenius Medical Care AG & Co. KGaA has its own internal risk management and control system.

GERMAN CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

The German Corporate Governance Code was established to increase confidence in the corporate governance of publicly traded German companies. It aims to provide more transparency for domestic and foreign investors with regard to existing regulations covering the management and monitoring of companies. Our value-enhancing strategies, as well as the majority of the guidelines, recommendations, and suggestions for **responsible management** contained in the Code, have been basic components of our activities for many years. Extensive information on the subject of corporate governance can be found on our website www.fresenius.com, see Who we are – Corporate Governance.

The Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA have issued the required **Declaration of Conformity** pursuant to Section 161 of the German Stock Corporate Act (AktG) and have made it available to shareholders on the website of the Company:

"Declaration by the Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE, and by the Supervisory Board of Fresenius SE & Co. KGaA on the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (Aktiengesetz).

The Management Board of the general partner of Fresenius SE & Co. KGaA, Fresenius Management SE, (hereafter the Management Board) and the Supervisory Board of Fresenius SE & Co. KGaA declare that since issuance of the previous declaration of conformity in December 2011 the recommendations of the 'Government Commission on the German Corporate Governance Code' published by the Federal Ministry of Justice (Justizministerium) in the official section of the Federal Gazette (Bundesanzeiger) (hereafter the Code) in the version of May 26, 2010, as well as in the version of May 15, 2012, since its publication in the Federal Gazette have been met and that the recommendations of the Code in the version of May 15, 2012 will be met in the future. Only the following recommendations have not been and will not be met:

- **Code number 4.2.3 paragraph 4: Severance payment cap**
  Pursuant to code number 4.2.3 paragraph 4, in concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of contract, including fringe benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the employment contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and, if appropriate, also the expected total compensation for the current financial year.

  These recommendations are not met insofar as the employment contracts of the members of the Management Board do not contain severance payment arrangements for the case of premature termination of the contract and consequentially do not contain a limitation of any severance payment amount. Uniform severance payment arrangements of this kind would contradict the concept practiced by Fresenius in accordance with the German Stock Corporation Act (Aktiengesetz) according to which employment contracts of the members of the Management Board are, in principle, concluded for the period of their appointment. They would also not allow for a well-balanced assessment of the individual case.

- **Code number 5.1.2 paragraph 2 sentence 3: Age limit for members of the Management Board**
  Pursuant to code number 5.1.2 paragraph 2 sentence 3, an age limit shall be specified for members of the Management Board. As in the past, Fresenius will refrain from determining an age limit for members of the Management Board in the future since this would unduly limit the selection of qualified candidates.

- **Code number 5.4.1 paragraph 2 and paragraph 3: Specification of concrete objectives regarding the composition of the Supervisory Board and their consideration when making recommendations to the competent election bodies**
  Pursuant to code number 5.4.1 paragraph 2 and paragraph 3, the Supervisory Board shall specify concrete objectives regarding its composition and, when making recommendations to the competent election bodies, take these objectives into account. The objectives specified by the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. These recommendations are not met. As the composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of code number 5.4.2, and diversity. This includes the aim to establish an appropriate female representation on a long-term basis.

  However, in the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself to a general declaration of intent and particularly refrains from fixed diversity quotas and from an age limit. As the next regular elections of the Supervisory Board will take place in the year 2016, a report on implementation of the general declaration of intent can only be made then.

- **Code number 5.4.6 paragraph 2 sentence 2: A performance-related compensation of the members of the Supervisory Board oriented toward sustainable growth of the enterprise**
  Pursuant to code number 5.4.6 paragraph 2 sentence 2 in the version of May 15, 2012, a performance-related compensation, if promised to the members of the Supervisory Board, shall be oriented toward sustainable growth of the enterprise. The variable compensation of the Supervisory Board members of Fresenius SE & Co. KGaA does not have a calculation basis of several years and is, therefore, not oriented, in this sense, toward the sustainable growth of the enterprise. The Supervisory Board rather receives a performance-related compensation, which, pursuant to Section 13 paragraph 1 of the articles of association of Fresenius SE & Co. KGaA, depends on the dividend. This compensation model has been in existence since the year 1995. It continues to bring forth an adequate compensation of the Supervisory Board in line with the law and with the interests of the shareholders.

Bad Homburg, December 2012
Management Board of the general partner of
Fresenius SE & Co. KGaA, Fresenius Management SE,
and Supervisory Board of Fresenius SE & Co. KGaA"

In accordance with Section 161 para. 2 AktG and number 3.10 sentence 3 of the Code, this declaration and all past declarations are published on our website at www.fresenius.com. To download these documents, see Who we are – Corporate Governance.

FURTHER INFORMATION ON CORPORATE GOVERNANCE

DIVERSITY

The Management Board takes diversity into account when filling executive positions. An appropriate degree of female representation is especially important when selecting equally qualified candidates. The commitment to diversity within the Fresenius Group is underlined by the fact that 27% of our executive officers are women.

Further information on diversity as well as personnel development and personnel management are included in the Group Management Report on pages 79 ff.

LEGAL RELATIONSHIPS WITH MEMBERS OF THE CORPORATE BODIES

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

Fresenius SE & Co. KGaA reports the following relationships existing between Fresenius group companies and companies in which members of the Supervisory Board of Fresenius SE & Co. KGaA or members of the Supervisory or Management Board of Fresenius Management SE held an executive or other function in 2012.

Prof. Dr. med. D. Michael Albrecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden, as well as a member of the supervisory boards of the University Hospitals in Aachen, Magdeburg, and Rostock. The Fresenius Group maintains business relations with these hospitals in the ordinary course of business under customary conditions. Klaus-Peter Müller is a member of the Supervisory Boards of Fresenius Management SE and of Fresenius SE & Co. KGaA and the Chairman of the Supervisory Board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. In 2012, the Fresenius Group paid €1.9 million in total to Commerzbank AG for financing commitments and in connection with Senior Notes issuances and the capital increase.

Consultancy or other service relationships between members of the Supervisory Board and the Company existed with regard to Dr. Dieter Schenk, Deputy Chairman of the Supervisory Board of Fresenius Management SE. Dr. Schenk is a partner in the law firm Noerr LLP. The entities of the internationally acting law firm Noerr provided legal advice to the Fresenius Group in 2012. In 2012, the Fresenius Group paid or processed for payment in December 2012 a total of about €1.8 million to the law firm Noerr (2011: €1.43 million). This corresponds to 2% of the total amount paid by the Fresenius Group for services and legal advice in 2012 (2011: 2%). Thereof, about €0.4 million were attributable to services for Group companies not related to the business segment Fresenius Medical Care. The services rendered for Group companies of the business segment Fresenius Medical Care require a separate approval by the Supervisory Boards of Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA. The Supervisory Board of Fresenius Management SE has examined the mandate closely, and has approved this mandate. Dr. Schenk did not take part in the voting. The approval was made on the basis of a written submission to the Supervisory Board, which listed all individual mandates and their corresponding individual invoices. In 2012, the invoices were paid after the Supervisory Board gave its approval. The Supervisory Board of Fresenius SE & Co. KGaA dealt with the amounts for legal services paid to the law firm Noerr in relation to the amounts paid to other law firms.

Further consulting or service contracts between Supervisory Board members and the Company existed in the case of Prof. Dr. h. c. Roland Berger, who is both a member of the Supervisory Boards of Fresenius Management SE and of Fresenius SE & Co. KGaA and is at the same time a partner in the management consultancy firm Roland Berger Strategy

Consultants Holding GmbH. The Fresenius Group paid €0.6 million to Roland Berger Strategy Consultants GmbH, an affiliated company of Roland Berger Strategy Consultants Holding GmbH, for services rendered in 2012 (2011: €0.7 million). The Supervisory Boards of Fresenius Management SE and Fresenius SE & Co. KGaA examined this mandate closely. Both Supervisory Boards approved this mandate. Prof. Dr. h. c. Berger abstained from each voting. The respective approvals were made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

The payments mentioned in the above section "Legal relationships with members of the corporate bodies" are net amounts. In addition, VAT was paid.

There are no other consulting or service contracts – neither directly nor indirectly – between Supervisory Board members and the Company.

Fresenius has disclosed the information on related parties in the quarterly reports for 2012 and on page 204 of the Annual Report.

DISCLOSURES ON DIRECTORS' DEALINGS AND SHAREHOLDINGS IN 2012

Members of the Management and Supervisory Boards of the general partner, members of the Supervisory Board of Fresenius SE & Co. KGaA, other executive officers, and persons closely related to them are required, pursuant to Section 15a of the German Securities Trading Act (WpHG), to disclose purchases and sales of Fresenius SE & Co. KGaA's shares and financial instruments based on them (directors' dealings). Directors' dealings in 2012 are disclosed in the tables below.

Pursuant to number 6.6 of the Code, ownership of shares of the Company and financial instruments based on them must be disclosed by Management Board and Supervisory Board members if more than 1% of the shares issued by the Company are held either directly or indirectly. None of the Management or Supervisory Board members of the general partner or of the Supervisory Board of Fresenius SE & Co. KGaA directly or indirectly holds more than 1% of the shares issued by Fresenius or any related financial instruments.

DIRECTORS' DEALINGS MANAGEMENT BOARD

2012	Name	Quantity	Price in € [1]	Total volume in €	Type of transaction
November 26	R. Baule	21,930	28.65	628,358.89	Stock option exercise [2]
September 5	Dr. U. M. Schneider	14,620	57.45	839,934.83	Stock option exercise [2]
September 6	Dr. U. M. Schneider	14,620	58.90	861,045.88	Stock option exercise [2]
September 13	Dr. U. M. Schneider	20,000	47.63	952,657.62	Stock option exercise [2]
December 3	Dr. U. M. Schneider	25,800	34.95	901,714.46	Stock option exercise [2]

[1] Price rounded to two decimals
[2] Exercise of stock options on Fresenius shares of the stock option plan and sale of the shares (cash settlement)

DIRECTORS' DEALINGS SUPERVISORY BOARD

2012	Name	Quantity	Price in € [1]	Total volume in €	Type of transaction
June 14	Dr. G. Krick	15,000	65.59	983,811.00	Stock option exercise [2]
July 5	Dr. G. Krick	10,000	68.63	686,348.85	Stock option exercise [2]
September 11	Dr. G. Krick	10,000	73.58	735,844.62	Stock option exercise [2]
November 27	Dr. G. Krick	8,860	72.79	644,875.41	Stock option exercise [2]

[1] Price rounded to two decimals
[2] Exercise of stock options on Fresenius shares of the stock option plan and sale of the shares (cash settlement)

The members of the Management and Supervisory Boards of Fresenius Management SE and the members of the Supervisory Board of Fresenius SE & Co. KGaA together hold 1.1% of the shares of Fresenius SE & Co. KGaA outstanding as of December 31, 2012, in the form of shares or related financial instruments and stock options under the Fresenius SE & Co. KGaA stock option plans. 0.6% are held by members of the Management Board of Fresenius Management SE, 0.5% by members of the Supervisory Board of Fresenius Management SE, and also 0.5% by members of the Supervisory Board of Fresenius SE & Co. KGaA. Due to the fact that some persons are members of both Supervisory Boards, the amount of shares or related financial instruments and stock options held by the Boards of Fresenius SE & Co. KGaA and Fresenius Management SE in total is smaller than the cumulative holdings of the three Boards as reported herein.

There were no notifications that the shareholdings of members of the Management and Supervisory Boards had reached, exceeded, or fallen below the reporting thresholds stipulated in the German Securities Trading Act.

TRANSPARENCY AND COMMUNICATION

Fresenius adheres to all recommendations of number 6 of the Code. Transparency is guaranteed by continuous communication with the public. In that way we are able to validate and deepen the trust given to us. Of particular importance to us is the **equal treatment** of all recipients. To ensure that all market participants receive the same information at the same time, we post all important publications on our website www.fresenius.com in the "Investor Relations" section and under Who we are – Corporate Governance. These publications include, for instance, financial reports and disclosures on directors' dealings in accordance with Section 15a of the German Securities Trading Act (WpHG). We report in detail on our 2012 investor relations activities in the section "Fresenius share" on pages 13 to 14 of the Annual Report.

FINANCIAL ACCOUNTING AND REPORTING

Fresenius prepares its consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP). Fresenius, as a publicly traded company based in a member country of the European Union, is required to prepare and publish its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) pursuant to Section 315a of the German Commercial Code (HGB). Our largest subsidiary, Fresenius Medical Care, prepares its financial statements in accordance with U.S. GAAP. We therefore publish our consolidated financial statements in accordance with U.S. GAAP and our statutory consolidated financial statements in accordance with IFRS. This enables us to disclose our financial results to all our shareholders in a comparable and transparent manner.

COMPENSATION REPORT

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

COMPENSATION OF THE MANAGEMENT BOARD

The entire Supervisory Board of Fresenius Management SE is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee. In the fiscal year 2012, the acting personnel committee was composed of Dr. Gerd Krick, Dr. Dieter Schenk and Dr. Karl Schneider.

The Management Board compensation system was reviewed by an independent external compensation expert in the fiscal year 2010, and later submitted to the Annual General Meeting of Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA) for approval. On May 12, 2010, the Annual General Meeting approved of the Management Board compensation system with a majority of 99.51% of the votes cast. In 2011, it was complemented by a share-based compensation with cash settlement (performance shares) in order to strengthen the component with long-term incentive effects. The amended Management Board compensation system was reviewed by an independent external compensation expert and was approved by the Annual General Meeting on May 11, 2012, with a majority of 97.0 % of the votes cast.

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

The compensation of the Management Board is, as a whole, performance-based and was composed of three elements in the fiscal year 2012:

- non-performance-based compensation (base salary)
- performance-based compensation (variable bonus)
- components with long-term incentive effects (stock options, postponed bonus payments, and share-based compensation with cash settlement (performance shares))

In addition, there are pension commitments for the seven members of the Management Board based on their respective service agreements.

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

The non-performance-based compensation was paid in monthly installments as base salary in the fiscal year 2012. Moreover, the members of the Management Board received additional benefits consisting mainly of insurance premiums, the private use of a company car, special payments such as rent supplements and reimbursement of certain other charges as well as contributions to pension and health insurance.

The performance-based compensation will also be granted for the fiscal year 2012 as a short-term cash component (annual bonus) and as a longer-term compensation component (stock options, postponed bonus payments, share-based compensation with cash settlement (performance shares)). The amount of the bonus in each case is dependent on certain target parameters oriented on the net income attributable to Fresenius SE & Co. KGaA and/or to the relevant business segments being achieved. In the case of the members of the Management Board with functional responsibility for the entire Group – such members being Dr. Schneider, Mr. Sturm and Dr. Götz – the amount of the variable bonus is based in its entirety on the respective net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest). For Mr. Baule and Dr. De Meo, half of the amount of the variable bonus in each case depends on the development of the net income attributable to Fresenius SE & Co. KGaA as well as the development of the net income of the business segment (in each case after deduction of noncontrolling interest) for which the respective member of the Management Board is responsible. Half of the amount of the variable bonus of Dr. Wastler in each case is oriented on the net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) as well as on the net income before tax and extraordinary income/expenditures of the VAMED group. Dr. Lipps receives his compensation exclusively from

Fresenius Medical Care. Furthermore, the Supervisory Board may grant a discretionary bonus for extraordinary performance.

For the fiscal years 2012 and 2011, the amount of cash payment of the Management Board of the general partner of Fresenius SE & Co. KGaA consisted of the following:

	Non-performance-related compensation				Performance-related compensation		Cash compensation (without long-term incentive components)	
	Salary		Other[2]		Bonus			
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**990**	900	**51**	61	**1,150**	1,150	**2,191**	2,111
Rainer Baule	**550**	500	**26**	120	**801**	764	**1,377**	1,384
Dr. Francesco De Meo	**550**	500	**19**	19	**700**	671	**1,269**	1,190
Dr. Jürgen Götz	**415**	375	**34**	33	**600**	584	**1,049**	992
Dr. Ben Lipps[1]	**973**	862	**302**	182	**1,438**	1,078	**2,713**	2,122
Stephan Sturm	**550**	500	**89**	86	**751**	721	**1,390**	1,307
Dr. Ernst Wastler	**470**	425	**34**	33	**587**	571	**1,091**	1,029
Total	**4,498**	4,062	**555**	534	**6,027**	5,539	**11,080**	10,135

[1] Dr. Ben Lipps receives his compensation only from Fresenius Medical Care, of which Fresenius SE & Co. KGaA held 31% of the total subscribed capital.
As Dr. Ben Lipps is a member of the Management Board of Fresenius Management SE, his compensation has to be included in the compensation report of the Fresenius Group.
[2] Includes insurance premiums, private use of a company car, contributions to pension and health insurance as well as other benefits.

In the fiscal year 2012, the directly paid bonus, excluding the payment to Dr. Ben Lipps, amounts to €4,589 thousand. This equals 97% of the total bonus of €4,737 thousand. The remaining part in an amount of €148 thousand was converted into a component based on a multi-year assessment and the payment was postponed by two years.

To ensure that the overall system of compensation of the members of the Management Board is oriented towards long-term and sustained corporate development, the compensation system provides that the share of long-term variable compensation components is at least equal in its amount to half of the total variable compensation components granted to the respective member of the Management Board. As a means of ensuring this minimum ratio in favor of the compensation components oriented towards the long term, it is expressly provided that the Supervisory Board may determine that the variable bonus to be paid as a rule annually is converted (pro rata) into a variable compensation component based on a multi-year assessment in order to also take account of any negative developments within the assessment period. This is done in such a way that the maturity of the yearly bonus earned on a variable basis is postponed at the discretion of the Supervisory Board, either on a pro rata basis or in its entirety, by two years. At the same time, it is ensured that any payment is made to the member of the Management Board after expiration of such multi-year period only if (i) no subsequent adjustment of the decisive (i. e. adjusted by extraordinary effects) net income attributable to Fresenius SE & Co. KGaA (after deduction of noncontrolling interest) beyond an amount equal to a tolerance range of 10% is made, and (ii) the amount of net income attributable to Fresenius SE & Co. KGaA (adjusted for extraordinary effects) in the two relevant subsequent years is not substantially less than the net income attributable to Fresenius SE & Co. KGaA (adjusted by extraordinary effects, after deduction of noncontrolling interest) of the respective preceding fiscal years. In the event of the aforementioned conditions for payment being missed only to a minor and/or partial extent, the Supervisory Board may resolve on a corresponding pro rata payment of the converted portion of the variable bonus. No interest is payable on the converted bonus claim from the time when it first arises until the time of its effective payment. In this way, the variable bonus can be converted pro rata or in its entirety into a genuine variable compensation component on a multi-year assessment basis, which also participates in any negative developments during the relevant assessment period.

In the fiscal year 2012, stock options based on the Stock Option Plan 2008 of Fresenius SE & Co. KGaA and the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 were granted as further components with long-term incentive effects. The number of stock options to be granted is defined in each case by the Supervisory Board at its discretion, with all members of the Management Board, except for the Chairman of the Management Board who receives double the number of stock options, receiving the same number of stock options.

The principles of both plans are described in more detail in note 35 of the notes of the Fresenius Group, Stock options.

Furthermore, the members of the Management Board were granted an entitlement to a share-based compensation with cash settlement (performance shares) in the fiscal year 2012, as a long-term incentive component.

The entitlement is subject to a four-year vesting period, although a shorter period may apply in special cases (e. g. professional incapacity, retirement, non-renewal of expired service agreements by the Company). The amount of cash payment corresponds to the share price of Fresenius SE & Co. KGaA's ordinary shares upon exercise at the end of the four-year vesting period.

The payment is subject to the achievement of the performance target of an 8% increase of the consolidated net income attributable to Fresenius SE & Co. KGaA on a constant currency basis (adjusted for extraordinary effects) year over year during the four-year vesting period. For each year in which the success target has not been met, one-fourth of the entitlement shall forfeit. Apart from that, the total entitlement for payment is earned if an average increase of the consolidated net income attributable to Fresenius SE & Co. KGaA of 8% on a constant currency basis is achieved over the four-year vesting period.

For the fiscal years 2012 and 2011, the number and value of stock options issued, the value of the postponed performance-based compensation as well as the value of the share-based compensation with cash settlement (performance shares) is shown in the following table.

The stated values of the stock options granted to members of the Management Board in the fiscal year 2012 correspond to their fair value at the time of grant, namely a value of €21.19 (2011: €19.10) per stock option of Fresenius SE & Co. KGaA and €12.68 (2011: €13.44) per stock option of FMC-AG & Co. KGaA. The exercise price of the granted stock options of Fresenius SE & Co. KGaA was €78.33 (2011: €71.28).

As the financial targets of the year 2012 were achieved, Dr. Ben Lipps is entitled to a share-based compensation in an amount of €768 thousand (2011: €684 thousand) in accordance with the bonus agreement of Fresenius Medical Care. The entitlement is based on the development of the ordinary share of Fresenius Medical Care and has a three-year vesting period.

LONG-TERM INCENTIVE COMPONENTS

	Stock options[1]				Postponed performance-related compensation		Share-based compensation with cash settlement (performance shares)		Total	
	Number		Value, € in thousands		Value, € in thousands		Value, € in thousands		Value, € in thousands	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**56,760**	56,760	**1,203**	1,084	**0**	0	**100**	100	**1,303**	1,184
Rainer Baule	**28,380**	28,380	**601**	542	**99**	122	**100**	100	**800**	764
Dr. Francesco De Meo	**28,380**	28,380	**601**	542	**0**	29	**100**	100	**701**	671
Dr. Jürgen Götz	**28,380**	28,380	**601**	542	**0**	0	**100**	100	**701**	642
Dr. Ben Lipps	**74,700**	74,700	**947**	1,004	**0**	0	**768**	684	**1,715**	1,688
Stephan Sturm	**28,380**	28,380	**601**	542	**49**	79	**100**	100	**750**	721
Dr. Ernst Wastler	**28,380**	28,380	**601**	542	**0**	0	**100**	100	**701**	642
Total	**273,360**	273,360	**5,155**	4,798	**148**	230	**1,368**	1,284	**6,671**	6,312

[1] Stock options that were granted in 2012 and 2011 under the Fresenius SE & Co. KGaA stock option plan. Dr. Ben Lipps received stock options under the Fresenius Medical Care stock option plan.

At the end of the fiscal year 2012, the members of the Management Board held a total of 1,151,740 (2011: 1,050,050) stock options and convertible bonds (together referred to as stock options) of Fresenius SE & Co. KGaA and 348,600 (2011: 572,700) stock options and convertible bonds of FMC-AG & Co. KGaA.

The development and the status of the stock options of the Management Board in the fiscal year 2012 are shown in the following table:

	Dr. Ulf M. Schneider	Rainer Baule	Dr. Francesco De Meo	Dr. Jürgen Götz	Dr. Ben Lipps[1]	Stephan Sturm	Dr. Ernst Wastler	**Total[2]**
Options outstanding on January 1, 2012								
number	333,680	130,290	138,360	115,680	572,700	196,080	135,960	**1,050,050**
average exercise price in €	50.37	54.37	52.72	53.98	37.20	47.26	51.83	**51.18**
Options granted during fiscal year								
number	56,760	28,380	28,380	28,380	74,700	28,380	28,380	**198,660**
average exercise price in €	78.33	78.33	78.33	78.33	57.30	78.33	78.33	**78.33**
Options exercised during fiscal year								
number	75,040	21,930	0	0	298,800	0	0	**96,970**
average exercise price in €	41.11	57.43			33.30			**44.80**
average stock price in €	88.49	86.08			53.62			**87.94**
Options outstanding on December 31, 2011								
number	315,400	136,740	166,740	144,060	348,600	224,460	164,340	**1,151,740**
average exercise price in €	57.61	58.85	57.08	58.78	44.85	51.19	56.41	**56.40**
average remaining life in years	4.6	4.6	4.5	4.6	5.4	4.1	4.4	**4.5**
range of exercise prices in €	33.81 to 78.33	33.81 to 78.33	33.81 to 78.33	33.81 to 78.33	30.49 to 57.30	29.50 to 78.33	29.50 to 78.33	**29.50 to 78.33**
Exercisable options on December 31, 2011								
number	145,120	51,600	81,600	58,920	99,600	139,320	79,200	**555,760**
average exercise price in €	45.77	44.25	45.99	45.89	31.97	41.10	44.28	**44.29**

[1] Dr. Ben Lipps holds stock options under the Fresenius Medical Care stock option plan.
[2] Only stock options of Fresenius SE & Co. KGaA, excluding stock options of Dr. Ben Lipps

The following table shows the total compensation of the Management Board of the general partner of Fresenius SE & Co. KGaA for the years 2012 and 2011:

	Cash compensation (without long-term incentive components)		Long-term incentive components		Total compensation (including long-term incentive components)	
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**2,191**	2,111	**1,303**	1,184	**3,494**	3,295
Rainer Baule	**1,377**	1,384	**800**	764	**2,177**	2,148
Dr. Francesco De Meo	**1,269**	1,190	**701**	671	**1,970**	1,861
Dr. Jürgen Götz	**1,049**	992	**701**	642	**1,750**	1,634
Dr. Ben Lipps	**2,713**	2,122	**1,715**	1,688	**4,428**	3,810
Stephan Sturm	**1,390**	1,307	**750**	721	**2,140**	2,028
Dr. Ernst Wastler	**1,091**	1,029	**701**	642	**1,792**	1,671
Total	**11,080**	10,135	**6,671**	6,312	**17,751**	16,447

The stock options and the entitlement to a share-based compensation (performance shares) can be exercised only after the expiry of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year. The expenses attributable to the fiscal years 2012 and 2011 are stated in the following table.

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

	Stock options		Share-based compensation with cash settlement (performance shares)		Total expenses for share-based compensation	
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ulf M. Schneider	**877**	736	**42**	2	**919**	738
Rainer Baule	**439**	368	**42**	2	**481**	370
Dr. Francesco De Meo	**439**	351	**42**	2	**481**	353
Dr. Jürgen Götz	**439**	368	**42**	2	**481**	370
Dr. Ben Lipps	**2,136**	1,098	**1,681**	780	**3,817**	1,878
Stephan Sturm	**439**	368	**42**	2	**481**	370
Dr. Ernst Wastler	**439**	351	**42**	2	**481**	353
Total	**5,208**	3,640	**1,933**	792	**7,141**	4,432

The system of compensation for the Management Board provides for a contractually stipulated cap or for the possibility of capping the amount of the annual compensation to be claimed by the member of the Management Board overall, i. e. including all variable compensation components. This makes it possible to adequately take account in particular of those extraordinary developments that are not in any relevant proportion to the performance of the Management Board.

Under the compensation system, the amount of the basic and the total compensation of the members of the Management Board was and will be assessed giving particular regard to the relevant comparison values of other DAX companies and similar companies of comparable size and performance from the relevant industrial sector.

COMMITMENTS TO MEMBERS OF THE MANAGEMENT BOARD IN THE EVENT OF THE TERMINATION OF THEIR APPOINTMENT

There are individual contractual pension commitments for the Management Board members Dr. Ulf M. Schneider, Rainer Baule, Dr. Francesco De Meo, Dr. Jürgen Götz and Stephan Sturm based on their service agreements with the general partner of Fresenius SE & Co. KGaA. The Management Board member Dr. Ernst Wastler has a pension commitment of VAMED AG, Vienna. The Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America. With regard to these pension commitments, the Fresenius Group had pension obligations of €12,912 thousand as of December 31, 2012 (2011: €8,678 thousand). The additions to pension liability in the fiscal year 2012 amounted to €4,234 thousand (2011: €808 thousand).

The pension commitments are as follows:

€ in thousands	As of January 1, 2012	Additions	**As of December 31, 2012**
Dr. Ulf M. Schneider	1,335	864	**2,199**
Rainer Baule	3,692	760	**4,452**
Dr. Francesco De Meo	0	868	**868**
Dr. Jürgen Götz	481	344	**825**
Dr. Ben Lipps	648	79	**727**
Stephan Sturm	764	501	**1,265**
Dr. Ernst Wastler	1,758	818	**2,576**
Total	8,678	4,234	**12,912**

Each of the pension commitments provides for a pension and survivor benefit, depending on the amount of the most recent base salary, from the 63rd year of life, or, in the case of termination because of professional or occupational incapacity, from the time of ending active work.

The pension's starting percentage of 30% of the last base salary increase with every full year of service as Management Board member by 1.5 percentage points, 45% being the attainable maximum.

Current pensions increase according to legal requirements (Section 16 of the German law to improve company pension plans, BetrAVG).

Thirty percent of the gross amount of any post-retirement income from an occupation of the Management Board member is offset against the pension. Furthermore, 100% (or in the case of Management Board member Rainer Baule 70%) of any amounts accruing to Management Board members or their surviving dependents from the Management Board member's vested rights in other company pension plans, also from former employment with other companies, is also set off to the extent permissible under BetrAVG.

In the event of the death of one of the aforesaid Management Board members, the widow receives a pension equivalent to 60% of the pension entitlement accruing at the time of death. In addition, own legitimate children, respectively, in the individual case, own children of the deceased Management Board member's wife who have been adopted by the deceased Management Board member receive an orphan's pension equivalent to 20% of the pension entitlement accruing at the time of death until completion of their vocational training, but at the most until the age of 25 years. However, all orphans' pensions and the widow's pension are capped at an aggregate 90% of the Management Board member's pension entitlement.

If a Management Board member's service as a member of the Management Board of Fresenius Management SE ends before the age of 63 years for reasons other than professional or occupational incapacity, the rights to the said pension benefits vest but the pension payable upon the occurrence of a pensionable event is reduced pro rata according to the actual length of service as a Management Board member compared to the potential length of service until the age of 63 years.

The pension commitment for Dr. Ernst Wastler provides for a normal pension, an early retirement pension, a professional incapacity pension, and a widow's and orphan's pension. The normal pension is payable at the earliest at the age of 60 years and the early retirement pension at the earliest at the age of 55 years. The pension benefits are equivalent to 1.2% per year of service based on the last basic compensation, with a cap of 40%. The widow's pension (60%) and the orphan's pension (20% each) are capped in aggregate at not more than Dr. Ernst Wastler's pension entitlement at the time of death. Pensions, retirement and other benefits from third parties are set off against the pension benefit.

With Dr. Ben Lipps, Management Board member until December 31, 2012, there is the following individual agreement in plan: Instead of a pension provision, after the ending of the service agreement between him and Fresenius Medical Care Management AG, he can, for a period of ten years, act in a consultative capacity for the Company. Accordingly, Fresenius Medical Care Management AG and Dr. Ben Lipps entered into a consulting agreement for the period January 1, 2013 to December 31, 2022. By this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame as well as considering a non-compete covenant. The annual consideration for the fiscal year 2013 for such services would amount to approximately 45% of the non-performance-based compensation components paid to him in fiscal year 2012 (including reimbursement of expenses, temporary reimbursement of expenses for property leases, a company car provided temporarily as well as pension payments for the surviving spouse in case of death). Based on calculation at this time, the annual value for such services for the fiscal years starting from 2014 will be reduced down to approximately 40% of the non-performance-based compensation components paid to him in fiscal year 2012. The present value of this agreement amounted to €3,987 thousand as of December 31, 2012. In addition, the Management Board member Dr. Ben Lipps has acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. In March 2002, the rights to receive benefits from the pension plans were frozen at the level then applicable.

A post-employment non-competition covenant was agreed upon for all Management Board members. If such a covenant becomes applicable, the Management Board members receive a waiting allowance that is generally equivalent to half of the annual basic compensation for each year of respective application of the non-competition covenant, up to a maximum of two years.

The Management Board members' service agreements do not contain express provisions for the event of a "change of control".

All Management Board members have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of 12 months, although as of 6 months of sick leave, insurance benefits may be set off therewith. If a Management Board member dies, the surviving dependents will be paid three more monthly amounts after the month of death, until the end of the respective service agreement at the longest, however.

MISCELLANEOUS

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

To the extent permitted by law, Fresenius SE & Co. KGaA undertook to indemnify the members of the Management Board from claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company concluded a Directors' & Officers' insurance carrying a deductible, which complies with the requirements of the German Stock Corporation Act. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the termination of the membership of the Management Board in each case.

Based on pension commitments to former members of the Management Board, €778 thousand were paid in the fiscal year 2012 (2011: € 776 thousand). The benefit obligation for these persons amounted to €11,310 thousand in 2012 (2011: €10,513 thousand).

ADJUSTMENTS TO SYSTEM OF COMPENSATION OF MEMBERS OF THE MANAGEMENT BOARD

Since the expiry of fiscal year 2012, no further stock options can be granted to Management Board members or employees out of the Stock Option Plan 2008 of Fresenius SE & Co. KGaA. However, allotments from the existing Stock Option Plan form a significant element of the compensation component with long-term incentive effect. It is intended to implement a new program with long-term compensation components covering the next five years in fiscal year 2013.

The new compensation concept with long-term incentive effect is based on a combination plan, which includes, on the one hand, a stock option program that is backed by conditional capital. The additional component of the compensation concept is a likewise long-term oriented and share-based component with cash settlement (phantom stocks).

The structure of the Stock Option Plan backed by a conditional capital is oriented mainly on the parameters of the existing Stock Option Plan 2008. The plan also complies with the amended requirements of the Act on the Reasonableness of the Compensation of Management Board Members (VorstAG), in particular with regard to the waiting periods prolonged to four years, and further requires the achievement of demanding targets. The new Stock Option Plan requires, for its introduction, the approval of the shareholders at the ordinary Annual General Meeting of Fresenius SE & Co. KGaA.

The further element of the new long-term compensation system is an additional, independent, long-term oriented and share-based compensation component with cash settlement (phantom stocks). The granting of this compensation component is also intended to be subject to a four-year waiting period and to require the achievement of demanding targets. The amount of the cash payment under the terms of this share-based compensation component will then be guided by the volume weighted average stock price of the Fresenius SE & Co. KGaA shares during the three months before the time of exercise. The current share-based compensation component with cash settlement (performance shares) will be absorbed by the new share-based compensation component with cash settlement (phantom stocks).

The new combined plan is intended to be available to Management Board members as well as to other leading executives. In compliance with the corporate law allocation of powers and responsibilities, the Supervisory Board of Fresenius Management SE shall make the allocations to the Management Board members which will make the allocations to other leading executives.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the Supervisory Board is determined by the Annual General Meeting and is subject to the provisions contained in Section 13 of the articles of association of Fresenius SE & Co. KGaA. Each member of the Supervisory Board shall receive a fixed compensation of €13 thousand.

The members of the Audit Committee of Fresenius SE & Co. KGaA receive an additional €10 thousand each and the Chairman of the committee a further €10 thousand. For each full fiscal year, the remuneration increases by 10% for each

percentage point that the dividend paid on each ordinary share for that year (gross dividend according to the resolution of the Annual General Meeting) exceeds 3.6% of the amount equal to the subscribed capital divided by the number of non-par value shares; residual amounts are interpolated. The Chairman receives twice this amount and the deputies to the Chairman one and a half times the amount of a Supervisory Board member. All members of the Supervisory Board receive appropriate compensation for costs of travel and accommodation incurred in connection with their duties as members of the Supervisory Board. Fresenius SE & Co. KGaA provides to the members of the Supervisory Board insurance coverage in an adequate amount (relating to their function) with an excess equal to those of the Management Board.

If a member of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time a member of the Supervisory Board of the general partner Fresenius Management SE and receives remuneration for his service on the Supervisory Board for Fresenius Management SE, the remuneration shall be reduced by half. The same applies with respect to the additional part of the remuneration for the Chairman or one of his deputies if they are at the same time the Chairman or one of his deputies on the Supervisory Board of Fresenius Management SE. If the deputy of the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA is at the same time the Chairman of the Supervisory Board of Fresenius Management SE, he shall not receive remuneration for his service as Deputy Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. According to Section 7 of the articles of association of Fresenius SE & Co. KGaA, the remuneration of the Supervisory Board of Fresenius Management SE was charged to Fresenius SE & Co. KGaA.

For the years 2012 and 2011, the compensation for the members of the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE, including compensation for committee services, was as follows:

	Fixed compensation				Compensation for committee services				Variable compensation				Total compensation	
	Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE		Fresenius SE & Co. KGaA		Fresenius Management SE			
€ in thousands	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Gerd Krick	**13**	14	**13**	12	**10**	10	**20**	16	**138**	128	**138**	110	**332**	290
Dr. Dieter Schenk[1]	**0**	1	**19**	18	**0**	0	**10**	8	**0**	14	**208**	165	**237**	206
Niko Stumpfögger	**19**	19	**0**	0	**0**	0	**0**	0	**208**	177	**0**	0	**227**	196
Prof. Dr. med. D. Michael Albrecht (since January 28, 2011)	**13**	12	**0**	0	**0**	0	**0**	0	**138**	110	**0**	0	**151**	122
Prof. Dr. h. c. Roland Berger	**7**	7	**6**	6	**20**	18	**0**	0	**69**	64	**69**	55	**171**	150
Dario Ilossi	**13**	13	**0**	0	**0**	0	**0**	0	**138**	118	**0**	0	**151**	131
Konrad Kölbl	**13**	13	**0**	0	**10**	9	**0**	0	**138**	118	**0**	0	**161**	140
Klaus-Peter Müller	**7**	7	**6**	6	**0**	0	**0**	0	**69**	64	**69**	55	**151**	132
Dieter Reuß (since May 5, 2011)	**13**	9	**0**	0	**0**	0	**0**	0	**138**	78	**0**	0	**151**	87
Gerhard Roggemann (since January 28, 2011)	**13**	12	**0**	0	**10**	8	**0**	0	**138**	110	**0**	0	**161**	130
Dr. Gerhard Rupprecht	**13**	12	**6**	6	**0**	0	**0**	0	**138**	112	**69**	55	**226**	185
Wilhelm Sachs (until May 5, 2011)	**0**	4	**0**	0	**0**	1	**0**	0	**0**	40	**0**	0	**0**	45
Dr. Karl Schneider[1]	**0**	1	**13**	12	**0**	2	**10**	8	**0**	9	**138**	110	**161**	142
Stefan Schubert	**13**	13	**0**	0	**0**	0	**0**	0	**138**	118	**0**	0	**151**	131
Rainer Stein	**13**	13	**0**	0	**10**	9	**0**	0	**138**	118	**0**	0	**161**	140
Total	**150**	150	**63**	60	**60**	57	**40**	32	**1,588**	1,378	**691**	550	**2,592**	2,227

[1] Until January 28, 2011 member of the Supervisory Board of Fresenius SE & Co. KGaA, since January 28, 2011 member of the Supervisory Board of Fresenius Management SE

DIRECTORS & OFFICERS INSURANCE

Fresenius SE & Co. KGaA has concluded a consequential loss liability insurance policy (D & O insurance), on an excess amount basis, for the members of the Management Board and the Supervisory Board of the general partner of Fresenius SE & Co. KGaA and for the Supervisory Board of Fresenius SE & Co. KGaA as well as for all representative bodies of affiliates in Germany and elsewhere. The D & O policy applies throughout the world and runs until the end of June 2013. The policy covers the legal defense costs of a member of a representative body when a claim is made and, where relevant, any damages to be paid that are covered by the policy.

FRESENIUS MEDICAL CARE. In 2012, Fresenius Medical Care clearly exceeded strong previous year's sales and EBIT levels. We strengthened our leading position in the global dialysis market through strong organic growth and acquisitions. Once again, we improved the treatment quality for our patients.

Fresenius Medical Care is the world's leading provider of dialysis services and dialysis products for patients with chronic kidney failure. When the kidney function of patients with this disease fails, dialysis takes over the vital task of cleansing the blood from toxins and surplus water.

In dialysis, two treatment methods are distinguished: hemodialysis (HD) and peritoneal dialysis (PD). With HD, the patient's blood is cleansed with a dialyzer, or "artificial kidney," a process that is controlled by a hemodialysis machine. In the case of PD, the patient's peritoneum is used as a "filter" to cleanse the blood. Fresenius Medical Care treats dialysis patients and also manufactures the dialysis products. As a vertically integrated company, we offer our services and dialysis products along the entire dialysis value chain in over 120 countries. Fresenius Medical Care has a worldwide network of more than 40 production sites. Our largest plants are in the United States, Germany, and Japan.

As the table shows, we further expanded our leading market position in 2012: we treated 257,916 patients at 3,160 dialysis clinics worldwide and the number of treatments increased by 12% to 38.6 million.

FRESENIUS MEDICAL CARE BY REGION

	North America	Europe/ Middle East/ Africa	Latin America	Asia-Pacific	Total 2012	Change 2012/2011
Dialysis clinics (December 31)	2,082	608	225	245	3,160	9%
Dialysis patients (December 31)	164,554	48,902	26,956	17,504	257,916	11%
Treatments (in millions)	24.41	7.49	4.10	2.59	38.59	12%

BUSINESS DEVELOPMENT

Fresenius Medical Care sales increased by 10% to US$13,800 million in 2012 (2011[1]: US$12,571 million). Organic growth was 5%. Acquisitions contributed a further 8%. Divestitures reduced sales growth by 1%. Currency translation had a negative effect of 2%.

Sales from **dialysis services** increased by 13% to US$10,492 million (2011[1]: US$9,283 million). With 76%, dialysis services contributed the largest share to Fresenius Medical Care's total sales.

Sales of **dialysis products** grew by 1% to US$3,308 million (2011: US$3,288 million). Dialysis products accounted for 24% of Fresenius Medical Care's total sales.

In 2012, EBIT[2] increased by 12% to US$2,329 million (2011: US$2,075 million). The EBIT margin improved to 16.9% (2011: 16.5%), primarily due to the EBIT margin improvement in North America.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA increased by 11% to US$1,187 million (2011: US$1,071 million). This includes a non-taxable investment gain of US$140 million related to the acquisition of Liberty Dialysis Holdings, Inc., as well as other one-time costs of US$71 million after tax. The latter comprises the effects regarding the amendment of the agreement for Venofer and a donation to the American Society of Nephrology. Excluding these effects, net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA increased by 4% to US$1,118 million.

NORTH AMERICA

Accounting for 65% of sales, North America remained Fresenius Medical Care's largest business region. 2012 sales grew by 14% to US$9,031 million compared to US$7,926 million in 2011. Organic growth was 4%. Acquisitions contributed 11%, divestitures reduced sales growth by 1%.

As in the previous years **dialysis services** was by far the largest contributor to sales, with a share of 91%. Sales grew by 16% to US$8,230 million (2011[1]: US$7,113 million), primarily driven by acquisitions. In 2012, the average revenue per treatment in the United States increased to US$355 compared to US$348 in 2011.

Dialysis product sales were US$801 million (2011: US$813 million).

EBIT[2] grew by 19% to US$1,715 million compared to US$1,435 million in 2011, partially due to special collection efforts for dialysis services performed in prior years. The EBIT margin increased 90 basis points to 19.0% (2011: 18.1%). The average cost per treatment in the United States was US$283 in 2012, compared to US$282 in 2011.

SALES BY SEGMENT

US$ in millions	2012	2011	Change
North America			
Dialysis services[1]	**8,230**	7,113	16%
Dialysis products	**801**	813	-1%
Total	**9,031**	7,926	14%
International			
Dialysis services	**2,262**	2,170	4%
Dialysis products	**2,478**	2,458	1%
Total	**4,740**	4,628	2%
Worldwide			
Dialysis services[1]	**10,492**	9,283	13%
Dialysis products[3]	**3,308**	3,288	1%
Total[1]	**13,800**	12,571	10%

INTERNATIONAL

In 2012, the International segment, comprising the business regions **Europe/Middle East/Africa, Asia-Pacific, and Latin America**, achieved excellent results. About 35% of Fresenius Medical Care's total sales were derived from these regions. Sales in the International segment increased by 2% to US$4,740 million (2011: US$4,628 million) and 9% in constant currency. Organic growth was 6%, acquisitions contributed 3%. Currency translation had a negative effect of 7%.

Sales from **dialysis services** increased by 4% (11% in constant currency) to US$2,262 million compared to US$2,170 million in 2011. Acquisitions contributed 7%; organic growth was 6%. Divestitures reduced sales by 2%, currency translation had a negative effect of 7%.

Sales from **dialysis products** grew by 1% (7% in constant currency) to US$2,478 million (2011: US$2,458 million).

[1] 2011 sales were adjusted by -US$224 million according to a U.S. GAAP accounting change. This applies solely to Fresenius Medical Care North America.
[2] 2012 adjusted for other one-time costs of US$110 million related to the amendment of the agreement Venofer and a donation to the American Society of Nephrology
[3] Including sales generated by corporate functions of US$29 million in 2012 and US$17 million in 2011

EBIT in the International segment was US$809 million (2011: US$807 million). The EBIT margin was 17.1% (2011: 17.4%).

The table below shows the development of sales by business region.

BUSINESS EXPANSION

In February 2012, Fresenius Medical Care closed the acquisition of Liberty Dialysis Holdings, Inc. The closing follows the completion of the review of the transaction by the United States' Federal Trade Commission. The acquisition adds approx. 200 clinics to Fresenius Medical Care's renal care network in North America.

RENAL PHARMACEUTICALS

Renal pharmaceuticals vertically broaden the portfolio beyond our offering of dialysis products and dialysis services. Patients receiving dialysis treatment also usually have to take drugs, for instance to maintain the right balance of minerals in the body or to prevent anemia. The spectrum of renal pharmaceuticals includes erythropoiesis-stimulating agents (ESA), phosphate binders, iron preparations, vitamin D preparations, and so-called calcimimetics.

REIMBURSEMENT

In 2011, the Medicare end-stage renal disease prospective payment system for the reimbursement of dialysis treatment for patients in the United States covered by the public health care program was implemented. Products and services previously reimbursed at a composite rate, and other services, such as the administration of certain drugs and the performance of diagnostic laboratory tests, are now reimbursed at a single flat-rate payment (bundled rate). The reimbursement scheme features an annual inflation update mechanism. In 2013, the increase is 2.3% compared to 2.1% in 2012.

Pursuant to the American Taxpayer Relief Act, automatic across-the-board spending cuts are scheduled to go into effect on March 1, 2013, unless the law is further changed. Medicare payments to providers and suppliers would be subject to these reductions, but these reductions would be limited to one adjustment of no more than 2%. The Medicare reimbursement reduction would be independent of annual inflation update mechanisms.

Another feature of the reimbursement scheme is its orientation to certain quality parameters, such as the regulation of the hemoglobin content of the blood or the bone metabolism.

Due to its integrated business model, Fresenius Medical Care is not only in a position to offer all products and services at the required standard of quality, but also to work in an even more focused way on the further development of products and services.

500,000 DIALYSIS MACHINES

Fresenius Medical Care produced its 500,000th dialysis machine in 2012. The machine, from the multiple prize-winning 5008 series, came off the production line at the Schweinfurt, Germany plant and was donated to the Deutsche Nierenstiftung, a German non-profit organization for dialysis and kidney transplants.

Fresenius Medical Care began developing its own dialyzers and dialysis machines in the mid-1970s, with serial production of the company's first dialysis machine starting in 1979. The first model, the A2008, became the world's best seller, and successor models have enabled Fresenius Medical Care

SALES BY REGION

US$ in millions	2012	2011	Change	Currency translation effects	% of total sales
North America	**9,031**	7,926	14%	0%	65%
Europe/Middle East/Africa	**2,893**	2,948	-2%	-8%	21%
Asia-Pacific	**1,043**	980	6%	-1%	8%
Latin America	**804**	700	15%	-9%	6%
Corporate	**29**	17	71%	–	0%
Total	**13,800**	12,571	10%	-2%	100%

to maintain its market-leading position until today. Fresenius Medical Care currently produces dialysis machines at the German plant in Schweinfurt, and at a sister plant in Walnut Creek, in the U.S.

TREATMENT QUALITY

Holistic care of patients with chronic kidney disease is an important factor in achieving the highest-quality treatment possible. Therefore, we consider all aspects of treatment: from vascular access in the patient's arm to high-quality dialysis treatment, individually adapted diets, and the provision of supplementary services. Our brands, UltraCare in North America and NephroCare in the International segment, have made the integrated therapy concept the standard in our clinics as well as for home dialysis. Our aim is to sustainably improve patients' quality of life while reducing the cost for the health care system.

In 2012, physicians and dialysis clinical staff again offered our patients the highest-quality treatment based on clinical quality parameters (please see table below). For example, a Kt/V value exceeding 1.2, as recommended in general guidelines and standards, was achieved again in almost 100% of cases in our clinics. We were also able to improve treatment quality with respect to other quality parameters, such as hemoglobin and phosphates.

We also record the number of patients for whom a hemodialysis catheter is used as vascular access during the dialysis treatment. The reasoning is that catheters are associated with severe inflammation and additional days spent in hospital.

The number of days patients spend in hospital for reasons other than dialysis is also an important indicator for us, because they considerably reduce the quality of life of dialysis patients.

Furthermore, we launched additional home therapy patient programs in 2012. In order to provide our home dialysis patients with the highest level of safety, we introduced a very powerful monitoring system on the North American market. This transmits data about the patient's vital functions and data from the dialysis machine to the dialysis support team, and reports potential abnormalities immediately. Thereby dialysis treatments can be even better adjusted to the individual patients' needs.

For further information, please see Fresenius Medical Care's Annual Report 2012 or visit the website at www.fmc-ag.com.

Please see page 118 of the Management Report for the 2013 outlook of Fresenius Medical Care.

QUALITY PARAMETERS OF FRESENIUS MEDICAL CARE PATIENTS [1]

	USA		EMEA		AP	
	2012	2011	**2012**	2011	**2012**	2011
Kt/V ≥ 1.2	**97%**	97%	**97%**	95%	**97%**	97%
Hemoglobin = 10 – 12 g/dl	**75%**	78%	**58%**	57%	**59%**	61%
Hemoglobin = 10 – 13 g/dl	**82%**	88%	**78%**	78%	**67%**	66%
Albumin ≥ 3.5 g/dl [2]	**85%**	85%	**86%**	88%	**88%**	88%
Phosphate ≤ 5.5 mg/dl [2]	**66%**	64%	**79%**	76%	**71%**	73%

[1] Data refer to the last quarter
[2] International standard BCR CRM470

FRESENIUS KABI. Our business reported strong growth once again in 2012. All regions contributed to this excellent development, in particular the emerging markets and North America. We also completed the acquisition of Fenwal Holdings, Inc., creating a global market leader in transfusion technology.

Fresenius Kabi specializes in the therapy and care of chronically and critically ill patients, providing intravenously administered generic drugs (IV drugs), infusion therapies, clinical nutrition, and related medical devices. Our products cover the full range of chronically and critically ill patient care: emergency cases, surgery, intensive care, hospital wards, and outpatient care. In transfusion technology, we offer products used by blood banks and blood donation centers to make blood products.

Our **portfolio** of IV drugs includes anesthetics, analgesics, anti-infectives, and drugs for the treatment of oncological and other critical diseases. For infusion therapy, we provide blood volume replacement products and infusion solutions. In the area of clinical nutrition, we are one of the few companies worldwide that offer both parenteral and enteral nutrition products. To administer our products, we supply infusion pumps, infusion management systems, nutrition pumps, and disposables. Transfusion technology provides products used in the collection and processing of whole blood as well as in transfusion medicine.

BUSINESS DEVELOPMENT

In 2012, **sales** at Fresenius Kabi increased by 15% to €4,539 million (2011: €3,964 million) and achieved excellent organic growth of 9%. Acquisitions contributed 1%. Currency translation had a positive effect of 5%.

Sales by **region** were as follows:

€ in millions	2012	2011	Change
Europe	**1,953**	1,826	7%
North America	**1,236**	1,002	23%
Asia-Pacific	**863**	702	23%
Latin America/Africa	**487**	434	12%
Total	**4,539**	3,964	15%

In North America we achieved organic sales growth of 11% compared to a strong 2011. The growth was mainly due to product launches and continuing supply constraints in the injectable drug market. Organic sales growth in Europe reached a strong 6%, in Asia-Pacific 13%, and in Latin America/Africa 14%.

Sales by **product segment** were as follows:

€ in millions	2012	2011	Organic growth
Infusion therapy	**1,010**	895	10%
IV drugs	**1,701**	1,438	12%
Clinical nutrition	**1,314**	1,154	10%
Medical devices/ Transfusion technology	**514**	477	-1%
Total	**4,539**	3,964	9%

We exceeded the excellent 2011 earnings development: EBIT grew by 16% to €934 million (2011: €803 million). EBIT growth was due to very good business development in North America as well as in the emerging markets. The EBIT margin increased to 20.6% (2011: 20.3%).

All regions contributed to the EBIT growth:

€ in millions	2012	2011	Change
Europe	**390**	385	1%
EBIT margin	**20.0%**	21.1%	
North America	**500**	368	36%
EBIT margin	**40.5%**	36.7%	
Asia-Pacific/Latin America/Africa	**286**	232	23%
EBIT margin	**21.2%**	20.4%	
Administrative and corporate R & D expenses	**-242**	-182	-33%
EBIT	**934**	803	16%
EBIT margin	**20.6%**	20.3%	

Fresenius Kabi's net income[1] increased by excellent 25% to €444 million (2011: €354 million).

ACQUISITIONS AND JOINT VENTURES

The acquisition of **Fenwal Holdings, Inc.** marks another major step in Fresenius Kabi's growth strategy for medical devices. Fenwal is a leading provider of transfusion technology, producing and selling products for blood collection, separation, and processing.

Fresenius Kabi and Fenwal business activities perfectly complement each other: Fenwal holds an excellent position in the market for automated blood collection devices, while Fresenius Kabi is a major supplier of blood bags and filters used for manual blood collection.

Fenwal generated more than half of its 2012 sales in the United States, where its infrastructure will serve as a platform for further growth opportunities for Fresenius Kabi's medical devices and transfusion technology products. At the same time, Fresenius Kabi's international marketing and distribution network will expand Fenwal's global product reach. As a result, we will be offering one of the most comprehensive product portfolios in transfusion technology on a global basis. Fenwal has been consolidated as of December 2012.

In 2012, we launched the joint venture **Fresenius Kabi (Wuhan) Pharmaceutical Limited** to expand our offering of oncological products in China. We own 70% of the shares in the joint venture, with the remaining 30% held by China's Huangshi Lishizhen Medicine Group Wuhan Lishizhen Medicine Limited Company, which produces and sells oncological products in China.

The joint venture will establish both a research and development center and a manufacturing facility for oncological products in a technology park supported by the People's Republic of China and the Province of Hubei. The initial investment of €25 million will be used to equip the 10,000 m^2 building.

INFUSION THERAPY

Infusion solutions are used regularly in day-to-day medical care. They are used as carrier solution for intravenously administered drugs and to treat fluid loss or electrolyte deficiencies. Our products cover a broad range of infusion solutions in bags and in plastic or glass bottles.

[1] Net income attributable to the shareholders of Fresenius Kabi AG

We developed our containers in order to administer infusion solution safely and easily. To prevent injuries from needles when preparing treatments, we started introducing our non-PVC freeflex® bags with a needle-free injection port into European markets. The needle-free access of the freeflex® bags reduces preparation times, the risk of injury to clinic staff, and the risk of damaging the bag during preparation. A sterile membrane that seals automatically ensures that the bag remains free of germs, while also preventing the prepared solution from leaking.

Our artificial colloids used in **blood volume therapy** contain hydroxethyl starch (HES), which is based on maize starch and can be infused regardless of blood type. Our blood volume replacement solutions are used to maintain blood circulation and supply to organs.

In 2012, we introduced our product Volulyte® to additional markets, including Australia and Canada. This product is particularly developed for patients suffering from a major blood loss or needing blood volume replacement over an extended period of time.

Our **medical devices** for applying infusion therapies make us one of Europe's market leaders. Our infusion pumps and disposables permit the safe, easy, and accurate application of IV drugs, infusion solutions, and blood volume replacements.

In **transfusion technology**, we signed an exclusive agreement for the global distribution rights of an analysis device to blood banks. This mobile device, developed by Sweden's DiaSpect Medical AB, is used to rapidly determine the hemoglobin level in the blood, measuring it in just two seconds. The device provides an additional advantage, as the reagent-free cuvette that holds the blood is vastly superior in terms of shelf life and robustness to other cuvettes containing reagents.

In 2012, our Fresenius C.A.T.S. autotransfusion system (Continuous Autotransfusion System) proved to be successful again. We strengthened our position in growth markets, particularly in China and Russia. We now supply the system to more than 55 countries. The device is used for intra- and post-operative blood preparation to prepare and return the blood lost by a patient directly during an operation. Autotransfusion reduces the dependence on donor blood and consequently reduces the related risk of infection.

INTRAVENOUSLY ADMINISTERED DRUGS

Fresenius Kabi is one of the world's top suppliers of generic IV drugs. In the United States, we are the second-largest supplier in this product segment. Our product portfolio is geared towards treatment of and care for chronically and critically ill patients.

We supply our generic IV drugs in approx. 145 countries. Our strong growth can be attributed to new product introductions and continuous internationalization of our product portfolio. In 2012, there were again supply constraints at our competitors in the United States. Our broad product portfolio and ability to deliver once again made a major contribution to the supply of IV drugs in the United States. As one example, we again shipped the anesthetic Propofol (Propoven) from our European facilities to the United States to prevent supply constraints.

We are one of the global leaders in **IV anesthetics and IV analgesics**. Our Propofol is the globally leading IV anesthetic. In the area of IV analgesics, we improved our marketing of IV Paracetamol in Europe, being able now to supply it to Italy and Spain as well.

We launched a large number of **oncological IV drugs** and improved the international distribution of this product portfolio. Examples include the successful introduction of Cytarabine, Carboplatin, and Doxetaxel to a number of countries in Europe. We also launched the oral oncological products Bicalutamide and Anastrozole both to countries in Europe, such as Austria, Russia, and Hungary, as well as to the Philippines. Furthermore, we successfully introduced the ready-to-use version of our chemotherapy product Oxaliplatin Kabi in the United States.

In 2012, we introduced our products to treat **infectious diseases** to additional countries. For example, the anti-infection drugs Meropenem and Imipenem/Cilastatin were launched in the U.S. market. In Vietnam and Chile, we began distributing the antibiotic Piperacillin/Tazobactam, which is already well established in Europe.

We offer a comprehensive product portfolio for treating **critical illnesses** in the United States, and remain the market leader with our high-molecular Heparin. In 2012, we launched additional products to the U.S. market, including Benztropine Mesylate, Levetiracetam, and Tranexamic Acid. These products were acquired from Nexus Pharmaceuticals, Inc. in order to expand our product range. In addition, we signed a licensing agreement with InnoPharma, Inc. to distribute Acetylcysteine as a solution for oral or inhalable application.

Products we prepare in our compounding centers include **patient-specific** oncological **drugs**. In the last year, the demand for individually prepared drugs for oncological treatments continued to grow. We started construction of a new compounding center in Australia. Our new production facility, approx. 35 km north of Sydney, will measure 8,500 m² and replace the current compounding center. We also built a new Canadian compounding center southwest of Toronto. This production facility specializes in preparing patient-specific antibiotics and pain therapies.

CLINICAL NUTRITION

Clinical nutrition serves to supply patients who are unable to eat any or sufficient normal food. According to a survey, approx. 20 million people in Europe are at risk of malnutrition. This implies challenges for the economy: malnutrition-related costs to the national health care systems in the European Union are estimated at approx. €120 billion annually[1].

Fresenius Kabi has played a leading role in clinical nutrition for years. Our products contribute to improving patients' quality of life while supporting the therapy.

Our 3-chamber bags have become firmly established in the market for **parenteral nutrition**. In 2012, we introduced our SmofKabiven® 3-chamber bags into additional markets, including countries in the Asia-Pacific and the Latin America regions.

We are one of the few companies that produce patient-specific formulas in parenteral compounding around the world. In addition, we provide hospital pharmacies with the PreparePlus® PN database. With this database it is possible to verify within minutes whether or not a prescribed formula is compatible and stable. This means, the various components in a patient-specific product must not react to each other and the formula must remain stable over a defined period of time. If this is not the case, PreparePlus® PN proposes formula adjustments. All results in the database are derived from real stability tests carried out in laboratories. In a first step, the software was introduced in Germany and Sweden in 2012.

Malnourished patients with a functioning gastro-intestinal tract may receive **enteral nutritional therapy**. Here, our portfolio includes a full range of sip and tube feed products.

To maintain and develop our leading position in enteral nutrition, internationalizing our products portfolio is of great importance. Therefore, in 2012, we established our own organization in Poland to supply enteral nutrition products to outpatients.

We have introduced the new Fresubin® 2 kcal tube feed in many European countries. This new product is particularly well suited as clinical nutrition in intensive care or for dialysis patients.

For further information, please see Fresenius Kabi's website at www.fresenius-kabi.com.

Please see page 118 f. of the Management Report for the 2013 financial outlook of Fresenius Kabi.

[1] Source: Ljungqvist O., Clinical Nutrition 2010, 29:149-150.

FRESENIUS HELIOS. 2012 was an excellent year. We continued to achieve strong organic sales growth and increased our net income significantly. We also substantially raised the EBIT margin in our established hospitals. We continued to successfully integrate Damp Group and the hospitals of Klinikum Duisburg.

Fresenius Helios is one of the largest German private hospital operators. The HELIOS Group operates 72 proprietary hospitals. In addition to 50 acute care hospitals, including 6 maximum care clinics in Berlin-Buch, Duisburg, Erfurt, Krefeld, Schwerin, and Wuppertal, the HELIOS Group has 22 post-acute care hospitals. 35 medical care centers and 13 nursing homes are also affiliated with HELIOS. The Group has more than 23,000 beds and treats over 2.9 million patients – including more than 770,000 inpatients – each year. HELIOS had more than 42,000 employees at the end of 2012.

HELIOS' medical and commercial success is based on four **strategic goals**:

- enhancing patient benefits and HELIOS' leading position in quality management
- safeguarding the existence and further development of the hospitals on a sustainable basis
- building HELIOS into a knowledge enterprise
- selective growth and consolidation of HELIOS' market position

BUSINESS DEVELOPMENT

In 2012, Fresenius Helios increased its sales by 20% to €3,200 million (2011: €2,665 million). Organic growth was 5%. Acquisitions contributed 17%. Divestitures reduced sales growth by 2%. Also in 2012, HELIOS' Swiss post-acute care clinic was sold to Fresenius Vamed and retrospectively deconsolidated as of January 1, 2012.

The acute care hospitals accounted for 88% of sales (2011: 88%), while the post-acute care hospitals accounted for 9% of sales (2011: 8%). 3% was attributable to other revenues (2011: 4%).

The excellent financial figures reflect the high confidence that patients and doctors place in us. They are also evidence of the successful restructuring of the acquired hospitals.

As the table shows, both sales and **earnings** were much improved:

€ in millions	2012	2011	Change
Sales	**3,200**	2,665	20%
thereof acute care	**2,814**	2,354	20%
thereof post-acute care	**274**	220	25%
EBITDA	**432**	369	17%
EBITDA margin in %	**13.5**	13.8	
EBIT	**322**	270	19%
EBIT margin in %	**10.1**	10.1	
Net income[1]	**203**	163	25%

[1] Net income attributable to HELIOS Kliniken GmbH

EBITDA increased by 17% to €432 million (2011: €369 million). The EBITDA margin was 13.5% (2011: 13.8%). Fresenius Helios achieved EBIT growth of 19% to €322 million (2011: €270 million). The EBIT margin was at the previous year's level of 10.1% despite the consolidation of Damp Group and the hospitals of HELIOS Klinikum Duisburg. Net income[1] was €203 million, and surpassed the prior-year figure by 25% (2011: €163 million).

Sales of the established hospitals (consolidation >1 year) grew by 5% to €2,743 million (2011: €2,623 million). EBIT improved by 18% to €321 million (2011: €271 million). The EBIT margin increased to 11.7% (2011: 10.3%). Sales of the acquired hospitals (consolidation <1 year) were €457 million, EBIT was €1 million. The restructuring of these hospitals is on track.

Fresenius Helios' business exhibits **stable cash flows**. The cash flow margin was 7.5% (2011: 11.0%). In 2012, days sales outstanding were 43 days (2011: 39 days). Bad debt as a percentage of sales was again low at 0.4%.

EXPANSION IN THE HOSPITAL MARKET

HELIOS' business model is based on **growth through admissions** and treatment services, on the one hand, and growth through **acquisitions**, on the other. One element of our acquisition strategy is the regional proximity of hospitals, being sufficiently close to one another to form networks (clusters). Regional clustering enables cost savings, especially by concentrating non-medical services (for example, laundry or catering) in one site. Moreover, patients benefit from the bundling of medical expertise and offerings from the HELIOS clinics in, and also outside, the region.

We have defined a five-year **clinic development plan** for the acquired acute care hospitals. Our goal is to increase the EBITDA margin of an acute care hospital to 15% within five years following acquisition. To achieve this goal, we implement the following initiatives upon completing an acquisition. Besides structural improvements, this also includes alterations – in some cases even the construction of completely new buildings – and investment in medical-technical equipment. We also reorganize the hospital's internal processes and implement the proven HELIOS quality management system. This ensures earnings-driven, quality-oriented management of the hospital according to the HELIOS standard.

CLINIC DEVELOPMENT PLAN ACUTE CARE HOSPITALS 2012

	Years in portfolio							
	<1	1	2	3	4	5	>5	Total
Number of hospitals	6	2	1	–	6	4	31	50
Sales in million €	227	155	36	–	192	294	1,910	2,814
Target								
EBITDA margin in %	–	3.0	6.0	9.0	12.0	15.0	15.0	
EBITDA in million €	–	4.7	2.2	–	23.0	44.1	286.5	360.5
Reported								
EBITDA margin, in %	–	-3.3	7.4	–	11.0	15.4	17.5	14.1
EBITDA in million €	-1.1	-5.2	2.7	–	21.2	45.1	334.8	397.5
Number of clinics > target	–	1	1	–	3	3	19	27
Number of clinics < target	–	1	–	–	3	1	12	17

Reported figures according to IFRS

[1] Net income attributable to HELIOS Kliniken GmbH

The clinic development plan of our acute care hospitals includes all hospitals within the Group according to their years of consolidation. In 2012, we achieved an EBITDA margin of 17.5% in our established hospitals (2011: 16.9%). With that, we once again were able to exceed our target EBITDA margin of 15%.

HELIOS AS PRIVATIZATION PARTNER

HELIOS is one of the most experienced hospital operators in Germany. This applies both to hospitals providing basic and general care, some of which we have been operating for more than 18 years, as well as to maximum care hospitals. With its six maximum care hospitals, HELIOS has a leading position in the privatization of hospitals of this size in Germany.

HELIOS carried out new construction and modernization with a total volume of €1.5 billion so far. Our investment capacity enables us to rebuild and restore hospitals as well as perform new construction swiftly and professionally. Bundling the ordering and selection of medical devices, particularly large ones, allows us to ensure that our hospitals are above-averagely well equipped. By optimizing the processes as well as by improving performance and quality we safeguard the condition of the hospitals we acquire.

Our goal is to continue to add approximately €150 million in sales from acquisitions each year on a multi-year average.

ACQUISITIONS

In November 2012, HELIOS agreed to acquire the 194-bed **St. Joseph hospital** in Wipperfürth. The hospital achieved sales of approximately €20 million in 2011, and has about 500 employees. HELIOS plans to invest at least €8 million in the hospital's modernization by the end of 2017. HELIOS expects to close the transaction at the end of the first, or at the beginning of the second, quarter 2013.

HELIOS further advanced the integration of Damp Group and the hospitals of HELIOS Klinikum Duisburg. During 2012, we transferred the **Damp** hospitals' facilities into the regional structures of the HELIOS Kliniken Group. A new HELIOS region Northwest was set up following the principle of decentralized management structures, one of HELIOS's principal success factors. We also completed the legal integration of the Damp hospitals; as of October, HELIOS Kliniken GmbH owns 100% of Damp Group.

One of the immediate steps taken following the takeover of a total of four hospital sites in **Duisburg** was the restructuring of the Central Emergency Ward at the HELIOS St. Johannes hospital. Critically ill and post-operative patients are now being treated in the new, most up-to-date Intermediate Care Unit. We carried on with the planning of 2 new central buildings and an investment volume of approximately €175 million.

Fresenius made a voluntary public takeover offer to **RHÖN-KLINIKUM AG's** shareholders in May 2012. The offer was subject to the fulfillment of a number of completion conditions, including a minimum acceptance threshold of 90% of RHÖN-KLINIKUM AG's share capital by the end of the offer period. 84.3% had been tendered by the deadline. Fresenius then tried to find constructive solutions to meet the strategic and financial targets of combining RHÖN-KLINIKUM AG and HELIOS with an equity stake in RHÖN-KLINIKUM AG of less than 90%. However, there was no viable way to achieve this goal. In September 2012, Fresenius announced that it had decided not to submit a new takeover offer to the shareholders of RHÖN-KLINIKUM AG for the time being.

Fresenius acquired a total of 5.0% of RHÖN-KLINIKUM AG's subscribed capital until September 5, 2012. This position will preserve the company's strategic options in the consolidating German hospital market.

HOSPITAL ADMISSIONS AND TREATMENTS

Due to the broadening of services being offered and our high treatment quality, we were able to again increase the number of inpatients and outpatients treated:

	2012	2011	Change
Inpatient and semi-inpatient admissions	**778,817**	665,108	17%
Acute care hospitals	**729,673**	632,778	15%
Post-acute care hospitals	**49,144**	32,330	52%
Outpatient admissions	**2,118,112**	1,726,704	23%

As the table below shows, our other structural data and performance indicators also improved:

	2012	2011	Change
Acute care hospitals	**50**	45	11%
Beds	**18,701**	16,690	12%
Length of stay (days)	**6.7**	6.7	0%
Post-acute care hospitals	**22**	20	10%
Beds	**4,585**	3,422	34%
Length of stay (days)	**27.0**	29.6	-9%
Occupancy	**85%**	78%	

INVESTMENTS IN HOSPITAL BUILDINGS

In 2012, Fresenius Helios invested €836 million (2011: €306 million). **Own investments** were €180 million (2011: €157 million), equivalent to 6% of sales. These were mainly used for hospital modernization. The most significant individual projects were the HELIOS hospitals in Hamburg, Siegburg, and Krefeld.

Our investments ensure the continued operation of the hospitals and the high standards of medical quality they provide over the long-term. The level of **public subsidies** was 40% (2011: 42%).

€ in millions	2012	2011	Change
Investments	**836**	306	173%
Own investments in property, plant and equipment	**180**	157	15%
Subsidies[1]	**77**	104	-26%
Acquisitions	**579**	45	--

[1] Total of purpose-related public investment subsidies according to Section 9 of the Hospital Funding Act (KHG)

GROUP AGREEMENT

Another round of negotiations is due under the HELIOS Group wage agreement in 2013. HELIOS and ver.di entered into these negotiations in the first quarter of 2013.

QUALITY OF MEDICAL RESULTS AND PATIENT CARE

HELIOS' goal is to provide the highest standards of medical and nursing care. We not only offer state-of-the-art medical treatment but also play a major role in advancing it. We have created committees and platforms that enable physicians and nursing staff to participate in the Company's development. The medical advisory board and our groups of specialists have been consulting management for many years. Each new hospital is integrated into these structures. Our focus on medical quality allows our hospitals to provide superior medical care.

In 2013, HELIOS continued its program for further improving the quality of its medical results. A unique **quality management system**, developed in-house, ensures continuous improvement in the standards of patient care. With its focus on treatment quality based on administrative data, HELIOS has had a pioneering role in quality management. More information on quality management can be found on page 95 of the Management Report.

HELIOS strives to let transparency continuously improve its medical quality: It was the first hospital group in Germany to publish the occurrence of the 17 most important infectious agents in the Group's acute hospitals. More information is available on page 96 of the Management Report or at www.helios-kliniken.de/hygiene (German only).

Another integral part of patients' benefits, besides the quality of the medical outcome, is the quality of the **nursing care**, which is also a factor of strategic relevance for HELIOS. Our patients' satisfaction is critically important for us. We therefore conduct continuous patient surveys and evaluate the outcomes.

For further information, please see HELIOS' website at www.helios-kliniken.de (German only).

Please see pages 118 f. of the Management Report for the 2013 financial outlook of Fresenius Helios.

FRESENIUS VAMED. In 2012, we reached new historical record levels in both sales and EBIT. Strong organic sales growth and acquisitions in the reporting year contributed to this excellent development. Order intake and order backlog also increased substantially, providing a solid base for future growth.

Fresenius Vamed realizes projects and services for hospitals and other health care facilities worldwide. Our portfolio ranges along the entire **value chain** in the health care area: from consulting, project development, planning, and turnkey construction, via maintenance, and technical management, to total operational management. This entire competency enables us to support complex health care facilities efficiently and successfully at each level of their life cycle. The company is also a pioneer in public-private partnership (PPP) models for hospitals and other health care facilities.

With its comprehensive range of services, and as a worldwide-acting provider of a full line of services for the health care industry, VAMED holds a unique position: We have successfully completed approximately 600 projects in more than 70 countries.

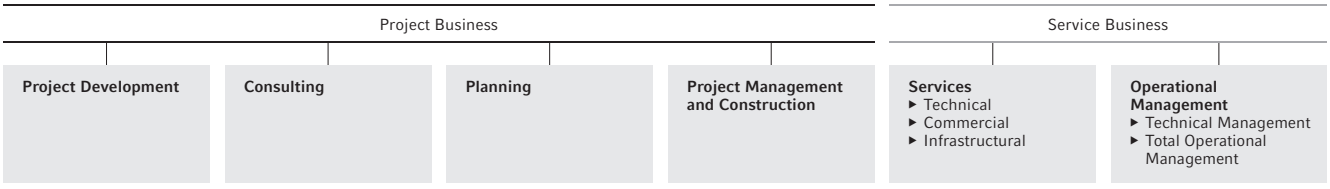
BUSINESS DEVELOPMENT

In 2012, **sales** increased by 15% to €846 million (2011: €737 million). Organic growth was 5%, acquisitions contributed 10%. In 2012, Fresenius Vamed acquired H.C. Hospital Consulting S.p.A., in Italy, and took over the post-acute care clinic Zihlschlacht, in Switzerland, from HELIOS. Both have been consolidated retrospectively as of January 1, 2012.

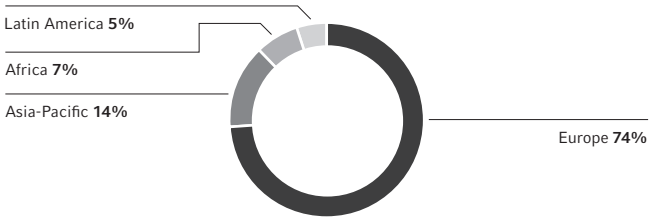
The table shows the sales development by activity:

€ in millions	2012	2011	Change	% of total sales
Project business	**506**	494	2%	60%
Service business	**340**	243	40%	40%

VAMED VALUE CHAIN



SALES BY REGION



2012: €846 million

The strongest region was Europe with 74% of total sales. Asia-Pacific and Africa contributed 14% and 7%, respectively. Latin America contributed 5%.

Order intake and **order backlog** for projects developed as follows:

€ in millions	2012	2011	Change
Order intake	**657**	604	9%
Order backlog (December 31)	**987**	845	17%

EBIT improved by 16% to €51 million (2011: €44 million). The EBIT margin remained at the previous year's level of 6.0%. In the project business, EBIT was €25 million (2011: €28 million). In the service business, at €26 million, EBIT was clearly above previous year's level (2011: €16 million). Fresenius Vamed's net income[1] was €35 million, an increase of 3% (2011: €34 million).

Property, plant and equipment including intangible assets amounted to 17% of Fresenius Vamed's total assets. The business model has a low capital intensity. Fresenius Vamed achieved an excellent return on equity (ROE) before taxes of 20.8% (2011: 21.0%).

PROJECT BUSINESS

The project business comprises the consulting, project development, planning, turnkey construction, and financing management of projects. VAMED responds flexibly to clients' local needs, providing custom-tailored solutions all from one source. VAMED also carries out projects in cooperation with partners. Among public clients there is growing interest in **public-private partnership (PPP) models**. With these business models, hospitals or other health care facilities are planned, constructed, financed, and operated by public and private partners together through a joint project company.

The following highlights some of our main projects in the respective **target markets** of our project business.

EUROPE

In **Germany**, VAMED successfully pursued its ongoing projects. The expansion of the Main-Taunus District's hospitals in Hofheim involved an investment of €42 million and was on schedule. This will help to improve the quality of treatment and organize the hospitals' operating procedures more efficiently. VAMED completed the turnkey construction of the new examination and treatment center at Cologne's University Hospital (U/B West) in 2012. The investment volume was €65 million. Within this so-called "life cycle project," we have also been entrusted with the technical operational management for the next 25 years. We also successfully completed the partial reconstruction of the Köln-Merheim Hospital. This project was started in 2009. Carrying out the construction work while the hospital was still operating was the outstanding challenge here. The investment amounted to €58 million.

In **Austria**, we focused on more PPP projects and holistic realization models. The integrated health care center Oberndorf near Salzburg was officially opened in May 2012. It pursues new methods of holistic medical treatment. Linking together an acute care hospital, a rehabilitation center, and the planned medical center at a single location is a unique reference project in Austria's public-sector health care. We started two more projects for rehabilitation centers in western Austria. We broke ground in Kitzbühel to erect a new rehabilitation center in May 2012, which will specialize in orthopedics. Construction also started in July 2012 on an oncology rehabilitation center in St. Veit/Pongau, the first of its kind in the region. At the Otto Wagner Hospital in Vienna, we continued the turnkey construction of an inpatient rehabilitation center. It will complement the existing acute orthopedic care department there. In all, three new health care facilities will become operational in 2013. The total investment volume is €72 million. We also successfully continued the existing PPP cooperation for nursing homes in the state of Burgenland by starting a new nursing home built by VAMED in Rechnitz.

[1] Net income attributable to VAMED AG

In **Bosnia**, we successfully continued with our major contract to build an entire general hospital with 220 beds in Bijeljina. We will complete the project in 2013.

In **Russia**, we handed over the 300-bed hospital in Krasnodar – a turnkey project – to our customer according to plan. We expanded and rebuilt Sochi's Municipal Hospital No. 4. With 350 beds and 16 operating rooms, it will provide a major contribution in medical care during the Winter Olympic Games in 2014. It will also serve as a reference for future health care projects in Russia.

In **Turkmenistan**, we processed further supply orders for medical technology.

AFRICA

In Angondje, **Gabon**, VAMED completed the turnkey construction of a specialist cancer clinic ahead of schedule. We also finished the first phase of building the Centre Hospitalier de Libreville.

In **Ghana**, we continued a follow-up project to build five more polyclinics on a turnkey basis.

In **Nigeria**, we modernized a total of 14 university hospitals.

We completed our first contract in **Mali** to build a radiotherapy center in just twelve months.

In 2012, we successfully entered the markets in **Senegal**, **Mozambique**, and **Cape Verde** with our first contracts.

ASIA-PACIFIC

VAMED has operated successfully for many years in the key Asian markets of Malaysia, Vietnam, and China. Our customers are very satisfied, and this helped us to secure new orders in **China** in 2012. The success of the preceding years continued and we were able to receive orders for the supply of medical equipment amounting to €71 million in 2012.

In **Malaysia**, we continued to carry out a contract to plan, supply, and install medical equipment for the National Cancer Institute. The investment volume amounted to €31 million.

In **Vietnam**, we provided a hospital in Hue, on schedule, with specialist equipment for cancer treatment worth €17 million.

In **Laos**, we completed the project to modernize the 450-bed Mahosot University Hospital, which we had started in 2011. The project included rebuilding and modernizing all of the operating rooms.

LATIN AMERICA

Besides the projects we completed in Latin America, we received the first contract in **Trinidad and Tobago**: VAMED will expand and modernize the San Fernando General Hospital there. In **Honduras**, VAMED gained a follow-up order for the planning, delivery, and installation of medical equipment. To strengthen our presence in Latin America, we opened a new office in Bogotá, **Colombia**.

SERVICE BUSINESS

VAMED offers a full range of **facility management services for health care facilities**. Modular in design, our service offering encompasses every aspect of technical, commercial, and infrastructural facility management. This ranges from building and equipment maintenance, medical technology management, and technical management through to the **operational management** of health care facilities. We also take care of energy management, waste management, and the cleaning of buildings and outdoor facilities, as well as security services. With this integrated portfolio of services, we guarantee optimal operation of a health care facility over its entire life cycle, from the construction of the buildings to the end of primary use, modernization, or renewal. In addition to facility and operational management, we also specialize in **logistics** for the health care industry. By optimizing the processes, logistics costs are minimized while still maintaining the necessary supply standards.

The following gives an overview of the relevant developments in the **target markets** of our service business.

EUROPE

In **Austria**, VAMED has been in an ongoing partnership with Vienna's municipal general hospital, Allgemeines Krankenhaus der Stadt Wien – Medizinischer Universitätscampus (AKH Vienna), for more than 25 years. We have been responsible for operating its technical management since 1986. We also executed the further extension of AKH Vienna. With 30 hospitals and institutes, and approximately 2,100 beds, AKH Vienna is one of the largest hospitals in Europe.

After AKH Vienna, the largest technical service contract we have ever received was for two hospitals in lower Austria with a total of 1,230 beds. We continued technical management for both hospitals in 2012.

VAMED now operates eight rehabilitation facilities and is the largest private-sector provider of rehabilitation in Austria. Three more rehabilitation centers in Salzburg, Tyrol, and Vienna are currently in the construction phase and will commence operations in 2013 under VAMED's management.

In **Germany**, the consortium Charité CFM Facility Management GmbH, headed by VAMED, has been responsible for all operations at Berlin's Charité except for the purely medical services since 2006. Approximately 2,600 employees work on one of the largest service contracts for a hospital in Europe. The consortium, headed by VAMED, renewed its technical operating contract for the entire hospital in 2012. The recommissioning reflects Charité's full confidence in the service quality of VAMED.

We also fulfilled the service contract with the University Hospital in Hamburg-Eppendorf to our customer's satisfaction.

In 2012, we continued our five-year partnership with the Schleswig-Holstein University Hospital agreed on in 2010. It aims to improve the quality of IT services and equipment, and to organize the infrastructure more efficiently.

ASIA-PACIFIC

Through close market coverage, business in **Thailand** has also developed very positively for VAMED. Following the first contracts in 2009, we acquired more service contracts in 2012. They include, for instance, a contract to implement a clinical information system at a university hospital in Bangkok.

AFRICA

In **Gabon**, VAMED manages all of the operations in seven regional hospitals, along with the technical management of the Omar Bongo Ondimba Hospital in Libreville. In 2012, the Health Ministry extended the management contracts for the six regional hospitals for which it is responsible.

Following completion of the construction and expansion of the Gabonese hospitals in Angondje and Libreville, we also received a mandate to run their technical operations.

VAMED VITALITY WORLD

As people become increasingly aware of health care issues and desire more vitality, **thermal spa and wellness resorts** play an ever-larger role. Based on our decades of experience in the health care sector, VAMED Vitality World's thermal spa and wellness resorts have succeeded in bridging the gap between preventive medicine and health care tourism. Every year, 2.4 million guests visit the eight thermal spa and wellness resorts that VAMED operates in six Austrian provinces. We are the market leader in Austria with a market share of almost 30%.

In 2012, the resorts of VAMED Vitality World once again received several of the internationally coveted **World Travel Awards**. The judges nominated the Tauern SPA Zell am See-Kaprun to be "Europe's Leading Lifestyle Resort 2012." The St. Martins Therme & Lodge took first in the "Austria's Leading Resort" category, and the Aqua Dome Tirol Therme in Längenfeld in the "Austria's Leading SPA Resort" category. In addition, VAMED Vitality World itself was awarded the "World's Leading Medical Wellness and SPA Operator" title for the second time in a row.

OUTLOOK

In Europe, the focus of VAMED's activities will continue to be on holistic realization and PPP projects in 2013. As health care facilities have high value for preventive care, and health tourism is becoming increasingly popular, we see development potential in this segment as well. Outside Europe, the focus will be on custom-tailored solutions for hospitals along the VAMED value chain.

Further information on VAMED can be found on its website at www.vamed.com.

Please see page 118 of the Management Report for the 2013 financial outlook of Fresenius Vamed.

TABLE OF CONTENTS MANAGEMENT REPORT

MANAGEMENT REPORT. 2012 was an excellent year for Fresenius. We again achieved record sales and earnings in all business segments. Particularly Fresenius Kabi and Fresenius Helios contributed to the strong earnings growth. We improved our profitability and increased Group net income by 17% in constant currency.

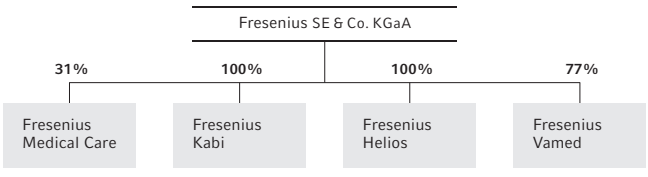
OPERATIONS AND BUSINESS ENVIRONMENT

GROUP STRUCTURE AND BUSINESS

Fresenius is an international health care group with products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations and offers engineering and services for hospitals and other health care facilities.

Fresenius has the legal form of an SE & Co. KGaA (a partnership limited by shares).

GROUP STRUCTURE



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

- Fresenius Medical Care is the world's leading dialysis company, with products and services for patients with chronic kidney failure. As of December 31, 2012, Fresenius Medical Care treated 257,916 patients at 3,160 dialysis clinics.
- Fresenius Kabi specializes in infusion therapies, intravenously administered drugs (IV drugs), and clinical nutrition for critically and chronically ill people in hospitals and outpatient care. The company is also a leading supplier of medical devices and products in the area of transfusion technology.
- Fresenius Helios is one of the largest private hospital operators in Germany. The HELIOS Kliniken Group operates 72 proprietary clinics. HELIOS has a total of more than 23,000 beds.
- Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

- The segment Corporate/Other comprises the holding activities of Fresenius SE & Co. KGaA, the IT service provider Fresenius Netcare, which operates mainly for Group companies, and Fresenius Biotech. Fresenius Biotech is active in research and development in the field of antibody therapies. In December 2012, Fresenius decided to focus on its four established business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios, and Fresenius Vamed. The Fresenius Biotech subsidiary will be discontinued. Fresenius is currently assessing the option of continuing the immunosuppressive drug ATG-Fresenius S within the Group, but will divest the trifunctional antibody Removab business.

  Corporate/Other also includes the consolidation measures conducted among the business segments.

The Fresenius Group operates internationally and all business segments have a regional and decentralized structure. Responsibilities are clearly defined in line with the Company's "entrepreneur in the enterprise" management principle. Additionally, management accountability is reinforced by an earnings-oriented and target-linked compensation system. Fresenius has an international sales network and maintains 90 production sites around the globe. Large production sites are located in the United States, China, Japan, Germany, and Sweden. Production plants are also located in other European countries and in Latin America, Asia-Pacific, and South Africa. This international production network allows us to meet the high logistical and regulatory requirements, to optimize transportation costs and to largely offset currency exposure.

MANAGEMENT AND CONTROL

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

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

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

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

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

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

The Supervisory Board of Fresenius SE & Co. KGaA has two permanent **committees**: the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The members of the committees are listed

on page 215 of this annual report. The Company's annual corporate governance declaration describes the procedures of the Supervisory Board's committees. The declaration can be found on pages 15 to 35 of this annual report and on our website www.fresenius.com, see Who we are – Corporate Governance.

The description of both the **compensation structure** and individual amounts paid to the Management Board and Supervisory Board of Fresenius Management SE and the Supervisory Board of Fresenius SE & Co. KGaA are included in the Compensation Report on pages 28 to 35 of this annual report. The Compensation Report is part of the Group's Management Report.

KEY PRODUCTS AND SERVICES

Fresenius Medical Care offers a comprehensive range of products for hemodialysis and peritoneal dialysis, and provides dialysis care at its own dialysis clinics in more than 40 countries. Dialyzers, dialysis machines, and renal pharmaceuticals are among the most important product lines in the dialysis products business. These products are sold to Group clinics as well as to external dialysis care providers in more than 120 countries. In the United States, the company also performs clinical laboratory tests. **Fresenius Kabi** is one of the few companies to offer a comprehensive range of enteral and parenteral nutrition therapies. The company also offers a broad spectrum of products for fluid and blood volume replacement as well as an extensive portfolio of IV drugs. Fresenius Kabi's portfolio consists of more than 100 product families. The company sells its products mainly to hospitals in over 160 countries. **Fresenius Helios** treats more than 2.7 million patients, thereof about 750,000 inpatients each year at its hospitals. **Fresenius Vamed** provides engineering and services for hospitals and other health care facilities internationally.

IMPORTANT MARKETS AND COMPETITIVE POSITION

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

Fresenius Medical Care is the worldwide leader in dialysis. The company holds the leading position in dialysis care as it serves about 11% of all dialysis patients, and operates the largest number of dialysis clinics. In dialysis products, Fresenius Medical Care is also the leading supplier, with a market share of about 33%. **Fresenius Kabi** holds leading market positions in Europe and has strong positions in the growth markets of Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading suppliers of generic IV drugs. **Fresenius Helios** is one of the top three private hospital operators in Germany. **Fresenius Vamed** is one of the world's leading companies specializing in engineering and services for hospitals and other health care facilities.

LEGAL AND ECONOMIC FACTORS

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

- **demographic trends**,
- **demand for innovative therapies** in the industrialized countries, and
- increasing **availability of high-quality health care** in the developing and newly industrializing countries.

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

The statement of income and the balance sheet can be influenced by currency translation effects as a result of exchange rate fluctuations, especially in the rate of the U.S. dollar to the euro. In 2012, this had a positive effect on the statement of income due to the altered average annual exchange rate between the U.S. dollar and the euro of 1.28 in 2012 as compared to 1.39 in 2011. The changed spot rate of 1.32 as of December 31, 2012 – compared to 1.29 as of December 31, 2011 – had only a minor effect on the balance sheet.

There were no legal aspects that significantly affected business performance in 2012.

On the whole, the legal and economic factors for the Fresenius Group were largely unchanged, so the Group's operating business was not materially affected.

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

The subscribed capital of Fresenius SE & Co. KGaA amounts to 178,188,260 ordinary shares as of December 31, 2012 (December 31, 2011: 163,237,336). The shares of Fresenius SE & Co. KGaA are non-par-value bearer shares. Each share represents €1.00 of the capital stock. Shareholders' rights are regulated by the German Stock Corporation Act (AktG – Aktiengesetz).

On May 15, 2012, Fresenius SE & Co. KGaA successfully completed a capital increase upon registration with the commercial register by partially utilizing the **Authorized Capital I**. In connection with the capital increase, 13.8 million new ordinary shares were issued at a price of €73.50. The new shares have full dividend entitlement for the fiscal year 2012.

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

- to increase the subscribed capital of Fresenius SE & Co. KGaA by a total amount of up to €26,520,000.00 until May 12, 2016 through a single or multiple issuance of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital I). Shareholders' pre-emptive rights of subscription can be excluded.

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

- The subscribed capital is conditionally increased by up to €857,970.00 through the issuance of new bearer ordinary shares (Conditional Capital I). The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 1998 Stock Option Plan and the holders of these subscription rights exercise their rights. The term of the stock options granted under the 1998 Stock Option Plan expired on June 30, 2012.
- The subscribed capital is conditionally increased by up to €2,497,254.00 through the issuance of new bearer ordinary shares (Conditional Capital II). The conditional capital increase will only be executed to the extent that convertible bonds for ordinary shares have been issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.
- The subscribed capital is conditionally increased by up to €5,383,434.00 through the issuance of new bearer ordinary shares (Conditional Capital III). The conditional capital increase will only be executed to the extent that subscription rights have been or will be issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own treasury shares to service the subscription rights or does not exercise its right to make payment in cash, whereby the granting of subscription rights to the Management Board of the general partner, and their settlement, shall be solely and exclusively the responsibility of its Supervisory Board.

By resolution on May 11, 2012, the Annual General Meeting of Fresenius SE & Co. KGaA authorized the general partner, with the approval of the Supervisory Board, until May 10, 2017, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €16,323,734.00 through issuance of up to 16,323,734 new bearer ordinary shares (**Conditional Capital IV**). The Conditional Capital IV became effective upon registration with the commercial register on July 4, 2012. The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash or of warrants from option bonds issued for cash exercise their conversion or option rights and as long as no other forms of settlement are used.

On May 11, 2012, the Annual General Meeting authorized the Company to purchase and use its **own shares** up to a maximum amount of 10% of the capital stock. As of December 31, 2012, the Company had not utilized this authorization.

Direct and indirect ownership interests in Fresenius SE & Co. KGaA are listed on page 177 of the Notes. The Else Kröner-Fresenius-Stiftung, as the largest shareholder, informed the Company, on December 19, 2012, that it held 48,231,698 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 27.07% as of December 31, 2012.

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

Under certain circumstances, a **change of control** as the result of a takeover bid could impact some of our long-term financing agreements embodying change of control provisions. These provisions are customary change of control clauses that grant creditors the right of premature call in the event of a change of control. However, the right of premature call usually only becomes effective if the change of control is followed by a downgrading of the Company's rating.

CORPORATE PERFORMANCE CRITERIA, GOALS, AND STRATEGY

The Management Board controls the business segments by setting strategic and operating targets and through various financial ratios. In line with our **growth strategy**, organic growth is a key performance indicator. Operating income (EBIT: earnings before interest and taxes) is another useful yardstick for measuring the profitability of the business segments.

In addition to operating income, EBITDA (earnings before interest and taxes, depreciation and amortization) is a good indicator of the business segments' ability to achieve positive cash flows and to service their financial commitments. The criteria by which the Management Board measures the performance of the business segments are selected Group-wide in such a way that they include income and expenses within the control of these segments. We also control the operating cash flow contributions of our business segments on the basis of days sales outstanding (DSO) and scope of inventory (SOI).

Financing is a central Group function over which the business segments have no control. The financial targets for the business segments therefore exclude both interest payments resulting from financing activities and tax expenses.

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

At Group level we use return on operating assets (ROOA) and return on invested capital (ROIC) as benchmarks for evaluating our business segments and their contribution to **Group value added**. Group ROIC was 9.0% (2011: 8.8%), and Group ROOA was 11.0% (2011: 10.9%). The strong earnings growth in all business segments corresponds with an increase in total assets. This increase is a result of the expansion of the existing business and acquisitions. Within the position invested capital, the goodwill of €15.0 billion had a significant effect on the calculation of the ROIC. It is important to take into account that about 64% of the goodwill is attributable to the strategically significant acquisitions of National Medical Care in 1996, Renal Care Group and HELIOS Kliniken in 2006, APP Pharmaceuticals in 2008, and Liberty Dialysis Holdings in 2012. Those have significantly strengthened the position of the Fresenius Group. We expect a continuing improvement in ROIC and ROOA in the future.

The summary shows ROIC and ROOA by business segment:

	ROIC		ROOA	
in %	**2012**	2011	**2012**	2011
Fresenius Medical Care	**8.1**	8.7	**11.4**	12.0
Fresenius Kabi	**10.3**	10.0	**12.3**	12.4
Fresenius Helios	**8.4**	8.3	**8.2**	8.4
Fresenius Vamed[1]	**–**	–	**12.8**	16.0
Group	**9.0**	8.8	**11.0**	10.9

[1] ROIC: Invested capital is insignificant due to prepayments, cash and cash equivalents

We calculate our **cost of capital** as weighted average of the cost of equity and the cost of debt. In 2012, the WACC (weighted average cost of capital) of Fresenius Medical Care and the WACC of the other business segments was 5.8% and 5.4%, respectively. Group ROIC of 9.0% clearly exceeded the WACC.

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

STRATEGY AND GOALS

Our goal is to build Fresenius into a leading global provider of products and therapies for critically and chronically ill people. We are concentrating our business segments on a few health care areas. Thanks to this clear focus, we have developed unique competencies. We are following our long-term strategies consistently and are seizing our opportunities. Our aim is to:

- provide best-in-class treatment
- grow with new products and services
- expand in growth markets
- increase our profitability on a sustainable basis

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

- **expand our market position**: Fresenius' goal is to ensure the long-term future of the Company as a leading international provider of products and services in the health care industry and to grow its market share. Fresenius Medical Care is the largest dialysis company in the world, with a strong market position in the United States. Future opportunities in dialysis will arise from further international expansion in dialysis care and products and in renal pharmaceuticals. Fresenius Kabi is the market leader in infusion therapy and clinical nutrition in Europe and in the key markets in Asia-Pacific and Latin America. In the United States, Fresenius Kabi is one of the leading players in the market for generic IV drugs. To strengthen its position, Fresenius Kabi plans to roll out more products from its portfolio to the growth markets. Market share is also to be expanded further through the launch of new products in the field of IV drugs and medical devices for infusion therapy and clinical nutrition. In addition, products from the existing portfolio are to be launched in the U.S. market. Fresenius Helios is in a strong position to take advantage of the further growth opportunities offered by the continuing privatization process in the German hospital market. Investment decisions are based on the continued existence and long-term potential of the hospitals to be acquired. Fresenius Vamed will be further strengthening its position as a global specialist provider of engineering and services for hospitals and other health care facilities.
- **extend our global presence**: in addition to sustained organic growth in markets where Fresenius is already established, our strategy is to diversify into new growth markets worldwide, especially in the region Asia-Pacific and in Latin America. With our brand name, product portfolio, and existing infrastructure, we intend to focus on markets that offer attractive growth potential. Apart from organic growth, Fresenius also plans to make further small to mid-sized selective acquisitions to improve the Company's market position and to diversify its business geographically.
- **strengthen innovation**: Fresenius' strategy is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. We are convinced that we can leverage our competence in research and development in our

operations to develop products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs. We intend to continue to meet the requirements of best-in-class medical standards by developing and producing more effective products and treatment methods for the critically and chronically ill. Fresenius Helios' goal is to widen brand recognition for its health care services and innovative therapies. Fresenius Vamed's goal is to realize further projects in integrated health care services and to support patient-oriented health care systems more efficiently.

- **enhance profitability**: our goal is to continue to improve Group profitability. To contain costs, we are concentrating particularly on making our production plants more efficient, exploiting economies of scale, leveraging the existing marketing and distribution infrastructure more intensively, and practicing strict cost control. By focusing on our operating cash flow and employing efficient working capital management, we will increase our investment flexibility and improve our balance sheet ratios. Another goal is to optimize our weighted average cost of capital (WACC) by deliberately employing a balanced mix of equity and debt funding. In present capital market conditions we optimize our cost of capital if we hold the net debt/EBITDA ratio within a range of 2.5 to 3.0. It was 2.6 as of December 31, 2012. At the end of 2013, we expect Group leverage to be at the lower end of the 2.5 to 3.0 target range.

We report on our goals in detail in the Outlook section on pages 111 to 121.

OVERALL BUSINESS DEVELOPMENT

ECONOMIC ENVIRONMENT

The worldwide financial and economic crisis continued to generate a great deal of uncertainty in 2012. Although fiscal and monetary measures helped the global economy to recover, it lost momentum once the stimulus programs expired.

Especially in the Eurozone and in the United States, austerity measures aimed at reducing debt ratios and a high level of private-sector debt slowed down growth in the industrial countries in 2012. This lowered demand and consequently the trade surplus of the emerging economies. However, compared to the industrial countries, emerging countries benefited from a robust increase in private consumption and investment activity. Their lower levels of public debt meant that the need for austerity measures appeared much less urgent. Once again, the emerging countries and the United States especially contributed to stabilizing the global economy, albeit to a lesser degree than in the previous year. Global GDP grew by 2.9% in 2012 (2011: 3.8%).

GDP SHARE OF LEADING ECONOMIES

in %	2011	2010
United States	**19.1**	19.5
China	**14.3**	13.6
Japan	**5.6**	5.8
India	**5.6**	5.5
Germany	**3.9**	4.0
Russia	**3.0**	3.0

Source: IMF, World Economic Outlook, October 2012

Europe

Austerity measures in the private and public sector, together with uncertainty over the development of the financial crisis, continued to strain the Eurozone economy in 2012. Measures to calm down the markets only had a short-lived effect. They included long-term refinancing transactions and the announcement by the European Central Bank (ECB) of its readiness to purchase government bonds, as well as the establishment of a permanent bailout fund and an agreement on a European fiscal pact. Markets lost confidence in the euro. However, by year-end the euro recovered from its all-year low against the U.S. dollar in summer. At the same time, demand for imports declined. This had a positive effect on the trade balance, but could not fully make up for the drop in domestic demand. In an effort to stimulate it, the ECB continued its expansive monetary policy and lowered its prime rate in July 2012 from 1.0% to 0.75%. Overall, the Eurozone GDP dropped by 0.5% in 2012 (2011: +1.4%).

Sources: German Council of Economic Experts, Annual Report 2012/2013, November 2012; bank research

The development in each of the Eurozone countries was, however, very heterogenous. States like Greece, Portugal, and Ireland, as well as the Spanish banking system, have drawn on bailout packages. Italy appears to be threatened by the loss of investors' confidence. In all of these countries, the establishment of ambitious consolidation plans led to a lasting negative effect on growth. These so-called **peripheral countries** were hit by recession, with GDP in Greece dropping by as much as 6.5%. The **Irish** and the **French economies** nearly stagnated. There were only a few countries, including Germany and Austria, that managed to avoid this downward spiral, but even here the economies lost steam.

The unemployment rate in the Eurozone worsened in 2012, climbing to a record of nearly 12%. Austria, the Netherlands, and Germany had the lowest unemployment rates. Spain and Greece once again had the highest rates at around 25%.

Unable to escape the effects of the euro crisis and the weaker global economy, economic performance in **Germany** slowed down over the course of the year. Although disposable income was higher, private consumption increased only moderately. Even though overall conditions were good, investment activity was only modest. Nevertheless, Germany was able to more than make up for falling exports to Eurozone countries by increased trading volumes with other countries. The interim weakness of the euro also helped. Germany's exports and the stable labor market were thus the main factors that enabled its GDP to grow by 0.7% (2011: 3.0%).

A number of emerging economies in **Central and Eastern Europe**, including Poland, Estonia, and Slovakia, also succeeded in escaping the general downward trend in Europe. But GDP was down in Hungary and the Czech Republic. Overall the region only grew modestly.

United States

Compared to other industrial countries, U.S. economic performance was robust in 2012. GDP was up 2.2% (2011: 1.8%). Both private-sector spending and the deferral of austerity measures provided support to the economy. But low European demand hit exports. The euro crisis and the risk of falling off a "fiscal cliff" if the political parties failed to agree on budget measures aggravated the uncertainty and this affected willingness to invest.

The real estate market recovered slightly, but the improvement in the labor market was sluggish. Although the unemployment rate dropped to around 8%, the number of employed people is still significantly lower than before the crisis began in January 2008. The number of long-term unemployed fell only slightly relative to the beginning of the year.

The U.S. Federal Reserve System (Fed) continued its monetary easing, extending already in December 2012 its third quantitative easing program launched in September 2012. The Fed announced that it would buy long-term treasuries and mortgage-backed securities with a monthly volume of US$85 billion until either the unemployment rate fell below 6.5% or inflation rose above 2.5%. This was supposed to increase liquidity and sustain long-term interest rates at a low level, stimulating economic growth.

Asia

In 2012, Asia once again showed the strongest growth in the world: GDP increased in Asia (excluding Japan) by 5.9% (2011: 7.3%). Asia's emerging economies, particularly China, benefited from their debt ratios being lower than in the industrial countries, which meant less need for austerity measures.

After 2 years of decelerated growth, experts estimate that **China's** economy has bottomed. But Europe's weak economy will continue to put a strain on China's exports. Private and public sector consumption only partly made up for this. China introduced fiscal measures to stimulate the economy, such as lowering its prime and minimum reserve rates. It also approved an extensive infrastructure program. China's GDP grew by 7.7% in 2012 (2011: 9.3%).

Growth in **India's** economy slowed down. Besides the weak global economy, key reasons were infrastructure deficits and overdue economic reforms. In fall 2012, the Indian government approved a number of measures to boost the economy. These included allowing more foreign investments, for example in the food sector. GDP growth fell to 4.6% (2011: 7.9%).

In the first quarter of 2012, **Japan's** economy continued to benefit from the fiscal aid given to provinces affected by the earthquake in March 2011. After that, the economy weakened again. The yen was less overvalued but conditions remained critical for Japan's exports, which were held back by the sluggish economies of the industrial countries and the conflict with China over a group of islands. An expansive fiscal policy pushed up public debt, which was already very high.

To counter this, the government decided in the summer of 2012 to raise VAT in stages. Japan's GDP was up 2.1% for the year (2011: -0.5%).

Other Asian countries also suffered from the slowdown in U.S. and European growth in 2012. GDP nevertheless grew by a robust 3.8% (2011: 4.3%) on the strength of a high level of employment and healthy private and public sector consumption.

Latin America

Most Latin American countries recorded solid growth in 2012. The region's GDP was up 2.7% (2011: 4.3%). Chile, Columbia, Peru, and Venezuela saw above-average growth.

Brazil was hurt by low investment activity in 2012 as a result of ongoing infrastructure problems and comparatively high interest rates. The government initiated extensive measures to stimulate the economy, including lowering the prime rate to the lowest level in recent history. In addition, it approved a stimulus package amounting to approximately 3% of GDP to modernize the road and rail networks. But the stimulatory effects of these measures are likely to affect only the coming years' growth. GDP increased by 0.9% in 2012 (2011: 2.7%).

After 2 strong years of expansion, **Argentina's** growth dropped significantly to 1.0% in 2012 (2011: 7.0%) caused by a lack of consumer confidence and a deteriorated business climate. Furthermore, markets were uncertain about Argentina repaying its government bonds.

Mexico benefited from the robust economic performance of the United States, and its GDP growth of 3.9% was virtually the same as in the previous year.

HEALTH CARE INDUSTRY

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

The main **growth factors** are:

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

In the **emerging countries**, drivers are:

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

At the same time, the cost of health care is rising and claiming an ever-increasing share of national income. Health care spending averaged 9.5% of GDP in the OECD countries in 2010, with an average of US$3,268 spent per capita. The United States had the highest per capita spending (US$8,233), as in previous years, followed by Norway (US$5,388) and Switzerland (US$5,270). Germany ranked ninth among the OECD countries with per capita spending of US$4,338.

HEALTH CARE SPENDING AS % OF GDP

in %	2010	2000	1990	1980	1970
USA	17.6	13.6	12.2	9.0	7.1
France	11.6	10.1	8.4	7.0	5.4
Germany	11.6	10.3	8.3	8.4	6.0
Switzerland	11.4	10.2	8.2	7.3	5.4

Source: OECD Health Data 2012

Sources: OECD Health Data 2012; Bank research; German Bundestag, Research Papers, Health Care Reform in the USA, June 2010; Website of the White House (www.whitehouse.gov)

In the wake of the global economic and financial crisis, growth rates for spending on health care in a large number of OECD countries slowed down significantly or, in some cases, even went into negative territory. Spending in Germany, however, increased by 2.6% in real terms between 2009 and 2010.

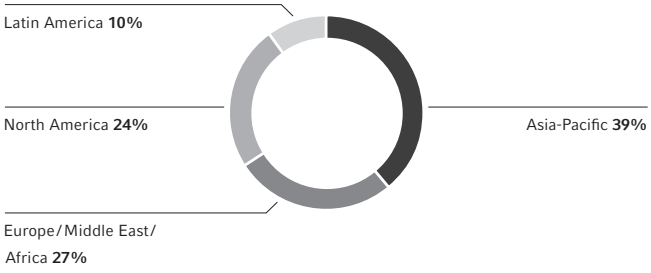
The public sector is the main source of **health funding** in all OECD countries, except Chile, the United States, and Mexico, where public spending was below 50% in 2010. In Germany, 76.8% of health spending was funded by public sources in 2010, above the average of 72.7% in the OECD countries, but below the over 80% public share in the Czech Republic, Japan (2009), the Netherlands, New Zealand, as well as in several Nordic countries, such as Denmark, Sweden, and Norway.

Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2010, average life expectancy in the OECD countries was 79.8 years. Japan has the highest life expectancy of all OECD countries with 83 years, followed by Switzerland and Spain. In Germany, life expectancy stood at 80.5 years.

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

In June 2012, the **United States'** Supreme Court upheld the health care reform, which the government had already passed in 2010. Several lawsuits have been filed in federal courts challenging its constitutionality. The reform allows for a health insurance coverage to be phased in for the roughly 46 million people – about 15% of the population – who are not insured. Basic health insurance is to be compulsory from 2014 onwards. Larger companies must offer their employees health insurance coverage, while small companies and low-income households will receive government assistance to take out health insurance.

DIALYSIS PATIENTS BY REGION



2012: 2,306,000 patients

Our most important markets developed as follows:

The dialysis market

For 2012, the volume of the global dialysis market was approximately US$75 billion, equivalent to growth of 2% compared to the previous year in constant currency (4% in constant currency). The market for dialysis care (including renal pharmaceuticals) accounted for approximately US$62 billion in sales and the market for dialysis products for about US$13 billion.

The number of dialysis patients worldwide increased by about 7% to around 2.3 million. The pie chart above shows their regional distribution.

The **prevalence rate**, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region. In developing countries it can be well below 100. It averages just over 1,000 in the countries of the European Union. Prevalence is very high in Taiwan, Japan, and the United States, being well over 2,000 in some cases.

The significant divergence in prevalence rates is due, on the one hand, to differences in age demographics, distribution of renal risk factors (such as diabetes and hypertension), and genetic pre-disposition and cultural habit, such as nutrition. On the other hand, access to dialysis treatment is still limited in many countries. A great many individuals with terminal kidney failure do not receive treatment and are therefore not included in the prevalence statistics.

In the United States, Japan, and Western and Central Europe, Fresenius Medical Care recorded below-average growth in the number of patients in 2012. In these regions,

prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, growth was above average – an indication that access to dialysis treatment in these countries is still limited but is gradually improving.

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

Dialysis care

Of the around 2.3 million patients receiving regular dialysis treatment in 2012, about 89% are treated with hemodialysis, while about 11% choose peritoneal dialysis. The majority of the patients are treated in dialysis clinics. There are about 33,400 dialysis clinics worldwide with an average of 70 patients per clinic.

The organization of the clinics varies significantly, depending on whether the health systems in the individual countries are state-run or private: in the United States, most of the approximately 5,900 dialysis clinics are run privately, and only about 1% are publicly operated. By contrast, about 57% of the approximately 5,400 dialysis clinics in the European Union are publicly owned. In Japan, private nephrologists play a key role, treating about 80% of dialysis patients in their facilities.

In the **United States**, the market for dialysis care is already highly consolidated. Taken together, Fresenius Medical Care and the second-largest provider of dialysis care – DaVita – treat over 70% of all U.S. dialysis patients. In 2012, Fresenius Medical Care maintained its market-leading position of approximately 37%.

Outside the United States, the markets for dialysis care are much more fragmented. Here, Fresenius Medical Care competes mainly with independent clinics and with clinics that are affiliated with hospitals. Fresenius Medical Care operates 1,078 dialysis clinics in 40 countries and treats more than 93,000 patients. Together, these represent by far the largest and most international network of dialysis clinics.

In 2012, the number of **peritoneal dialysis patients** worldwide was about 250,000. Fresenius Medical Care has a market share of about 20% according to sales. Fresenius Medical Care is the global No. 2 in this market after Baxter. In the United States, our market share was 42%.

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. In the United States, the treatment costs for terminal kidney failure are covered by the public health insurers. The public health care programs, the **Centers for Medicare & Medicaid Services (CMS)**, cover the medical services for the majority of all dialysis patients in the United States. In 2012, CMS reimbursements accounted for about 32% of Fresenius Medical Care's revenues. Changes in the CMS rates or method of reimbursement therefore have a significant importance on our business in North America.

Dialysis products

In the dialysis products market, the most important products are dialyzers, hemodialysis machines, concentrates and dialysis solutions, and products for peritoneal dialysis. Fresenius Medical Care is the world market leader in dialysis products with a market share of about 33%, followed by Baxter with 19% and Gambro with 12%. These top three manufacturers serve about 64% of the market demand. Each of the other competitors, mainly from Japan, has a single-digit percentage market share.

Dialyzers are the largest product group in the dialysis market, with a worldwide sales volume of around 222 million units in 2012. Approximately 100 million, or almost half, were produced by Fresenius Medical Care.

Of the more than 77,000 **hemodialysis machines** that were sold onto the market in 2012, about 55% were from Fresenius Medical Care. In the United States more than 90% of the dialysis machines sold there were made by Fresenius Medical Care. In 2012, China was our second-largest market, where we delivered more than 5,000 new hemodialysis machines. Around half of all hemodialysis machines currently in use in China were produced by Fresenius Medical Care.

The market for infusion therapy and clinical nutrition, intravenously administered drugs, medical devices, and transfusion technology

General cost pressure in Europe has increased the importance of high-quality, cost-effective health care. This especially holds true in the market for infusion therapy and clinical nutrition. Studies show that, in cases of health or age-induced nutritional deficiencies, the administration of food supplements can reduce hospital costs by an average of €1,000 per patient through shorter stays and less nursing care.

Estimates to the European Union situation indicate that as many as 20 million individuals are at risk for malnutrition. 10% of the population over 65 years and 20% of those aged 75 to 80 years and living at home are malnourished. Annual malnutrition-related costs in the European Union are calculated to be around €120 billion.

In Europe, the total market for **infusion therapy** is growing at a low single-digit rate. The total market for **clinical nutrition** is growing at a mid-single-digit rate. Growth rates are in the high single- to double-digits in the emerging markets of Asia-Pacific, Latin America, and Africa.

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

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

The market for **IV generics** is characterized by moderate volume growth, steady price erosion, and fierce competition. Growth is mainly achieved through new generics that are brought to market when the original drug goes off-patent. In Europe and the United States, the market for IV generics is growing at a mid-single-digit rate. We expect the U.S. market for IV drugs that go off-patent from 2013 to 2022 to amount to approximately US$18 billion on a cumulative basis. These figures are based on the sales of the original drugs in 2011 and do not take account of the usual price erosions for generics. We therefore see considerable growth potential for generic drugs.

Based on its own estimates, Fresenius Kabi considers its potential relevant market for intravenously administered generics to be around €10 billion.

The market for **medical devices** for infusion therapy, IV drugs, and clinical nutrition is worldwide growing at mid-single-digit rates. Here, the main growth drivers are technical innovations that focus on application safety and therapy efficiency.

Fresenius Kabi considers its potential relevant market for medical devices (excluding Japan) to be worth about €2.3 billion, based on its own estimates.

The worldwide market for **transfusion technology** is growing at mid-single-digit rates. The main growth driver is the increasing demand for products and devices that perform blood collection and processing.

Based on our own estimates, the potential relevant market for transfusion technology (excluding Japan) is worth about €2 billion.

A breakdown by region of the total potential addressable market for Fresenius Kabi is shown below:

€ in billions	North America/ Europe	Asia-Pacific/ Latin America/ Africa
Clinical nutrition	4.4	1.8
IV drugs	8.3	1.5
Infusion therapy	2.1	3.1
Medical devices/ Transfusion technology[1]	3.3	1.0

[1] Excluding Japan

Sources: German Society for Nutritional Medicine (DGEM) 2009; Ljungqvist O., Clinical Nutrition 2010, 29:149-150; Company research, market data refer to Fresenius Kabi's potential relevant and addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among others; IMS

The German hospital market

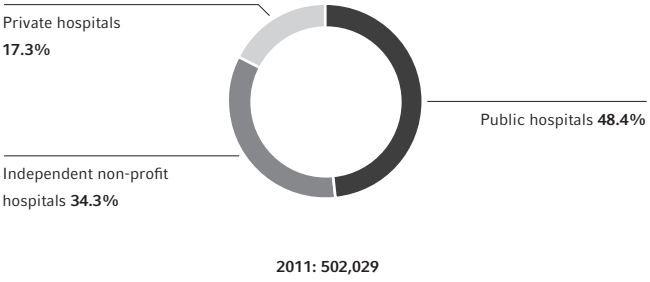
The total volume for hospital treatment in Germany was about €81 billion[1] in 2011. Personnel costs account for about 61% of hospital costs, and material costs for 39%. Personnel and material costs rose by approximately 4% each.

The number of hospitals in 2011 was 2,045 (2010: 2,064). The **number of beds** fell slightly to 502,029 (2010: 502,749). Over the last five years, the number of beds has declined at an average annual rate of 0.2%. Nonetheless, with 6.14 beds per 1,000 population, Germany is still well above the OECD average of 3.4 (2010). The **average stay** of a patient in an acute care clinic in Germany fell slightly over the same period and was 7.7 days in 2011 (2010: 7.9 days). On the other hand, the number of **inpatient admissions** has increased. This is largely due to changing demographics. In 2011, the number of admissions increased by about 310,000 to about 18.3 million. This is equivalent to 224 admissions per 1,000 population (2010: 221). In the years 2007 to 2011, the number of admissions in Germany has risen at an average annual rate of 1.7%. The average costs per admission have increased by 3.0% on average over the five years leading up to 2011.

According to a survey by the German Hospital Institute (DKI), the **economic situation** at many hospitals in Germany worsened during 2011: 55% of the hospitals earned a surplus, 14% achieved break even, and every third hospital (31%) made a loss.

Many hospitals are facing a difficult economic and financial situation as well as significant **investment needs**. This is due in large part to an investment backlog that has accumulated because in the past the federal states failed to meet their statutory obligation to finance necessary investments and major maintenance measures sufficiently in the past due to budget constraints. Moreover, investment needs are mainly driven by technological advances, higher quality requirements, and necessary modernizations. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the investment gap at German hospitals is about €30 billion.

HOSPITAL BEDS BY OPERATOR



Source: German Federal Statistics Office

According to the German Federal Statistics Office, the **privatization trend** in the German hospital market continued in 2011, with the share of private hospital beds rising to 17.3% (2010: 16.9%). However, as the chart shows, with a share of 48.4%, the bulk of the hospital beds continued to be in the public sector (2010: 48.6%).

According to our research, about €660 million in hospital transaction revenues were acquired in 2012.

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

In 2011, the **post-acute care market** in Germany comprised a total of 1,233 clinics, almost the same as the year before. The number of beds was 170,544 (2010: 171,724). 55.2% (2010: 56.1%) of the clinics were private clinics. The

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2011	2010	2009	2008	2007	Change 2011/2010
Hospitals	**2,045**	2,064	2,084	2,083	2,087	-0.9%
Beds	**502,029**	502,749	503,341	503,360	506,954	-0.1%
Beds per 1,000 population	**6.14**	6.15	6.15	6.13	6.16	-0.2%
Length of stay (days)	**7.7**	7.9	8.0	8.1	8.3	-2.5%
Number of admissions (millions)	**18.34**	18.03	17.82	17.52	17.18	1.7%
Average costs per admission in €[1]	**4,548**	4,432	4,327	4,146	4,028	2.6%

[1] Total costs, gross

Source: German Federal Statistics Office (preliminary results for the hospital costs analysis 2011)

[1] Total costs, gross of the German hospitals less academic research and teaching

Sources: German Federal Statistics Office (preliminary results for the hospital costs analysis 2011); German Hospital Institute (DKI), Krankenhaus Barometer 2012; OECD Health Data 2012; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2012

share of independent non-profit clinics and public clinics increased to 26.0% and 18.9% (2010: 25.9% and 17.9%). Private clinics accounted for 66.4% of the total number of post-acute care beds (2010: 67.0%). Independent non-profit clinics and public clinics accounted for 15.7% (2010: 15.8%) and 18.0% (2010: 17.2%), respectively. The total number of admissions in Germany decreased by about 48,700 admissions to 1.93 million. The average length of stay remained unchanged at 25.4 days.

The market for engineering and services for hospitals and other health care facilities

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

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

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

The development of the world economy had an only negligible impact on our industry. On the whole, the health care sector, both in mature and growth markets, developed positively for Fresenius in 2012, with a continued increasing demand for health services. Strong demand for its products and services enabled Fresenius to grow with its respective markets or even outpace their growth.

SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

In 2012, the Fresenius Group's positive development was again driven to a large extent by the very good operating development in all business segments. Acquisitions, mainly at Fresenius Medical Care and Fresenius Helios, further strengthened organic growth. Fresenius Kabi has successfully closed the acquisition of Fenwal Holdings, Inc. The company was consolidated as of December 2012.

THE MANAGEMENT BOARD'S ASSESSMENT OF THE BUSINESS RESULTS

The Management Board is of the opinion that the Fresenius Group's performance in 2012 was excellent – with sales and earnings improvements across all business segments. Fresenius Medical Care sustained its positive performance trend with organic sales growth of 5% and a further increase in earnings. Fresenius Kabi again outperformed the market. The company profited from continued strong global demand for its established product portfolio as well as the launch of new products, and continued supply constraints at competitors in the United States. This was reflected in excellent organic growth of 9% and a strong increase in earnings. Fresenius Helios also achieved excellent organic growth of 5% and further improved its earnings. Fresenius Vamed achieved strong organic sales growth of 5% and again increased earnings. Order intake, which is an important indicator for the project business, increased by 9% compared to the previous year.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

For 2012, we had assumed that strong demand for our products and services would continue despite ongoing cost-containment efforts in the health care sector. This proved to be the case.

The table below shows our initial guidance for 2012 as communicated in February 2012, and the guidance updates provided over the course of the year. Due to the excellent operating results, we raised both our sales and earnings outlook twice in 2012.

Group sales growth[1] in constant currency of 13% is fully within the targeted range of 12% to 14% sales growth in constant currency. **Net income (before special items)**[2] increased by 17% in constant currency and exceeds our earnings outlook of 14% to 16%, which was raised in June 2012. Fresenius Kabi, Fresenius Helios, and Fresenius Vamed also fully achieved or even exceeded their sales and earnings guidance, which was also increased over the course of the year. At the end of October 2012, Fresenius Medical Care confirmed the sales and earnings targets at the lower end of the indicated range. The company fully met its revised guidance.

The **Group's cost positions** in 2012 developed as expected. Cost of sales as a percentage rate of sales remained close to the previous year's level. Operating expenses as a percentage rate of sales improved slightly. We also increased our R & D expenses as planned. At 4%, they are fully within the targeted range of approximately 4% to 5% of our product sales.

In 2012, Fresenius invested €1,007 million in **property, plant and equipment** (2011: €783 million), equivalent to about 5% of Group sales. That was well in line with the budgeted level of about 5% as percentage of sales.

Our operating cash flow increased to €2,438 million (2011: €1,689 million). The cash flow margin improved to 12.6% and clearly exceeded our guidance. We had expected a cash flow rate similar to the previous year's level of 10.3%.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

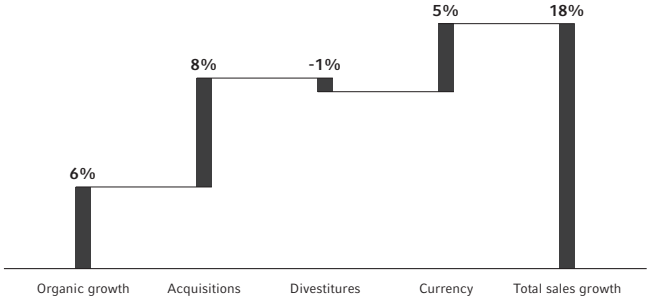
RESULTS OF OPERATIONS

SALES

In 2012, we increased Group sales by 13% in constant currency and by 18% at actual rates to €19,290 million (2011[1]: €16,361 million).

The chart shows the various influences on Fresenius' Group sales. Organic growth was 6%, acquisitions contributed 8%. Divestitures reduced Group sales by 1%. Currency translation had a positive effect of 5%. More information can be found on page 55.

SALES GROWTH ANALYSIS



There were no significant consequences from changes in product mix or pricing in 2012. In 2013, we expect no significant effects from changes in product mix. However, we cannot rule out pricing effects, especially for Fresenius Medical Care. As a result of the general budget cuts for all areas of Medicare, the reimbursement rates for dialysis services in the United States, one of our most important markets, will be reduced by 2% with effect from March 1, 2013.

ACHIEVED GROUP TARGETS 2012

Group	Targets for 2012 announced in February 2012	Increased guidance announced in April 2012	Increased guidance announced in June 2012	Achieved in 2012
Sales (growth, in constant currency)[1]	10% – 13%	upper end of range	12% – 14%	13%
Net income (growth, in constant currency)[2]	8% – 11%	12% – 15%	14% – 16%	17%

[1] 2011 sales were adjusted by -€161 million according to a U.S. GAAP accounting change. This solely relates to Fresenius Medical Care North America.
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as for one-time costs (€29 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG. 2011 adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights.

Sales growth by region was as follows:

The largest regions in the Group are North America and Europe, contributing 42% and 40% of total sales, followed by Asia-Pacific with 10%, and Latin America and Africa with 6% and 2%, respectively. Germany contributed 22% to Group sales.

In North America, organic sales growth was 5%. In constant currency, sales also increased by 14%. In Europe, sales were up 12% in constant currency, with organic growth of 4%. Excellent organic growth was again achieved in Asia-Pacific with 12% and in Latin America with 22%. In these regions, sales growth in constant currency was 12% and 25%, respectively. The sales decrease in Africa was due to the volatility in Fresenius Vamed's project business.

Sales growth in the business segments was as follows:

- Fresenius Medical Care achieved sales of €10,741 million in 2012 (2011[1]: €9,031 million). Organic growth was 5%, while acquisitions contributed 8%. Divestitures reduced sales by 1%. Currency translation had a positive effect of 7%. Sales include special collection efforts for services performed in prior years.
- Fresenius Kabi increased sales by 15% to €4,539 million (2011: €3,964 million). The company achieved organic growth of 9%. Sales growth in emerging markets was again very strong. New product launches and strong demand due to ongoing supply constraints at competitors had a positive effect in the United States. Acquisitions contributed 1% to growth. Currency translation had a positive effect of 5%.
- Fresenius Helios increased sales by 20% to €3,200 million (2011: €2,665 million). Organic growth was 5% supported by the increase in hospital admissions compared to 2011. Acquisitions contributed 17% to growth. Divestitures reduced sales growth by 2%.
- Fresenius Vamed increased sales by 15% to €846 million (2011: €737 million). Organic growth was 5%. Acquisitions contributed 10% to growth. Sales in the project business were €506 million (2011: €494 million). Sales in the service business grew strongly by 40% to €340 million, primarily due to acquisitions (2011: €243 million).

Order intake in Fresenius Vamed's project business again developed well: order intake increased by 9% to €657 million (2011: €604 million).

SALES BY REGION

€ in millions	2012	2011	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
North America[1]	**8,144**	6,601	23%	5%	9%	9%	42%
Europe	**7,797**	6,919	13%	4%	1%	8%	40%
Asia-Pacific	**1,899**	1,582	20%	12%	8%	0%	10%
Latin America	**1,126**	899	25%	22%	0%	3%	6%
Africa	**324**	360	-10%	-9%	-1%	0%	2%
Total	**19,290**	16,361	18%	6%	5%	7%	100%

SALES BY BUSINESS SEGMENT

€ in millions	2012	2011	Change	Organic growth	Currency translation effects	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care[1]	**10,741**	9,031	19%	5%	7%	7%	56%
Fresenius Kabi	**4,539**	3,964	15%	9%	5%	1%	23%
Fresenius Helios	**3,200**	2,665	20%	5%	0%	15%	17%
Fresenius Vamed	**846**	737	15%	5%	0%	10%	4%

[1] 2011 sales were adjusted by -€161 million according to a U.S. GAAP accounting change. This solely relates to Fresenius Medical Care North America.

Fresenius Vamed increased its **order backlog** by 17% to €987 million (December 31, 2011: €845 million). This assures a stable level of sustainable growth for Fresenius Vamed in the current year. Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly determined by order intake and order backlog. Driven by the continued strong demand for health care and hospital infrastructure, Fresenius Vamed was again able to sustain the trend in order intake and order backlog, as the overview below shows.

EARNINGS STRUCTURE

We achieved excellent earnings growth rates in 2012. **Group net income (before special items)**[1] rose by 22% to €938 million (2011: €770 million). Currency translation had a positive effect, leading to growth in constant currency of 17%. **Earnings per share (before special items)**[1] rose to €5.42 (2011: €4.73). This represents an increase of 15% at actual rates and of 10% in constant currency. The weighted average number of shares was 173 million. The lower increase in earnings per share compared to Group net income is mainly the result of the higher number of shares following the capital increase of May 2012.

Including special items, Group net income[2] was €926 million (2011: €690 million) and earnings per share were €5.35 (2011: €4.24).

Inflation had no significant effect on results of operations in 2012.

Group EBITDA[3] rose by 13% in constant currency and by 19% at actual rates to €3,851 million (2011: €3,237 million). **Group EBIT**[3] increased by 14% in constant currency and by 20% at actual rates to €3,075 million (2011: €2,563 million).

The EBIT development by business segment was as follows:

- Fresenius Medical Care increased EBIT by 22% to €1,813 million (2011: €1,491 million). Included are special collection efforts for services performed in prior years. The EBIT margin improved from 16.5% to 16.9%, primarily due to the improved operating margin in North America.
- Fresenius Kabi increased EBIT by 16% to €934 million (2011: €803 million). Strong EBIT growth was particularly driven by excellent earnings growth in North America and the emerging markets. The EBIT margin improved to 20.6% (2011: 20.3%).
- Fresenius Helios achieved excellent EBIT growth of 19% to €322 million (2011: €270 million). The EBIT margin was 10.1%. It was at the previous year's level despite the consolidation of new hospitals, which lead to an initial EBIT margin dilution as expected. The progress made by our hospitals is shown in the clinic development plan. It includes all hospitals that have been part of Fresenius Helios' hospital portfolio for less than 5 years.
- Fresenius Vamed increased EBIT to €51 million (2011: €44 million). The EBIT margin of 6.0%, was at the previous year's level.

RECONCILIATION TO GROUP NET INCOME

The Group's U.S. GAAP financial results as of December 31, 2012 include special items. Net income attributable to shareholders of Fresenius SE & Co. KGaA in 2012 was adjusted for a non-taxable investment gain and other one-time costs at Fresenius Medical Care, as well as one-time costs related to the public takeover offer (offer) to the shareholders of RHÖN-KLINIKUM AG. Net income for 2011 includes special items relating to the acquisition of APP Pharmaceuticals.

ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED

€ in millions	2012	2011	2010	2009	2008
Order intake	**657**	604	625	539	425
Order backlog (December 31)	**987**	845	801	679	571

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as for one-time costs (€29 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG. 2011 adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights.
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[3] 2012 adjusted for one-time costs (€6 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG as well as for other one-time costs (€86 million) at Fresenius Medical Care.

RECONCILIATION

€ in millions	2012 EBIT	2012 Investment gain	2012 Other financial result	2012 Net income	2011 Other financial result	2011 Net income
Earnings (before special items)	**3,075**			**938**		770
One-time costs related to the offer to the shareholders of RHÖN-KLINIKUM AG	**-6**			**-4**		
Other one-time costs at Fresenius Medical Care	**-86**			**-17**		
Non-taxable investment gain at Fresenius Medical Care		**109**		**34**		
Other financial result						
One-time costs for financing commitments related to the offer to the shareholders of RHÖN-KLINIKUM AG			**-35**	**-25**		
Mandatory Exchangeable Bonds (MEB) (mark-to-market accounting)					-105	-85
Contingent Value Rights (CVR) (mark-to-market accounting)					5	5
Earnings according to U.S. GAAP	**2,983**			**926**		690

The Mandatory Exchangeable Bonds (MEB) and the Contingent Value Rights (CVR) were recognized as liabilities. The repayment value of the CVR and the derivative elements of the MEB were measured at market prices. The change in value (mark-to-market accounting) resulted either in a gain or an expense until the end of maturity. As the CVR were delisted in March 2011, the effect relates solely to the first quarter of 2011. Since Adjusted EBITDA for the CVR measuring period did not exceed the threshold amount, no amounts were paid on the CVRs and the CVRs expired valueless. The MEB came to maturity on August 14, 2011, therefore no further effect occured after the third quarter of 2011. Upon maturity, the MEB was mandatorily converted into 15,722,644 ordinary shares of Fresenius Medical Care AG & Co. KGaA.

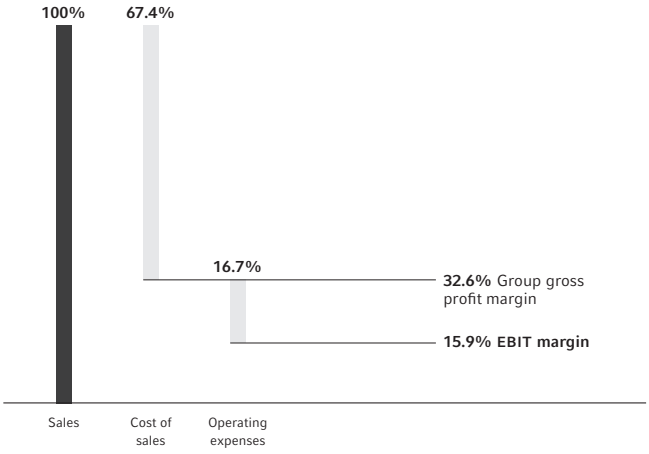
The table above shows the special items and the reconciliation from net income (before special items) to earnings according to U.S. GAAP.

STATEMENT OF INCOME (SUMMARY)

€ in millions	2012	2011	Change	Change in constant currency
Sales[1]	**19,290**	16,361	18%	13%
Cost of goods sold	**-13,002**	-10,987	-18%	-14%
Gross profit	**6,288**	5,374	17%	12%
Selling, general, and administrative expenses	**-3,000**	-2,544	-18%	-13%
Research and development expenses	**-305**	-267	-14%	-12%
EBIT (operating result)[2]	**2,983**	2,563	16%	11%
Investment gain	**109**	0		
Net interest	**-666**	-531	-25%	-19%
Other financial result	**-35**	-100	65%	65%
Income taxes	**-659**	-604	-9%	-4%
Noncontrolling interest in profit	**-806**	-638	-26%	-19%
Net income (before special items)[3]	**938**	770	22%	17%
Net income[4]	**926**	690	34%	28%
Earnings per ordinary share in € (before special items)[3]	**5.42**	4.73	15%	10%
Earnings per ordinary share in €[4]	**5.35**	4.24	26%	21%
EBITDA[2]	**3,759**	3,237	16%	11%
Depreciation and amortization	**776**	674	15%	11%

[1] 2011 sales were adjusted by -€161 million according to a U.S. GAAP accounting change. This solely relates to Fresenius Medical Care North America.
[2] 2012: including one-time costs (€6 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG as well as other one-time costs (€86 million) at Fresenius Medical Care.
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for a non-taxable investment gain (€34 million) and other one-time costs (€17 million) at Fresenius Medical Care as well as for one-time costs (€29 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG. 2011 adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights.
[4] Net income attributable to shareholders of Fresenius SE & Co. KGaA

EARNINGS STRUCTURE (BEFORE SPECIAL ITEMS)



DEVELOPMENT OF OTHER MAJOR ITEMS IN THE STATEMENT OF INCOME

Group gross profit rose to €6,288 million, exceeding the previous year's gross profit of €5,374 million by 17% (12% in constant currency). Gross margin was 32.6% (2011: 32.8%). The **cost of sales** rose by 18% to €13,002 million (2011: €10,987 million). Cost of sales as a percentage of Group sales remained nearly unchanged at 67.4% in 2012 compared to 67.2% in 2011. **Selling, general, and administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses rose by 18% to €3,000 million (2011: €2,544 million). Their ratio as a percentage of Group sales increased to 15.6% (2011: 15.5%). **Depreciation and amortization** was €776 million (2011: €674 million). The ratio as a percentage of sales was 4.0% (2011: 4.1%). **Personnel costs** increased to €6,732 million (2011: €5,555 million). The personnel cost ratio amounted to 34.9% (2011: 34.0%).

The chart beside shows the earnings structure in 2012.

Group net interest was -€666 million (2011: -€531 million). Lower average interest rates were offset by higher incremental debt due to acquisition financing and currency translation effects.

The **other financial result** of -€35 million comprises the one-time costs for the offer to the shareholders of RHÖN-KLINIKUM AG, primarily related to financing commitments.

The **Group tax rate** (before special items) decreased to 29.1% (2011: 30.7%).

Noncontrolling interest rose to €806 million from €638 million in 2011. Of this, 93% was attributable to the noncontrolling interest in Fresenius Medical Care.

The table below shows the profit margin development.

VALUE ADDED

The value added statement on the next page shows Fresenius' total output in 2012 less purchased goods and services and less depreciation and amortization. The value added of the Fresenius Group reached €9,895 million (2011: €8,245 million). This is an increase of 20% over 2011. The distribution statement shows that, at €6,732 million or 68%, the largest portion of our value added went to our employees. Governments came next with €839 million (8%) and lenders with €666 million (7%). Shareholders received €196 million and noncontrolling interests €806 million. The Company retained €656 million for reinvestment.

in %	2012	2011[2]	2010	2009	2008[3]
EBITDA margin	**20.0**[1]	19.8	19.1	18.5	17.9
EBIT margin	**15.9**[1]	15.7	15.1	14.5	14.0
Return on sales (before taxes and noncontrolling interest)	**12.5**[4]	12.4[1]	11.6[1]	10.4[1]	10.5

[1] 2012 adjusted for one-time costs (€6 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG as well as for other one-time costs (€86 million) at Fresenius Medical Care. 2009–2011 adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights.
[2] 2011 sales were adjusted by -€161 million according to a U.S. GAAP accounting change. This solely relates to Fresenius Medical Care North America.
[3] 2008 adjusted for special items relating to the acquisition of Fresenius Kabi USA (formerly APP Pharmaceuticals)
[4] 2012 adjusted for a non-taxable investment gain (€109 million) and other one-time costs (€86 million) at Fresenius Medical Care as well as for one-time costs (€41 million) related to the offer to the shareholders of RHÖN-KLINIKUM AG. 2011 adjusted for the effects of mark-to-market accounting of the Mandatory Exchangeable Bonds and the Contingent Value Rights.

VALUE ADDED STATEMENT

€ in millions	2012	%	2011	%
Creation				
Company output	**19,318**	**100**	16,628	100
Materials and services purchased	**8,647**	**45**	7,709	46
Gross value added	**10,671**	**55**	8,919	54
Depreciation and amortization	**776**	**4**	674	4
Net value added	**9,895**	**51**	8,245	50
Distribution				
Employees	**6,732**	**68**	5,555	67
Governments	**839**	**8**	731	9
Lenders	**666**	**7**	531	7
Shareholders	**196**	**2**	155	2
Company and noncontrolling interest	**1,462**	**15**	1,273	15
Net value added	**9,895**	**100**	8,245	100

FINANCIAL POSITION

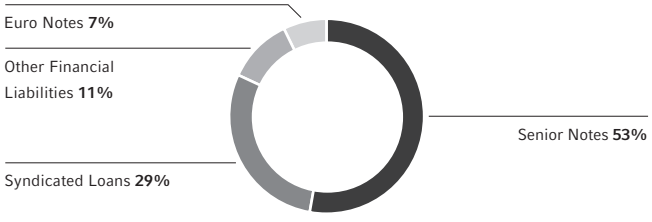
FINANCIAL MANAGEMENT POLICIES AND GOALS

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

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

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

FINANCING MIX OF THE FRESENIUS GROUP



Dec. 31, 2012: €11,028 million

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

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

In line with the Group's structure, financing for Fresenius Medical Care and for the rest of the Fresenius Group is conducted separately. There are no joint financing facilities and no mutual guarantees. The Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE & Co. KGaA in order to avoid any structural subordination.

FINANCING

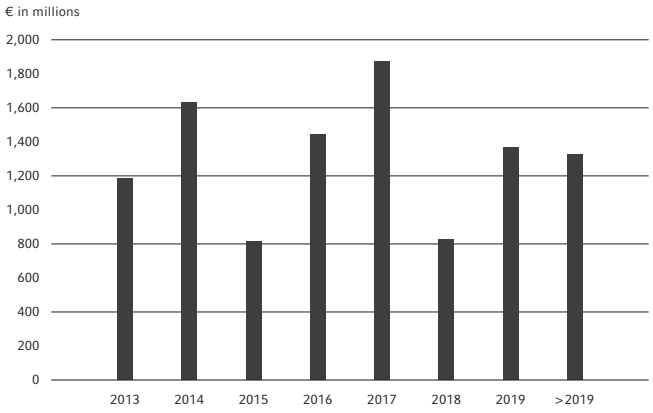
Fresenius meets its **financing needs** through a combination of operating cash flows generated in the business segments and short-, mid-, and long-term debt. In addition to bank loans, important financing instruments include the issuance of Senior Notes, Euro Notes, a commercial paper program, and a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

Fresenius issued capital in May 2012. The new shares were placed with institutional investors through an accelerated bookbuilt offering. A total of 13.8 million new ordinary shares were issued at a price of €73.50 per share. The new shares have full dividend entitlement for fiscal year 2012. The capital increase was intended to provide part of the financing required to acquire RHÖN-KLINIKUM AG, which never happened as one of the conditions of the public takeover offer was not met. The funds were used to finance the acquisition of Fenwal Holdings, Inc.

In 2012, the Group's **financing activities** mainly involved the refinancing of existing and maturing financing instruments and the long-term financing for acquisitions and general corporate purposes.

- In January 2012, Fresenius Medical Care issued **Senior Notes**: The Senior Notes issued by FMC Finance VIII S.A. in the principal amount of €250 million bear a 5.25% coupon and are due in 2019. The bonds issued by Fresenius Medical Care US Finance II, Inc. in the principal amount of US$800 million are due in 2019 and in the principal amount of US$700 million are due in 2022. The bonds in the principal amount of US$800 million bear a 5.625% coupon. The Senior Notes in the principal amount of US$700 million bear a 5.875% coupon. Net proceeds were used for acquisitions, to repay indebtedness, and for general corporate purposes.

MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES [1]



[1] As of December 31, 2012, major financing instruments

- In March 2012, Fresenius Finance B.V. placed **Senior Notes** in the principal amount of €500 million with a 4.25% coupon. The Senior Notes were issued at par and are due in 2019. Net proceeds were used for acquisitions, to refinance short-term indebtedness, and for general corporate purposes.
- In April 2012, Fresenius SE & Co. KGaA issued **Euro Notes** (Schuldscheindarlehen) in the principal amount of €400 million. Proceeds were used to refinance the tranches of the Euro Notes of Fresenius Finance B.V., which were due in April and July 2012, and for general corporate purposes.
- In October 2012, Fresenius Medical Care entered into a new **syndicated credit agreement**. The credit agreement is for a total sum of US$3.85 billion and has a term of 5 years. It comprises revolving facilities for approximately US$1.25 billion and a US$2.6 billion term loan. Proceeds

FINANCIAL POSITION – FIVE-YEAR OVERVIEW

€ in millions	2012	2011	2010	2009	2008
Operating cash flow	**2,438**	1,689	1,911	1,553	1,074
as % of sales	**12.6**	10.3	12.0	11.0	8.7
Working capital [1]	**4,470**	4,067	3,577	3,088	2,937
as % of sales	**23.2**	24.9	22.4	21.8	23.8
Investments in property, plant and equipment, net	**952**	758	733	662	736
Cash flow before acquisitions and dividends	**1,486**	931	1,178	891	338
as % of sales	**7.7**	5.7	7.4	6.3	2.7

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

from the credit facilities were used to refinance the company's existing credit facilities, which otherwise would have matured on March 31, 2013, and for general corporate purposes.

- In December 2012, Fresenius SE & Co. KGaA agreed on the refinancing of the revolving facilities and Term Loan A of its 2008 **syndicated credit agreement**. The financing was structured as a Delayed Draw Syndicated Credit Agreement. Fresenius entered into a €2.25 billion syndicated credit agreement, comprised of 5-year revolving facilities (US$300 million and €600 million) and a 5-year Term Loan A (US$1.0 billion and €650 million). Proceeds will be used to refinance the Company's existing revolving facilities and the Term Loan A, which both mature in September 2013, as well as for general corporate purposes. Funding of the transaction is projected for June 2013.

  This is also accompanied by the exercise of the call option for the 5.5% Senior Notes issued in 2006 and due 2016. The notes with an aggregate principal amount of €650 million were fully redeemed on February 7, 2013 at a price of 100.916% plus accrued and unpaid interest.

The year 2013 financing activities are part of the Group's ongoing liability management to reduce interest expenses and to improve the maturity profile, as well as for the refinancing of existing facilities. The graph on page 73 shows the maturity profile of the Group. In line with this goal, Fresenius placed €500 million of **Senior Notes** in January 2013. The notes have a coupon of 2.875%, a maturity of 7 years, and were issued at par. The proceeds have been used to refinance the senior notes due at the end of January 2013.

Fresenius SE & Co. KGaA has a **commercial paper program** under which up to €500 million in short-term notes can be issued. No commercial papers were outstanding as of December 31, 2012 and December 31, 2011.

The Fresenius Group has drawn about €4.1 billion of bilateral and syndicated credit lines. In addition, the Group had approximately €2.1 billion in unused credit lines as of December 31, 2012 (including committed credit lines of €1.6 billion) available. These credit facilities are generally used for covering working capital needs and are – with the exception of the syndicated credit agreements of Fresenius SE & Co. KGaA and Fresenius Medical Care – usually unsecured.

As of December 31, 2012, both Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under all the credit agreements.

Detailed information on the Fresenius Group's financing can be found on pages 161 to 170 of the Notes. Further information on financing requirements in 2013 is included in the outlook section on page 119 f.

CASH FLOW STATEMENT (SUMMARY)

€ in millions	2012	2011	Change	Margin
Earnings after tax	**1,732**	1,328	30%	
Depreciation and amortization	**776**	674	15%	
Change in pension provisions	**59**	52	13%	
Cash flow	**2,567**	2,054	25%	**13.3%**
Change in working capital	**-129**	-445	71%	
Change in mark-to-market valuation of the MEB and CVR	**0**	80	-100%	
Operating cash flow	**2,438**	1,689	44%	**12.6%**
Property, plant and equipment	**-970**	-783	-24%	
Proceeds from the sale of property, plant and equipment	**18**	25	-28%	
Cash flow before acquisitions and dividends	**1,486**	931	60%	**7.7%**
Cash used for acquisitions/proceeds from disposals	**-2,299**	-1,314	-75%	
Dividends	**-446**	-365	-22%	
Cash flow after acquisitions and dividends	**-1,259**	-748	-68%	
Cash provided by/used for financing activities (without dividends paid)	**1,521**	607	151%	
Effect of exchange rate changes on cash and cash equivalents	**-12**	7	--	
Change in cash and cash equivalents	**250**	-134	--	

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

EFFECT OF OFF-BALANCE-SHEET FINANCING INSTRUMENTS ON OUR FINANCIAL POSITION AND ASSETS AND LIABILITIES

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

LIQUIDITY ANALYSIS

In 2012, key sources of liquidity were operating cash flows and short-, medium-, and long-term debt. **Cash flow from operations** is influenced by the profitability of Fresenius' business and by net working capital, especially accounts receivable. Cash flow can be generated from short-term borrowings through the sale of receivables under the Fresenius Medical Care accounts receivable securitization program, by using the commercial paper program, and by drawing on bilateral bank credit agreements. Medium- and long-term funding are provided by the syndicated credit facilities of Fresenius SE & Co. KGaA and Fresenius Medical Care and by Senior Notes, as well as by various other financing instruments. Fresenius believes that its existing credit facilities, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

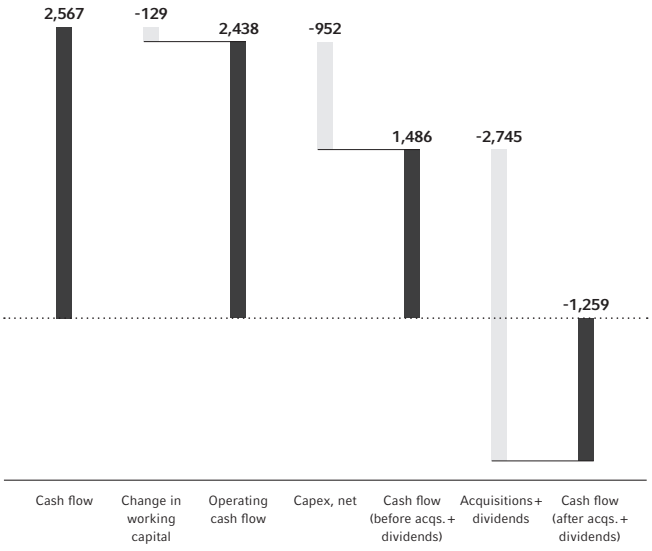
DIVIDEND

The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2012, a dividend of €1.10 per share is proposed. This is an increase of about 16%. The total dividend distribution will increase by 26% to €196.0 million (2011: €155.1 million). This higher increase is mainly due to the higher number of shares as a result of the capital increase.

CASH FLOW ANALYSIS

The cash flow statement shows a sustainable development, as can be seen from the chart above. Cash flow increased by 25% to €2,567 million (2011: €2,054 million). This was mainly due to the Group's excellent earnings[1] performance. In 2012, the change in working capital was -€129 million (2011: -€445 million), mainly due to business expansion.

CASH FLOW IN € MILLIONS

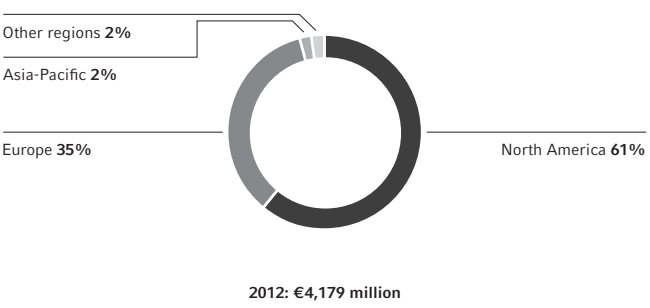


Operating cash flow was €2,438 million in 2012 (2011: €1,689 million). This was mainly driven by strong earnings growth and tight working capital management, especially regarding trade accounts receivable, including overdue receivables from Spain and Portugal. The cash flow margin clearly improved to 12.6% as compared to the previous year's margin of 10.3%. Operating cash flow was more than sufficient to meet all financing needs for investing activities excluding acquisitions, whereby cash used for capital expenditure was €970 million, and proceeds from the sale of property, plant and equipment were €18 million (2011: €783 million and €25 million, respectively).

Cash flow before acquisitions and dividends increased by 60% to €1,486 million (2011: €931 million). This was sufficient to finance the Group dividends of €446 million. Group dividends consisted of dividend payments of €155 million to the shareholders of Fresenius SE & Co. KGaA, payments of €210 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €146 million (primarily relating to Fresenius Medical Care). These payments were

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA

INVESTMENTS BY REGION



2012: €4,179 million

INVESTMENTS AND ACQUISITIONS

€ in millions	2012	2011	Change
Investment in property, plant and equipment	1,007	783	29%
thereof maintenance	50%	54%	
thereof expansion	50%	46%	
Investment in property, plant and equipment as % of sales	5.2	4.8	
Acquisitions	3,172	1,612	97%
Total investments and acquisitions	**4,179**	2,395	74%

offset by the dividend of €65 million, which Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care. Net acquisition expenditures of €2,299 million were financed by cash flow, by debt, and the May 2012 capital increase.

The cash inflow from financing activities (without dividend payments) was €1,521 million (2011: €607 million). In 2012, it was predominantly characterized by refinancing measures and the debt and equity financing of acquisitions. Cash and cash equivalents as of December 31, 2012, were €885 million (December 31, 2011: €635 million).

INVESTMENTS AND ACQUISITIONS

In 2012, the Fresenius Group continued its growth path and invested €4,179 million (2011: €2,395 million). **Investments in property, plant and equipment** increased to €1,007 million (2011: €783 million). At 5% of sales (2011: 5% of sales), that was in line with the targeted level of approximately 5%. This was well above the depreciation level of €776 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. €3,172 million was invested in **acquisitions** (2011: €1,612 million). Of the total capital expenditure in 2012, 24% was invested in property, plant and equipment; 76% was spent on acquisitions.

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

The cash outflows for acquisitions related to all four business segments:

Fresenius Medical Care acquired Liberty Dialysis Holdings, Inc. in the United States.

Fresenius Kabi acquired the U.S. company Fenwal Holdings, Inc., a leading supplier of transfusion technology products.

Net cash used in investing activities at Fresenius Helios mainly relate to the acquisition of the Damp Group.

Fresenius Vamed acquired the Italian company H.C. Hospital Consulting in 2012. Fresenius Vamed also took over the Zihlschlacht rehabilitation clinic in Switzerland from Fresenius Helios.

In February 2012, Fresenius successfully completed the purchase of a total of 3.5 million Fresenius Medical Care AG & Co. KGaA ordinary shares. As of December 31, 2012, Fresenius SE & Co. KGaA owned 94,380,382 shares, representing a voting interest of 31.2%.

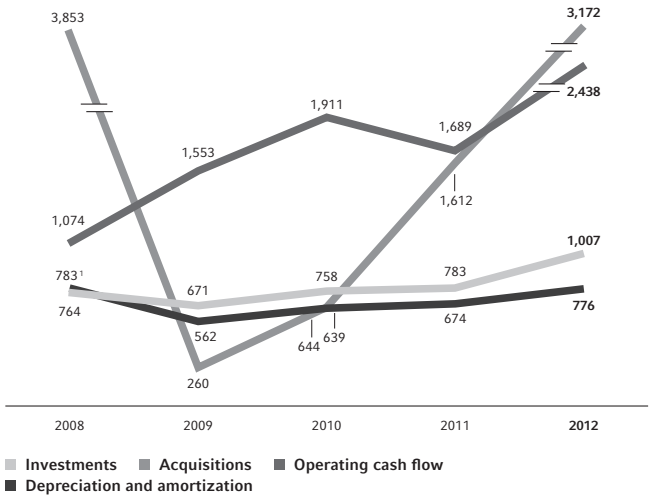
After maturity of the Mandatory Exchangeable Bonds in August 2011, Fresenius' voting interest in Fresenius Medical Care sank to 30.3% as per September 30, 2011. By exercising

INVESTMENTS BY BUSINESS SEGMENT

€ in millions	2012	2011	Thereof property, plant and equipment	Thereof acquisitions	Change	% of total
Fresenius Medical Care	1,934	1,858	526	1,408	4%	46%
Fresenius Kabi	1,153	188	276	877	--	28%
Fresenius Helios	759	202	180	579	--	18%
Fresenius Vamed	55	10	11	44	--	1%
Corporate/Other[1]	278	137	14	264	103%	7%
Total	**4,179**	2,395	1,007	3,172	74%	100%

[1] Including the purchase of Fresenius Medical Care ordinary shares in 2011 and 2012.

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



[1] Including special items of €307 million related to the acquisition of Fresenius Kabi USA (formerly APP Pharmaceuticals)

options of Fresenius Medical Care's stock option program, this percentage could have been diluted in the mid-term to up to 29.3%. The share purchase is meant to preserve a long-term voting interest of over 30% in Fresenius Medical Care.

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

- start-up of 65 de novo dialysis clinics, of which 43 were in the United States, and expansion and modernization of existing clinics at Fresenius Medical Care.
- expansion and optimization of production facilities for Fresenius Medical Care, especially for dialysis products in Germany and France, and for Fresenius Kabi, primarily in Europe and the United States.
- hospital modernization at Fresenius Helios. The most significant individual projects were the Helios hospitals in Hamburg, Siegburg, and Krefeld.

Investments in property, plant and equipment of €266 million will be made in 2013 to continue with major ongoing **investment projects on the reporting date**. These are investment obligations mainly for hospitals at Fresenius Helios as well as investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

ASSETS AND LIABILITIES

ASSET AND LIABILITY STRUCTURE

The **total assets** of the Group rose by 17% to €30,664 million (Dec. 31, 2011: €26,321 million). In constant currency, this was an increase of 18%. 15% of the increase in total assets can be mainly attributed to the acquisitions at Fresenius Medical Care, Fresenius Kabi, and by Fresenius Helios. The expansion of the existing business accounted for 3%. Inflation had no significant impact on the assets of Fresenius in 2012.

Non-current assets increased by 18% to €22,551 million (Dec. 31, 2011: €19,170 million). The increase was mainly driven by additions to property, plant and equipment, to intangible assets, and acquisitions. The goodwill increase due to acquisitions was €2,561 million. The goodwill in the amount of €15,014 million (Dec. 31, 2011: €12,699 million) has proven sustainable.

Current assets were at €8,113 million (Dec. 31, 2011: €7,151 million). Within current assets, trade accounts receivable rose by 13% to €3,650 million (Dec. 31, 2011: €3,234 million). At 67 days, average days sales outstanding was below the previous year's level of 72 days. Through strict accounts receivable management, we were able to improve days sales outstanding despite the continued difficult financial operating environment. Overdue receivables from Spain and Portugal were collected.

Inventories rose by 7% to €1,840 million (Dec. 31, 2011: €1,717 million). The scope of inventory in 2012 decreased to 50 days (Dec. 31, 2011: 57 days) due to our inventory management and the omission of necessary prefinancing of projects at Fresenius Vamed since these were finalized in 2012. The ratio of inventories to total assets decreased to 6.0% as of December 31, 2012 (Dec. 31, 2011: 6.5%).

Shareholders' equity, including **noncontrolling interest**, rose by 21%, or €2,181 million, to €12,758 million (Dec. 31, 2011: €10,577 million). Group net income attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €926 million. The €1,014 million capital increase in the second quarter of 2012 also had an effect. The equity ratio, including noncontrolling interest, rose to 41.6% as of December 31, 2012 (Dec. 31, 2011: 40.2%).

ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

€ in millions	2012	2011	2010	2009	2008
Total assets	**30,664**	26,321	23,577	20,882	20,544
Shareholders' equity[1]	**12,758**	10,577	8,844	7,491	6,943
as % of total assets[1]	**42**	40	38	36	34
Shareholders' equity[1]/non-current assets, in %	**57**	55	52	48	45
Debt	**11,028**	9,799	8,784	8,299	8,787
as % of total assets	**36**	37	37	40	43
Gearing in %	**80**	87	91	105	121

[1] Including noncontrolling interest

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity, including noncontrolling interest, covers 57% of non-current assets (Dec. 31, 2011: 55%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and inventories.

Long-term liabilities increased by 30% to €12,310 million as of December 31, 2012 (Dec. 31, 2011: €9,439 million). **Short-term liabilities** decreased by 13% to €5,198 million (Dec. 31, 2011: €5,988 million). This was mainly due to Fresenius Medical Care's refinancing measures in 2012.

The Group has no **accruals** that are of material significance as individual items. The largest single accrual is to cover the settlement of fraudulent conveyance claims and all other legal matters relating to the National Medical Care transaction in 1996 that resulted from the bankruptcy of W.R. Grace. The accrual amounts to US$115 million (€87 million). Please see page 181 f. of the Notes for further information.

Group debt rose by 13% to €11,028 million (Dec. 31, 2011: €9,799 million). In constant currency, the increase was 14%. Its relative weight in the balance sheet was 36.0% (Dec. 31, 2011: 37.2%). Approximately 54% of the Group's debt is in U.S. dollars. Liabilities due in less than 1 year were €728 million (Dec. 31, 2011: €2,026 million), while liabilities with a remaining term of 1 to 5 years and over 5 years were €10,300 million (Dec. 31, 2011: €7,773 million).

The net debt to equity ratio including noncontrolling interest (gearing) is 79.5% (Dec. 31, 2011: 86.6%). The return on equity after taxes (equity attributable to shareholders of Fresenius SE & Co. KGaA) was 12.3% (Dec. 31, 2011: 12.9%). The return on total assets after taxes and before noncontrolling interest of 5.6% improved slightly (2011: 5.3%). The return on assets for 2012 was adjusted for a non-taxable investment gain and other one-time costs at Fresenius Medical Care related to the amendment of the agreement for Venofer and the donation to the American Society of Nephrology, as well as for one-time costs for the offer to the shareholders of RHÖN-KLINIKUM AG (2011: adjusted for the effects of the mark-to-market accounting of the MEB and CVR).

The table below provides a 5-year overview of other key assets and capital ratios.

CURRENCY AND INTEREST RISK MANAGEMENT

The nominal value of all foreign currency hedging contracts was €2,950 million as of December 31, 2012. These contracts had a market value of €33 million. The nominal value of interest rate hedging contracts was €1,585 million. These contracts had a market value of -€76 million. Please see the Risk Report on pages 108 and 109 and the Notes on pages 187 to 193 for further details.

€ in millions	Dec. 31, 2012[1]	Dec. 31, 2011	Dec. 31, 2010	Dec. 31, 2009	Dec. 31, 2008[2]
Debt/EBITDA	**2.8**	3.0	2.9	3.2	3.8
Net debt/EBITDA	**2.6**	2.8	2.6	3.0	3.6
EBITDA/interest ratio	**5.8**	6.1	5.4	4.5	4.0

[1] Before special items
[2] Pro-forma Fresenius Kabi USA (formerly APP Pharmaceuticals) and excluding special items

NON-FINANCIAL PERFORMANCE INDICATORS AND OTHER SUCCESS FACTORS

EMPLOYEES

Well-trained and experienced employees are vitally important for our Company's success. It is largely thanks to their achievements, skills, and commitment that all our business segments hold leading positions in their markets. We therefore offer them a variety of attractive opportunities for personnel development. We also actively support international and interdisciplinary collaboration as well as diversity across all business segments and regions.

The Fresenius Group had 169,324 employees at the end of 2012, an increase of 19,973 or 13% compared to the previous year (December 31, 2011: 149,351). Organically, the number of employees increased by 4%, while acquisitions contributed 9% to this growth.

The **employee numbers** increased in all business segments, as the table below shows. At the end of 2012, there were 51,791 employees (30%) in Germany, an increase of 14% (2011: 45,262); 117,533 employees (70%) are employed at our foreign locations. The chart on page 80 shows the distribution of our employees by region. These percentages approximately correspond to the sales contributions of the respective regions, as shown in the table below. In Europe, the number of employees grew by 10% in 2012, in North America by 22%. In Europe, this was mainly due to the acquisitions at Fresenius Helios. The increase in North America is mainly attributable to the acquisition of Liberty Dialysis Holdings, Inc. by Fresenius Medical Care and of Fenwal Holdings, Inc. by Fresenius Kabi. The number of employees also rose strongly in Asia-Pacific, with an increase of 9%, mainly due to the expansion of production facilities at Fresenius Kabi.

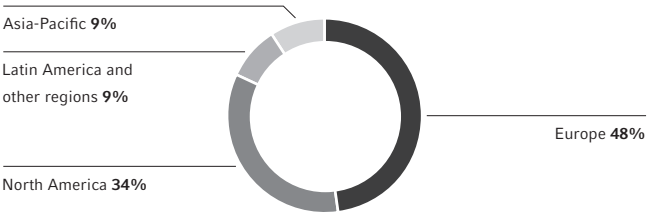
Personnel expenses for the Fresenius Group were €6,732 million in 2012 (2011: €5,555 million), equivalent to 34.9% of sales (2011: 34.0%). The increase of 21% was mainly due to the higher overall number of employees due to acquisitions and the collectively bargained pay increases. Personnel expenses per employee were €41.1 thousand (2011: €38.8 thousand). In constant currency, they were €39.8 thousand and only slight above previous year's level. In Germany, Fresenius has signed tariff agreements with IG Chemie, the Marburger Bund, as well as ver.di (labor union for services). There were no significant structural changes to compensation or employment agreements in 2012.

Fresenius values a culture of **diversity**. We are convinced that the interplay of a wide range of views, opinions, cultural backgrounds, experiences, and values helps us to achieve our full potential and contributes to our success. Key to this is our internationalism, especially of our management executives.

Our goal is to appoint the best person for every job. In particular, we feel that the Company can still derive greater benefit from the potential of its female employees. In this regard, Fresenius promotes the long-term, sustainable **advancement of women**. We are constantly working to increase the percentage of women in management positions, even though Fresenius is already well ahead of its peers in this respect. Our efforts here include company-specific measures, such as flexible working hours, part-time programs and home-office options, as well as with our new program called "Female Entrepreneurs at Fresenius – Shaping Their Own Career." This program has various modules aimed both at experienced managers and managers of the future. It helps women at Fresenius to network with one another, reflect on their strengths, and develop strategies to improve the balance between work and family life.

Number of employees	Dec. 31, 2012	Dec. 31, 2011	Change	% of total
Fresenius Medical Care	**90,866**	83,476	9%	54%
Fresenius Kabi	**30,214**	24,106	25%	18%
Fresenius Helios	**42,881**	37,198	15%	25%
Fresenius Vamed	**4,432**	3,724	19%	2%
Corporate/Other	**931**	847	10%	1%
Total	**169,324**	149,351	13%	100%

EMPLOYEES BY REGION



2012: 169,324

As of December 31, 2012, women held 27% of senior management positions at Fresenius, based on the number of worldwide participants in the stock option plans. The proportion of female employees within the Fresenius Group is 68%. However, we do not set any fixed quotas for management positions, as this could generally restrict the choice of suitable candidates. At Fresenius, what matters for the selection of personnel are qualifications, and not gender or other personality characteristics. Consequently, women and men with comparable qualifications will continue to have the same career opportunities at Fresenius.

HUMAN RESOURCES MANAGEMENT

Highly skilled and motivated employees are the foundation for sustained growth. The challenge for human resources management at Fresenius is to meet this requirement when conditions are constantly changing. These changes are the result of increasingly important factors such as demographics, the transformation toward a service economy, skill shortages, and the compatibility of job and family.

We are constantly adapting our human resources tools to future needs. For instance, we established an internal **Mentor Network for women** at HELIOS and we expanded our collaboration with a mentor network for women in science and technology at universities in the state of Hesse in 2012. This network is viewed throughout Europe as a best-practice model for the efficient promotion of women at universities. It aims to promote the professional and personal development of aspiring female academics in the fields of mathematics, IT, science, and technology, and to open their eyes to potential career paths.

To find qualified employees and secure their loyalty, we consider it essential for them to be able to combine their professional career at Fresenius with their personal family life. That is why HELIOS, for instance, has increased the number of child daycare places it provides.

In Germany, we partly provide **life work time accounts**. Employees are able to save parts of their compensation or certain hours worked for a leave of absence at a later point in time. This leave can be flexibly used for further personal education purposes, for nursing leave to look after family members, or for phased early retirement.

TALENT MANAGEMENT

Modern talent management is becoming ever more important, given the global market changes that are taking place. In order to meet the challenges of the future, we will have to find a way to deal effectively with the following issues:

- attractiveness as an employer
- personnel development
- performance appraisal
- successor planning

We concentrate on offering our employees opportunities for their careers to develop in a dynamic international environment. Depending on customer and market structure, our business segments have very different demands with regard to concepts and measures for employee development. This is why they are coordinated, developed, and realized independently for each business segment. HELIOS, for instance, uses a central talent management system to promote promising young employees in medical and nursing work. We offer the innovative "Ready to Lead" development program to promising future executives in medical service. We tailor all of these measures to our overriding corporate goals, on the one hand, and to the individual needs of our employees, on the other.

Across the Group, we support the development of our employees' **professional and personal skills** through a wide-ranging offering of internal training measures as well as

through personal career talks. The strengths of each individual employee are deliberately furthered and tapped. Through the systematic transfer of know-how within the framework of our successor planning, we ensure that valuable expertise is preserved and our well-qualified staff is trained and supported.

PERSONNEL DEVELOPMENT

A firmly established component of our global talent management is a centrally coordinated instrument for developing managers: in cooperation with Harvard Business School – one of the world's leading business schools – we continued our "Maximizing Leadership Impact" program in 2012. A total of 35 managers took part in two modules, both running over several days.

We also continued the program that we developed in cooperation with St. Gallen University. To prepare trainees and young talents for the tasks ahead of them, we offer an additional program dealing with personal development.

There was another extensive range of **training sessions and seminars** in 2012 for employees at all levels. It comprised approximately 60 interdisciplinary subjects in eight different categories, such as Communication & Cooperation and Project Management. Our After Work Academy is our new compact format, enabling participants to get to know the extensive range of training sessions in small slices. The two-hour sessions, with subjects changing every month, are held immediately following the close of the working day.

Within the framework of our efforts to attract and further **young talents**, our trainee programs offer promising university graduates an alternative opportunity to start a successful career with the Fresenius Group alongside the classic channel of direct job entry. The programs combine challenging on-the-job assignments with internal and external training modules.

Fresenius Kabi, for example, has launched a global trainee program with international orientation. The trainee programs at HELIOS serve to prepare university graduates for future management positions. During the 2-year course, trainees spend time at several hospital locations.

The HELIOS Academy and the HELIOS Educational Centers provide all professional groups with extensive opportunities for competency-oriented training and continuing education. Future university graduates can deepen their knowledge and practical clinical skills by using the HELIOS Student Academy's "Students at HELIOS" online platform.

In cooperation with Donau-University Krems in Austria, Fresenius Medical Care provides an extra-occupational MBA program for qualified employees without education in economic sciences. This especially allows scientists and physicians to prepare for management and executive functions.

Globally active companies like the Fresenius Group place very high importance on good collaboration among people of different nationalities and diverse cultures. That is why we promote mobility among our employees and give them the opportunity to work in a foreign country. We have a number of ways to prepare them for these jobs and to increase their awareness of, and sensitivity to, cross-cultural differences, including **language courses** and **intercultural training sessions** for employees and family members traveling with them. In the other direction, we also give support to foreign employees coming to Germany. The program "Living + Working in Germany," for instance, offers newcomers language courses and help in dealing with formalities.

PERSONNEL MARKETING

The shortage of qualified employees has significantly increased the competition for top talents. We expanded our personnel marketing activities in 2012 and took a number of steps to make Fresenius an even more attractive employer. This is vital if we are to continue to fill jobs with highly qualified people – thus ensuring our future growth.

Once again, we visited countless **recruiting events and job fairs**, including Germany's largest job fair for young academics, the Graduates Congress in Cologne.

We continued with the marketing concept implemented in 2011, which involves increasing the participation of employees from various specialist departments by having them give

lectures and make presentations at such events. This gives job seekers a chance to meet directly with their future colleagues in the various business segments and hear them describe all the many different entry opportunities at Fresenius.

The premiere of our **Career Day for Students** in the previous year was a success and so we held one again in 2012. We expanded the concept this year, which allowed us to concentrate more on the individual requirements of the various study disciplines. The number of participants also increased significantly. Compared with only 25 students that participated in 2011, this time more than 150 graduates took the opportunity to visit Fresenius at its headquarters. As the title "Meet the Board" suggests, members of the Management Board as well as employees from various business segments and at different stages of their careers reported on their own progress and gave tips on starting a career.

We also expanded our online activities in 2012. Candidates wishing to apply online can now enter their XING profile into the **Fresenius Career Portal** and transfer their data from XING directly into an online application. We have also set up profiles on various social networks, such as Facebook. Potential applicants can now find out about Fresenius and get in touch with us there.

In an annual ranking carried out by Potentialpark, a Swedish market research institute, our career page took first place and the top slot for a German company. Our online application system also achieved excellent reviews and came in second. For the first time, the institute also launched a study to analyze overall online appeal to applicants. Several thousand students and graduates were asked what they expected from career web pages. Consequently, the career web pages of 100 German companies were evaluated on the basis of the criteria they listed. Fresenius also took first place in this ranking.

The careers portal for the Fresenius Group can be found on our website www.fresenius.com in the "Career" section or directly at http://career.fresenius.com.

VOCATIONAL TRAINING MANAGEMENT

In the competition for qualified employees, the Fresenius Group wants to be in a good starting position. It therefore devotes a lot of attention to **vocational training**. We trained more than 2,300 young people in 35 different occupations at our German locations in 2012. We also put more than 70 university students through twelve degree programs in cooperation with dual institutions of higher learning.

We reinforced our marketing in and with schools in order to interest more young people in an apprenticeship or dual degree at Fresenius. Our campaign is equally devoted to students and their teachers. We offer students plant visits, informational days, application guidance, and internships; and we offer teachers several courses under the aegis of the *Schule*Wirtschaft (school business) working group.

We initiated the **Fresenius Training Sponsorship Award** to celebrate our 100th anniversary: starting in 2013, we will give awards to the best trainees and dual degree students in four different professional groups within the Fresenius Group. We will support them for a considerable time as their careers progress.

Our training management is bearing fruit: The growing pool of highly qualified applicants certainly shows that we are an attractive employer not only for recent high-school graduates, but also for interns and students.

PROFIT-SHARING SCHEME AND STOCK OPTION PLAN

Our business success would not be possible without the outstanding commitment of our employees. Over the past few years, we have set up a number of incentive programs to strengthen employee identification with Fresenius. Depending on country-specific rules or functions, these programs supplement different compensation models. This is done to reward the continuing willingness of our employees to work hard and to let them participate in the dynamic growth of Fresenius.

PROFIT-SHARING BONUS

	2011	2010	2009	2008	2007
Profit-sharing bonus[1] in €	2,036	2,000	1,749	1,586	1,526
Eligible employees	2,220	1,790	1,710	1,630	1,690

[1] The profit-sharing bonus is paid retroactively for the respective fiscal year.

For many years we have paid a stock-based **profit-sharing bonus** that is tied to the annual operating profit (EBIT) of Fresenius Group. Accordingly, every full-time employee received €2,036 gross for the fiscal year 2011. 50% of the profit-sharing bonus is paid in Fresenius shares and 50% in cash to cover the applicable tax and social security deductions. The table on page 82 shows the increase in the profit-sharing bonus over the last several years.

With our **stock option plan**, we have a global compensation instrument linking management's entrepreneurial responsibility to future opportunities and risks. Based on the shareholders' decision made at the Annual General Meeting on May 21, 2008, the Management Board of the general partner of Fresenius SE & Co. KGaA and certain other executive officers can receive options from the 2008 stock option plan until the end of 2012. In total, it is therefore feasible that up to 6,200,000 options on Fresenius SE & Co. KGaA ordinary shares can be issued. The stock options are subject to a 3-year vesting period. They may only be exercised when the net income of the Fresenius Group has increased by an annual rate of at least 8%; otherwise they are forfeited proportionally. In 2012, 1,150,924 stock options were issued under this plan. At a global level, we want our managers to have an attractive long-term compensation instrument that enables them to continue to participate in the Company's success. For further information on stock options, please see pages 197 to 204 of this annual report.

RESEARCH AND DEVELOPMENT

Fresenius focuses its R & D efforts on its core competencies in the following areas:

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

Apart from products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services. In 2012, we again successfully continued numerous projects and a number of new products were launched.

Research and development **expenses** were €305 million (2011: €267 million). We therefore invested about 4.4% of our product sales in R & D (2011: 4.3%). The chart on page 84 shows R & D expenses by segment. In 2012, Fresenius Medical Care increased its R & D spending by 9% and Fresenius Kabi by 20%. In the segment Corporate/Other, €24 million was spent on R & D at Fresenius Biotech, mostly on the clinical development of trifunctional antibodies. This was below the €25 million spent in 2011. Detailed figures are included in the segment reporting on pages 128 to 129.

As of December 31, 2012, there were 1,903 employees in research and development in the Group (2011: 1,592). Of that number, 550 were employed at Fresenius Medical Care (2011: 543), 1,305 at Fresenius Kabi (2011: 985), and 48 at Fresenius Biotech (2011: 64).

The table on the next page shows a historical comparison of R & D expenses and the number of employees working in R & D.

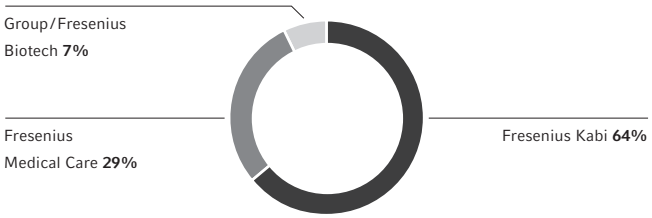
Our main research sites are in Europe, the United States, and India. Product-related development activities are also carried out in China. Our R & D projects are mainly conducted in-house; external research is commissioned only on a limited scale.

In the following, we shall now inform you about the R & D activities in our business segments:

FRESENIUS MEDICAL CARE

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

R & D EXPENSES BY SEGMENT



2012: €305 million

With advancing age, dialysis patients become more prone to **side effects** such as severe heart and vascular diseases. Side effects are therefore a growing focus in our R & D activities – in the form of diagnostic and therapy systems that extend general dialysis.

Home dialysis treatment methods – peritoneal dialysis, home hemodialysis, and, in the long term, a wearable artificial kidney – and related technologies and products are another focus of our R & D. Home dialysis not only means that patients who are suitable for such treatment can organize their day-to-day life more freely. It also increasingly relieves the limited capacities of the dialysis clinics and makes dialysis available for people living in areas with a weak health care infrastructure.

An aging population, the spread of chronic illnesses, and the aspiration to offer new or improved technologies in patient care present major financial challenges to health care systems. Fresenius Medical Care therefore focuses on innovations that provide high quality care to patients at affordable cost.

We now describe some of the focuses of our work in more detail:

To meet the challenges described and achieve the best possible therapeutic performance, we continued to enhance our dialysis products and therapeutic systems in 2012. We particularly focused on further improving clinical results and the quality of life of patients and minimizing cardiovascular risks, while ensuring optimized control of therapy costs and simple, safe handling of our products.

In 2012, we launched the new **5008 CorDiax therapy system** in several countries of the segment International. It combines proven and new functions, connecting top-quality therapy and maximum patient safety with simple handling and sustainable use of available resources. This enables us to attain optimum treatment results and further minimize the risks of cardiovascular diseases.

The 5008 CorDiax therapy system is available with the **Venous Access Monitor** (VAM), among others. The software-based monitoring system VAM detects if there are leaks in the bloodline system or if the fixture of the venous needle that connects the patient's vascular access with the bloodline system comes loose, which could lead to blood losses during dialysis treatment. VAM reacts with an alarm that activates the necessary safety responses in the dialysis device.

Current data shows that **Online-HDF** treatment with our 5008 CorDiax therapy system is particularly gentle and efficient if the volume of blood replaced during dialysis is as high as possible. However, adverse side effects can occur if the level is too high. As the maximum replacement volume can be different with every patient and even with every dialysis treatment, we developed the **AutoSub plus software** for the 5008 CorDiax in the reporting year. It enables optimized, fully automatic regulation of the blood replacement volume individually tailored to the patient.

	2012	2011	2010	2009	2008
R & D expenses, € in millions	**305**	267	244	240	207[1]
as % of product sales	**4.4**	4.3	4.2	4.7	4.7[1]
R & D employees	**1,903**	1,592	1,449	1,421	1,336

[1] Excluding amortization expenses of €272 million on in-process R & D activities acquired with Fresenius Kabi USA (formerly APP Pharmaceuticals)

Children suffering from kidney failure need special care as part of their dialysis treatment. With this in mind, we launched the **5008 CorDiax HD-Paed** in 2012. It is the first hemodialysis device in the world to be approved for children with a body weight of ten kilograms or more.

In 2012, we also enhanced our **2008T therapy system** for the U.S. market. We supplemented the dialysis device with an infusion pump for intravenously administered iron compounds and tested it at several dialysis centers. Studies have shown that the pump makes it easier for clinic staff to prepare and administer the exact dosage of iron products, thereby also further increasing patient safety. We aim to increase the popularity of the infusion pump on the market as a component of the 2008T in 2013. In addition, we enhanced and reduced the size of our **Crit-Line** analysis device in such a way that it can be integrated in our 2008T dialysis machine. Crit-Line is a control element for the fluid balance of patients with chronic and acute kidney failure – and therefore also for detecting and treating attendant symptoms. We expect to launch the enhanced analysis device, called CLiC (Crit-Line in a clip) on the North American market in 2013 following approval from the FDA.

One way of treating the rising number of dialysis patients outside of dialysis centers is home hemodialysis. In 2012, with the 2008k@home in the United States and the 5008 S CorDiax home HD in several countries of the segment International, we enhanced two home hemodialysis machines that individually adapt treatment to patients' medical needs and daily lives.

The **2008k@home** is one of only two devices specifically for home hemodialysis with FDA approval on the entire North American market. We carried out further product optimizations in the reporting year. A new wireless wetness detector is to be launched in 2013. It features a new alarm function, ensuring additional safety. A signal sounds as soon as a leak at the vascular access occurs during dialysis, which, if it were to go unnoticed, could be fatal.

Previously, our Online-HDF treatment method was restricted to dialysis in clinics. With the **5008 S CorDiax home HD**, this therapy method has also been available as standard in home hemodialysis since 2012. Functions such as cable-free remote control, the user interface intuitively designed with patients in mind and the innovative safety functions were specifically developed for the special needs of home hemodialysis patients.

We are already able to provide some patients a greater flexibility in their daily lives with our home hemodialysis systems. With the **portable artificial kidney**, which we aim to launch on the North American market following approval from the FDA, we have also developed a device that is set to provide even more dialysis patients with even greater independence in future.

The main advantage of the portable artificial kidney is that: it can be quickly and easily dismantled into two portable sections, making transport easy. In addition, it is easy to use, and simple to assemble and take apart without assistance from a technician. As a result of innovative sorbent technology, the portable artificial kidney needs just six liters of potable tap water per hemodialysis treatment. By way of comparison, conventional hemodialysis requires 120 to 200 liters of specially prepared warm water per treatment. Consequently, connection to the main water supply is no longer essential for dialysis treatment with the portable artificial kidney. This makes it extremely resource-efficient, flexible, and usable almost everywhere, offering dialysis patients maximum independence and mobility.

FRESENIUS KABI

Fresenius Kabi's R & D activities concentrate on products for the therapy and care of critically and chronically ill patients. Our focus is on therapy areas with high medical needs, such as in the therapy of oncology patients. We develop products that help to support medical advancements in acute and post-acute care and improve the patients' quality of life. At the same time, we want to make high-quality treatments available to patients worldwide through our comprehensive range of generics. Our focus in the medical device segment is to develop products significantly contributing to a safe and effective application of infusion solutions and clinical nutrition. With the Fenwal acquisition we strengthened our R & D competencies in transfusion technology to support medical advancements in the medical devices area as well.

Our **R & D strategy** is aligned with this focus:

- develop innovative products in areas where we hold a leading position, such as clinical nutrition
- develop own generic drug formulations ready to launch at the time of market formation
- develop new formulations for non-patented drugs
- continue to develop and refine our existing portfolio of pharmaceuticals
- develop innovative medical devices.

We have comprehensive **development expertise**, which includes all the related components: the drug raw material, the pharmaceutical formulation, the primary packaging, the medical device needed for application, and the production technology for high-quality and cost-efficient manufacturing. Fresenius Kabi covers the entire production chain for IV drugs: from the processing of raw materials and the production of the active ingredient all the way through to manufacturing the drug. Producing the pharmaceutical active ingredient in our own production facilities gives us a major advantage, as it ensures that we always maintain the same high quality. It also allows us to continually improve and develop the raw materials we use as well as the ways we process them. For instance, we significantly improved the synthesis steps for the raw material in our product Paclitaxel, which enabled us to increase the efficiency of our production processes.

Another important element of our activities is to obtain **marketing approval** for new products. We work continuously on dossiers for the registration of our products in every major market in the world. This applies both to our established portfolio, where we expand our distribution internationally through marketing approvals in new local markets. In addition, we work to obtain approvals for new products in order to expand our product portfolio.

Infusion therapies

In 2012, we continued to develop a manufacturing technology for our infusion solution plastic bottle. During the so-called "stretch blow molding" process, a preform of the plastic bottle is formed to its ultimate shape. After filling, the cap is molded onto the container as the last process step. One advantage of this manufacturing technology is the mechanical strength resistance of the container.

Moreover, at production lines with high capacity we can achieve cost savings by using this technology. In 2012, we began to set up our first production line for this manufacturing technology.

Intravenously administered drugs

For our IV drugs, we are working on developing a comprehensive range of generics for the therapy areas of anesthetics, analgesics, infectious diseases, oncology, and critical diseases medicine, and develop both generic and also, if appropriate, new and improved drug formulations.

Another example of this work is our ongoing development effort to provide **ready-to-use solutions** for IV drugs, which currently exist only in lyophilized powder form. The switch to a ready-to-use form requires modifying the drug formula in such a way that the pharmaceutical drug is stable in liquid form. We used such a new formulation for our cancer drug Docetaxel, and the European Medicines Agency (EMA), approved it in Europe. The new product consists of a 20 mg/ml Docetaxel concentrate and is added directly to the infusion solution, which eliminates the initial dilution step required by the current product. This makes preparation easier, safer, and less time-consuming.

We are also increasingly utilizing our **freeflex® bag** for our IV drugs. It provides excellent drug compatibility, and the port system allows for safe use in day-to-day medical care. The bag also plays a role in our development of ready-to-use solutions for IV drugs in an appropriate carrier solution. The advantage here is in eliminating the step of injecting the solution into the carrier solution, which reduces a potential source of error in day-to-day medical care.

Our development portfolio contains an extensive range of active drugs that we expect to bring to market over the next few years. We are currently working on more than 120 projects to develop generic drugs, of which more than a third were initiated in 2012 alone. The aim is to be able to offer a top-quality generic right after patent expiry of the originator or branded drug. Accordingly, in 2012, we received approvals for IV drugs that will first be introduced in one to two years.

Our aim is to offer a comprehensive range of top-quality generic drugs on a global basis. To this end, we intensely focused on obtaining approvals in the various markets over the course of 2012. The table below lists some of our major approvals.

Clinical nutrition

In **parenteral nutrition** we develop products that have a strong therapeutic effect in the care of critically and chronically ill patients. Our focuses are:

- parenteral nutrition products that improve the therapy of patients in hospital
- innovative containers, e. g. multi-chamber bags that allow maximum application safety and convenience in everyday use

Our development departments continually work on preparation for introducing new products on a global basis. The planned introduction of our parenteral nutrition products in the United States, for example, is of great significance. We have placed intensive effort on the documentation needed for approval of these products.

One focus of our development work in parenteral nutrition therapy involves the use of lipids, particularly for premature and new born infants, nurslings, and children. The fatty acid profile and especially the amount of fish oil in our product SMOFlipid® make it an ideal lipid emulsion for pediatrics. We already supply this product to many countries in Europe for pediatric use. In 2012, we received supplemental approval for SMOFlipid® to be applied when parenteral nutrition treatment is required over an extended period for children or adults.

Furthermore, additional clinical data were published based on studies of SMOFlipid® used in pediatrics as well as in extended nutrition treatment periods. These data confirm the product's good tolerability and effectiveness.

In **enteral nutrition**, we focus on sip and tube feed products for malnourished – often geriatric – patients and on therapeutic products for dysphagia (difficulties in swallowing), diabetes, oncology, and critical illness. We are thus combining the latest insights in both medical and nutritional science as well as nutrition and process technology into our product development. This approach enables us to offer innovative nutrition products matched to the specific patient profile. In the area of dysphagia, we are working on products that would have the same consistency and flow characteristics as a contrast medium used for esophageal tests. It would make the swallowing process safer for patients by significantly reducing the risk of fluids or food entering the airways or lungs.

PRODUCT LAUNCHES IV DRUGS

Product	Country/Region	Indication
Cytarabine	several European countries	Oncology
Docetaxel 1 Vial (RTU)	Europe	Oncology
Remifentanil	additional European countries	Anesthesia
Imipenem Cilastatin	USA	Anti-infectives
Meropenem	USA	Anti-infectives
Methotrexate	USA	Oncology
Oxaliplatin (RTU)	USA	Oncology
Propofol LCT 100 ml	Japan	Anesthesia

We are also constantly working on new, improved flavors for our sip feed products to counter side effects that arise during long-term therapy, e. g. patients growing tired of the taste. Our broad range of products in different flavors increases patients' adherence to the dietetic regime and simultaneously helps to improve their quality of life.

We are intensively examining the consequences of malnutrition. Nutritional and energy deficiencies are often due to heightened needs, e. g. as a result of tumor diseases, injuries, or surgery, or due to insufficient intake resulting, for example, from difficulties chewing or swallowing. Neurological disorders or excessive loss of nutrients, possibly due to intestinal disorders, can also lead to malnutrition. We are working together with the European Society for Clinical Nutrition and Metabolism (ESPEN), the Dysphagia Research Society (DRS), the European Nutrition for Health Alliance (ENHA), and the International Medical Nutrition Industry Group (MNI) on ways to inform people about the consequences of malnutrition for patients and possible therapies.

A major focus of our development of **medical devices** is on the internationalization of our product portfolio. To this end, we adapt products to meet local regulatory and country-specific requirements. This involves not only language adaptations but also modifications to match the specific medical practice and routine in the various countries. In 2012, we continued to work on adapting our medical devices to meet specific requirements in the United States.

FRESENIUS BIOTECH

Fresenius Biotech develops and commercializes innovative therapies with immunotherapeutic products. In 2012, two products were marketed: firstly, ATG-Fresenius S in transplantation medicine, and, secondly, the trifunctional antibody Removab for the treatment of cancer patients with malignant ascites.

In December 2012, Fresenius decided to focus on its four established business segments: Fresenius Medical Care, Fresenius Kabi, Fresenius Helios, and Fresenius Vamed. The Fresenius Biotech subsidiary will be discontinued. Fresenius is assessing the option of continuing the immunosuppressive drug ATG-Fresenius S, but will divest the trifunctional antibody Removab (catumaxomab) business.

Trifunctional Antibodies

Fresenius Biotech received the only Europe-wide approval to date for a monoclonal antibody developed in Germany when the European Commission approved Removab in 2009 for treating malignant ascites. The company subsequently obtained reimbursement approvals for Removab from the national health care systems of several European countries, providing the opportunity to expand marketing of the drug.

In 2012, sales of Removab were €4.1 million.

Immunosuppressive agent ATG-Fresenius S

With ATG-Fresenius S, a polyclonal antibody, Fresenius Biotech has a proven immunosuppressive agent that has been well established in the hospital market for decades, and is marketed in over 60 countries worldwide, being consistently profitable. ATG-Fresenius S is used for two therapeutic areas: it has been used for many years for organ transplant patients in order to avoid the rejection of transplanted organs. In addition, ATG-Fresenius S was granted approval in the prophylaxis of Graft-versus-Host-Disease (GvHD) in stem cell transplantation by German and Austrian authorities in 2011. ATG-Fresenius S was added to the list of reimbursable medications for stem cell transplantation in France in July 2012.

Sales of ATG-Fresenius S were €30.8 million in 2012.

PROCUREMENT

An efficient management of the value chain is important for the Fresenius Group's profitability. **Global procurement management** plays a crucial role here, assuring the availability of goods and services as well as the consistent quality of the materials used in production. In an environment characterized by ongoing cost-containment pressure from health insurers as well as price pressure, security of supply, and quality play a crucial role. For this reason we are constantly

optimizing our procurement processes, tapping new procurement sources, and striving to achieve the best possible pricing agreements while remaining flexible and maintaining our strict quality and safety standards.

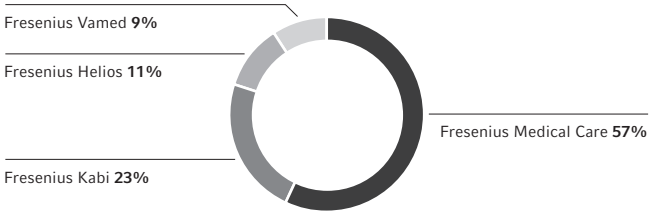
Global procurement processes are coordinated centrally within the Fresenius Group, enabling us to bundle similar requirements and negotiate global framework agreements. Current market and price developments are also analyzed on an ongoing basis. In addition, these central coordinating offices organize purchases for the production sites and arrange comprehensive quality and safety checks of purchased materials and goods.

In 2012, the cost of raw materials and supplies and of purchased components and services was €5,838 million (2011: €5,171 million), as the table shows:

€ in millions	2012	2011
Cost of raw materials and supplies	**5,097**	4,508
Cost of purchased components and services	**741**	663
Total	**5,838**	5,171

The cost of raw materials and supplies of €5,097 million were 13% above the previous year's level (2011: €4,508 million). The increase was mainly due to higher production volume. Purchased components and services accounted for 13% of the Group's total cost of materials, which remained at the previous year's level.

COST OF MATERIAL BY BUSINESS SEGMENT [1]



[1] Before consolidation

FRESENIUS MEDICAL CARE

The **Global Manufacturing Operations (GMO)** division coordinates the global procurement processes. The core responsibility of GMO is also to coordinate the expertise in manufacturing methods and processes, quality management, strategic purchasing, and supply chain management closely within Fresenius Medical Care. The aim is to

- further increase the efficiency of our processes
- better manage risks, and therefore costs
- improve returns on our invested manufacturing-related capital

Production sites with long-standing experience in manufacturing are company-wide competence centers that encourage the exchange of best practices – i. e. especially successful procedures and methods. Furthermore, production plants in the regions supply each other with products and components. This applies to products that can be adapted to local requirements, but are based on standardized core materials and technologies, enabling manufacturing capacities to be employed more flexibly and thus more efficiently on a global basis.

Our employees in strategic purchasing in Europe, the United States, and Asia closely coordinate the **procurement strategy** with one another and continue to expand our **supplier network**. Their key objectives are to ensure the supply of raw materials from different currency areas and to manage relationships with the company's main suppliers as effectively as possible. We coordinate tenders and negotiations for the purchase of raw materials or components needed by more than one site are centrally coordinated through cross-regional project teams. Suppliers must meet strict product specifications and adhere to the principles of our codes of conduct.

Our existing supplier management system is supplemented by our **risk management** process. This monitors the relations with strategic suppliers on the basis of uniform criteria. These criteria include the availability of the required materials of consistently high quality, currency risks, and the likeliness of natural disasters.

We implemented an **automatic supply management** in many countries in Europe, the Middle East, Africa, and Latin America, ensuring that our national warehouses are refilled

when their inventory reaches a defined minimum level. In this way, we intend to further enhance both the supply availability and the cost efficiency of our supply chain.

FRESENIUS KABI

In 2012, the volatile price development on the global **commodity markets** influenced the procurement activities of Fresenius Kabi. The underlying commodity prices for most of our procurement materials increased over the first half of the year, but recovered mid-year. Some commodity prices increased again in the second half of the year and ended the year at either the same level as the previous year, or even higher.

Global economic trends and financial policies contributed to these price movements, as did natural events. The financial crises in Europe and the United States played a major role here. Other factors included economic developments in China and Asia as a whole, exchange-rate volatility, political developments in the Gulf region, and the drought in the United States, which badly affected the harvests that followed. Private and institutional investors now also play a key role; for purely financial reasons, the volume of their speculation on commodity prices has been growing for years.

- This pushed up the prices for **plastic granulates** based, for example, on ethylene. In contrast, prices for other plastics that we use to manufacture plastic injection molding parts remained as stable as they had been in the previous year.
- Prices for **basic agricultural commodities**, for example individual milk derivatives, rose to a very high level. Corn even hit a new all-time high. Corn is the basis for a number of carbohydrates we use (e. g. waxy maize starch).
- After the price of **paper** – the basis for our cardboard packaging – initially increased, it recovered slightly at mid-year. Ultimately it remained at the previous year's level.
- We succeeded in signing important agreements for a number of **active ingredients** for IV drugs in 2012 and 2013. These agreements ensure their flexible and timely availability at competitive prices.

The price development on the **energy markets** continued to be very volatile and driven by speculation. Overall energy prices for Fresenius Kabi increased in 2012. Reasons for this are fluctuations on the stock exchanges in 2011, the nuclear accident in Japan in March 2011, and the premium for renewable energies, which was increased slightly in 2012. The weaker euro combined with the very high oil price has also increased our gas costs.

In 2012, we initiated our **"Supplier Rating" Project** in order to further increase the efficiency of our sourcing processes. The aim is to analyze our supplier relationships and, based on our findings, to optimize the collaboration with our suppliers and to reduce the costs of our sourcing processes.

FRESENIUS HELIOS

At HELIOS, high medical standards go hand in hand with efficient, economically sound management of available resources. The **HELIOS purchasing concept** defines binding regulations and standards that have proven especially effective with regard to cost-intensive materials such as drugs, medicinal products, medical technology, and operational and administrative needs. Important regulations are:

- **Teams of medical experts and committees** set binding group-wide quality requirements and define product standards together with the procurement officers.
- All **purchasing decisions** are transparent and comprehensible: HELIOS publishes all decisions made by the medical expert groups and corporate purchasing on the internet and the intranet.
- **Product managers**, i. e. the respective HELIOS employees from the pharmacy, purchasing, medical technology, the laboratory, catering, etc., are responsible for coordinating purchasing activities for their product groups across hospitals.
- The **corporate transparency rule** applies to all employees of HELIOS hospitals. Clear instructions and guidelines are in place to prevent all types of influence on purchasing decisions. HELIOS expects all external partners to acknowledge and support this corporate rule.

HELIOS is striking out into new territory in **standardizing materials** as far as collaboration with related disciplines is concerned. An interdisciplinary working group formed in November 2011 completed the largest standardization project in the Company's history in the fall of 2012. This was the first time that all implants – together with working materials and components (such as stents and balloon catheters used in interventional cardiology, i. e. cardiac catheter diagnostics

and treatment, radiology, neuroradiology, and electrophysiology) – were standardized and jointly put out to tender. The working group checked and evaluated approximately 10,000 articles for benefits to patients, quality, and economic value. Together these items represented annual sales of more than €20 million. This project has resulted in a 30% reduction to the range of these articles. HELIOS negotiated savings of high single-digit million euros, which will have an impact from 2013 onward. This project also incorporated the newly acquired Damp Group hospitals and the HELIOS Hospital Duisburg.

HELIOS also extended implementation of its purchasing concept to the Laboratory and Laundry segments. Procurement management in the **Laboratory** segment is multifaceted and complex, as HELIOS maintains more than 30 laboratories, 4 microbiology units, and 6 pathology units that carry out a wide variety of tasks, e. g. analyses of metabolisms and hormones. At a cost of approximately €15 million, it initially procured more than 6,000 articles from more than 350 suppliers. The aim of the procurement measures taken in 2012 was to standardize and consolidate the purchasing materials used in the Laboratory segment and to provide transparency on how the sourcing decisions were reached. As a result, the reduction in costs was significant. We furthermore reduced the numbers of suppliers and articles. In the **Laundry** segment, an interdisciplinary working group comprising hospital managers, employees from purchasing, nursing staff, and logistics specialists set uniform quality standards and streamlined the extensive range of laundry articles. The number of service providers was reduced and group contracts with newly standardized terms and conditions were signed. The goal was to ensure constant quality and security of supplies and also cost efficiency. The standardized contractual conditions, ranges of articles, and logistics now mean that data from all suppliers can be compared and used as the basis for future purchasing decisions. The HELIOS hospitals are now serviced by 4 laundries (2011: 15). By bundling them, HELIOS has cut its laundry costs by more than 20%, accruing benefits that will mainly materialize in 2013.

To keep the high standard of medical quality, HELIOS hospitals place value on close cooperation with their suppliers. Their strategic selection by our **supplier management** also serves to minimize risks in the sourcing process. Only suppliers that have an adequate fault management process, a convincing fault and defects reporting process, and a low risk of business failure can be considered as a business partner for HELIOS. The **HELIOS partner rating system** reviews the business relationship between HELIOS and its suppliers from the perspective of both partners.

Hospitals' **energy requirements** are a key cost factor. In 2012, HELIOS spent a total of about €69 million on energy, water, and fuels (2011: about €55 million). Adjusted for the newly acquired hospitals, the cost would have remained at the previous year's level. HELIOS has created a web-based sourcing platform, enPortal, which provides transparency on all utilities at all hospital locations. Variances in consumption and costs are promptly detected and directly acted upon. HELIOS monitors the price trends on the energy exchanges on a daily basis. The enPortal platform, to which more than 440 energy utilities in Germany are linked, is used by other Fresenius business segments. For 2012, the **price of electricity** increased by approximately 2%, particularly as a result of increasing network usage charges and another slight increase in payments under the German Renewable Energy Act. We also achieved good results in our **natural gas sourcing** and are now covering requirements until October 31, 2013. The cost of natural gas was reduced by about 4% for the 2012 supply year (October 31, 2011 to October 31, 2012), while the previous year's cost was already reduced by about 7%.

The **Catering** segment, which covers both the feeding of patients and service for the cafeterias, managed to keep the increase in the cost of materials used to an acceptable level (+3%), despite volatile and increasing commodity prices on the food markets. The procurement volume for food in 2012 was about €50 million.

FRESENIUS VAMED

Procurement management at Fresenius Vamed consists of the following activities:

- **Project business:** planning and construction, e. g. turnkey construction projects, as well as medical-technical and building utilities. VAMED also executes projects as a general contractor, including work by other companies.
- **Service business:** technical facility and total management for international health care facilities, and replacement parts sourcing. Contracts in the service business are mostly long term. Main procurement activities encompass, for instance, sourcing of medical devices and equipment, and technical services.

The **VAMED sourcing platform** systematically identifies synergies for customers from the project and service activities. Considerable cost-cutting potentials are tapped through bidding competitions and framework agreements for several assignments, e. g. bundling energy supplies. Emphasis is placed on so-called **life-cycle cost**. In its sourcing decisions VAMED takes account of the total cost of materials and products over the entire life cycle, i. e. acquisition cost, servicing, maintenance, and replacement parts. The strategic aim is to procure the optimum product for the customer at the best price.

In the case of public-private partnership (PPP) models with public-sector clients, consideration is also given to local value added, i. e. sourcing materials and services locally.

Based on the **EFQM** (European Foundation for Quality Management) **model**, we set targets for the procurement management, such as customer satisfaction, the percentage of framework agreements, and supplier ratings.

QUALITY MANAGEMENT

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

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

These objectives overlay the quality of our products as well as all services and therapies that we provide. Our quality management system integrates all product groups – such as drugs, medical devices, and nutrition – as well as our hospitals.

We regularly evaluate our quality management system through internal audits and obtain certification from external bodies. Our products are already closely controlled at the **development stage**. Our drugs are subject to regulatory approval, so appropriate documentation has to be prepared and submitted in accordance with national and international regulations. Medical devices undergo – for instance in Europe – a conformity assessment procedure that documents compliance with the appropriate norms. In enteral nutrition, we already follow the Hazard Analysis Critical Control Point (HACCP) principle during the development process. The HACCP principle is a generally acknowledged method of identifying and examining risk areas in the production of food. We have established a quality assurance system in all our **production plants**. In addition to the controlled use of materials, validated production procedures, and ambience and in-process controls, each batch produced also undergoes final controls and a formal release procedure. Our quality assurance system also includes measures for the **protection of employees**, for instance when handling hazardous substances. Our production facilities are regularly inspected by regulatory authorities or other independent institutions. **Sales and marketing** are also an integral part of the quality management system. For example, at any given time we are able to trace where every batch has been supplied.

In recent years, HELIOS has developed and established a quality management system for hospitals. It measures the quality of medical results in the hospital, based on quality indicators compiled from administrative data about the respective treatment. This method has demonstrably raised the quality of medical treatment and improved patient safety. Case discussions between experts and based on patient files play a major role in the peer review process. This has proven to be an excellent tool for initiating mutual learning processes and changes.

FRESENIUS MEDICAL CARE

As the world's leading provider of dialysis care and products, Fresenius Medical Care has a special commitment to maintaining the best possible quality standards for its patients and customers. To meet these demands and the numerous regulatory requirements, Fresenius Medical Care has implemented comprehensive quality management systems in its regions, which reflect both the specific local conditions and the company's global responsibility. These systems regulate and monitor compliance with **quality and safety standards** for all products and procedures, from development, production, and regulatory approval to use in clinics, customer training, and handling complaints.

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

Our UltraCare brand in North America and our NephroCare brand in the other regions are part of an integrated therapy concept that sets **internal quality standards** in our clinics as well as for home dialysis. We aim at introducing our quality standards into newly acquired clinics efficiently and systematically, seeking to improve the risk management for applying those standards. In doing this, we intend to continue improving the quality of our services in our clinic network as a whole. The **NephroCare Excellence program** defines medium- and long-term operating and quality goals. These goals pertain to medical quality, but also relate to the effective use of staff and staff development, enhancing efficiency, standardizing processes, and the sustainable use of natural resources. In 2012, the dialysis clinics that were taken over by Fresenius Medical Care through the acquisition of Euromedic's services business were integrated into the NephroCare Excellence program.

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

- The **Kt/V value** shows whether a patient was detoxified effectively during dialysis. It provides information on urea content in the blood. Urea is mostly excreted by healthy kidneys, but for dialysis patients it must be filtered from the blood through renal replacement therapy.
- Another quality indicator is the **albumin level** in the blood. Albumin is a protein that is indicative of a patient's general nutritional status.
- We also strive for a defined **hemoglobin value** in our patients. Hemoglobin is the component of red blood cells that transports oxygen around the body. An insufficient level of this in the blood is indicative of anemia, which typically occurs in patients with chronic kidney failure. Besides dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO).
- **Phosphate** concentrations show whether treating the patient with dialysis and medication is sufficient for the body to absorb phosphate ingested with food. Healthy people excrete excess phosphate via the kidney, but a diseased kidney is unable to do this. If the phosphate concentrations in the blood are too high, this can lead to severe conditions.
- The **number of days** patients are hospitalized because of complications as part of their kidney disease is also crucial for determining treatment quality, because they are particularly cost-intensive and can significantly reduce the quality of life of dialysis patients.
- In order to guarantee sufficient blood flow through and therefore an effective dialysis treatment a permanent vascular access is necessary. We record the number of patients who do not use a hemodialysis catheter as a **vascular access** in dialysis treatment. Catheters are associated with serious infections and increases in the number of days spent in the hospital. We are committed to further increasing the number of patients without using catheters.

Constantly measuring these and other parameters helps us to further improve our standards in providing dialysis treatment.

At the end of 2012, we started a **patient survey** in 24 European and Latin American countries aimed at more than 60,000 patients in Europe and Latin America. The initial evaluations show that over 95% of patients would recommend their Fresenius Medical Care dialysis center to friends or relatives if they needed dialysis. We also conduct regular patient surveys in North America.

The **Patient Safety Organization** (PSO) was also expanded in 2012. All employees in our clinics in the United States report critical incidents to an internal PSO analysis system. Our PSO then carries out a cause analysis on the basis of the aggregated data. We adapt any procedures that are prone to error and train both our staff and patients to improve these procedures. In this way, we want to guarantee that dialysis treatments in our clinics are as safe as possible.

FRESENIUS KABI

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

- **Global processes and standards**: Fresenius Kabi has defined global quality management processes and standards in a quality management handbook and standard operating procedures. Detailed best practice approaches are elaborated in teams worldwide and are laid down in global guiding documents. Those apply to all production plants and sites of Fresenius Kabi. Regular training workshops and quality meetings aim to ensure the awareness of our employees on quality control.

  Furthermore, Fresenius Kabi has established electronic workflows and databases to control critical global processes, e. g. complaint management, processing and reporting of adverse drug reactions, as well as corrective and preventive actions.
- **Early warning system**: an early warning system evaluates risk situations and identifies the need for corrective and preventive actions at an early stage. The system comprises standardized reporting structures for regular as well as ad hoc reporting. Key performance indicators, e. g. complaint rates, are evaluated following any action taken. Internal audits cover all organizations and their compliance with our quality management. Results from inspections by authorities are assessed internally on a global basis.
- **Integrated global crisis management**: To react rapidly and appropriately to any potential issue, we have installed a centralized global recall management monitored by a corporate safety officer.

Inspections by regulatory authorities and audits by independent organizations and customers are performed along the entire **value chain** at Fresenius Kabi. Whenever these inspections reveal any weaknesses or deficiencies, Fresenius Kabi promptly takes steps to deal with them.

However, our quality management does not just extend to internal processes. It also covers the application of our products and services by customers. In order to be able to receive information about their problems in a timely manner and deal with them appropriately, Fresenius Kabi has set up a **global monitoring and reporting system** (vigilance system) comprising a network of safety & complaints officers in the various countries. This system complements our early warning system. These employees use workflow systems to obtain structured information about products, such as complaints, side effects, or product risks. Reports are passed onto product experts as they are received and investigated at a global level. Whenever necessary, the safety & complaints officers take whatever steps are required, e. g. recalling products. This ensures that we can evaluate the safety profile of any of our products at a global level at any time. The responsible regulatory authorities monitor the vigilance systems and keep an increasingly close eye on them in the interests of **patient safety**. The Fresenius Kabi system has already passed a number of inspections by various international health authorities.

The **matrix certification** as per ISO 9001 was continued as planned in 2012. Over 90% of all manufacturing and sales locations of Fresenius Kabi are already included in the certification. The remaining organizations will be successively integrated.

FRESENIUS HELIOS

The objective of the **HELIOS quality management system** is to continuously improve the results of medical treatments in all HELIOS hospitals. One main requirement is to make one's own quality transparent on the basis of **G-IQI quality indicators** (German Inpatient Quality Indicators). These G-IQIs are not only used in the HELIOS hospitals but have been implemented in more than 500 hospitals in Germany. Variations of them are also used as indicators in Swiss and Austrian hospitals.

Clinically relevant indications and surgical procedures are documented with the help of now more than 1,500 key figures. Until now only some of these G-IQIs had access to reference values from nationwide statistics on diagnostics. For a large number of complex indicators, there were only reference values in scientific literature or estimates by groups of experts. Since 2012, there have also been benchmarks for more complex quality indicators, e. g. cardiac surgery, based on data from the Federal Statistics Office. This has further increased the transparency of treatment quality and improved the comparison of HELIOS' hospitals with other hospitals.

HELIOS QUALITY PERFORMANCE INDICATORS (EXTRACT)

Indications/standardized mortality ratio (SMR [1])	**2012 SMR**	2011 SMR [2]
Chronic obstructive pulmonary disease (COPD)	**0.71**	0.85
Acute myocardial infarction (AMI)	**0.83**	0.92
Heart failure	**0.63**	0.68
Ischemic stroke	**0.83**	0.92
Pneumonia	**0.64**	0.70
Hip fracture	**0.97**	1.00

[1] SMR 1 corresponds to the German average
SMR < 1 = means that mortality is below the German average
[2] Adjusted for the current reference value of the Federal Statistics Office and newly acquired hospitals

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

For 46 of these quality indicators, ambitious **group-wide targets** were defined, of which 42 were reached in 2012 on the corporate level, a success rate of 91% (2011: 85%). The aim is for the HELIOS hospitals to be better than the German average for these indicators. HELIOS achieved an SMR of 0.63 for heart failure (2011: 0.68). This indicates that the mortality in the HELIOS hospitals was 37% below the average of all German hospitals (2011: 32%). In the case of four indicators, we did not achieve the target value. HELIOS has analyzed the cases in the hospitals concerned in order to identify opportunities for improvement and to implement appropriate measures.

We measure our quality and present it in order to be able to evaluate the results of treatment and demonstrably improve them. The **peer review process** is an appropriate instrument for following up statistical abnormalities and looking systematically for ways to improve things.

We carried out an interdisciplinary and inter-segment peer review of so-called "low-risk" case scenarios for the first time in 2012. We looked more closely into the causes of death in surgeries with a low mortality rate (<1%), including first implants of a total hip endoprosthesis, disc surgery, and small urological surgeries. We considered the individual preoperative risk assessment for the patients by their doctors and the risk management during treatment. These investigations took the form of interdisciplinary analyses and produced significant indications. In particular they found that the handling of anticoagulant drugs before scheduled surgeries could be improved. These anticoagulant drugs are increasingly used with patients who have vascular illnesses, such as cardiac infarctions or strokes, whether as a form of treatment or as a prophylactic. We applied this finding to specific recommendations on the handling of these drugs for surgical procedures. This will further improve patient safety.

HELIOS provides full transparency for all quality data: they are published monthly on the intranet for all HELIOS employees. The same applies for the transparency towards patients and the public. For each acute care hospital, the results for medical treatment quality are published on the website www.helios-kliniken.de.

The **HELIOS Group regulation on hygiene**, which is based on the recommendations of the Robert Koch Institute, is binding on all employees and all hospitals. HELIOS regularly trains employees on this regulation. Each HELIOS hospital is obliged to keep a record for all wards regarding the 17 most common infectious agents, particularly the multi- and pan-resistant ones. These include bacteria that have become resistant to methicillin and other antibiotics (MRSA – methicillin-resistant staphylococcus aureus). Every day a specialist hygiene nurse as well as the hospital hygienist will check all the laboratory figures from a ward for agents that have been brought in or acquired in the hospital (nosocomial pathogens). As of December 2012, HELIOS publishes on its Hygiene Portal www.helios-kliniken.de/hygiene (German only) how often the 17 most important infectious agents have been found in HELIOS acute care hospitals. The data is updated every six months. This initiative by HELIOS is an appeal for the issue of hospital hygiene to be dealt with transparently and openly. The aim is to improve quality management in hospitals and thus raise patient safety.

FRESENIUS VAMED

In the planning and construction of hospitals, Fresenius Vamed sets high quality standards in its flexible design of **parameters across processes and structures**. These parameters include:

- process optimization (for example surgery, admission and discharge areas, interdisciplinary emergency facilities, interdisciplinary outpatient clinics)
- differentiation according to modular care levels (from basic to intensive care)
- flexible use of buildings and wards in response to shifts in demand – always allowing for particular reimbursement systems and technical developments

VAMED has an internationally experienced team of experts who assure the quality of the structural and process design even when the project is at the concept stage and when services are established.

Internally, the processes are also designed for efficiency and sustainability, using **interdisciplinary quality standards**. These standards are mostly based on ISO 9001:2008 and ISO 13485:2003 standards, as well as the standards of the European Foundation for Quality Management (EFQM). These high standards are paying off. Our subsidiary VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H. has won an EFQM Excellence Award for the second time. In 2012, the company was awarded in the category "Creativity and Innovation." The award confirms the excellence of our services: both the responsible facility and operational management at the Vienna General Hospital and University Hospital AKH as well as the innovation demonstrated by the employees at VAMED-KMB.

In the hospital area, VAMED uses the certification model **JCI (Joint Commission International)**. The Neurological Therapy Center Kapfenberg and the National Research Center for Maternal and Child Health in Astana, Kazakhstan, achieved the JCI certification. Both health care organizations are managed by VAMED and both were certified to have the highest level of quality: firstly regarding patient care, secondly regarding hygiene and safety, and thirdly regarding the very high patient and employee satisfaction.

Fresenius Vamed also demonstrates the highest service quality in health care tourism. VAMED Vitality World's award as "World's Leading Medical Wellness and SPA Operator," one of the World Travel Awards in 2012, bears witness to this success.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT, SUSTAINABILITY

We orient our activities within the Fresenius Group to long-term goals, and thus ensure that our work is aligned to the needs of patients, employees, as well as shareholders and business partners in a sustainable manner. Our **responsibility as a health care group** goes beyond our business operations. We are committed to protecting nature as the basis of life and using its resources responsibly. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, and product responsibility and logistics and to comply with legal requirements. The international ISO Standard 14001 is an important benchmark for **environmental management** in the corporate sector. Among other things, it stresses the need for continuous assessment of a production site's impact on the

environment, for instance with respect to emissions and waste. This international standard is implemented at our various production plants and most of our dialysis clinics. Key environmental performance indicators are, for instance, not only energy and water consumption but also the volumes of waste and recycling rates at our locations.

In Europe, our production sites are subject to the **EU regulation REACH** (Registration, Evaluation, and Authorization of CHemicals). The aim of REACH is to protect human health and the environment against hazards and risks from chemical substances. Fresenius Medical Care is an active member of the REACH Working Group of the German Federal Association of the Medical Device Industry (Bundesverband Medizintechnologie or BVMed). In the few cases where Fresenius Kabi produces within the EU or imports products into the European market, all the relevant substances are pre-registered in compliance with the REACH regulation.

FRESENIUS MEDICAL CARE

In 2012, Fresenius Medical Care continuously expanded its environmental activities. In Europe, the Middle East and Africa, TÜV-certified **environmental management** is part of the integrated management system. At the end of 2012, our seven largest European production sites (2011: also seven) and our medical device development department were certified according to ISO 14001.

Our **R & D divisions** work on designing our products and processes to be as environmentally compatible as possible by employing new materials with improved environmental properties, pushing the development of new technologies that further reduce the resource consumption of our dialysis machines, and not least by using energy and raw materials efficiently in production. The year 2012 saw the initiation of the **Comparative Life Cycle Assessment project**, which links together information about product design, production resource efficiency, logistics, and use of the products in dialysis. The project mainly sources its data from internal environmental reporting and product specifications, as well as from external ecological balance sheet databases. The aim of the project is to calculate and compare the ecological performance of different product groups for dialysis concentrates. The assessment will enable us to highlight environmentally friendly products in dialog with our customers and to provide sound product information concerning the environmental impact of concentrates. The knowledge will also be applied to the development of new products. We plan to include additional products and product groups in these eco-balance assessments in the future.

In 2012, we started the implementation of the **new environmental program** in Europe and Latin America with the aim of improving environmental awareness and environmentally responsible behavior, enhance knowledge relating to strategic and operational environmental issues, to improve our eco-efficiency and reinforce measures to control environmental risks, and ensure that environmental regulations are complied with. Those goals are measured by a number of **environmental objectives** for the individual stages of the value chain, for example R & D, logistics, or at our dialysis clinics. We set environmental improvement targets for production sites. The savings potential for raw materials, energy, and water has been identified, and implementation of improvements is planned. For example, we aim to recycle or thermally recover at least 85% of production waste by 2015. This recycling ratio has already been achieved or even exceeded at five of our seven biggest certified production sites by the end of 2012.

We gather data on our eco-efficiency, such as our water and energy consumption, and on waste disposal in 452 of our European clinics (2011: 405). In 2012, we introduced equivalent software in Latin America. Our goal is to establish a comprehensive **environmental data management system** over time. We are able to compare the ecological efficiency of clinics on a monthly basis, and quickly identify potential for improvement.

In the **United States**, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 13th time from the U.S. casualty and property insurer CNA. They underlined the company's commitment to the health of its employees, safety, the prevention of accidents, and risk control. The fact that absences due to work-related accidents have fallen significantly at Fresenius Medical Care, was also highlighted. Environmental management at our clinics is reviewed both internally and by federal agencies. Evaluation criteria include adherence to strict guidelines for the disposal of medical waste. In addition, we have begun to have certification criteria under the environmental standard ISO 14001

examined for our clinics and production sites in the United States. The first certification process will commence in April 2013 at our plant in Livingston, California, and completion is expected by the end of the year.

We made further progress in **Latin America**. We train our employees in Colombia and Venezuela in topics such as waste disposal and energy and water consumption. In Argentina, we continuously monitor water and energy consumption as well as medical waste disposal at all of our dialysis clinics.

In the **Asia Pacific region**, we monitor the consumption of resources such as electricity, gas, and water to identify improvement potential. Our waste water systems, energy consumption, and other environmental factors are regularly inspected by local government agencies.

In collaboration with the German Energy Agency (DENA), Fresenius Medical Care developed a model for a **CO_2-neutral dialysis clinic**. According to this model, a clinic uses eco-friendly power and heat supplies to reduce its greenhouse gas emissions by as much CO_2 (carbon dioxide) as it produces through its energy consumption for dialysis, water processing, and other operations. In 2012, we opened a dialysis clinic based on this concept in Italy. The new building combines two Fresenius Medical Care dialysis clinics located nearby. The new building consumes just half the water and about a quarter less electricity than the previous facilities. A core aspect is the installation of Fresenius Medical Care's state-of-the-art water processing technology: a special two-stage device produces the ultra-pure water required to manufacture the dialysis solution with very low water consumption, and a control device ensures efficient preparation of dialysis concentrate. The wastewater is also completely recycled. The result is a saving of approximately 2.5 million liters of water a year in this clinic. Fresenius Medical Care plans to build additional environmentally friendly clinics in Europe in the coming years. A second "green" clinic is already planned in the vicinity of Barcelona, which will also feature many of the attributes of the CO_2-neutral clinic.

FRESENIUS KABI

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

- decrease the waste volume at our production sites and sales offices
- efficiently and carefully use energy to reduce emissions

An environmental manual and standard process guidelines provide local units a framework for environmental management. In 2012, Fresenius Kabi continued the matrix certification for the **environmental management system**. We use this system to analyze and assess work flows and processes according to sustainability criteria. At the same time, we document the responsible use of energies and natural resources as well as employee safety and environmental protection. This has shown us where improvements can be made, both with regard to the value chain and how we deal with external partners. Our international production network improves, for example, distribution to our customers and reduces emissions associated with transportation. Our goal is to base all internal and external processes not only on economic, but also ecological provisions, and to expand the matrix certification to other production sites and sales offices.

At our **Friedberg and Bad Homburg production site** in Germany, the **recycling rate** was 91% in 2012 (2011: 97%). The decrease was mainly attributable to the commissioning of new production lines and the respective start-up volumes. Our goal for 2013 is to improve the recycling rate back to the level of the previous year. In 2012, approximately 6,900 t of waste were recycled (2011: approximately 5,800 t). The **waste volume** rose by 30% in Friedberg and by 13% in Bad Homburg. We also used more **electricity** because of our higher production volume. At the same time, we succeeded in raising the percentage of total electricity consumption coming from renewable energies to approximately 24% (2011: approximately 23%).

In 2012, Fresenius Kabi continued to implement measures to reduce **energy consumption**, CO_2 emissions, and the consumption of raw materials. For example, the company uses the coolant heat produced to heat the logistics spaces. In addition, we use dark radiators in production areas. This energy-efficient infrared technology ensures that air in or close to the roof is not needlessly heated and that the desired heat is kept exclusively close to the ground. We are now able to save approximately 40% (2011: approximately 30%) compared with the energy consumed by conventional heating systems.

Fresenius Kabi invested in the modernization of its technical systems in 2012. We commissioned a new high-bay warehouse with an intelligent energy-saving ventilation system. We also installed a very efficient refrigeration unit. In terms of the ratio between refrigeration provided and electricity consumed, this unit provides much better performance, particularly when only partially utilized.

All of these activities not only protected the environment, they also helped – despite a much higher production volume – to lower energy costs in 2012.

In **Austria**, the production sites have an **integrated management system** for quality, the environment, safety, and risk management. Long-term goals are to guarantee and continuously improve the efficiency of environmental management, to handle environmental resources carefully, and to keep the impact on the environment as small as possible. These goals also represent the principles of our Company policies.

The environmental management system at the **site in Graz** has been certified pursuant to ISO 14001:2004. The system defines various environmental performance indicators, such as the **recycling rate**. For reasons of capacity, we moved the packaging activities from the Graz facility to a neighboring site and optimized both the processes and the logistics. This also had a positive effect on the recycling rate: despite the increase in production volume, we reached a rate of 85%, the same as in the previous year. Fresenius Kabi also signed a partnership agreement with a waste disposal facility that guarantees that waste is properly sorted. Graz also recorded another achievement in the field of commercial waste. Training sessions for employees and optimized opportunities for collecting waste ensured that the volume held steady in 2012 after we had reduced it by 10 tons in the previous year.

At the Graz location, we review the **energy consumption** every year in order to identify new savings opportunities. Despite the significant expansion in production in 2012, we kept electricity consumption at the previous year's level. We also worked out a concept for regaining energy, which will generate further savings and will be realized in the next few years in a new building planned for construction.

Fresenius Kabi also has a certified environmental management system pursuant to ISO 14001:2004 at the **Linz location**. On the **energy** side, Fresenius Kabi uses the steam generated in the production of hydroxyethyl starch to preheat the process water. This measure saves us approximately 3 MWh a week. A modern and more efficient cardboard packaging press helped to reduce collection cycles by approximately one quarter. Fresenius Kabi also invested in **soundproofing** at the Linz location. A soundproofed blower has been installed for pneumatically pumping the lactose from the silo into the production process, and this has lowered the sound volume in the immediate vicinity.

In the interests of successful environmental management, we aim to use measures planned with the long term in mind to further save on energy and other resources.

At our Swedish production **locations in Uppsala and Brunna**, the **projects** we initiated previously **relating to the supply and consumption of resources** are bearing fruit:

- The **volume of waste** was 5,609 t (2011: 4.751 t). We changed our waste disposal company in 2012 in order to increase the amount of waste that would be recycled. This step increased the volume of waste that is either recycled or bio-waste to 75% (2011: 54%). The volume of waste used to generate energy decreased to 25% (2011: 46%).
- **Energy consumption** increased year on year by 21% or 21 GWh. Approximately 43% of the energy needed at both sites is covered by renewable energies. Despite the increase in energy consumption, we have managed to keep this figure constant over the last 5 years.

- Although **water consumption**, at approximately 249,221 m³, was higher than the previous year's figure of 232,266 m³, the percentage increase was nevertheless lower than the expansion in the volume of production.

New production technologies also contributed to consume resources much more efficiently.

At the Brunna location, a project was started in 2012 to analyze **emissions** of VOCs (volatile organic compounds) and to lower them significantly. VOCs, e. g. acetone and ethanol, damage the environment and are among the precursors for forming ozone close to the ground. Fresenius Kabi is subject to strict rules on the control and emissions of VOCs. It is required to keep them as low as possible.

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

FRESENIUS HELIOS

Because of their great need for resources and energy, it is essential that hospitals deal carefully with both of them. And the requirements imposed on hospitals are increasing, both in terms of proper waste disposal and of hygiene. They must also avoid any health risks for patients, employees, and the local environment.

HELIOS views waste **disposal management** as a process. It starts with avoiding any future waste, and ends with the consistent recycling or environmentally friendly disposal of the same. Requirements pertaining to environmental protection, occupational health and safety, as well as infection protection and hospital hygiene are taken into account. That relates particularly to major waste groups such as clinical waste, i. e. from diagnosis, treatment, or prevention of human diseases, or mixed municipal waste. This includes general waste such as household waste, bulky waste, and potential recyclables. In 2012, the **total amount of waste** generated in all HELIOS hospitals amounted to 12,593 t (2011: 11,960 t).

A major source of **energy consumption** at hospitals is the need for air-conditioning in the working areas and in patients' rooms. For instance, medical equipment that generates heat, such as a magnetic resonance tomographs, computer tomographs, and other imaging equipment, linear accelerators, and left cardiac catheter measuring devices must constantly be cooled. The higher usage of IT technology also increases energy demand, because the server rooms must be operated and cooled. The structural condition of a hospital building also has an important influence on energy consumption. HELIOS invests in environmental protection on an ongoing basis through structural measures. All new construction projects and modernizations conform to the latest standards of efficient heat insulation pursuant to the currently valid energy savings regulations, e. g. more energy-efficient windows. In 2012, maintenance costs were €110 million (2011: €84 million).

HELIOS is successively switching the heating for its clinics over to **renewable energies**, for instance wood pellets. This form of heating is CO_2-neutral and therefore more environmentally friendly than gas or oil heating. 12 hospitals generate a part of the heat needed from renewable energies. The annual demand for pellets currently stands at 12,500 t. More hospitals, including Bad Grönenbach and Hamburg-Harburg, will be equipped with pellet-based heating in 2013. The aim is to gradually convert the heating at all HELIOS clinics to wood pellets – where this makes commercial sense – as structural alterations are planned or boilers need to be replaced. Thanks to the steps it has already taken, HELIOS generated approximately 6,000 t less CO_2 in 2012 than with the old oil- and gas-fired heating systems. HELIOS assumes that there will be a further 7,000 t reduction of CO_2 from using the new pellet-based heating in 2013, virtually doubling the total reduction to approximately 13,000 t.

Water consumption in all HELIOS hospitals amounted to 1,984,000 m³ (2011: 2,140,000 m³), excluding the newly acquired Damp hospitals. The majority of all water is consumed for sterilization processes, process cooling, and water recycling plants. Overly high water savings would not make sense, because a too low water change-out in the pipes would cause hygienic issues. In order to comply with the German Drinking Water Ordinance, sections of pipes that are not used

frequently, would have to be flushed on a regular basis. This in turn would again increase water consumption. To reduce consumption, some hospitals are using well water, for instance for the cooling towers of air-conditioning systems. We adapt the technical systems to the actual level of water consumption. New control systems decrease the amount of water used in heating systems, which further reduces the demand for water.

FRESENIUS VAMED

In the future, health care systems will also have to pay greater attention to sustainability. In **project business**, VAMED already integrates national environmental standards and regulations into the planning and construction of a hospital or other health care facility as an active contribution toward environmental protection. VAMED's extensive expertise in environmental management is an important success factor, especially in growth markets in Africa and Asia. For instance, VAMED built and now operates a hospital in Gabon, Africa, which features a modern sewage treatment plant and a high-temperature incineration plant designed to European standards.

VAMED has also achieved successes in the **service business**. VAMED, for instance, is responsible for the technical management of the Vienna General Hospital and University Hospital AKH. The AKH is one of the largest operations in Austria and has about 10,000 employees. Since 1996, the operating area of the AKH has increased by approximately 9% due to new construction. Considering the increased operating area, it is a remarkable success that its energy and drinking water consumption has decreased significantly. **Energy consumption** decreased by 12%, demand for long-distance heat by 21%, and **drinking water consumption** by as much as 43%. Consequently, the direct and indirect greenhouse gas emissions of the AKH also decreased. Compared to 1996, emissions decreased by 15%, which is three-times higher than the international target set by the Kyoto Protocol of about 5%. The success is especially due to improved air-conditioning and heat recovery in the buildings of the AKH. The AKH, together with VAMED, will continue the energy efficiency program to keep greenhouse gas emissions as low as possible.

Over the past years, VAMED has also realized major improvements in the **waste management** of the AKH. One main project was, for example, the separation of waste. Compared to 1994, we reduced the volume of waste classified as hazardous medical waste by 70%. Waste and recycling materials amount to approximately 31% of the overall waste volume. We started a project to evaluate the potential for rendering non-recyclable waste recyclable. Pharmaceutical waste, such as unused or expired drugs, is collected separately and disposed of by authorized companies.

VAMED takes **sustainability criteria** into account from the outset when planning and building health care facilities. This procedure was neutrally audited for the first time in 2012 and the effectiveness of the existing criteria catalogue was confirmed. For the planning and realization of the Oncological Rehabilitation Center in St. Veit/Pongau, Austria, VAMED was the first health care facility in a German-speaking country to receive the silver ÖGNI precertification for sustainability (ÖGNI is the German abbreviation for the Austrian Association for Sustainability in Real Estate). The rehabilitation center meets all of ÖGNI's sustainability criteria: ecological, economic, sociocultural, functional, and technical, as well as its criteria pertaining to quality of process and location.

VAMED is also an active member of working groups and committees that formulate **E-STANDARDS** for hospitals. These are Austrian standards issued by the Austrian Standards Institute. In addition, an international working group dealing with hospital waste issues was founded by the **IWWG (International Waste Working Group)**. IWWG is a working group of international scientists and companies focusing on sustainable waste management in hospitals.

SALES, MARKETING, AND LOGISTICS

Long-term, mutually trusting cooperation with our business partners and customers is an essential basis for sustainable growth. We strive to guarantee top quality and outstanding service, together with reliable logistics and product availability. Sales and research and development work closely together in order to integrate concepts and ideas developed by the sales force into new products. Fresenius generally has its own sales organizations with trained employees. However, we also use external distributors in countries where we do not have our own sales team.

At **Fresenius Medical Care**, Global Manufacturing Operations (GMO) manages procurement, sales, and logistics. In North America, GMO manages the entire supply chain – from allocating the raw materials through the manufacturing facilities to delivery of the finished products to the customers. Outside North America, GMO is responsible for delivering the finished products to central distribution centers. The onward distribution to customers and patients is managed locally.

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. In 2012, approximately 32% of the company's consolidated revenues were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement. The company's largest private customer, which is also the world's second-largest provider in the dialysis services sector after Fresenius Medical Care, is the U.S. company DaVita. Fresenius Medical Care generated around 1% of its revenue with DaVita in the last fiscal year.

Fresenius Kabi's products are shipped from the production plants to central warehouses, wholesalers, or directly to hospitals or patients. Fresenius Kabi maintains an international hub, e. g. in Friedberg, Germany, for a significant proportion of its range of products. Its warehousing capacity has been expanded in recent years from approximately 40,000 to 75,000 pallet spaces. Fresenius Kabi's customer base is broad. It includes hospitals, wholesalers, purchasing organizations, and health care facilities, as well as homecare patients. The company's own homecare organization in Germany cares for more than 200,000 outpatients every year. In the United States, Fresenius Kabi mainly distributes its products through GPOs (Group Purchasing Organizations). Internationally there is a growing tendency for government entities to award contracts by public tender, in which Fresenius Kabi also participates.

An increasing concentration on the customer is augmenting. However, Fresenius Kabi has no significant dependency on any one source of revenue.

Procurement and the related internal processes are key non-medical elements regarding the treatment of patients and the proper operation of a hospital at **Fresenius Helios**. These extend from warehousing to storing medication and supplies in the wards, i. e. providing them with their required materials. Every HELIOS region has its own logistics center. In addition, the company's own and third-party pharmacies deliver prescription drugs to hospitals. Thanks to these regional supply structures, HELIOS achieves substantial cost synergies within the hospital group. Customers include social security institutions, health insurers, and private patients.

Fresenius Vamed provides health care services on a global basis and plans and builds health care facilities. The clients of Fresenius Vamed are mainly public institutions, e. g. ministries and authorities, public and private hospitals, and other health care facilities.

The business segments offer after-sales services, training, technical support, servicing, and maintenance and warranty arrangements in every country in which Fresenius sells its products. They additionally provide product training and the operation of regional service centers, which are responsible for day-to-day international service support.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Fresenius Group as positive. Demand for our products and services continues to grow steadily around the world. Operating performance in the first weeks of 2013 has been in line with our expectations, with further increases in sales and earnings.

OPPORTUNITIES AND RISK REPORT

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

As a provider of life-saving products and services for the severely and chronically ill, we are relatively independent of economic cycles. The diversification through our four business segments, which operate in different segments of the health care market, further minimizes the Group's risk profile. Our experience in the development and manufacture of products, as well as in our markets, serves as a solid basis for a reliable assessment of risks.

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

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity aimed at securing the company's long-term success. In this way, we can explore new prospects and consolidate and improve on what we have already achieved. The Group's decentralized and regional organizational and management structure enables the early identification and analysis of trends, requirements, and opportunities in our often fragmented markets; and we can respond to them flexibly and in line with local market needs. Furthermore, we maintain regular contact and dialogue with research groups and scientific institutions and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the various business segments. Anticipated future opportunities for the Fresenius Group are discussed in the Outlook starting on page 111.

RISK MANAGEMENT

Like opportunities management, risk management is a continuous process. Identifying, controlling, and managing risks are key tools of solid corporate governance. The **Fresenius risk management system** is closely linked to the corporate strategy. Its main element is our control system, with which we can identify significant risks at an early stage and counteract them individually.

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

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

The risk management system is supported both at Group level and in the individual business segments by our risk controlling measures and our management information system. Detailed monthly and quarterly reports are used to identify and analyze deviations of the actual compared to the planned business development. In addition, the risk management system comprises a control system that oversees organizational processes and measures, as well as internal controls and audits.

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

in danger. The insights gained from the audit regarding the internal control system as it pertains to accounting are taken into account in the continued development of the system.

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

INTERNAL FINANCIAL REPORTING CONTROLS

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

- local entity
- region
- business segment
- Group

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

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

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

RISK AREAS

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

GENERAL ECONOMIC RISKS

At present, the development of the global economy exhibits no significant risk to the Fresenius Group. In 2013, we largely expect overall economic growth to continue. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We also expect demand for our life-saving and life-sustaining products and services to continue to grow.

RISKS IN THE GENERAL OPERATING FRAMEWORK

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

RISKS IN THE HEALTH CARE SECTOR

Risks related to **changes in the health care market** are of major importance to the Fresenius Group. The main risks are the development of new products and therapies by competitors, the financing of health care systems, and reimbursement in the health care sector. In our largely regulated business environment, changes in the law – also with respect to reimbursement – can have decisive consequences for our business progress. This applies especially in the United States, where a large portion of our sales are generated, and where e. g. changes in the reimbursement system could have a considerable impact on our business. Furthermore, a portion of our dialysis care business in the United States is currently reimbursed by private insurers or managed care organizations. If these organizations enforce reductions in the reimbursement in the United States, it would significantly reduce the revenues for products and services of Fresenius Medical Care. The same applies to the hospital market in Germany, where the DRG system (Diagnosis Related Groups) is intended to increase the efficiency of hospitals while reducing health care spending. The Company constantly monitors further legislative developments of the DRG system as well as discussions about ending dual financing in the hospital sector. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore especially important for the Fresenius Helios business segment that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only continually monitor legislative changes, but also work together with governmental health care institutions. Generally, our aim is to counter possible regulatory risks through enhanced performance and cost reductions.

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

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

OPERATING RISKS

Production, products, and services

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

Non-compliance with the requirements of these authorities in our production facilities or at our suppliers could lead to regulatory actions such as warnings, product recalls, production interruptions, monetary sanctions, or delay in

new product approval. Any of these regulatory actions could adversely affect our ability to generate sales and result in significant expenses.

Potential risks, such as those arising from the start-up of a new production site or the introduction of new technologies, are countered through careful planning, regular analysis, and continual progress reviews. We counter the risk of poor-quality purchased raw materials, semi-finished products, and components mainly by requiring our suppliers to meet strict quality standards. Besides certification by external institutes and regular supplier audits, this includes an exhaustive evaluation of advance samples and regular quality controls. We only purchase high-quality products with proven safety and suitability from qualified suppliers that conform to our specifications and standards.

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

Further risks arise from increasing **pressure on our product prices** and from potential price increases on the procurement side. Under the Medicare bundled reimbursement system payment for Erythropoietin stimulating agents (ESA) is generally included in the bundled rate. Previously, it was reimbursed separately. An interruption of supply of ESAs, material increases in the utilization of ESA or acquisition costs for ESAs could materially adversely affect sales and profitability.

Growing **competition** could materially adversely affect the future pricing and sale of our products and services. The introduction of new products and services by competitors could render one or more of our products and services less competitive or even obsolete. This could particularly adversely affect renal pharmaceuticals of Fresenius Medical Care. Through the end of 2013, the Company is obligated to make certain minimum annual royalty payments under certain of our pharmaceutical product license agreements, regardless of our annual sales of the licensed products. Thereafter, Fresenius Medical Care is required to determine their minimum purchase requirements for the subsequent year on a yearly basis.

On the **procurement side**, we counter risks, which mainly involve possible price increases and the availability of raw materials and goods, by appropriately selecting and working together with our suppliers through long-term framework agreements in certain purchasing segments and by bundling volumes within the Group.

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

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

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

The Corporate Compliance department reports to the **Chief Compliance Officer**, the Management Board member for Legal Affairs, Compliance, and Human Resources, who is accountable for establishing and implementing guidelines and procedures. A compliance officer has been appointed in

each business segment. He is supported by additional compliance officers appointed based on organizational and business structures. The Corporate Compliance department supports the compliance officers at the business segment, regional, and country levels.

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

Research and development

The development of new products and therapies always carries the risk that the ultimate goal might not be achieved, or might take longer than planned. Regulatory approval of new products requires comprehensive, cost-intensive preclinical and clinical studies. The Fresenius Group spreads its risk widely by conducting development activities in various product segments. We also counteract risks from research and development projects by regularly analyzing and assessing development trends and examining the progress of research projects. We also strictly comply with the legal regulations for clinical and chemical-pharmaceutical research and development. With IV drugs, it is also crucial that new products are continually brought to the market in a timely manner. The product development process can be controlled on the basis of detailed project roadmaps and a tight focus on the achievement of specific milestones. If the defined targets are not achieved, countermeasures can be initiated.

Risks from the integration of acquisitions

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

Acquired by Fresenius in 2008, APP Pharmaceuticals (now Fresenius Kabi USA) has agreed to indemnify Abraxis BioScience, Inc., which split from it in 2007, from and after the spin-off with respect to all liabilities of the preseparation company related to Fresenius Kabi USA's business. At the same time, Abraxis BioScience agreed to indemnify Fresenius Kabi USA from and after the spin-off with respect to all liabilities of the preseparation company not related to Fresenius Kabi USA's business. The extent to which Abraxis BioScience will be able to satisfy these potential claims in future cannot be predicted.

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

Personnel risks

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

Financial risks

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

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

The Fresenius Group is protected to a large extent against **currency and interest rate risks**. As of December 31, 2012, approximately 69% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges. Only 31%, or €3,414 million, was exposed to an interest rate risk. A sensitivity analysis shows that a rise of 0.5% in the reference rates relevant for Fresenius would have a less than 1% impact on Group net income.

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

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The basis for the analysis of the currency risk are the foreign currency cash flows that are reasonably expected to arise within the following twelve months, less any hedges. As of December 31, 2012, the Fresenius Group's cash flow at risk amounted to €43 million. Hence, with a probability of 95% a potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months will not be higher than €43 million. Further details on financial risks can be found on pages 191 to 193 in the Notes.

Financial risks that could arise from acquisitions, investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews of the projects, sometimes assisted by external consultants. Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for **impairment** each year. Further information can be found on page 137 of the Notes.

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

As a global corporation, Fresenius is subject to numerous tax codes and regulations. Fresenius Group's companies are subject to regular tax audits. Any changes in tax regulations

or resulting from tax audits could lead to higher tax payments. Information on the status of the tax audits can be found on page 151 of the Notes.

Fresenius' debt was €11,028 million as of December 31, 2012. The **debt** could limit the ability to pay dividends, to arrange refinancing, to be in compliance with its credit covenants, or to implement corporate strategy. Other financing risks could arise for Fresenius in case of an ongoing general financial market crisis. We reduce these risks through a high proportion of medium- and long-term funding with a balanced maturity profile. Furthermore, our financing agreements contain covenants requiring us to comply with certain financial figures and additional financial measures. Should we not comply with the covenants, this could lead to an early redemption of the debt.

Additional information on conditions and maturities can be found on pages 161 ff. of the Notes as well as on page 73 of the Management Report.

Government reimbursement payments

Fresenius is subject to comprehensive **government regulation** in nearly all countries. This is especially true in the United States and Germany. In addition, Fresenius must comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions should Fresenius fail to comply with these laws or regulations.

A large part of Group revenue derives from government reimbursement programs. In 2012, approximately 32% of Fresenius Medical Care's sales were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid. As of January 1, 2011, a **new reimbursement system based on a bundled rate** for dialysis patients covered by the public health care program (Medicare) was introduced. Beginning in 2012, the payment amount will be subject to annual inflation update based on increases in the costs of a "market basket" of certain health care items and services, less a productivity adjustment. The adjustment for the year 2013 is 2.3%.

Pursuant to the American Taxpayer Relief Act, automatic across-the-board spending cuts are scheduled to go into effect on March 1, 2013, unless the law is further changed. Medicare payments to providers and suppliers would be subject to these reductions, but these reductions would be limited to one adjustment of no more than 2%. The Medicare reimbursement reduction would be independent of annual inflation update mechanisms.

The American Taxpayer Relief Act also directed Centers of Medicare and Medicaid Services (CMS) to reduce the bundled rate, effective January 1, 2014, to account for changes in the utilization of certain drugs and biologicals that are included in the bundled rate. In making such reduction, the law requires CMS to use the most recently available pricing data for such drugs and biologicals. CMS is expected to release a proposed rule incorporating such calculations in spring or early summer 2013, with a final rule to follow later in the year.

In addition, drugs with only an oral form are expected to be reimbursed under the bundled rate starting in January 2016 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications.

Furthermore, the payment amount includes a quality incentive program. Full payment of the Medicare bundled rate to a dialysis facility is contingent upon the dialysis facility's achievement of certain minimum performance criteria. A material failure by the Company to achieve the minimum clinical quality standards could lead to lower revenue and operating profit.

Any significant decreases in Medicare reimbursement rates could have material adverse effects on our provider business in the United States and, because the demand for products is affected by Medicare reimbursement, on our U.S. products business.

In 2013, a medical device excise tax of 2.3% will be introduced in the United States and adversely impact Fresenius' product business.

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

Legal risks

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

In 2003, an agreement was signed regarding the settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 arising from the bankruptcy of W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay a total of US$115 million without interest into the W.R. Grace & Co. bankruptcy estate or as otherwise directed by the court upon plan confirmation. The settlement agreement was approved by the competent U.S. Bankruptcy Court. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the joint plan of reorganization and the confirmation orders were affirmed by the U.S. District Court for the District of Delaware on January 31, 2012. Multiple parties have appealed to the Third Circuit Court of Appeals and the plan of reorganization will not be implemented until these appeals are finally resolved.

Renal Care Group, Inc. could face possible indemnification claims from former members of the Board of Directors. They are defendants in a class action in which they are being sued for damages by former shareholders of the company. Subject to the approval of the Nashville Chancery Court, the plaintiff has agreed to dismiss the Complaint with prejudice against the plaintiff and all other class members in exchange for a payment that is not material to the Company.

Further information to legal matters, especially in respect to essential patent infringement claims can be found on pages 181 to 186 of the Notes.

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

Other risks

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

ASSESSMENT OF OVERALL RISK

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

CORPORATE RATING

Fresenius' credit quality is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Fitch continues to rate Fresenius SE & Co. KGaA with BB+ and a stable outlook, while Moody's rates the Company with Ba1 and a stable outlook. In February 2012, Standard & Poor's improved Fresenius SE & Co. KGaA's rating and assessed us with BB+ and a stable outlook.

RATING OF FRESENIUS SE & CO. KGAA

	Standard & Poor's	Moody's	Fitch
Rating	BB+	Ba1	BB+
Outlook	stable	stable	stable

SUBSEQUENT EVENTS

On January 7, 2013, Fresenius announced that it will exercise the call option for the 5.5% Senior Notes issued in 2006 and due 2016. The notes with an aggregate principal amount of €650 million were fully redeemed on February 7, 2013 at a price of 100.916% plus accrued and unpaid interest. The redemption was financed initially by utilizing existing credit lines – and from the end of June 2013 – by drawings under the Senior Secured Credit Agreement arranged in December 2012.

On January 24, 2013, Fresenius successfully issued €500 million of senior unsecured notes. The notes have a maturity of 7 years and were issued at par. The net proceeds have been used to refinance the €500 million Senior Notes due January 2013.

There were no significant changes in the Fresenius Group's operating environment following the close of fiscal year 2012. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred after the close of the year.

OUTLOOK

This Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future and on the basis of our mid-term planning. Such forward-looking statements are subject as a matter of course to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements. For further information, please see our Opportunities and Risk Report on pages 103 ff.

GENERAL AND MID-TERM OUTLOOK

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

- The sustained **growth of the markets** in which we operate: Fresenius sees very good opportunities to benefit from the considerable health care needs arising from aging populations and technical advances, but driven also by the still insufficient access to health care in the developing and emerging countries. There are above-average and sustained growth opportunities for us not only in the markets of Asia and Latin America, but also in Eastern Europe. Appropriate reimbursement structures and efficient health care systems will evolve over time in these countries as economic conditions improve. We will strengthen our local business activities in these regions and successively introduce further products from our portfolio to these markets.
- The **development of innovative products and therapies**: these will create the potential to further expand our market position in the regions. In addition to innovation, best-in-class quality, reliability, and convenience of our products and therapies are key factors here. Although the research is still in its infancy, the development of wearable artificial kidneys is conceivable at Fresenius Medical Care in the long term. At Fresenius Kabi we are working on the development of new generics with the aim of bringing them to the market when the originator drugs go off-patent.
- The **expansion of our regional presence**: the fast-growing markets in Asia-Pacific, Latin America, and Eastern Europe especially offer further potential for increasing our market shares. China, for instance, which has the world's biggest population, offers excellent growth opportunities over the long term, not only in clinical nutrition and infusion therapies for Fresenius Kabi, which already holds a leading market position in China, but also for Fresenius Medical Care in dialysis.

  We also plan to successively roll out products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range. The acquisition of APP Pharmaceuticals in the Fresenius Kabi business segment, for instance, provides us with a platform to introduce products from the existing portfolio to the U.S. market.
- The **broadening of our products and services business**: Fresenius Helios has opportunities in the German hospital market to profit from the further privatization of public hospitals. For Fresenius Medical Care, opportunities to extend into new markets or to expand its market share arise if a country opens up to private dialysis providers or allows cooperation between public and private providers. Whether or not private companies can offer dialysis treatment and in what form depends on the health care system of the country in which they operate and its legal framework. In China, Fresenius Medical Care again strongly expanded its product business and alliances with hospitals in the area of dialysis services in 2012, and plans to continue this in the coming years. An own dialysis clinic was opened within a pilot project in mid-2012. In India, Fresenius Medical Care intends to open 30 own dialysis clinics by 2015. The increasing importance of the Chinese and Indian markets, with dialysis patient numbers rising by considerably more than 10% annually, should accelerate growth in the region as a whole.
- **Selective acquisitions**: besides retaining organic growth as the basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that extend our product portfolio and strengthen our regional presence.

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

Acquisitions, primarily the acquisition of APP Pharmaceuticals, led to appreciably higher Group debt with a corresponding impact on net interest in 2008. Meanwhile, we strongly improved the Group's **leverage ratios**. As of December 31, 2012, the net debt/EBITDA ratio was 2.6. At the end of 2013, we expect Group leverage to be at the lower end of the 2.5 to 3.0 target range.

This outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2012 and beyond. Significant risks are discussed in the Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

As an international company, we offer our products and services in more than 170 countries. We expect the consolidation process to continue among competitors in our markets in Europe, Asia-Pacific, and Latin America. Consequently, we expect that there will be opportunities for us to penetrate new markets, both by expanding our regional presence and by extending our product portfolio.

In the United States, since **Fresenius Medical Care** and the second-largest provider of dialysis care, DaVita, treat more than 70% of the U.S. dialysis patients. Therefore, acquisitions – also with regard to potential antitrust restrictions – are likely to be small. Other new markets will also open up as Fresenius Medical Care successively rolls out its existing product and services portfolio, especially in emerging countries such as China and India.

Fresenius Kabi plans to introduce products from its program in the United States as well as to further roll out its product portfolio into other countries.

Fresenius Helios assumes that there will be continued opportunities to acquire hospitals in Germany.

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

ECONOMIC OUTLOOK

The ongoing austerity measures in the industrial countries will continue to put a strain the global economy in 2013. Besides the financial and economic crisis in the Eurozone, U.S. fiscal policies will be a major factor affecting the global development. Most of the emerging countries still have some leeway in their fiscal and monetary policies. This would allow them to compensate for a downturn in the industrial countries and to provide positive impulses to their exports. Based on actual forecasts, global GDP will increase by 3.1% in 2013.

The two most important regions for Fresenius are the United States and Europe, which, respectively, contributed 42% and 40% of total sales in 2012, followed by Asia-Pacific (10%), Latin America (6%) and Africa (2%).

EUROPE

The European Central Bank (ECB) announced that it would intervene under specific conditions and buy government bonds of the peripheral countries. Issuing this signal and establishing European banking supervision under the aegis of the ECB were intended to reinforce investors' confidence in the monetary union and to calm the situation down.

To support lending, the ECB might lower its prime rate again from its current level of 0.75% to 0.5%. However, experts believe that today's hesitant investment activity is not likely to change. This will exert a drag on GDP growth, especially in the first half of 2013. The economy will also be affected by the ongoing need to consolidate national budgets. The general prognosis is for a decrease of 0.3% in Eurozone GDP in 2013.

The **peripheral countries** comprising Greece, Portugal, Italy, and Spain are not likely to overcome their recessions before 2014. Their high level of indebtedness, efforts to consolidate their budgets, and an unfavorable situation on their labor markets should continue to affect the economies in 2013 and cause another, albeit smaller, decrease in GDP.

Many experts view the situation in **France** as critical, especially as it is the second-largest lender to the EU's bail-out fund after Germany. GDP is anticipated to fall by 0.3% in 2013.

Sources: German Council of Economic Experts, Annual Report 2012/2013, November 2012; bank research

The **German** economy is not likely to improve much in 2013. Increasing household income might push up private consumption, but foreign trade will hardly contribute to growth. The economy as a whole is expected to grow by only 0.3%.

UNITED STATES

On January 1, 2013, members of the U.S. Congress agreed on a compromise over the budget, thus averting a fall over the fiscal cliff. Taxes were only raised on very high earners and wealthy Americans, and spending cuts were initially deferred for two months. The budget dispute is therefore scheduled to flare up again at latest by the end of February, with a debate over a possible raising of the debt ceiling.

The real estate market in the United States appears to be recovering and might support growth. But it remains to be seen if the situation on the labor market will stabilize.

Even if some of the more than US$500 billion in austerity measures planned for 2013 are deferred, GDP growth is likely to be lower than in 2012 and estimated at 1.7%.

ASIA

In 2013, Asia will again be the region recording the highest growth, with the two-largest economies – China and India – leading the field. But it remains questionable whether the double-digit, pre-crisis growth rates will be seen again.

It is expected that the new government in **China** will introduce measures to accelerate the momentum of the economy. Experts predict a moderate increase in China's growth rate from 7.7% in 2012 to 8.2% in 2013.

In **India**, a robust domestic demand in 2013, combined with the measures introduced in the fall of 2012, should increase GDP by 6.8%.

Prospects for 2013 in **Japan** look gloomy. The country's high level of public debt, the political uncertainty there, the difficult conditions for exports, and low levels of consumption and investment demand will all be a lasting drag on the economy. GDP is therefore expected to grow by only 1.2%.

The other Asian countries are likely to benefit from increasing exports and high employment levels, resulting in GDP growth of about 4.0%.

LATIN AMERICA

Experts expect the Latin American economy to revive in 2013, leading to GDP growth of 3.5%. This will mainly be driven by the region's largest economy, Brazil. However, growth in smaller Latin American countries, like Chile, Colombia, and Peru, which has been above average, may slow down slightly.

Brazil's loose monetary and fiscal policies should stimulate both private- and public-sector consumption as well as investment activity in 2013. Given these factors, GDP is expected to grow by 3.3%.

Argentina should benefit from the robust development of its important trading partner, Brazil, and is projected to increase its GDP by 2.5%.

Mexico's structural reforms and robust domestic demand should stabilize its growth with a GDP increase of 3.5%, which is being slightly below the prior year's rate.

HEALTH CARE SECTOR AND MARKETS

The health care sector continues to be one of the world's largest industries and is considered to be independent of economic cycles to a great extent. The demand especially for life-saving and life-sustaining products and services is expected to increase, given that they are medically needed and the population is aging.

However, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue for companies in the health care industry. Due to the global financial and budget deficit crisis, some countries, such as Greece, are experiencing significant financing problems in the health care sector. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.

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

Source: International Monetary Fund (IMF) 2012

demographic trends, medical advances, and the large number of diseases that are still difficult to cure or are incurable should remain growth drivers.

In addition, the need to increase the availability of basic health care and the growing demand for high-quality medical treatment in the emerging countries should also continue to generate steady growth rates. As per capita income increases, individuals increasingly have to cope with the illnesses associated with lifestyle diseases, such as high blood pressure, diabetes, and cancer – all symptoms of a modern way of life.

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

THE DIALYSIS MARKET

We expect the worldwide number of dialysis patients to rise by approximately 6% p. a. in 2013, although significant regional differences will remain: For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast patient growth in the region of 2% to 4%. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue to rise in the coming years in Asia, Latin America, Eastern Europe, the Middle East, and Africa. This opens up strong potential for the entire spectrum of dialysis services and products, as more than 80% of the world's population lives in these regions.

In addition, demographic factors such as aging populations and the growing number of people suffering from diabetes and hypertension, which are ailments often preceding terminal kidney failure, are contributing toward continued growth of the dialysis markets. The age expectancy of dialysis patients is also rising thanks to ongoing advances in treatment quality and a rising standard of living, especially in the emerging countries.

We estimate that the volume of the global dialysis market, which was about US$75 billion in 2012, could rise by about 4% annually – assuming unchanged currency relations. Accordingly, the total market could amount to approximately US$78 billion by 2013.

In January 2011, the United States, our largest sales market, introduced a new bundled reimbursement system for the dialysis treatment of public health care patients. All products and services that used to be reimbursed according to the composite rate are now reimbursed in a flat fee. This includes services such as the administration of certain drugs and diagnostic laboratory tests that were reimbursed separately in the old system. The bundled reimbursement rate is adapted to patients' characteristics, such as age and weight, while considering adjustments for patients who require exceptional medical care that results in higher costs. Other special features of this new reimbursement system include adherence to certain quality parameters, such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones.

Beginning in 2012, the payment amount is subject to an annual inflation adjustment. For 2013, the rate increase will be 2.3%.

Pursuant to the "American Taxpayer Relief Act of 2012", automatic across-the-board spending cuts are scheduled to go into effect on March 1, 2013, unless the law is further changed. Medicare payments to providers and suppliers would be subject to these reductions, but these reductions would be limited to one adjustment of no more than 2%. The Medicare reimbursement reduction would be independent of annual inflation update mechanisms.

In 2013, a medical device excise tax of 2.3% will be introduced in the United States and adversely impact Fresenius' product business.

An adjustment of the bundled rate to account for changes in the utilization of certain drugs and biologicals could apply as of 2014. In addition, drugs with only an oral form may be reimbursed with an adjusted payment amount starting in 2016.

Further information is provided on page 109 f. of the Management Report.

Source: Company research

THE MARKET FOR INFUSION THERAPIES AND CLINICAL NUTRITION, GENERIC IV DRUGS, MEDICAL DEVICES, AND TRANSFUSION TECHNOLOGY

The market for **infusion therapies** in Europe is expected to grow at a low single-digit rate in the coming years. Growth at a mid-single-digit rate is expected for the **clinical nutrition** market in Europe. However, given the financial constraints in these countries, the efforts to contain costs in the health care sector are being pursued undiminished. Continued high growth potential is projected in Asia-Pacific, Latin America, and Africa. In these regions we expect growth at high single- to double-digit rates.

In view of the financial challenges in health care and in order to ensure high-quality care, we believe that the more cost-effective generics drugs will be utilized even more than now. With **generic IV drugs** the growth dynamic will continue to be driven by original drugs going off-patent. A factor working in the opposite direction is the price erosion for products that are already in the market. We expect the market for IV generics in Europe and the United States to grow at mid-single-digit rates in 2013.

The worldwide market for **medical devices** for infusion therapy, intravenously administered drugs, and clinical nutrition is expected to grow in 2013 at mid-single-digit rates.

The market for **transfusion technology** is projected to grow 4% to 6% annually.

THE GERMAN HOSPITAL MARKET

With regard to hospital funding in Germany, 2013 is the first year in which the price increase for hospital services is based on the so-called orientation figure. This figure represents the average percentage change in hospital costs per year and replaces the former rate of change, which expressed the change in the income assessable for contributions received by all those paying statutory health insurance. The orientation figure is 2.0% for 2013, and therefore slightly higher than the rate of change applied in previous years (2012: 1.48%).

With regard to the reimbursement of additional admissions, we do not expect significant changes in 2013, despite legislative changes.

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

In Germany as from the beginning of 2010, inpatient acute care services are reimbursed only on the basis of the standardized base rates of the individual federal states (DRG system). The different base rates from state to state are being successively harmonized over a period of five years from 2010 onwards, toward a standardized, nationwide base rate corridor. However, because of the positive development in the number of admissions and the now completed convergence phase, we do not expect any major changes in the reimbursement of our services.

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

It is generally expected that the proportion of private hospitals will rise at the expense of public hospitals. Private hospital chains and alliances are likely to be able to respond to the pressure to improve efficiency better than public hospitals. They often have more experience in operating commercially and creating efficient structures. They also have the potential to secure cost advantages in procurement. Finally, private operators have more experience with the process know-how for acquiring and integrating new facilities and quickly adjusting their cost structures. We therefore anticipate that privatization and consolidation will continue in the German hospital market.

Source: German Federal Statistics Office

The economic situation at the hospitals remains difficult: according to the "Krankenhaus-Barometer 2012" survey by the German Hospital Institute (DKI), only 22% of hospitals expect business to improve and almost 40% expect the situation to worsen in 2013.

Another future challenge for hospitals will be **personnel shortages** due to, among other things, restrictive regulations on working hours and a higher demand for specialized staff in some areas. Retaining qualified staff over the long term and training them are seen as important success factors for a hospital.

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

A new flat-rate compensation system (PEPP-Entgeltsystem 2013) is to be introduced in 2013 for psychiatric and psychosomatic facilities. The new compensation catalogue is broken down into many more categories than the present remuneration system. The aim is to improve transparency concerning the services provided at psychiatric and psychosomatic facilities. After a four-year introductory phase from 2013 through 2016, the system provides for a five-year transition phase from 2017 through 2021. In 2013 and 2014, psychiatric and psychosomatic facilities will be free to choose whether they wish to use the new compensation system. Its application does not become compulsory for all such facilities until 2015 and has no effects on HELIOS's budget through the end of 2016. Psychiatric and psychosomatic services only account for a small share of the services provided by HELIOS.

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

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

In industrialized countries, owing to demographic trends, growing demand for high-quality, efficient medical care – and thus for engineering and services for hospitals and other health care facilities – is expected to continue. The focus is on services, ranging from the maintenance and repair of medical and hospital equipment, facility management, and technical operation, through to total operational management and infrastructure process optimization – especially within the framework of public-private partnership (PPP) models. Additional growth opportunities are presented by an increasing number of non-medical services, which are outsourced from public facilities to private service providers.

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

All in all, we expect the market for engineering and services for hospitals and other health care facilities to continue growing in 2013. In markets with established health care systems, we expect solid growth; in emerging markets we anticipate an overall dynamic development.

GROUP SALES AND EARNINGS

With its international production and sales platform and its market-oriented products and services, the Fresenius Group is well positioned for continued growth in the coming years. Specific opportunities for profitable growth are indicated by the developments described in the section "Health Care Sector and Markets."

While our traditional markets in Europe and North America are growing at average low- to mid-single-digit rates, we see stronger growth potential in the Asia-Pacific region and in Latin America. Here the demand for our life-saving and life-sustaining products continues to be high as access to medical care is still limited. This will also be reflected in sales.

In 2013, we therefore expect to increase **Group sales** by 7% to 10% in constant currency. We also expect to increase **Group net income**[1] once again in 2013. We aim to achieve this through the growth in sales discussed and by ongoing measures to optimize costs. Despite a market environment that continues to be marked by cost containment and price pressure, we expect to increase net income[1] by 7% to 12% in constant currency. On this basis Fresenius expects to reach 2014 Group net income target of more than €1 billion one year ahead of plan (before special items).

GROUP FINANCIAL TARGETS

	Targets 2013	Fiscal year 2012
Sales growth (in constant currency)	7% – 10%	€19,290 m
Net income[1], growth (in constant currency)	7% – 12%	€938 m
Capital expenditure	~5% of sales	€1,007 m
Dividend	Profit-driven dividend policy	Proposal +16% per share

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA; 2013 adjusted for one-time integration costs of Fenwal, Inc. (~€50 million pre tax); 2012 adjusted for an investment gain and other one-time costs at Fresenius Medical Care as well as for one-time costs related to the offer to the shareholders of RHÖN-KLINIKUM AG.

SALES AND EARNINGS BY BUSINESS SEGMENT

In 2013, we expect further increases in sales and a healthy earnings development in each of our business segments. The table gives an overview.

FINANCIAL TARGETS BY BUSINESS SEGMENT

	Targets 2013	Fiscal year 2012
Fresenius Medical Care		
Sales	> US$14.6 bn	US$13.800 bn
Net income[1]	US$1.1 bn – US$1.2 bn	US$1.118 bn
Fresenius Kabi		
Sales growth (in constant currency)	12% – 14%	10%
Sales growth (organic)	3% – 5%	€4,539 m[2]
EBIT margin excl. Fenwal	19% – 20%	20.6%
EBIT margin incl. Fenwal	18% – 19%	
Fresenius Helios		
Sales growth (organic)	3% – 5%	€3,200 m[2]
EBIT	€360 m – €380 m	€322 m
Fresenius Vamed		
Sales growth	8% – 12%	€846 m[2]
EBIT growth	5% – 10%	€51 m[3]

[1] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA, 2012 before special items
[2] Sales
[3] EBIT

The number of dialysis patients worldwide should rise by about 6% again in 2013, leading to continued growth in demand for dialysis products and a higher number of treatments. For 2013, **Fresenius Medical Care** expects sales to grow to more than US$14.6 billion. Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to be between US$1.1 billion and US$1.2 billion.

Fresenius Kabi reported strong full-year results. Despite the high base, Fresenius Kabi expects its positive operating performance to continue. In 2013, Fresenius Kabi expects further significant growth supported by the full-year consolidation of Fenwal and continued organic growth in emerging markets and Europe. In North America, we expect the IV drug

supply constraints to alleviate and competitors to re-enter the U.S. market for Propofol. Fresenius Kabi has been sole supplier for Propofol in the United States since the end of March 2012. For 2013, Fresenius Kabi projects sales growth of 12% to 14% in constant currency. Organic sales growth is expected in the range of 3% to 5%. The company projects an EBIT margin of 19% to 20% excluding Fenwal and of 18% to 19% including Fenwal. EBIT in constant currency is expected to exceed 2012 EBIT. The guidance includes expected one-time charges to remediate manufacturing issues following recent FDA audits at the Grand Island, USA, and Kalyani, India, facilities. It also includes a gain related to the sale of the respiratory homecare business in France. The Fresenius Kabi guidance is adjusted for one-time integration costs of Fenwal, Inc. (~€50 million pre tax).

For the mid-term, Fresenius Kabi targets annual organic sales growth of 7% to 10% and an EBIT margin in the range of 18% to 21%. By 2015, the company expects sales to reach approx. €6 billion and EBIT to reach more than €1.1 billion.

Fresenius Helios expects to continue its excellent performance in the hospital operations business. For 2013, Fresenius Helios expects to achieve organic sales growth of 3% to 5%. EBIT is projected to increase to between €360 million and €380 million.

Fresenius Helios targets sales of €4 billion to €4.25 billion by 2015, driven by organic growth and acquisitions.

Given its excellent order backlog of €987 million and long-term agreements in its services business, **Fresenius Vamed** has an excellent base for further growth. In 2013, Fresenius Vamed expects to achieve sales growth of 8% to 12%. EBIT is projected to increase by 5% to 10%.

Fresenius Vamed targets sales of €1 billion by 2014.

FINANCING

In 2012, we generated excellent operating cash flow of €2,438 million, mainly driven by strong earnings and tight working capital management. The cash flow margin was 12.6%. In 2013, we expect a **cash flow margin** in the low double-digits. The net debt/EBITDA ratio is a key financial figure for the Fresenius Group. As of December 31, 2012, the **net debt/EBITDA** ratio was 2.6. At the end of 2013, we expect Group leverage to be at the lower end of the 2.5 to 3.0 target range.

Unused credit lines under syndicated or bilateral credit facilities from banks will generally provide us with a sufficient **financial cushion**. Fresenius SE & Co. KGaA's €500 million commercial paper program was not utilized. For further details, please see page 161.

Measures to refinance pending maturities are planned in 2013. The refinancing is part of the Group's ongoing liability management to reduce interest expenses and improve the maturity profile. In line with this objective, Fresenius Finance B.V. placed €500 million of senior unsecured notes in January 2013. Moreover, Fresenius has exercised the call option for its 5.5% Senior Notes due in 2016. The aggregate principal amount of €650 million has been redeemed in full. The redemption was initially financed by utilizing existing credit lines, and from the end of June 2013 by drawings under the Senior Secured Credit Agreement arranged in December 2012.

INVESTMENTS

We will continue to invest in our future growth. In 2013, we expect to invest about 5% of sales in property, plant and equipment, which will be roughly in line with the 2012 rate.

About 50% of the capital expenditure planned will be invested at Fresenius Medical Care, about 30% at Fresenius Kabi, and about 20% at Fresenius Helios. Investments at Fresenius Medical Care will focus primarily on the ongoing modernization of dialysis clinics and production facilities, on the opening of new dialysis clinics, and the expansion of its worldwide production capacities.

Fresenius Kabi will primarily invest in expanding and maintaining production facilities as well as in introducing new manufacturing technologies, enabling further improvements in production efficiency. At Fresenius Helios, we will primarily be investing in modernizing and equipping hospitals.

The regional focus of the Group's investment spending will be on Europe and North America, which will account for about 60% and 25%, respectively. The remainder will be invested in Asia, Latin America, and Africa. About 35% of total funds will be invested in Germany.

PROCUREMENT

We will continue optimizing our procurement management in 2013: prices, terms, and especially quality are key factors for securing further earnings growth.

Based on recent developments in the financial and the real markets, we assume that price fluctuations will continue despite tension easing in the commodities markets in the short and medium term. **Fresenius Medical Care** will concentrate on networking more closely with strategic partners, and increase the diversification of the supplier portfolio. In 2013, the automated replenishment control described on page 89 will be introduced into additional countries in Europe.

Changes in commodity prices for relevant raw materials of **Fresenius Kabi** in 2013 will be particularly dependent on the global economy and the debt crises in Europe and the United States. If demand does not normalize, we again expect **commodity prices** to be volatile at a high or very high level.

At times when general economic conditions are challenging, rapid and reliable **market information** is essential for efficient procurement and sourcing processes. This gives us an advantage, allowing us to market optimally and find the potential for further savings. The **"Sourcing Information System" Project** initiated in the second half of 2012 will link sourcing data from around the world, process it, and provide both global and local procurement functions with important information for successful purchasing transactions. As the system develops, it will tie in existing information segments, e. g. the supplier assessment described on page 90 of the Management Report. The year 2013 will also see an expansion of our **Risk Management system**. These steps will complement our global information management system for all procurement processes.

Fresenius Kabi's Strategic Sourcing is responsible for **sourcing energy** throughout Europe, and its duties include, e. g. following daily price movements on local stock exchanges. The debt crisis in Europe and ongoing unrest in the crisis regions will continue to lead to uncertainty on stock exchanges and so presumably to price fluctuations. The aim is to find the best possible time to source materials, but to give priority to reliable planning. The premium for renewable energies will increase in 2013 by another 47%, pushing our energy costs up further.

The **HELIOS Group Purchasing Department** will complete integration of the Damp Group hospitals into the central procurement systems and the HELIOS purchasing concept in the first quarter of 2013. The newly acquired HELIOS hospital Wipperfürth, North Rhine-Westphalia, will benefit from structures, standards, and terms, following the close of the transaction.

In 2013, we will focus on comprehensively analyzing more product groups, such as our operating technology, and assessing the potential for savings there.

Changes in food prices will not have a significant impact on the cost structure of the HELIOS hospitals, as their share in the overall procurement volume, and therefore in total costs, is insignificant.

We had already contracted our **electricity** for 2013 in October 2010. As a consequence, the highly volatile price movements on the European Energy Exchange EEX did not affect us. In addition, we aim to disengage ourselves from these market price movements by possibly switching our heating suppliers. HELIOS plans to switch all hospitals to partially **renewable energy**-based heat generation over the long term. 12 hospitals already produce energy from a biomass boiler (wood pellets). Further hospitals will follow in 2013.

RESEARCH AND DEVELOPMENT

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

As a vertically integrated company not only supplying dialysis products but also operating its own clinics, **Fresenius Medical Care** aims to offer a complete portfolio of high-quality products and services for the treatment of chronic kidney failure that can be tailored flexibly to local market conditions and, in part, rapidly changing health care systems and reimbursement structures. Given the increasing challenge in the

health care sector to provide comprehensive, high-quality, and at the same time cost-efficient care for growing numbers of patients, we increasingly want to leverage this extensive portfolio in order to offer holistic patient care concepts to our partners in the health care sector.

Consequently, one focus of our work will be innovations that integrate additional treatment elements in our offerings or match these offerings even more effectively with one another so as to improve the quality and safety of the therapy and make it more cost-efficient. For instance, we will be working on devices for our hemodialysis machines that facilitate the handling of the bloodline system and reduce the number of connecting steps to a few manual operations, thus relieving the clinic staff. Integrating the dosage and the administration of particular medications into the process of the dialysis machine and developing new supplementary functions that increase treatment quality and safety will be other focuses.

We will also be generally looking into ways to use new medical and technological insights to improve the quality of life for more and more patients with chronic kidney failure – for instance through home therapies or the continuous development of the portable artificial kidney. We aim to launch it on the North American market following approval from the U.S. FDA. Treatment safety will remain a focus of our ongoing efforts to improve our products and services, and we will continue to tackle side effects associated with chronic kidney failure.

Another focus of our development work is infusion and nutrition therapies and the development of generic IV drugs at **Fresenius Kabi**.

We plan to increase the Group's R & D spending in 2013. About 4% to 5% of our product sales will be reinvested in research and development.

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

CORPORATE STRUCTURE AND ORGANIZATION

The Fresenius Group is divided into four business segments, each of which is a legally independent entity. The business segments are organized on a regional and decentralized basis to provide the greatest flexibility for meeting the demands of their respective markets. The "entrepreneur in the enterprise" principle, with clearly defined responsibilities, has proven itself over many years. We will continue to follow this principle.

PLANNED CHANGES IN HUMAN RESOURCES AND THE SOCIAL AREA

The number of employees in the Group will continue to rise in the future as a result of the expected expansion. We expect that the number of employees will increase to more than 175,000. As of December 31, 2012, the Group had 169,324 employees. The number of employees is expected to increase in all business segments. The regional distribution of our employees will not change significantly – close to 50% will be located in Europe and one-third in North America – with the remainder spread over Asia-Pacific, Latin America, and Africa.

DIVIDEND

The dividend increases provided by Fresenius in the last 19 years show impressive continuity. For many years, around half of the percentage increase in Group net income was paid out as a percentage increase in dividends. Our new dividend policy aligns dividend with earnings per share growth (before special items) and thus broadly maintains a pay-out ratio of 20% to 25%. Based on our positive earnings forecast we expect to offer our shareholders an earnings-linked dividend.

TABLE OF CONTENTS CONSOLIDATED FINANCIAL STATEMENTS

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME

€ in millions	Note	2012	2011
Sales	4	**19,290**	16,361
Cost of sales	5	**-13,002**	-10,987
Gross profit		**6,288**	5,374
Selling, general and administrative expenses	8	**-3,000**	-2,544
Research and development expenses		**-305**	-267
Operating income (EBIT)		**2,983**	2,563
Investment gain	9	**109**	0
Interest income	10	**54**	56
Interest expenses	10	**-720**	-587
Other financial result	11	**-35**	-100
Financial result		**-592**	-631
Income before income taxes		**2,391**	1,932
Income taxes	12	**-659**	-604
Net income		**1,732**	1,328
Less noncontrolling interest	27	**806**	638
Net income attributable to shareholders of Fresenius SE & Co. KGaA		**926**	690
Earnings per ordinary share in €	13	**5.35**	4.24
Fully diluted earnings per ordinary share in €	13	**5.29**	4.18

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

€ in millions	Note	2012	2011
Net income		**1,732**	1,328
Other comprehensive income (loss)			
Foreign currency translation	29, 31	**-164**	79
Cash flow hedges	29, 31	**41**	-81
Change of fair value of available for sale financial assets	29, 31	**-9**	-8
Actuarial losses on defined benefit pension plans	26, 29	**-160**	-66
Income taxes related to components of other comprehensive income (loss)	29	**31**	48
Other comprehensive loss		**-261**	-28
Total comprehensive income		**1,471**	1,300
Comprehensive income attributable to noncontrolling interest subject to put provisions		**66**	39
Comprehensive income attributable to noncontrolling interest not subject to put provisions		**621**	592
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA		**784**	669

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

ASSETS

as of December 31, € in millions	Note	2012	2011
Cash and cash equivalents	14	**885**	635
Trade accounts receivable, less allowance for doubtful accounts	15	**3,650**	3,234
Accounts receivable from and loans to related parties		**18**	13
Inventories	16	**1,840**	1,717
Other current assets	17	**1,319**	1,184
Deferred taxes	12	**401**	368
I. Total current assets		**8,113**	7,151
Property, plant and equipment	18	**4,918**	4,210
Goodwill	19	**15,014**	12,669
Other intangible assets	19	**1,284**	981
Other non-current assets	17	**1,077**	1,185
Deferred taxes	12	**258**	125
II. Total non-current assets		**22,551**	19,170
Total assets		**30,664**	26,321

LIABILITIES AND SHAREHOLDERS' EQUITY

as of December 31, € in millions	Note	2012	2011
Trade accounts payable		**961**	807
Short-term accounts payable to related parties		**2**	21
Short-term accrued expenses and other short-term liabilities	20, 21	**3,211**	2,898
Short-term debt	22	**205**	171
Short-term loans from related parties		**4**	3
Current portion of long-term debt and capital lease obligations	22	**519**	1,852
Short-term accruals for income taxes		**230**	184
Deferred taxes	12	**66**	52
A. Total short-term liabilities		**5,198**	5,988
Long-term debt and capital lease obligations, less current portion	22	**4,436**	3,777
Senior Notes, less current portion	23	**5,864**	3,996
Long-term accrued expenses and other long-term liabilities	20, 21	**436**	409
Pension liabilities	26	**679**	484
Long-term accruals for income taxes		**213**	200
Deferred taxes	12	**682**	573
B. Total long-term liabilities		**12,310**	9,439
I. Total liabilities		**17,508**	15,427
II. Noncontrolling interest subject to put provisions	27	**398**	317
A. Noncontrolling interest not subject to put provisions	27	**5,125**	4,606
Subscribed capital	28	**178**	163
Capital reserve	28	**3,225**	2,136
Other reserves	28	**4,358**	3,658
Accumulated other comprehensive income (loss)	29	**-128**	14
B. Total Fresenius SE & Co. KGaA shareholders' equity		**7,633**	5,971
III. Total shareholders' equity		**12,758**	10,577
Total liabilities and shareholders' equity		**30,664**	26,321

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS

January 1 to December 31, € in millions	Note	2012	2011
Operating activities			
Net income		**1,732**	1,328
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities			
Depreciation and amortization	17, 18, 19	**776**	674
Change in deferred taxes	12	**-22**	81
Gain/loss on sale of fixed assets		**11**	-3
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of			
Trade accounts receivable, net	15	**-193**	-222
Inventories	16	**-37**	-264
Other current and non-current assets	17	**-68**	-114
Accounts receivable from/payable to related parties		**-23**	23
Trade accounts payable, accrued expenses and other short-term and long-term liabilities		**284**	165
Accruals for income taxes		**-22**	21
Net cash provided by operating activities		**2,438**	1,689
Investing activities			
Purchase of property, plant and equipment		**-970**	-783
Proceeds from sales of property, plant and equipment		**18**	25
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	2, 33	**-2,500**	-1,326
Proceeds from divestitures		**201**	12
Net cash used in investing activities		**-3,251**	-2,072
Financing activities			
Proceeds from short-term loans	22	**161**	146
Repayments of short-term loans	22	**-168**	-191
Proceeds from short-term loans from related parties		**–**	–
Repayments of short-term loans from related parties		**–**	–
Proceeds from long-term debt and capital lease obligations	22	**2,937**	543
Repayments of long-term debt and capital lease obligations	22	**-3,881**	-936
Proceeds from the issuance of bearer ordinary shares	28	**1,014**	0
Payments of additional costs of the capital increase	28	**-16**	0
Proceeds from the issuance of Senior Notes	23	**1,755**	1,471
Changes of accounts receivable securitization program	22	**-290**	18
Proceeds from the exercise of stock options	35	**140**	99
Redemption of trust preferred securities of Fresenius Medical Care Capital Trusts	25	**0**	-470
Dividends paid		**-446**	-365
Change in noncontrolling interest	27	**-131**	-73
Exchange rate effect due to corporate financing		**–**	–
Net cash provided by financing activities		**1,075**	242
Effect of exchange rate changes on cash and cash equivalents		**-12**	7
Net increase/decrease in cash and cash equivalents		**250**	-134
Cash and cash equivalents at the beginning of the reporting period	14	**635**	769
Cash and cash equivalents at the end of the reporting period	14	**885**	635

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

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

		Ordinary shares		Preference shares		Subscribed Capital	
	Note	Number of shares in thousand	Amount € in thousands	Number of shares in thousand	Amount € in thousands	Amount € in thousands	Amount € in millions
As of December 31, 2010		81,225	81,225	81,225	81,225	162,450	162
Conversion of the preference shares into ordinary shares	1	81,225	81,225	-81,225	-81,225	0	0
Proceeds from the exercise of stock options	35	787	787	0	0	787	1
Compensation expense related to stock options	35						
Dividends paid	28						
Purchase of noncontrolling interest not subject to put provisions	27						
Maturity of Mandatory Exchangeable Bonds	24						
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2, 27						
Change in fair value of noncontrolling interest subject to put provisions	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Change of fair value of available for sale financial assets	29, 31						
Foreign currency translation	29, 31						
Actuarial losses on defined benefit pension plans	26, 29						
Comprehensive income							
As of December 31, 2011		163,237	163,237	0	0	163,237	163
Issuance of bearer ordinary shares	28	13,800	13,800	0	0	13,800	14
Proceeds from the exercise of stock options	35	1,151	1,151	0	0	1,151	1
Compensation expense related to stock options	35						
Dividends paid	28						
Purchase of noncontrolling interest not subject to put provisions	27						
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2, 27						
Change in fair value of noncontrolling interest subject to put provisions	27						
Comprehensive income (loss)							
Net income							
Other comprehensive income (loss)							
Cash flow hedges	29, 31						
Change of fair value of available for sale financial assets	29, 31						
Foreign currency translation	29, 31						
Actuarial losses on defined benefit pension plans	26, 29						
Comprehensive income (loss)							
As of December 31, 2012		**178,188**	**178,188**	**0**	**0**	**178,188**	**178**

	Note	Reserves		Accumulated other comprehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest not subject to put provisions € in millions	Total shareholders' equity € in millions
		Capital reserve € in millions	Other reserves € in millions				
As of December 31, 2010		2,085	2,683	35	4,965	3,879	8,844
Conversion of the preference shares into ordinary shares	1				0	0	0
Proceeds from the exercise of stock options	35	51			52	47	99
Compensation expense related to stock options	35	20			20	15	35
Dividends paid	28		-140		-140	-192	-332
Purchase of noncontrolling interest not subject to put provisions	27				0	42	42
Maturity of Mandatory Exchangeable Bonds	24		467		467	298	765
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2, 27		-42		-42	-28	-70
Change in fair value of noncontrolling interest subject to put provisions	27	-20			-20	-47	-67
Comprehensive income (loss)							
Net income			690		690	605	1,295
Other comprehensive income (loss)							
Cash flow hedges	29, 31			-21	-21	-33	-54
Change of fair value of available for sale financial assets	29, 31			-8	-8	–	-8
Foreign currency translation	29, 31			22	22	47	69
Actuarial losses on defined benefit pension plans	26, 29			-14	-14	-27	-41
Comprehensive income			690	-21	669	592	1,261
As of December 31, 2011		2,136	3,658	14	5,971	4,606	10,577
Issuance of bearer ordinary shares	28	989			1,003	0	1,003
Proceeds from the exercise of stock options	35	74			75	65	140
Compensation expense related to stock options	35	22			22	14	36
Dividends paid	28		-155		-155	-204	-359
Purchase of noncontrolling interest not subject to put provisions	27				0	56	56
Purchase of ordinary shares of Fresenius Medical Care AG & Co. KGaA	2, 27		-71		-71	-43	-114
Change in fair value of noncontrolling interest subject to put provisions	27	4			4	10	14
Comprehensive income (loss)							
Net income			926		926	734	1,660
Other comprehensive income (loss)							
Cash flow hedges	29, 31			23	23	-1	22
Change of fair value of available for sale financial assets	29, 31			-9	-9	–	-9
Foreign currency translation	29, 31			-80	-80	-76	-156
Actuarial losses on defined benefit pension plans	26, 29			-76	-76	-36	-112
Comprehensive income (loss)			926	-142	784	621	1,405
As of December 31, 2012		**3,225**	**4,358**	**-128**	**7,633**	**5,125**	**12,758**

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

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING

BY BUSINESS SEGMENT

	Fresenius Medical Care			Fresenius Kabi		
€ in millions	**2012[4]**	2011	Change	**2012**	2011	Change
Sales	**10,741**	9,031	19%	**4,539**	3,964	15%
thereof contribution to consolidated sales	**10,724**	9,016	19%	**4,489**	3,916	15%
thereof intercompany sales	**17**	15	13%	**50**	48	4%
contribution to consolidated sales	**56%**	55%		**23%**	24%	
EBITDA	**2,282**	1,891	21%	**1,101**	955	15%
Depreciation and amortization	**469**	400	17%	**167**	152	10%
EBIT	**1,813**	1,491	22%	**934**	803	16%
Net interest	**-332**	-213	-56%	**-286**	-278	-3%
Income taxes	**-502**	-432	-16%	**-166**	-145	-14%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**870**	770	13%	**444**	354	25%
Operating cash flow	**1,587**	1,039	53%	**596**	462	29%
Cash flow before acquisitions and dividends	**1,069**	629	70%	**357**	289	24%
Total assets	**16,921**	15,096	12%	**8,662**	7,282	19%
Debt	**6,290**	5,573	13%	**4,964**	4,395	13%
Capital expenditure, gross	**526**	429	23%	**276**	177	56%
Acquisitions, gross/investments	**1,408**	1,429	-1%	**877**	11	--
Research and development expenses	**87**	80	9%	**194**	162	20%
Employees (per capita on balance sheet date)	**90,866**	83,476	9%	**30,214**	24,106	25%
Key figures						
EBITDA margin	**21.2%**	20.9%		**24.3%**	24.1%	
EBIT margin	**16.9%**	16.5%		**20.6%**	20.3%	
Depreciation and amortization in % of sales	**4.4%**	4.4%		**3.7%**	3.8%	
Operating cash flow in % of sales	**14.8%**	11.5%		**13.1%**	11.7%	
ROOA	**11.4%**	12.0%		**12.3%**	12.4%	

[1] Including special items from the acquisition of APP Pharmaceuticals, Inc. (since 2012: Fresenius Kabi USA, Inc.)
[2] Including special items from the acquisition of Liberty Dialysis Holdings, Inc., from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology
[3] Including one-time costs related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG
[4] Excluding special items from the acquisition of Liberty Dialysis Holdings, Inc., from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology
[5] Before one-time costs related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG, special items from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology
[6] The underlying pro forma EBIT does not include one-time costs related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG, special items from the renegotiation of the Venofer contract and the donation to the American Society of Nephrology.

BY REGION

	Europe			North America		
€ in millions	**2012**	2011	Change	**2012**	2011	Change
Sales	**7,797**	6,919	13%	**8,144**	6,601	23%
contribution to consolidated sales	**40%**	42%		**42%**	40%	
EBIT	**746**	758	-2%	**1,700**	1,382	23%
Depreciation and amortization	**357**	322	11%	**328**	268	22%
Total assets	**11,089**	9,759	14%	**16,424**	13,670	20%
Capital expenditure, gross	**532**	422	26%	**326**	210	55%
Acquisitions, gross/investments	**914**	924	-1%	**2,238**	596	--
Employees (per capita on balance sheet date)	**81,777**	74,415	10%	**58,264**	47,701	22%

Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
2012	2011	Change	**2012**	2011	Change	**2012**[2,3]	2011[1]	Change	**2012**	2011	Change
3,200	2,665	20%	**846**	737	15%	**-36**	-36	0%	**19,290**	16,361	18%
3,200	2,665	20%	**846**	737	15%	**31**	27	15%	**19,290**	16,361	18%
0	0		**–**	–	--	**-67**	-63	-6%	**0**	0	
17%	16%		**4%**	5%		**0%**	0%		**100%**	100%	
432	369	17%	**59**	51	16%	**-115**	-29	--	**3,759**	3,237	16%
110	99	11%	**8**	7	14%	**22**	16	38%	**776**	674	15%
322	270	19%	**51**	44	16%	**-137**	-45	--	**2,983**	2,563	16%
-67	-51	-31%	**-1**	2	-150%	**20**	9	122%	**-666**	-531	-25%
-42	-43	2%	**-14**	-11	-27%	**65**	27	141%	**-659**	-604	-9%
203	163	25%	**35**	34	3%	**-626**	-631	1%	**926**	690	34%
240	294	-18%	**35**	-83	142%	**-20**	-23	13%	**2,438**	1,689	44%
69	138	-50%	**24**	-89	127%	**-33**	-36	8%	**1,486**	931	60%
4,408	3,495	26%	**676**	594	14%	**-3**	-146	98%	**30,664**	26,321	17%
1,293	1,104	17%	**74**	44	68%	**-1,593**	-1,317	-21%	**11,028**	9,799	13%
180	157	15%	**11**	7	57%	**14**	13	8%	**1,007**	783	29%
579	45	--	**44**	3	--	**264**	124	113%	**3,172**	1,612	97%
–	–	--	**0**	0		**24**	25	-4%	**305**	267	14%
42,881	37,198	15%	**4,432**	3,724	19%	**931**	847	10%	**169,324**	149,351	13%
13.5%	13.8%		**7.0%**	6.9%					**20.0%**[5]	19.8%	
10.1%	10.1%		**6.0%**	6.0%					**15.9%**[5]	15.7%	
3.4%	3.7%		**0.9%**	0.9%					**4.0%**	4.1%	
7.5%	11.0%		**4.1%**	-11.3%					**12.6%**	10.3%	
8.2%	8.4%		**12.8%**	16.0%					**11.0%**[6]	10.9%	

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

Asia-Pacific			Latin America			Africa			Fresenius Group		
2012	2011	Change	**2012**	2011	Change	**2012**	2011	Change	**2012**	2011	Change
1,899	1,582	20%	**1,126**	899	25%	**324**	360	-10%	**19,290**	16,361	18%
10%	10%		**6%**	6%		**2%**	2%		**100%**	100%	
321	251	28%	**158**	125	26%	**58**	47	23%	**2,983**	2,563	16%
52	50	4%	**33**	29	14%	**6**	5	20%	**776**	674	15%
2,085	1,888	10%	**929**	877	6%	**137**	127	8%	**30,664**	26,321	17%
83	69	20%	**59**	71	-17%	**7**	11	-36%	**1,007**	783	29%
11	75	-85%	**9**	17	-47%	**–**	–	--	**3,172**	1,612	97%
14,315	13,134	9%	**13,485**	12,754	6%	**1,483**	1,347	10%	**169,324**	149,351	13%

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

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a worldwide operating health care group with products and services for dialysis, the hospital and the medical care of patients at home. Further areas of activity are hospital operations as well as engineering and services for hospitals and other health care facilities. In addition to the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, the operating activities were split into the following legally independent business segments (subgroups) in the fiscal year 2012:

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

Fresenius Medical Care is the world's leading provider of dialysis products and dialysis care for the life-saving treatment of patients with chronic kidney failure. Fresenius Medical Care treats 257,916 patients in its 3,160 own dialysis clinics.

Fresenius Kabi is a globally active company, providing infusion therapies, intravenously administered generic drugs, clinical nutrition and the related medical devices. The products are used for the therapy and care of critically and chronically ill patients in and outside the hospital. In Europe, Fresenius Kabi is the market leader in infusion therapies and clinical nutrition, in the United States, the company is a leading provider of intravenously administered generic drugs.

Fresenius Helios is one of the largest private hospital operators in Germany.

Fresenius Vamed provides engineering and services for hospitals and other health care facilities internationally.

Fresenius SE & Co. KGaA owned 31.18% of the ordinary voting shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and 30.77% of the total subscribed capital of FMC-AG & Co. KGaA at the end of the fiscal year 2012. Fresenius Medical Care Management AG, the general partner of FMC-AG & Co. KGaA, is a wholly owned subsidiary of Fresenius SE & Co. KGaA. Therefore, FMC-AG & Co. KGaA is fully consolidated in the consolidated financial statements of the Fresenius Group. Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2012. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in HELIOS Kliniken GmbH and a 77% stake in VAMED AG. In addition, Fresenius SE & Co. KGaA holds interests in companies with holding functions regarding real estate, financing and insurance, as well as in Fresenius Netcare GmbH which offers services in the field of information technology and in Fresenius Biotech Beteiligungs GmbH.

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

II. CHANGE OF FRESENIUS SE'S LEGAL FORM INTO A PARTNERSHIP LIMITED BY SHARES (KOMMANDITGESELLSCHAFT AUF AKTIEN) AND CONVERSION OF THE PREFERENCE SHARES INTO ORDINARY SHARES

On May 12, 2010, Fresenius SE's Annual General Meeting approved the change of Fresenius SE's legal form into a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) with the name Fresenius SE & Co. KGaA in combination with the conversion of all non-voting preference shares into voting ordinary shares. The change of legal form as well as the conversion of shares was also approved by the preference shareholders through a special resolution.

Upon registration with the commercial register of the local court in Bad Homburg v. d. H., the change of legal form into Fresenius SE & Co. KGaA became effective on January 28, 2011. According to the resolution passed, the holders of preference shares received one ordinary share of Fresenius SE & Co. KGaA for each preference share held in Fresenius SE; the ordinary shareholders received one ordinary share of Fresenius SE & Co. KGaA for each ordinary share held in Fresenius SE. The notional proportion of each non-par value share in the subscribed capital as well as the subscribed capital itself remained unchanged.

III. BASIS OF PRESENTATION

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

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union, fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). Simultaneously, the Fresenius Group voluntarily prepares and publishes the consolidated financial statements in accordance with U.S. GAAP.

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

The consolidated statement of financial position is classified on the basis of the maturity of assets and liabilities; the consolidated statement of income is classified using the cost-of-sales accounting format.

IV. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Principles of consolidation

The financial statements of consolidated entities have been prepared using uniform accounting methods.

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

Associated companies (over which Fresenius SE & Co. KGaA has significant exercisable influence, even when it holds 50% or less of the common stock of the company) are consolidated using the equity method. Investments that are not classified as in associated companies are recorded at acquisition costs or at fair value, respectively.

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

Noncontrolling interest subject to put provisions is recognized between liabilities and equity in the consolidated statement of financial position. Noncontrolling interest not subject to put provisions comprises the interest of noncontrolling shareholders in the consolidated equity of Group entities. Profits and losses attributable to the noncontrolling shareholders are separately disclosed in the consolidated statement of income. Noncontrolling interest not subject to put provisions of recently acquired entities is valuated at fair value.

b) Composition of the Group

The consolidated financial statements include all material companies in which Fresenius SE & Co. KGaA has legal or effective control. In addition, the Fresenius Group consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary.

Fresenius Medical Care has entered into various arrangements with certain dialysis clinics and a dialysis product distributor to provide management services, financing and product supply. The dialysis clinics and the dialysis product distributor have either negative equity or are unable to provide their own funding for their operations. Therefore, Fresenius Medical Care has agreed to fund their operations through loans.

The compensation for the funding can carry interest, exclusive product supply agreements or entitle Fresenius Medical Care to a prorata share of profits, if any. Fresenius Medical Care has a right of first refusal in the event the owners sell the business or assets. These clinics and the dialysis product distributor are VIEs, in which Fresenius Medical Care has been determined to be the primary beneficiary and which therefore have been fully consolidated. They generated approximately €151 million (US$194 million) and €140 million (US$195 million) in sales in 2012 and 2011, respectively. Fresenius Medical Care provided funding to these VIEs through loans and accounts receivable of €111 million (US$147 million) and €114 million (US$148 million) in 2012 and 2011, respectively. Relating to the VIEs, in 2012, Fresenius Medical Care consolidated assets in an amount of €152 million (US$200 million), liabilities in an amount of €102 million (US$134 million) and €50 million (US$66 million) in equity. In 2011, €168 million (US$217 million) assets, €125 million (US$162 million) liabilities and €43 million (US$55 million) equity were consolidated. The interest held by the other shareholders in the consolidated VIEs is reported as noncontrolling interest in the consolidated statement of financial position at December 31, 2012.

Fresenius Vamed participates in long-term project entities which are set up for long-term defined periods of time and for the specific purpose of constructing and operating thermal centers. Some of these project entities qualify as VIEs, in which Fresenius Vamed is not the primary beneficiary based on the cash flow analysis of the involved parties. The project entities generated approximately €86 million in sales in 2012 (2011: €78 million). The VIEs finance themselves mainly through debt, profit participation rights and investment grants. Assets and liabilities relating to the VIEs are not material. Fresenius Vamed made no payments to the VIEs other than contractually stipulated. From today's perspective and due to the contractual situation, Fresenius Vamed is not exposed to any material risk of loss from these VIEs.

The consolidated financial statements of 2012 included, in addition to Fresenius SE & Co. KGaA, 221 (2011: 163) German and 1,481 (2011: 1,094) foreign companies.

The composition of the Group changed as follows:

	Germany	Abroad	Total
December 31, 2011	**163**	**1,094**	**1,257**
Additions	**60**	**427**	**487**
of which newly founded	17	82	99
of which acquired	42	334	376
Disposals	**2**	**40**	**42**
of which no longer consolidated	1	34	35
of which merged	1	6	7
December 31, 2012	**221**	**1,481**	**1,702**

29 companies (2011: 19) were accounted for under the equity method.

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

In 2012, the following fully consolidated German subsidiaries of the Fresenius Group applied the exemption provided in Sections 264 (3) and 264b, respectively, of the German Commercial Code (HGB):

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

Name of the company	Registered office
Fresenius Helios	
Ahrenshoop Service GmbH	Ahrenshoop
Akademie Damp GmbH	Damp
Baltic Service GmbH	Damp
Betriebsführungsgesellschaft Schloß Schönhagen GmbH	Damp
Damp Diagnostik und Physio Holding GmbH	Kiel
Damp Holding GmbH	Damp
Damp Touristik GmbH	Damp
Deutsches Zentrum für Präventivmedizin GmbH	Damp
D.i.a.-Solution GmbH	Erfurt
Gesundheitsmanagement Damp GmbH	Hamburg
HELIOS Agnes Karll Krankenhaus GmbH	Bochum
HELIOS Care GmbH	Berlin
HELIOS Catering GmbH	Berlin
HELIOS ENDO-Klinik Hamburg GmbH	Hamburg
HELIOS Hanseklinikum Stralsund GmbH	Stralsund
HELIOS Kids in Pflege GmbH	Geesthacht
HELIOS Klinik Ahrenshoop GmbH	Ahrenshoop
HELIOS Klinik Dresden-Wachwitz GmbH	Dresden
HELIOS Klinik Geesthacht GmbH	Geesthacht
HELIOS Klinik Lehmrade GmbH	Lehmrade
HELIOS Klinik Lengerich GmbH	Lengerich
HELIOS Klinik Schloss Schönhagen GmbH	Damp
HELIOS Kliniken GmbH	Berlin
HELIOS Kliniken Breisgau-Hochschwarzwald GmbH	Müllheim
HELIOS Kliniken Leipziger Land GmbH	Borna
HELIOS Kliniken Mansfeld-Südharz GmbH	Sangerhausen
HELIOS Klinikum Aue GmbH	Aue
HELIOS Klinikum Bad Saarow GmbH	Bad Saarow
HELIOS Klinikum Erfurt GmbH	Erfurt
HELIOS Klinikum Schwelm GmbH	Schwelm
HELIOS Klinikum Wuppertal GmbH	Wuppertal
HELIOS Ostseeklinik Damp GmbH	Damp
HELIOS Privatkliniken GmbH	Bad Homburg v. d. H.
HELIOS Rehaklinik Damp GmbH	Damp
HELIOS Service GmbH	Berlin
HELIOS Versorgungszentren GmbH	Berlin
HELIOS Versorgungszentrum Bad Saarow GmbH	Bad Saarow
HELIOS Vogtland-Klinikum Plauen GmbH	Plauen
HUMAINE Kliniken GmbH	Berlin
Poliklinik am HELIOS Klinikum Buch GmbH	Berlin
Senioren- und Pflegeheim Erfurt GmbH	Erfurt
St. Josefs-Hospital GmbH	Bochum
Therapie Centrum Damp GmbH	Damp
Verwaltungsgesellschaft ENDO-Klinik mbH	Hamburg
Zentrale Service-Gesellschaft Damp mbH	Damp

c) Classifications

Certain items in the consolidated financial statements of 2011 have been reclassified to conform with the presentation in 2012.

In the business segment Fresenius Medical Care, sales have been restated to reflect the adoption of Accounting Standards Update 2011-07. Specifically, bad debt expense in the amount of US$225 million (€161 million) was reclassified from selling, general and administrative expenses as a reduction of sales for 2011. In addition, in the business segment Fresenius Medical Care, freight expense in the amount of US$144 million (€104 million) was reclassified from selling, general and administrative expenses to cost of sales to harmonize the presentation for all business segments for 2011.

d) Sales recognition policy

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

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

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

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

e) Government grants

Public sector grants are not recognized until there is reasonable assurance that the respective conditions are met and the grants will be received. Initially, the grant is recorded as a liability and as soon as the asset is acquired, the grant is offset against the acquisition costs. Expense-related grants are recognized as income in the periods in which related costs occur.

f) Research and development expenses

Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. Development is the technical and commercial implementation of research findings. Research and development expenses are expensed as incurred.

g) Impairment

The Fresenius Group reviews the carrying amounts of its property, plant and equipment, intangible assets and other noncurrent assets for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. Recoverability of these assets is measured by comparing the carrying amount of an asset to the future net cash flow directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying amount exceeds the fair value of the asset. The Fresenius Group uses a discounted cash flow approach or other methods, if appropriate, to assess fair value. Long-lived assets to be disposed of by sale are reported at the lower of carrying amount or fair value less cost to sell and depreciation is ceased.

h) Capitalized interest

The Fresenius Group includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2012 and 2011, interest of €3 million and €4 million, respectively, based on an average interest rate of 4.53% and 4.12%, respectively, was recognized as a component of the cost of assets.

i) Income taxes

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

Deferred tax assets and liabilities are recognized for the future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Furthermore, deferred taxes are recognized on consolidation procedures affecting net income attributable to shareholders of Fresenius SE & Co. KGaA. Deferred tax assets also include claims to future tax reductions which arise from the more likely than not expected usage of existing tax losses available for carryforward. The recognition of deferred tax assets from net operating losses and their utilization is based on the budget planning of the Fresenius Group and implemented tax strategies.

Deferred taxes are computed using enacted or adopted tax rates in the relevant national jurisdictions when the amounts are recovered. Tax rates which will be valid in the future but are not adopted till the date of the statement of financial position are not considered.

The realizability of the carrying amount of a deferred tax asset is reviewed at each date of the statement of financial position. In assessing the realizability of deferred taxes, the Management considers whether it is more likely than not that some portion or all of a deferred tax asset will be realized or whether deferred tax liabilities will be reversed. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment.

If it is no longer more likely than not that sufficient taxable income will be available to allow the benefit of part or of the entire deferred tax asset to be utilized, the carrying amount of the deferred tax asset is reduced to that certain extent. The reduction is reversed to the date and extent that it becomes probable that sufficient taxable profit will be available.

j) Unrecognized tax benefits

The recognition and measurement of all tax positions taken or expected to be taken on a tax return requires a two step approach. The Fresenius Group must determine whether it is more likely than not that a tax position will be sustained upon examination, including resolution of any related appeals or litigation processes, based on the technical merits of the position. If the threshold is met, the tax position is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement and is recognized in the consolidated financial statements.

k) Earnings per ordinary share

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

l) Cash and cash equivalents

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

m) Trade accounts receivable

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

n) Inventories

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

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

o) Available for sale financial assets

Investments in equity instruments, debt instruments and fund shares are classified as available for sale financial assets and measured at fair value provided that this fair value can be determined reliably. Equity instruments that do not have a quoted price in an active market and a reliably measurable fair value, are recognized at acquisition cost. The Fresenius Group regularly reviews if objective substantial evidence occurs that would indicate an impairment of a financial asset or a portfolio of financial assets. After testing the recoverability of these assets, a possible impairment loss is recorded in the consolidated statement of financial position. Gains and losses of available for sale financial assets are recognized directly in the consolidated statement of equity until the financial asset is disposed of or if it is considered to be impaired. In the case of an impairment, the accumulated net loss is retrieved from the consolidated statement of equity and recognized in the consolidated statement of income.

p) Property, plant and equipment

Property, plant and equipment are stated at acquisition and manufacturing cost less accumulated depreciation. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 3 to 50 years for buildings and improvements (with

a weighted-average life of 16 years) and 2 to 15 years for machinery and equipment (with a weighted-average life of 11 years).

q) Intangible assets with finite useful lives

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

Losses in value of a lasting nature are recorded as an impairment.

r) Goodwill and other intangible assets with indefinite useful lives

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

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

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

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Group's consolidated statement of financial position was verified. As a result, the Fresenius Group did not record any impairment losses in 2012 and 2011.

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

s) Leases

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

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

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

t) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The following categories (according to International Accounting Standard 39, Financial Instruments: Recognition and Measurement) are relevant for the Fresenius Group: loans and receivables, financial liabilities measured at amortized cost, available for sale financial assets as well as financial liabilities/assets measured at fair value in the consolidated statement of income. Other categories are immaterial or not existing in the Fresenius Group. According to their character, the Fresenius Group classifies its financial instruments into the following classes: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount, derivatives for hedging purposes as well as assets recognized at fair value, liabilities recognized at fair value and noncontrolling interest subject to put provisions recognized at fair value.

The relationship between classes and categories as well as the reconciliation to the consolidated statement of financial position is shown in tabular form in note 31, Financial instruments.

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

Derivative financial instruments, which primarily include foreign currency forward contracts and interest rate swaps, are recognized at fair value as assets or liabilities in the consolidated statement of financial position. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings. The effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity until the secured underlying transaction is realized (see note 31, Financial instruments). The ineffective portion of cash flow hedges is recognized in current earnings. Changes in the fair value of derivatives that are not designated as hedging instruments are recognized periodically in earnings.

u) Liabilities

Liabilities are generally stated at present value, which normally corresponds to the value of products or services which are delivered. As a general policy, short-term liabilities are measured at their repayment amount.

v) Legal contingencies

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

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

w) Accrued expenses

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

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

x) Pension liabilities and similar obligations

The Fresenius Group recognizes the underfunded status of its defined benefit plans, measured as the difference between the benefit obligation and plan assets at fair value, as a liability. Changes in the funded status of a plan, net of tax, resulting from unrecognized actuarial gains or losses, unrecognized prior service costs or costs that are not recognized as components of the net periodic benefit cost, will be recognized through accumulated other comprehensive income (loss) in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost when realized.

y) Debt issuance costs

Debt issuance costs are capitalized separately from the underlying debt and are amortized over the term of the related obligation.

z) Stock option plans

In line with the standard for share-based payment, the Fresenius Group uses the modified prospective transition method. Under this transition method, in 2011 and 2012, the Fresenius Group recognized compensation cost for all stock-based payments subsequent to January 1, 2007 (based on the grant-date fair value estimated).

aa) Self-insurance programs

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

bb) Foreign currency translation

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

Gains and losses arising from the translation of foreign currency positions as well as those arising from the elimination of foreign currency intercompany loans are recorded as general and administrative expenses, as far as they are not considered foreign equity instruments. In the fiscal year 2012, only immaterial losses resulted out of this transaction.

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

	Year-end exchange rate[1]		Average exchange rate	
	Dec. 31, 2012	Dec. 31, 2011	**2012**	2011
U.S. dollar per €	**1.3194**	1.2939	**1.2848**	1.3920
Pound sterling per €	**0.8161**	0.8353	**0.8109**	0.8679
Swedish krona per €	**8.5820**	8.9120	**8.7041**	9.0298
Chinese renminbi per €	**8.2207**	8.1588	**8.1052**	8.9960
Japanese yen per €	**113.61**	100.20	**102.49**	110.96

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

cc) Fair value hierarchy

The three-tier fair value hierarchy as defined in Financial Accounting Standards Boards Accounting Standards Codification Topic 820, Fair Value Measurements and Disclosures, classifies assets and liabilities recognized at fair value based on the inputs used in estimating the fair value. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the company to develop its own assumptions. The three-tier fair value hierarchy is used in note 26, Pensions and similar obligations, and in note 31, Financial instruments.

dd) Use of estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

ee) Receivables management

The entities of the Fresenius Group perform ongoing evaluations of the financial situation of their customers and generally do not require a collateral from the customers for the supply of products and provision of services. Approximately 18% and 17% of Fresenius Group's sales were earned and subject to the regulations under governmental health care programs, Medicare and Medicaid, administered by the United States government in 2012 and 2011, respectively.

ff) Recent pronouncements, applied

The Fresenius Group has prepared its consolidated financial statements at December 31, 2012 in conformity with U.S. GAAP that have to be applied for fiscal years beginning on January 1, 2012 or U.S. GAAP that can be applied earlier on a voluntary basis.

The Fresenius Group applied the following standards, as far as they are relevant for Fresenius Group's business, for the first time in 2012:

In July 2011, the Financial Accounting Standards Board (FASB) issued **Accounting Standards Update 2011-07** (ASU 2011-07), FASB Accounting Standards Codification (ASC) Topic 954, Health Care Entities – Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts and the Allowance for Doubtful Accounts for Certain Health Care Entities, in order to provide financial statement users with greater transparency about a health care entity's net patient service revenue and the related allowance for doubtful

accounts. The standard requires health care entities that recognize significant amounts of patient service revenue at the time the services are rendered even though they do not assess the patient's ability to pay to present the provision for bad debts related to patient service revenue as a deduction from patient service revenue (net of contractual allowances and discounts) on their statement of operations. The provision for bad debts which the Fresenius Group presented as an operating expense before 2012 has been reclassified to a deduction from patient service revenue. The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations have been applied retrospectively to all prior periods presented. The Fresenius Group adopted the provisions of ASU 2011-07 as of January 1, 2012 and has restated the financial results of 2011 accordingly.

In June 2011, the FASB issued **Accounting Standards Update 2011-05** (ASU 2011-05), FASB ASC Topic 220, Comprehensive Income – Presentation of Comprehensive Income. In December 2011, the FASB issued **Accounting Standards Update 2011-12** (ASU 2011-12), FASB ASC Topic 220, Comprehensive Income – Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items out of Accumulated Other Comprehensive Income in Accounting Standards Update No. 2011-05. The FASB additionally issued **Accounting Standards Update 2013-02** (ASU 2013-02), FASB ASC Topic 220, Comprehensive Income – Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income, in February 2013, which is effective for reporting periods beginning after December 15, 2012. The requirements established in ASU 2011-05 oblige that all components of other comprehensive income (OCI) be presented either in a single continuous statement of comprehensive income or in two separate but continuous statements. ASU 2013-02 will require the adjustments to the components of accumulated OCI and their related tax effects to be presented on the face of the statement in which the components of OCI are presented or in the notes to the financial statements remains for year-end disclosure. The Fresenius Group presents two separate but continuous statements of net income and comprehensive income and as such the Fresenius Group is in compliance with presentation of FASB ASC Topic 220, Comprehensive Income – Presentation of Comprehensive Income and Presentation of Items Reclassified out of Accumulated Other Comprehensive Income. Additionally, the Fresenius Group has early adopted ASU 2013-02 for the adjustments to the components and their tax effects.

In May 2011, the FASB issued **Accounting Standards Update 2011-04** (ASU 2011-04), FASB ASC Topic 820, Fair Value Measurement – Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendments in ASU 2011-04 result in common fair value measurement and disclosure requirements in U.S. GAAP and IFRSs. These amendments include clarifications of the application of highest and best use and valuation premise concepts, the measurement of the fair value of an instrument classified in a reporting entity's shareholders' equity, and disclosures about fair value measurements. ASU 2011-04 also changes the measurement or disclosure requirements related to measuring the fair value of financial instruments that are managed within a portfolio, the application of premiums and discounts in a fair value measurement, and additional disclosure about fair value measurements. The disclosures required under ASU 2011-04 are effective for interim and annual reporting periods beginning on or after December 15, 2011. Earlier adoption by public entities is not permitted. The Fresenius Group has applied the guidance under ASU 2011-04 since January 1, 2012, and there has not been a material impact on the results of the Fresenius Group.

gg) Recent pronouncements, not yet applied

The Financial Accounting Standards Board (FASB) issued the following for the Fresenius Group relevant new standards, which are mandatory for fiscal years commencing on or after January 1, 2013:

In December 2011, the FASB issued **Accounting Standards Update 2011-11** (ASU 2011-11), FASB ASC Topic 210, Balance Sheet – Disclosures about Offsetting Assets and Liabilities. This amendment requires disclosing and reconciling the gross and net amounts for financial instruments that are offset in the statement of financial position, and the amounts for financial instruments that are subject to master netting

arrangements and other similar clearing and repurchase arrangements. In January 2013, the FASB issued **Accounting Standards Update 2013-01** (ASU 2013-01), an update to FASB ASC Topic 210, Balance Sheet – Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The main purpose of ASU 2013-01 is to clarify the scope of balance sheet offsetting under ASU 2011-11, FASB ASC Topic 210, Balance Sheet – Disclosures about Offsetting Assets and Liabilities to include derivatives, repurchase agreements and reverse repurchase agreements, and securities borrowing and securities lending transactions that are offset or subject to master netting agreements. The disclosures required under ASU 2011-11 would apply to these transactions and other types of financial assets or liabilities will no longer be subject to ASU 2011-11. The update and ASU 2011-11 are effective for periods beginning on or after January 1, 2013. The Fresenius Group is currently evaluating the impact of ASU 2011-11 on its consolidated financial statements.

In July 2011, the FASB issued **Accounting Standards Update 2011-06** (ASU 2011-06), FASB ASC Topic 720, Other Expenses – Fees Paid to the Federal Government by Health Insurers. The amendments in ASU 2011-06 address how health insurers should recognize and classify their income statement fees mandated by the Health Care and Educational Affordability Reconciliation Act. These amendments require that the liability for the fee be estimated and recorded in full once the entity provides qualifying health insurance in the applicable calendar year in which the fee is payable. In conjunction, the corresponding deferred cost is amortized to expense using a straight-line allocation method unless another method better allocates the fee over the entire calendar year for which it is payable. In addition, the ASU states that this fee does not meet the definition of an acquisition cost. The disclosures required under ASU 2011-06 are effective for calendar years beginning after December 31, 2013, when the fee initially becomes effective. The Fresenius Group will apply the guidance under ASU 2011-06 beginning January 1, 2014.

V. CRITICAL ACCOUNTING POLICIES

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

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

The amount of intangible assets, including goodwill, product rights, tradenames and management contracts, represents a considerable part of the total assets of the Fresenius Group. At December 31, 2012 and December 31, 2011, the carrying amount of goodwill and non-amortizable intangible assets with indefinite useful lives was €15,195 million and €12,853 million, respectively. This represented 50% and 49%, respectively, of total assets.

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

To determine possible impairments of these assets, the fair value of the reporting units is compared to their carrying amount. The fair value of each reporting unit is determined using estimated future cash flows for the unit discounted by a weighted-average cost of capital (WACC) specific to that reporting unit. Estimating the discounted future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Fresenius Group utilizes for every reporting unit its approved three-year budget, projections for years 4 to 10 and a corresponding growth rate for all remaining years.

These growth rates are 0% to 4% for Fresenius Medical Care, 3% for Fresenius Kabi and 1% for Fresenius Helios and Fresenius Vamed. Projections for up to 10 years are possible due to historical experience and the stability of Fresenius Group's business, which is largely independent from the economic cycle. The discount factor is determined by the WACC of the respective reporting unit. Fresenius Medical Care's WACC consisted of a basic rate of 5.79% for 2012. This basic rate is then adjusted by a country-specific risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flow from recent material acquisitions, until they are appropriately integrated, within each reporting unit. In 2012, WACCs (after tax) for the reporting units of Fresenius Medical Care ranged from 6.35% to 13.51%. In the business segments Fresenius Kabi, Fresenius Helios and Fresenius Vamed, the WACC (after tax) was 5.37%, country-specific adjustments did not occur. If the fair value of the reporting unit is less than its carrying amount, the difference is recorded as an impairment of the fair value of the goodwill at first. An increase of the WACC (after tax) by 0.5% would not have resulted in the recognition of an impairment loss in 2012.

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

b) Legal contingencies

The Fresenius Group is involved in several legal matters arising from the ordinary course of its business. The outcome of these matters may have a material effect on the financial position, results of operations or cash flows of the Fresenius Group. For details, please see note 30, Commitments and contingent liabilities.

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

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

c) Allowance for doubtful accounts

Trade accounts receivable are a significant asset and the allowance for doubtful accounts is a significant estimate made by the Management. Trade accounts receivable were €3,650 million and €3,234 million in 2012 and 2011, respectively, net of allowance. Approximately 63% of receivables derive from the business segment Fresenius Medical Care and mainly relate to the dialysis care business in North America.

The major debtors or debtor groups of trade accounts receivable were U.S. Medicare and Medicaid health care programs with 14% and private insurers in the United States with 12% at December 31, 2012. Other than that, the Fresenius Group has no significant risk concentration, due to its international and heterogeneous customer structure.

The allowance for doubtful accounts was €406 million and €383 million as of December 31, 2012 and December 31, 2011, respectively.

The allowances are estimates comprised of customer-specific evaluations regarding their payment history, current financial stability, and applicable country-specific risks for overdue receivables. The Fresenius Group believes that these analyses result in a well-founded estimate of allowances for

doubtful accounts. From time to time, the Fresenius Group reviews changes in collection experience to ensure the appropriateness of the allowances.

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

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

d) Self-insurance programs

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

2. ACQUISITIONS, DIVESTITURES AND INVESTMENTS

ACQUISITIONS, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions and investments of €3,172 million and €1,612 million in 2012 and 2011, respectively. Of this amount, €2,630 million was paid in cash and €542 million was assumed obligations in 2012.

Fresenius Medical Care

In 2012, Fresenius Medical Care spent €1,408 million on acquisitions, mainly for the acquisition of Liberty Dialysis Holdings, Inc., United States.

Acquisition of Liberty Dialysis Holdings, Inc.

On February 28, 2012, Fresenius Medical Care acquired 100% of the equity of Liberty Dialysis Holdings, Inc. (LD Holdings), the owner of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC (the Liberty Acquisition). This transaction was accounted for as a business combination, subject to finalization of the acquisition accounting which will be finalized during the first quarter of 2013. LD Holdings mainly provided dialysis care in the United States through the 263 clinics it owned (the Acquired Clinics).

Total consideration for the Liberty Acquisition was US$2,181 million, consisting of US$1,696 million cash, net of cash acquired and US$485 million non-cash consideration. Accounting standards for business combinations require previously held equity interests to be fair valued with the difference to book value to be recognized as a gain or loss in income. Prior to the Liberty Acquisition, Fresenius Medical Care had a 49% equity investment in Renal Advantage Partners, LLC, the fair value of which, US$202 million, is included as non-cash consideration. Fresenius Medical Care has determined the estimated fair value based on the discounted cash flow method, utilizing an approximately 13% discount rate. In addition to Fresenius Medical Care's investment, it also had a loan receivable from Renal Advantage Partners, LLC of US$279 million, at a fair value of US$283 million, which was retired as part of the transaction.

The following table summarizes the estimated fair values as of the date of the acquisition based upon information available as of December 31, 2012, of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

US$ in millions	
Assets held for sale	164
Trade accounts receivable	156
Other current assets	21
Deferred tax assets	15
Property, plant and equipment	167
Intangible assets and other assets	84
Goodwill	2,000
Accounts payable, accrued expenses and other short-term liabilities	-116
Income tax payable and deferred taxes	-43
Short-term borrowings and other financial liabilities and long-term debt and capital lease obligations	-72
Other liabilities	-30
Noncontrolling interests (subject and not subject to put provisions)	-165
Total acquisition cost	**2,181**
Less, at fair value, non-cash contributions	
Investment at acquisition date	-202
Long-term Notes Receivable	-283
Total non-cash items	-485
Net Cash paid	**1,696**

As of December 31, 2012, it is estimated that amortizable intangible assets acquired in this acquisition will have weighted-average useful lives of 6–8 years.

Goodwill in the amount of US$2,000 million was acquired as part of the Liberty Acquisition. Of the goodwill recognized in this acquisition, approximately US$436 million is expected to be deductible for tax purposes and amortized over a 15 year period.

The noncontrolling interests acquired as part of the acquisition are stated at estimated fair value, subject to finalization of the acquisition accounting, based upon utilized implied multiples used in conjunction with the Liberty Acquisition, as well as Fresenius Medical Care's overall experience and contractual multiples typical for such arrangements.

LD Holdings' results have been included in the consolidated statement of income since February 29, 2012. Specifically, LD Holdings has contributed sales and operating income in the amount of US$714 million (€556 million) and US$182 million (€142 million), respectively, to the consolidated income. This amount for operating income does not include synergies which may have resulted at consolidated entities outside LD Holdings since the acquisition closed. In addition, the results include those of divested Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) clinics prior to their divestiture.

The fair valuation of Fresenius Medical Care's 49% equity investment in Renal Advantage Partners, LLC at the time of the Liberty Acquisition resulted in a non-taxable gain of US$140 million and is presented in the separate line item investment gain in the consolidated statement of income. The retirement of the loan receivable resulted in a gain of US$9 million which was recognized in net interest.

Divestitures

In connection with the United States Federal Trade Commission consent order relating to the Liberty Acquisition, Fresenius Medical Care agreed to divest a total of 62 renal dialysis centers. In 2012, 24 of the 61 clinics sold were FMC-AG & Co. KGaA clinics, which resulted in a US$33.5 million gain.

In 2012, the income tax expense related to the sale of these clinics of approximately US$20.8 million has been recorded in the line item income taxes in the consolidated statement of income, resulting in a net gain of approximately US$12.7 million. The after-tax gain was offset by the after-tax effects of the costs associated with the Liberty Acquisition.

In 2011, Fresenius Medical Care spent €1,429 million on acquisitions, primarily for acquisitions of International Dialysis Centers, the dialysis service business of Euromedic International, and American Access Care Holdings, LLC, which operates vascular access centers, and for loans provided to, as well as the purchase of a 49% ownership of, the related party Renal Advantage Partners, LLC, the parent company of Renal Advantage, Inc., a provider of dialysis services.

In December 2010, Fresenius Medical Care announced a renal pharmaceutical joint venture between Fresenius Medical Care and Galenica Ltd., Vifor Fresenius Medical Care Renal Pharma Ltd. (VFMCRP), to develop and distribute products to treat iron deficiency anemia and bone mineral metabolism for pre-dialysis and dialysis patients. Closing in the United States occurred at the end of 2010. In the fourth quarter of 2011, VFMCRP received approval from the responsible European Union antitrust commission and formal closing occurred on November 1, 2011.

Further acquisition spending in 2011 related mainly to the purchase of dialysis clinics.

Fresenius Kabi

In 2012, Fresenius Kabi spent €877 million on acquisitions.

Acquisition of Fenwal Holdings, Inc.

On July 20, 2012, Fresenius Kabi announced the signing of a purchase agreement to acquire 100% of the share capital in Fenwal Holdings, Inc. (Fenwal), a leading U.S.-based provider of transfusion technology products for blood collection, separation and processing.

In 2011, Fenwal had sales of US$614 million with an adjusted EBITDA of US$90 million. The company, with about 4,900 employees worldwide, runs a state-of-the-art R & D center and operates five manufacturing facilities.

The transaction was financed from the proceeds of the May 2012 capital increase.

The transaction could be closed on December 13, 2012 after approval by the antitrust authorities. The Fresenius Group has consolidated Fenwal as of December 2012.

The transaction was accounted for as a business combination. The following table summarizes the current estimated fair values of assets acquired and liabilities assumed at the date of the acquisition. This allocation of the purchase price is based upon the best information available to management at present. Due to the relatively short interval between the closing date of the acquisition and the date of the statement of financial position, this information may be incomplete. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

€ in millions	
Trade accounts receivable	61
Working capital and other assets	212
Assets	115
Liabilities	-522
Goodwill	379
Identifiable immaterial assets	343
Consideration transferred	**588**
Net debt acquired	259
Transaction amount	**847**

It is currently estimated that amortizable intangible assets acquired in this acquisition will have weighted-average useful lives of 10 to 15 years. The acquired amortizable intangible assets primarily consist of customer relationships in the amount of €82 million and technology in the amount of €237 million.

The goodwill in the amount of €379 million that was acquired as part of the Fenwal Acquisition is not deductible for tax purposes.

In December 2012, Fenwal has contributed sales in the amount of €39 million and operating income in the amount of €1 million to the consolidated income.

Divestitures

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

The transaction was completed in January 2013. The assets and liabilities of Calea were thus shown as held for sale in the consolidated statement of financial position as of December 31, 2012 under other assets and other liabilities.

In 2011, Fresenius Kabi spent €11 million on acquisitions, mainly for compounding companies in Germany.

Fresenius Helios

In 2012, Fresenius Helios spent €579 million on acquisitions, mainly for the acquisition of Damp Holding AG.

Acquisition of Damp Holding AG

In March 2012, Fresenius Helios closed the acquisition of Damp Holding AG (Damp), Germany, after approval by antitrust and other governmental authorities. 100% of the share capital was acquired.

Damp is among the 10 largest private hospital operators in Germany.

The Fresenius Group has consolidated Damp as of March 31, 2012.

The transaction was accounted for as a business combination, subject to finalization of the acquisition accounting which will be finalized in the near future. The following table summarizes the current estimated fair values of assets acquired and liabilities assumed at the date of the acquisition. This allocation of the purchase price is based upon the best information available to management at present. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

€ in millions	
Trade accounts receivable	43
Working capital and other assets	56
Assets	247
Liabilities	-431
Goodwill	439
Consideration transferred	**354**
Net debt acquired	207
Transaction amount	**561**

The goodwill in the amount of €439 million that was acquired as part of the Damp Acquisition is not deductible for tax purposes.

Damp's results have been included in the consolidated statement of income since April 1, 2012. Specifically, Damp has contributed sales and operating income in the amount of €306 million and €8 million, respectively, to the consolidated income.

In 2011, Fresenius Helios spent €45 million on acquisitions, mainly for the acquisition of 51% of the share capital in the Katholisches Klinikum Duisburg GmbH, Germany, in December 2011 and for the acquisition of the Gesundheitszentren Landkreis Rottweil GmbH, Germany, in May 2011. Furthermore, Fresenius Helios made an additional purchase price payment for the HELIOS St. Marienberg Klinik Helmstedt GmbH, Germany.

Fresenius Vamed

In 2012, Fresenius Vamed spent €44 million on acquisitions, mainly for the acquisition of H.C. Hospital Consulting S.p.A., Italy, and the intercompany acquisition of the HELIOS Klinik Zihlschlacht AG, Switzerland, from HELIOS Kliniken GmbH.

In 2011, Fresenius Vamed did not make any material acquisition.

Corporate/Other

In November and December 2011, Fresenius SE & Co. KGaA purchased 1,399,996 ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA). In January and February 2012, Fresenius SE & Co. KGaA purchased further 2,100,004 ordinary shares of FMC-AG & Co. KGaA. Therefore, the voting rights in FMC-AG & Co. KGaA increased to 31.18% at December 31, 2012. A total of 3.5 million ordinary shares were acquired with a total transaction volume of approximately €184 million, whereof €113 million were spent in the year 2012.

Takeover offer to the shareholders of RHÖN-KLINIKUM AG

On April 26, 2012, Fresenius announced its intention to make a voluntary public takeover offer to RHÖN-KLINIKUM AG shareholders of €22.50 per share in cash. The total purchase price for all outstanding shares in the company was approximately €3.1 billion. The takeover offer was contingent upon a minimum acceptance threshold of 90% and one share of RHÖN-KLINIKUM AG's share capital at the end of the offer period, amongst others, and on antitrust approval.

At the end of the offer period, 84.3% of RHÖN-KLINIKUM AG shares had been tendered. The minimum acceptance threshold of more than 90% was not met. Consequently, the takeover offer was not consummated.

Relating to the takeover offer to the shareholders of RHÖN-KLINIKUM AG, until September 5, 2012, Fresenius acquired 6.9 million shares of RHÖN-KLINIKUM AG. This is equivalent to 5.0% of the subscribed capital of RHÖN-KLINIKUM AG.

Divestitures

In December 2012, Fresenius has decided to focus on its four established business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed. The Fresenius Biotech subsidiary will be discontinued. Fresenius assesses the option of continuing the immunosuppressive drug ATG-Fresenius S within the Group, but will divest the trifunctional antibody Removab business.

As a result of this decision, the assets and liabilities of Fresenius Biotech were shown as held for sale in the consolidated statement of financial position as of December 31, 2012 under other assets and other liabilities.

In the first quarter of 2011, in the segment Corporate/Other, the remaining shares of HELIOS Kliniken GmbH, Germany, were acquired for a purchase price of €54 million.

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

In the fiscal year 2012, all acquisitions have been accounted for applying the purchase method and accordingly have been consolidated starting with the date of acquisition. The excess of the total acquisition costs over the fair value of the net assets acquired was €2,561 million and €931 million in 2012 and 2011, respectively.

The purchase price allocations are not yet finalized for all acquisitions. Based on preliminary purchase price allocations, the recognized goodwill was €2,561 million and the other intangible assets were €471 million. Of this goodwill, €1,707 million is attributable to the acquisitions of Fresenius Medical Care, €396 million to Fresenius Kabi's acquisitions, €447 million to the acquisitions of Fresenius Helios and €11 million to the acquisitions of Fresenius Vamed.

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

The acquisitions completed in 2012 or included in the consolidated statements for the first time for a full year, contributed the following amounts to the development of sales and earnings:

€ in millions	2012
Sales	1,145
EBITDA	200
EBIT	150
Net interest	-77
Net income attributable to shareholders of Fresenius SE & Co. KGaA	6

The acquisitions increased the total assets of the Fresenius Group by €3,857 million.

The following unaudited financial information, on a pro forma basis, reflects the consolidated results of operations as if the acquisitions of Liberty, Damp and Fenwal had been consummated on January 1, 2012.

With respect to the Liberty Acquisition, the pro forma information is based on the assumption that the divestiture of the clinics had already been consummated on January 1, 2012.

With respect to the acquisition of Damp and Fenwal, the pro forma financial information mainly includes adjustments for interest expenses in connection with the acquisition of Damp and income taxes.

The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the transactions been consummated on January 1, 2012.

	2012	
€ in millions	as reported	pro forma
Sales	19,290	19,912
Net income attributable to shareholders of Fresenius SE & Co. KGaA	926	916
Basic earnings per ordinary share in €	5.35	5.29
Fully diluted earnings per ordinary share in €	5.29	5.24

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2012 in the amount of €926 million includes several special items.

An expense in the amount of €17 million resulted from Fresenius Medical Care's renegotiation of the license, distribution, manufacturing and supply agreement for iron products sold under the Venofer® brand and from a donation to the American Society of Nephrology.

The special item relating to the acquisition of Liberty Dialysis Holdings, Inc. by Fresenius Medical Care in an amount of €34 million is described in note 9, Investment gain.

Furthermore, net income attributable to shareholders of Fresenius SE & Co. KGaA for the year 2012 includes special items in the amount of -€29 million relating to the takeover offer to the shareholders of RHÖN-KLINIKUM AG.

The special items comprised the following:

€ in millions	EBIT	Investment gain	Other financial result	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2012, adjusted				938
Venofer/donation Fresenius Medical Care	-86			-17
Investment gain Fresenius Medical Care		109		34
Financing costs RHÖN-KLINIKUM AG			-35	-25
Other costs RHÖN-KLINIKUM AG	-6			-4
Total special items	**-92**	**109**	**-35**	**-12**
Earnings 2012 according to U.S. GAAP				**926**

The consolidated statement of income for the year 2011 ultimately included several special items relating to the acquisition of APP Pharmaceuticals, Inc. (since 2012: Fresenius Kabi USA, Inc.) in 2008. The table below reconciles adjusted earnings to earnings according to U.S. GAAP in 2011.

€ in millions	Other financial result	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings 2011, adjusted		770
Mandatory Exchangeable Bonds (mark-to-market)	-105	-85
Contingent Value Rights (mark-to-market)	5	5
Earnings 2011 according to U.S. GAAP		**690**

For further information regarding Mandatory Exchangeable Bonds and Contingent Value Rights see note 11, Other financial result.

4. SALES

Sales by activity were as follows:

€ in millions	2012	2011
Sales of services	**11,990**	9,788
less patient service bad debt provision	**-218**	-161
Sales of products and related goods	**7,007**	6,230
Sales from long-term production contracts	**510**	498
Other sales	**1**	6
Sales	**19,290**	16,361

A sales analysis by business segment and region is shown in the segment information on pages 128 to 129.

5. COST OF SALES

Cost of sales comprised the following:

€ in millions	2012	2011
Cost of services	**9,003**	7,247
Manufacturing cost of products and related goods	**3,559**	3,316
Cost of long-term production contracts	**440**	424
Other cost of sales	**–**	–
Cost of sales	**13,002**	10,987

6. COST OF MATERIALS

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

€ in millions	2012	2011
Cost of raw materials, supplies and purchased components	**5,097**	4,508
Cost of purchased services	**741**	663
Cost of materials	**5,838**	5,171

7. PERSONNEL EXPENSES

Cost of sales, selling, general and administrative expenses and research and development expenses included personnel expenses of €6,732 million and €5,555 million in 2012 and 2011, respectively.

Personnel expenses comprised the following:

€ in millions	2012	2011
Wages and salaries	**5,347**	4,392
Social security contributions, cost of retirement pensions and social assistance	**1,385**	1,163
thereof retirement pensions	**181**	144
Personnel expenses	**6,732**	5,555

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

	2012	2011
Production	**29,669**	26,240
Service	**102,997**	89,341
Administration	**20,518**	17,924
Sales and marketing	**8,813**	8,170
Research and development	**1,749**	1,513
Total employees (per capita)	**163,746**	143,188

8. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling expenses were €746 million (2011: €677 million) and mainly included expenditures for sales personnel of €366 million (2011: €336 million).

General and administrative expenses amounted to €2,254 million (2011: €1,867 million) and were related to expenditures for administrative functions not attributable to research and development, production or selling.

9. INVESTMENT GAIN

Fresenius Medical Care's acquisition of the remaining 51% stake in Renal Advantage Partners, LLC, in addition to its 49% equity investment held previously, represents a business combination achieved in stages in the course of the acquisition of Liberty Dialysis Holdings, Inc. The previous equity investment was measured at its fair value at the date of the acquisition of Liberty Dialysis Holdings, Inc. by Fresenius Medical Care. The resultant non-taxable income of US$140 million (€109 million) is presented in the separate line item investment gain in the consolidated statement of income.

10. NET INTEREST

Net interest of -€666 million included interest expenses of €720 million and interest income of €54 million. The main portion of the interest expenses resulted from Fresenius Group's financial liabilities, which are not recognized at fair value in the consolidated statement of income (see note 31, Financial instruments).

11. OTHER FINANCIAL RESULT

In 2012, the item other financial result in the amount of -€35 million comprises the financing costs, mainly the costs for the financing commitment, related to the takeover offer to the shareholders of RHÖN-KLINIKUM AG.

In 2011, this item included the following special expenses and income with regard to the acquisition of APP Pharmaceuticals, Inc. (APP) (since 2012: Fresenius Kabi USA, Inc.) and its financing:

The Contingent Value Rights (CVR) awarded to the APP shareholders were traded on the NASDAQ Stock Exchange in the United States. Following a request to the U.S. Securities and Exchange Commission, in the first quarter of 2011, the CVR were deregistered and delisted from the NASDAQ due to the expiration of the underlying agreement and became valueless. As a result, an income of €5 million was recognized in 2011.

The issued Mandatory Exchangeable Bonds matured on August 14, 2011. Due to their contractual definition, they included derivative financial instruments that were measured at fair value. This measurement resulted in an expense (before tax) of €105 million in 2011.

12. TAXES

INCOME TAXES

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

€ in millions	2012	2011
Germany	**414**	404
International	**1,977**	1,528
Total	**2,391**	1,932

Income tax expenses (benefits) for 2012 and 2011 consisted of the following:

€ in millions	Current taxes	Deferred taxes	**Income taxes**
2012			
Germany	**82**	**-17**	**65**
International	**599**	**-5**	**594**
Total	**681**	**-22**	**659**
2011			
Germany	96	9	105
International	427	72	499
Total	523	81	604

In 2012 and 2011, Fresenius SE & Co. KGaA was subject to German federal corporation income tax at a base rate of 15% plus a solidarity surcharge of 5.5% on federal corporation taxes payable.

A reconciliation between the expected and actual income tax expense is shown in the following table. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the effective trade tax rate on income before income taxes. The respective combined tax rate was 29.5% for the fiscal year 2012 (2011: 29.0%).

€ in millions	2012	2011
Computed "expected" income tax expense	**705**	560
Increase (reduction) in income taxes resulting from:		
Items not recognized for tax purposes	**18**	12
Tax rate differential	**37**	56
Tax-free income	**-64**	-12
Taxes for prior years	**21**	4
Changes in valuation allowances on deferred tax assets	**-20**	5
Noncontrolling interests	**-38**	-22
Other	**–**	1
Income tax	**659**	604
Effective tax rate	**27.6%**	31.3%

DEFERRED TAXES

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

€ in millions	2012	2011
Deferred tax assets		
Accounts receivable	**16**	14
Inventories	**96**	79
Other current assets	**74**	93
Other non-current assets	**145**	127
Accrued expenses	**251**	183
Other short-term liabilities	**64**	86
Other liabilities	**36**	28
Benefit obligations	**139**	92
Losses carried forward from prior years	**253**	151
Deferred tax assets, before valuation allowance	**1,074**	853
less valuation allowance	**101**	121
Deferred tax assets	**973**	732
Deferred tax liabilities		
Accounts receivable	**15**	23
Inventories	**22**	22
Other current assets	**16**	11
Other non-current assets	**736**	560
Accrued expenses	**120**	23
Other short-term liabilities	**50**	123
Other liabilities	**103**	102
Deferred tax liabilities	**1,062**	864
Net deferred taxes	**-89**	-132

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

€ in millions	2012	thereof short-term	2011	thereof short-term
Deferred tax assets	**659**	**401**	493	368
Deferred tax liabilities	**748**	**66**	625	52
Net deferred taxes	**-89**	**335**	-132	316

As of December 31, 2012, Fresenius Medical Care has not recognized a deferred tax liability on approximately €4.2 billion of undistributed earnings of its foreign subsidiaries, because those earnings are intended to be indefinitely reinvested.

NET OPERATING LOSSES

The expiration of net operating losses is as follows:

for the fiscal years	€ in millions
2013	17
2014	21
2015	23
2016	27
2017	48
2018	21
2019	20
2020	13
2021	10
2022 and thereafter	124
Total	**324**

The total remaining operating losses of €347 million can mainly be carried forward for an unlimited period.

Based upon the level of historical taxable income and projections for future taxable income, the Management of the Fresenius Group believes it is more likely than not that the Fresenius Group will realize the benefits of these deductible differences, net of the existing valuation allowances, at December 31, 2012.

UNRECOGNIZED TAX BENEFITS

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

In Germany, the tax years 2002 to 2009 are currently under audit by the tax authorities. The Fresenius Group recognized and recorded the current proposed adjustments of this audit period in the consolidated financial statements. All proposed adjustments are deemed immaterial. Fiscal years 2010, 2011 and 2012 are open to audit.

In the United States, Fresenius Medical Care filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of Fresenius Medical Care Holdings, Inc.'s (FMCH) civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, Fresenius Medical Care received a partial refund in September 2008 of US$37 million, inclusive of interest, and preserved its right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately US$126 million. On December 22, 2008, Fresenius Medical Care filed a complaint for complete refund in the United States District Court for the District of Massachusetts, styled as Fresenius Medical Care Holdings, Inc. v. United States. On August 15, 2012, a jury entered a verdict for FMCH granting additional deductions of

US$95 million. The District Court is now considering post trial motions by the IRS to set aside the verdict and the terms of the judgment to be entered against the United States to reflect the amount of the tax refund due to FMCH.

In the United States, the tax years 2009 and 2010 are currently under audit by the tax authorities. Fiscal years 2011 and 2012 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the consolidated financial statements.

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

The following table shows the changes to unrecognized tax benefits during the year 2012:

€ in millions	2012
Balance at January 1, 2012	**224**
Increase in unrecognized tax benefits prior periods	42
Decrease in unrecognized tax benefits prior periods	-6
Increase in unrecognized tax benefits current periods	17
Changes related to settlements with tax authorities	-13
Reductions as a result of a lapse of the statute of limitations	-2
Foreign currency translation	-10
Balance at December 31, 2012	**252**

Included in the balance at December 31, 2012 are €234 million of unrecognized tax benefits, which would affect the effective tax rate if recognized. The Fresenius Group is currently not in a position to forecast the timing and magnitude of changes in other unrecognized tax benefits.

It is Fresenius Group's policy to recognize interest and penalties related to its tax positions as income tax expense. During the fiscal year 2012, the Fresenius Group recognized €2 million in interest and penalties. The Fresenius Group had a total accrual of €29 million of tax related interest and penalties at December 31, 2012.

13. EARNINGS PER SHARE

The following table shows the earnings per share including and excluding the dilutive effect from stock options issued:

	2012	2011
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**926**	690
less effect from dilution due to Fresenius Medical Care shares	**2**	3
Income available to all ordinary shares	**924**	687
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**172,977,633**	162,797,197
Potentially dilutive ordinary shares	**1,547,170**	1,522,534
Weighted-average number of ordinary shares outstanding assuming dilution	**174,524,803**	164,319,731
Basic earnings per ordinary share in €	**5.35**	4.24
Fully diluted earnings per ordinary share in €	**5.29**	4.18

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

14. CASH AND CASH EQUIVALENTS

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

€ in millions	2012	2011
Cash	**865**	627
Time deposits and securities (with a maturity of up to 90 days)	**20**	8
Total cash and cash equivalents	**885**	635

As of December 31, 2012 and December 31, 2011, earmarked funds of €38 million and €40 million, respectively, were included in cash and cash equivalents.

15. TRADE ACCOUNTS RECEIVABLE

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

€ in millions	2012	2011
Trade accounts receivable	**4,056**	3,617
less allowance for doubtful accounts	**406**	383
Trade accounts receivable, net	**3,650**	3,234

All trade accounts receivable are due within one year.

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

€ in millions	2012	2011
Allowance for doubtful accounts at the beginning of the year	**383**	317
Change in valuation allowances as recorded in the consolidated statement of income	**251**	216
Write-offs and recoveries of amounts previously written-off	**-221**	-154
Foreign currency translation	**-7**	4
Allowance for doubtful accounts at the end of the year	**406**	383

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

€ in millions	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	2,333	734	295	273	421	**4,056**
less allowance for doubtful accounts	24	60	39	61	222	**406**
Trade accounts receivable, net	2,309	674	256	212	199	**3,650**

16. INVENTORIES

As of December 31, inventories consisted of the following:

€ in millions	2012	2011
Raw materials and purchased components	**433**	385
Work in process	**291**	326
Finished goods	**1,216**	1,076
less reserves	**100**	70
Inventories, net	**1,840**	1,717

The companies of the Fresenius Group are obliged to purchase approximately €863 million of raw materials and purchased components under fixed terms, of which €552 million was committed at December 31, 2012 for 2013. The terms of these agreements run one to nine years. Advance payments from customers of €174 million (2011: €236 million) have been offset against inventories.

Inventories as of December 31, 2012 and December 31, 2011 included approximately €23 million and approximately €37 million, respectively, of the product Erythropoietin (EPO). On January 1, 2012, Fresenius Medical Care entered into a three-year sourcing and supply agreement with its EPO supplier. In the remaining two years, delays, stoppages, or interruptions in the supply of EPO could adversely affect the operating results of Fresenius Medical Care.

17. OTHER CURRENT AND NON-CURRENT ASSETS

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

	2012		2011	
€ in millions		thereof short-term		thereof short-term
Investments, securities and long-term loans	**762**	**55**	847	9
Tax receivables	**257**	**235**	311	287
Accounts receivable resulting from German hospital law	**164**	**149**	101	82
Capitalized debt financing costs	**106**	**11**	98	9
Leasing receivables	**81**	**36**	72	29
Advances made	**75**	**74**	77	76
Prepaid rent and insurance	**61**	**61**	48	48
Prepaid expenses	**56**	**25**	45	18
Assets held for sale	**55**	**55**	0	0
Derivative financial instruments	**53**	**52**	54	52
Deposits	**52**	**20**	44	16
Discounts	**47**	**47**	143	143
Accounts receivable from management contracts in hospitals	**13**	**13**	8	8
Other assets	**622**	**493**	530	414
Other assets, gross	**2,404**	**1,326**	2,378	1,191
less allowances	**8**	**7**	9	7
Other assets, net	**2,396**	**1,319**	2,369	1,184

As of December 31, 2012, investments, securities and long-term loans comprised investments of €484 million (2011: €537 million), mainly regarding the joint venture between Fresenius Medical Care and Galenica Ltd., that were accounted for under the equity method. In 2012, income of €14 million (2011: €22 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income. Moreover, investments, securities and long-term loans included €182 million financial assets available for sale as of December 2012 (2011: €26 million). Furthermore, investments, securities and long-term loans comprised €181 million as of December 31, 2011 that Fresenius Medical Care loaned to Renal Advantage Partners, LLC.

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

Depreciation on other non-current assets in an amount of €2 million was recognized in the fiscal year 2012 (2011: depreciation in an immaterial amount).

18. PROPERTY, PLANT AND EQUIPMENT

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

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2012**
Land and land facilities	230	-1	55	7	2	8	**285**
Buildings and improvements	3,270	-29	202	86	181	38	**3,672**
Machinery and equipment	4,157	-37	147	442	132	176	**4,665**
Machinery, equipment and rental equipment under capital leases	105	-1	35	3	1	4	**139**
Construction in progress	430	-4	18	438	-331	9	**542**
Property, plant and equipment	8,192	-72	457	976	-15	235	**9,303**

DEPRECIATION

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Land and land facilities	5	–	0	–	1	–	**6**
Buildings and improvements	1,431	-16	–	215	2	34	**1,598**
Machinery and equipment	2,503	-16	-3	422	-6	159	**2,741**
Machinery, equipment and rental equipment under capital leases	42	-1	-8	10	–	4	**39**
Construction in progress	1	–	0	0	–	–	**1**
Property, plant and equipment	3,982	-33	-11	647	-3	197	**4,385**

ACQUISITION AND MANUFACTURING COSTS

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Land and land facilities	221	1	5	2	1	–	**230**
Buildings and improvements	2,976	31	44	84	175	40	**3,270**
Machinery and equipment	3,796	16	50	372	100	177	**4,157**
Machinery, equipment and rental equipment under capital leases	98	–	–	9	3	5	**105**
Construction in progress	419	–	-1	310	-286	12	**430**
Property, plant and equipment	7,510	48	98	777	-7	234	**8,192**

DEPRECIATION

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Land and land facilities	4	–	0	1	0	–	**5**
Buildings and improvements	1,246	20	4	190	3	32	**1,431**
Machinery and equipment	2,269	13	1	367	–	147	**2,503**
Machinery, equipment and rental equipment under capital leases	36	–	0	10	1	5	**42**
Construction in progress	1	–	0	0	–	–	**1**
Property, plant and equipment	3,556	33	5	568	4	184	**3,982**

CARRYING AMOUNTS

€ in millions	Dec. 31, 2012	Dec. 31, 2011
Land and land facilities	**279**	225
Buildings and improvements	**2,074**	1,839
Machinery and equipment	**1,924**	1,654
Machinery, equipment and rental equipment under capital leases	**100**	63
Construction in progress	**541**	429
Property, plant and equipment	**4,918**	4,210

Depreciation on property, plant and equipment for the years 2012 and 2011 was €647 million and €568 million, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

LEASING

Machinery and equipment as of December 31, 2012 and 2011 included peritoneal dialysis cycler machines which Fresenius Medical Care leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which Fresenius Medical Care leases to physicians under operating leases in an amount of €403 million and €349 million, respectively.

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

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

19. GOODWILL AND OTHER INTANGIBLE ASSETS

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

ACQUISITION COST

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Goodwill	12,669	-215	2,555	6	0	1	**15,014**
Patents, product and distribution rights	582	-9	13	2	1	4	**585**
Technology	86	-2	240	0	-3	0	**321**
Tradenames	178	-3	0	–	–	–	**175**
Non-compete agreements	201	-5	46	–	0	–	**242**
Management contracts	6	–	0	0	0	–	**6**
Other	596	-14	122	48	-58	10	**684**
Goodwill and other intangible assets	14,318	-248	2,976	56	-60	15	**17,027**

AMORTIZATION

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2012
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	182	-3	1	41	-1	4	**216**
Technology	25	-1	0	8	–	0	**32**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	144	-3	-1	22	0	–	**162**
Management contracts	0	0	0	0	0	0	**0**
Other	317	2	–	56	-47	9	**319**
Goodwill and other intangible assets	668	-5	–	127	-48	13	**729**

ACQUISITION COST

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	As of Dec. 31, 2011
Goodwill	11,464	274	875	56	–	–	**12,669**
Patents, product and distribution rights	617	13	2	5	–	55	**582**
Technology	83	3	–	0	0	0	**86**
Tradenames	173	5	0	–	1	1	**178**
Non-compete agreements	184	6	11	0	0	–	**201**
Management contracts	4	–	–	0	2	0	**6**
Other	484	7	72	36	5	8	**596**
Goodwill and other intangible assets	13,009	308	960	97	8	64	**14,318**

AMORTIZATION

€ in millions	As of Jan. 1, 2011	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Disposals	**As of Dec. 31, 2011**
Goodwill	0	0	0	0	0	0	**0**
Patents, product and distribution rights	139	4	0	45	0	6	**182**
Technology	19	1	0	5	0	0	**25**
Tradenames	0	0	0	0	0	0	**0**
Non-compete agreements	125	5	–	14	0	0	**144**
Management contracts	0	0	0	0	0	0	**0**
Other	278	4	–	42	–	7	**317**
Goodwill and other intangible assets	561	14	–	106	–	13	**668**

CARRYING AMOUNTS

€ in millions	**Dec. 31, 2012**	Dec. 31, 2011
Goodwill	**15,014**	12,669
Patents, product and distribution rights	**369**	400
Technology	**289**	61
Tradenames	**175**	178
Non-compete agreements	**80**	57
Management contracts	**6**	6
Other	**365**	279
Goodwill and other intangible assets	**16,298**	13,650

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

AMORTIZABLE INTANGIBLE ASSETS

	Dec. 31, 2012			Dec. 31, 2011		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	**585**	**216**	**369**	582	182	400
Technology	**321**	**32**	**289**	86	25	61
Non-compete agreements	**242**	**162**	**80**	201	144	57
Other	**684**	**319**	**365**	596	317	279
Total	**1,832**	**729**	**1,103**	1,465	668	797

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

€ in millions	2013	2014	2015	2016	2017
Estimated amortization expenses	137	131	124	118	113

NON-AMORTIZABLE INTANGIBLE ASSETS

€ in millions	Dec. 31, 2012 Acquisition cost	Dec. 31, 2012 Accumulated amortization	Dec. 31, 2012 Carrying amount	Dec. 31, 2011 Acquisition cost	Dec. 31, 2011 Accumulated amortization	Dec. 31, 2011 Carrying amount
Tradenames	**175**	**0**	**175**	178	0	178
Management contracts	**6**	**0**	**6**	6	0	6
Goodwill	**15,014**	**0**	**15,014**	12,669	0	12,669
Total	**15,195**	**0**	**15,195**	12,853	0	12,853

Amortization on intangible assets amounted to €127 million and €106 million for the years 2012 and 2011, respectively. It is allocated within cost of sales, selling, general and administrative expenses and research and development expenses, depending upon the use of the asset.

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2011	**6,092**	**3,691**	**1,627**	**48**	**6**	**11,464**
Additions	822	14	95	0	0	931
Foreign currency translation	186	88	0	0	0	274
Carrying amount as of December 31, 2011	**7,100**	**3,793**	**1,722**	**48**	**6**	**12,669**
Additions	1,707	396	447	11	0	2,561
Disposals	0	-1	–	0	0	-1
Reclassifications	0	0	-18	18	0	0
Foreign currency translation	-150	-65	0	0	0	-215
Carrying amount as of December 31, 2012	**8,657**	**4,123**	**2,151**	**77**	**6**	**15,014**

As of December 31, 2012 and December 31, 2011, the carrying amounts of the other non-amortizable intangible assets were €165 million and €168 million, respectively, for Fresenius Medical Care as well as €16 million, respectively, for Fresenius Kabi.

20. ACCRUED EXPENSES

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

€ in millions	2012	2012 thereof short-term	2011	2011 thereof short-term
Personnel expenses	**665**	**567**	568	497
Invoices outstanding	**279**	**279**	215	215
Self-insurance programs	**142**	**142**	126	126
Bonuses and discounts	**122**	**122**	108	108
Special charge for legal matters	**87**	**87**	89	89
Warranties and complaints	**59**	**58**	40	39
Legal matters, advisory and audit fees	**56**	**56**	70	70
Commissions	**29**	**29**	27	27
Other accrued expenses	**544**	**508**	453	400
Accrued expenses	**1,983**	**1,848**	1,696	1,571

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

€ in millions	As of Jan. 1, 2012	Foreign currency translation	Changes in entities consolidated	Additions	Reclassifications	Utilized	Reversed	As of Dec. 31, 2012
Personnel expenses	568	-3	22	476	19	-376	-41	**665**
Invoices outstanding	215	–	17	207	-1	-130	-29	**279**
Self-insurance programs	126	-4	0	22	0	-2	–	**142**
Bonuses and discounts	108	-1	4	184	–	-166	-7	**122**
Special charge for legal matters	89	-2	0	0	0	0	0	**87**
Warranties and complaints	40	-1	1	35	1	-13	-4	**59**
Legal matters, advisory and audit fees	70	-1	2	28	-1	-21	-21	**56**
Commissions	27	–	–	32	–	-27	-3	**29**
Other accrued expenses	453	-4	117	512	-32	-411	-91	**544**
Total	1,696	-16	163	1,496	-14	-1,146	-196	**1,983**

Accruals for personnel expenses mainly refer to bonus, severance payments, contribution of partial retirement and holiday entitlements.

In 2001, Fresenius Medical Care recorded a US$258 million special charge to address legal matters relating to transactions pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996 by and between W.R. Grace & Co. and Fresenius AG, estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (Grace Chapter 11 Proceedings) and the cost of resolving pending litigation and other disputes with certain commercial insurers. During the second quarter of 2003, the court supervising the Grace Chapter 11 Proceedings approved a definitive settlement agreement entered into among Fresenius Medical Care, the committee representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, Fresenius Medical Care will pay US$115 million (€87 million), without interest, upon plan confirmation. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012. Multiple parties have appealed to the Third Circuit Court of Appeals and the plan of reorganization will not be implemented until the appeals are finally resolved (see note 30, Commitments and contingent liabilities). With the exception of the proposed US$115 million payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved.

21. OTHER LIABILITIES

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

	2012		2011	
€ in millions		**thereof short-term**		thereof short-term
Personnel liabilities	**193**	**188**	173	169
Accounts payable resulting from German hospital law	**174**	**168**	133	127
Interest liabilities	**163**	**163**	131	131
Tax liabilities	**162**	**160**	155	152
Debtors with credit balances	**158**	**158**	127	127
Accounts receivable credit balance	**118**	**39**	103	23
Derivative financial instruments	**96**	**76**	269	200
Leasing liabilities	**66**	**66**	59	59
Advance payments from customers	**59**	**58**	77	77
Liabilities held for sale	**36**	**36**	0	0
All other liabilities	**439**	**251**	384	262
Other liabilities	**1,664**	**1,363**	1,611	1,327

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

At December 31, 2012, the total amount of other non-current liabilities was €301 million, thereof €149 million was due between one and five years and €152 million was due after five years. The statement of financial position line item long-term accrued expenses and other long-term liabilities of €436 million also included other long-term accrued expenses of €135 million as of December 31, 2012.

22. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

The Fresenius Group had short-term debt of €205 million and €171 million at December 31, 2012 and December 31, 2011, respectively. As of December 31, 2012, this debt consisted of borrowings by certain subsidiaries of the Fresenius Group under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2012 and 2011 were 5.98% and 6.62%, respectively.

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

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

€ in millions	2012	2011
Fresenius Medical Care 2012 Credit Agreement	**2,016**	0
Fresenius Medical Care 2006 Senior Credit Agreement	**0**	2,161
2008 Senior Credit Agreement	**1,170**	1,326
Euro Notes	**739**	800
European Investment Bank Agreements	**498**	527
Accounts receivable facility of Fresenius Medical Care	**123**	413
Capital lease obligations	**94**	53
Other	**315**	349
Subtotal	**4,955**	5,629
less current portion	**519**	1,852
Long-term debt and capital lease obligations, less current portion	**4,436**	3,777

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

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Fresenius Medical Care 2012 Credit Agreement	76	303	1,637	0
2008 Senior Credit Agreement	17	929	56	168
Euro Notes	5	334	285	115
European Investment Bank Agreements	310	156	16	16
Accounts receivable facility of Fresenius Medical Care	0	0	123	0
Capital lease obligations	8	14	17	55
Other	103	129	38	45
Long-term debt and capital lease obligations	**519**	**1,865**	**2,172**	**399**

On September 30, 2012, €1,631 million was reclassified from current portion of long-term debt and capital lease obligations to long-term debt and capital lease obligations as a result of entering into the new Fresenius Medical Care 2012 Credit Agreement on October 30, 2012.

Aggregate annual repayments applicable to the above listed long-term debt and capital lease obligations for the years subsequent to December 31, 2012 are:

for the fiscal years	€ in millions
2013	519
2014	1,639
2015	226
2016	632
2017	1,540
Subsequent years	399
Total	**4,955**

Fresenius Medical Care 2012 Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) entered into a new US$3,850 million syndicated credit facility (Fresenius Medical Care 2012 Credit Agreement) with a large group of banks and institutional investors (collectively, the Lenders) on October 30, 2012 which replaced the 2006 Senior Credit Agreement.

The Fresenius Medical Care 2012 Credit Agreement consists of:

- A 5-year revolving credit facility of US$1,250 million comprising a US$400 million multicurrency revolving facility, a US$200 million revolving facility and a €500 million revolving facility which will be due and payable on October 30, 2017.
- A 5-year term loan facility (Term Loan A) of US$2,600 million, also scheduled to mature on October 30, 2017. The Fresenius Medical Care 2012 Credit Agreement requires 17 quarterly payments of US$50 million each, beginning in the third quarter of 2013 that permanently reduce the term loan facility. The remaining balance is due on October 30, 2017.

Interest on the new credit facilities will be, at Fresenius Medical Care's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the Fresenius Medical Care 2012 Credit Agreement plus an applicable margin. As of December 31, 2012, the tranches outstanding under the Fresenius Medical Care 2012 Credit Agreement had a weighted-average interest rate of 2.35%.

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

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

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

The Fresenius Medical Care 2012 Credit Agreement contains affirmative and negative covenants with respect to FMC-AG & Co. KGaA and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of Fresenius Medical Care and investments by Fresenius Medical Care, and require Fresenius Medical Care to maintain certain financial ratios defined in the agreement. Additionally, the Fresenius Medical Care 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €300 million for dividends to be paid in 2013, and increases in subsequent years. In default, the outstanding balance under the Fresenius Medical Care 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

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

Fresenius Medical Care incurred fees of approximately US$27 million in conjunction with the Fresenius Medical Care 2012 Credit Agreement. Certain fees related to the Fresenius Medical Care 2006 Senior Credit Agreement of approximately

US$4 million are also applicable to the Fresenius Medical Care 2012 Credit Agreement. These fees and the US$22 million of newly incurred fees will be amortized over the life of the Fresenius Medical Care 2012 Credit Agreement.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2012 Credit Agreement at December 31, 2012 and under the Fresenius Medical Care 2006 Senior Credit Agreement at December 31, 2011:

FRESENIUS MEDICAL CARE 2012 CREDIT AGREEMENT

	2012			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit (in US$)	US$600 million	454	**US$59 million**	**45**
Revolving Credit (in €)	€500 million	500	**€0 million**	**0**
Term Loan A	US$2,600 million	1,971	**US$2,600 million**	**1,971**
Total		2,925		**2,016**

FRESENIUS MEDICAL CARE 2006 SENIOR CREDIT AGREEMENT

	2011			
	Maximum amount available		Balance outstanding	
	US$ in millions	€ in millions	US$ in millions	€ in millions
Revolving Credit	1,200	927	**59**	**46**
Term Loan A	1,215	939	**1,215**	**939**
Term Loan B	1,522	1,176	**1,522**	**1,176**
Total	3,937	3,042	**2,796**	**2,161**

In addition, at December 31, 2012 and December 31, 2011, Fresenius Medical Care had letters of credit outstanding in the amount of US$77 million and US$181 million, respectively, which were not included above as part of the balance outstanding at those dates but which reduce available borrowings under the Revolving Credit Facility.

2013 Senior Credit Agreement

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Senior Credit Agreement) in the amount of US$1,300 million and €1,250 million. Funding of the 2013 Senior Credit Agreement is expected for June 28, 2013. Upon funding, proceeds will be used to refinance the 2008 Senior Credit Agreement and for general corporate purposes.

The 2013 Senior Credit Agreement consists of:

- 5-year revolving credit facilities in the aggregate principal amount of US$300 million, €400 million and a €200 million multicurrency facility with a final repayment date on June 28, 2018; and
- 5-year term loan facilities in the aggregate principal amount of US$1,000 million and €650 million (together Term Loan A). Term Loan A amortizes and is repayable in unequal quarterly installments with a final maturity on June 28, 2018.

Until funding of the revolving facilities and Term Loan A, the 2013 Senior Credit Agreement allows for establishment of a term loan facility in the aggregate principal amount of US$500 million (Term Loan B). After funding, the 2013 Senior Credit Agreement may be further increased by establishing additional incremental facilities if certain conditions are met.

The interest rate on each borrowing under the 2013 Senior Credit Agreement will be a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the

Base Rate as defined in the 2013 Senior Credit Agreement plus an applicable margin. The applicable margin will be variable and depends on the leverage ratio as defined in the 2013 Senior Credit Agreement.

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

The 2013 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH, Fresenius Kabi AG and certain U.S. subsidiaries of Fresenius Kabi AG. Obligations under the 2013 Senior Credit Agreement will be secured by pledges of capital stock of certain material subsidiaries of Fresenius Kabi AG in favor of the lenders.

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

2008 Senior Credit Agreement

On August 20, 2008, in connection with the acquisition of APP Pharmaceuticals, Inc. (since 2012: Fresenius Kabi USA, Inc.), the Fresenius Group entered into a syndicated credit agreement (2008 Senior Credit Agreement) in an original amount of US$2.45 billion. The 2008 Senior Credit Agreement will be replaced by the 2013 Senior Credit Agreement in June 2013. Therefore, the 2008 Senior Credit Agreement is mainly shown as long-term debt in the consolidated statement of financial position.

Since entering into the 2008 Senior Credit Agreement, amendments and voluntary prepayments have been made which have resulted in a change of the total amount available under this facility. In March 2011, after negotiations with the lenders, Fresenius SE & Co. KGaA improved the conditions of the 2008 Senior Credit Agreement. The amendments led to a reduction of the interest rate of Term Loan D (previously: Term Loan C). Since then, the interest rate is a rate equal to the money market interest rate (LIBOR and EURIBOR) with a minimum of 1.00% and a current margin of 2.50%.

The following tables show the available and outstanding amounts under the 2008 Senior Credit Agreement at December 31:

	2012			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit Facilities	US$550 million	416	**US$0 million**	**0**
Term Loan A	US$375 million	284	**US$375 million**	**284**
Term Loan D (in US$)	US$959 million	728	**US$959 million**	**728**
Term Loan D (in €)	€158 million	158	**€158 million**	**158**
Total		1,586		**1,170**

	2011			
	Maximum amount available		Balance outstanding	
		€ in millions		€ in millions
Revolving Credit Facilities	US$550 million	425	**US$0 million**	**0**
Term Loan A	US$537 million	415	**US$537 million**	**415**
Term Loan D (in US$)	US$971 million	751	**US$971 million**	**751**
Term Loan D (in €)	€160 million	160	**€160 million**	**160**
Total		1,751		**1,326**

As of December 31, 2012, the 2008 Senior Credit Agreement consisted of:

- Revolving credit facilities in the aggregate principal amount of US$550 million (of which US$150 million is available to Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC) and US$400 million is available as multicurrency facility to Fresenius Finance I S.A., a wholly owned subsidiary of Fresenius SE & Co. KGaA).
- Term loan facilities (Term Loan A) in the aggregate principal amount of US$374.6 million (of which equal shares are available to Fresenius US Finance I, Inc., a wholly owned subsidiary of Fresenius SE & Co. KGaA, and to Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC)).
- Term loan facilities (Term Loan D) in the aggregate principal amount of US$959.3 million and €158.5 million (of which US$565.1 million and €158.5 million are available to Fresenius US Finance I, Inc. and US$394.2 million is available to Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC)).

The interest rate on each borrowing under the 2008 Senior Credit Agreement is a rate equal to the aggregate of (a) the applicable margin (as described below) and (b) LIBOR or, in relation to any loan in euros, EURIBOR for the relevant interest period. The applicable margin is variable and depends on the Leverage Ratio as defined in the 2008 Senior Credit Agreement. In the case of Term Loan D, a minimum LIBOR or EURIBOR was set for 1.00%.

To hedge large parts of the interest rate risk connected with the floating rate borrowings under the 2008 Senior Credit Agreement, the Fresenius Group entered into interest rate hedges.

In addition to scheduled principal payments, indebtedness outstanding under the 2008 Senior Credit Agreement will be reduced by mandatory prepayments in the case of certain sales of assets, incurrence of additional indebtedness and certain intercompany loan repayments, with the amount to be prepaid depending on the proceeds which are generated by the respective transaction.

The 2008 Senior Credit Agreement is guaranteed by Fresenius SE & Co. KGaA, Fresenius ProServe GmbH and Fresenius Kabi AG. The obligations of Fresenius Kabi USA, LLC (until 2012: APP Pharmaceuticals, LLC) under the 2008 Senior Credit Agreement that refinanced indebtedness under the former APP Pharmaceuticals, Inc. credit facility are secured by the assets of Fresenius Kabi USA, Inc. (FK USA) (until 2012: APP Pharmaceuticals, Inc.) and its subsidiaries and guaranteed by FK USA's subsidiaries on the same basis as the former APP Pharmaceuticals, Inc. credit facility. All lenders also benefit from indirect security through pledges over the shares of certain subsidiaries of Fresenius Kabi AG and pledges over certain intercompany loans.

The 2008 Senior Credit Agreement contains a number of customary affirmative and negative covenants and other payment restrictions. These covenants include limitations on liens, sale of assets, incurrence of debt, investments and acquisitions and restrictions on the payment of dividends, among other items. The 2008 Senior Credit Agreement also includes financial covenants – as defined in the agreement – that require Fresenius SE & Co. KGaA and its subsidiaries (other than Fresenius Medical Care and its subsidiaries) to maintain a maximum leverage ratio, a minimum fixed charge coverage ratio, a minimum interest coverage ratio and limits amounts spent on capital expenditure. As of December 31, 2012, the Fresenius Group was in compliance with all covenants under the 2008 Senior Credit Agreement.

Euro Notes

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

			Book value/nominal value € in millions	
	Maturity	Interest rate	**2012**	2011
Fresenius Finance B.V. 2008/2012	April 2, 2012	5.59%	**0**	62
Fresenius Finance B.V. 2008/2012	April 2, 2012	variable	**0**	138
Fresenius Finance B.V. 2007/2012	July 2, 2012	5.51%	**0**	26
Fresenius Finance B.V. 2007/2012	July 2, 2012	variable	**0**	74
Fresenius Finance B.V. 2008/2014	April 2, 2014	5.98%	**112**	112
Fresenius Finance B.V. 2008/2014	April 2, 2014	variable	**88**	88
Fresenius Finance B.V. 2007/2014	July 2, 2014	5.75%	**38**	38
Fresenius Finance B.V. 2007/2014	July 2, 2014	variable	**62**	62
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	3.36%	**156**	0
Fresenius SE & Co. KGaA 2012/2016	April 4, 2016	variable	**129**	0
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	4.09%	**72**	0
Fresenius SE & Co. KGaA 2012/2018	April 4, 2018	variable	**43**	0
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	7.41%	**0**	36
Fresenius Medical Care AG & Co. KGaA 2009/2012	Oct. 27, 2012	variable	**0**	119
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	8.38%	**12**	15
Fresenius Medical Care AG & Co. KGaA 2009/2014	Oct. 27, 2014	variable	**27**	30
Euro Notes			**739**	800

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

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

As of December 31, 2012, the Fresenius Group was in compliance with all of its covenants under the Euro Notes.

European Investment Bank Agreements

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

		Book value € in millions	
	Maturity	**2012**	2011
Fresenius SE & Co. KGaA	2013	**196**	196
Fresenius Medical Care AG & Co. KGaA	2013/2014	**246**[1]	267[1]
HELIOS Kliniken GmbH	2019	**56**	64
Loans from EIB		**498**	527

[1] Difference due to foreign currency translation and repayments

The majority of the loans are denominated in euros. The U.S. dollar denominated borrowings of FMC-AG & Co. KGaA amounted to US$140 million (€106 million) at December 31, 2012. At December 31, 2012, all credit lines were utilized.

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

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

The loans borrowed by Fresenius SE & Co. KGaA and FMC-AG & Co. KGaA, which are due in June and September 2013 are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position.

The above mentioned loans bear variable interest rates which are based on EURIBOR or LIBOR plus applicable margin. These interest rates change quarterly. The loans under the EIB Agreements entered before 2009 are secured by bank guarantees. The 2009 loan of Fresenius SE & Co. KGaA is guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH. All credit agreements with the EIB have customary covenants. As of December 31, 2012, the Fresenius Group was in compliance with the respective covenants.

Accounts receivable facility of Fresenius Medical Care

On January 17, 2013, the asset securitization facility (accounts receivable facility) of Fresenius Medical Care was refinanced for a term expiring on January 15, 2016 with available borrowings of US$800 million.

At December 31, 2012, there were outstanding borrowings under the accounts receivable facility of US$162 million (€123 million) (2011: US$535 million (€413 million)).

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

NMC Funding pays interest to the bank investors, calculated based on the commercial paper rates for the particular tranches selected. The average interest rate during 2012 was 1.70%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part, as of the reporting date. At December 31, 2012, the additional financial cushion resulting from unutilized credit facilities was approximately €2.1 billion.

Syndicated credit facilities accounted for €1.3 billion. This portion comprises the Fresenius Medical Care 2012 Credit Agreement in the amount of US$1,123 million (€851 million) and the 2008 Senior Credit Agreement in the amount of US$550 million (€416 million). Furthermore, bilateral facilities of approximately €835 million were available. They include credit facilities which subsidiaries of the Fresenius Group have arranged with commercial banks. These credit facilities are used for general corporate purposes and are usually unsecured.

In addition, Fresenius SE & Co. KGaA has a commercial paper program under which up to €500 million in short-term notes can be issued. As of December 31, 2012, no commercial papers were outstanding.

Additional financing of up to US$800 million can be provided using the Fresenius Medical Care accounts receivable facility which had been utilized by US$162 million as of December 31, 2012.

23. SENIOR NOTES

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

	Notional amount	Maturity	Interest rate	Book value € in millions 2012	2011
Fresenius Finance B.V. 2006/2013	€500 million	Jan. 31, 2013	5.00%	**500**	500
Fresenius Finance B.V. 2006/2016	€650 million	Jan. 31, 2016	5.50%	**645**	637
Fresenius Finance B.V. 2012/2019	€500 million	Apr. 15, 2019	4.25%	**500**	0
Fresenius US Finance II, Inc. 2009/2015	€275 million	July 15, 2015	8.75%	**267**	264
Fresenius US Finance II, Inc. 2009/2015	US$500 million	July 15, 2015	9.00%	**369**	372
FMC Finance VI S.A. 2010/2016	€250 million	July 15, 2016	5.50%	**248**	248
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**294**	294
FMC Finance VIII S.A. 2011/2016	€100 million	Oct. 15, 2016	variable	**100**	100
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**396**	395
FMC Finance VIII S.A. 2012/2019	€250 million	July 31, 2019	5.25%	**243**	0
Fresenius Medical Care US Finance, Inc. 2007/2017	US$500 million	July 15, 2017	6.875%	**376**	383
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**489**	498
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**300**	305
Fresenius Medical Care US Finance II, Inc. 2012/2019	US$800 million	July 31, 2019	5.625%	**606**	0
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**531**	0
Senior Notes				**5,864**	3,996

On March 28, 2012, Fresenius Finance B.V. issued unsecured Senior Notes of €500 million at par which are due in 2019. Net proceeds were used for acquisitions, including the acquisition of the Damp Group, to refinance short-term debt and for general corporate purposes.

The Senior Notes issued by Fresenius Finance B.V. which were due on January 31, 2013 are shown as long-term debt in the consolidated statement of financial position as these Senior Notes were refinanced by Senior Notes newly issued in the same amount in January 2013 (see note 37, Subsequent events).

All Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. are guaranteed by Fresenius SE & Co. KGaA, Fresenius Kabi AG and Fresenius ProServe GmbH. The holders have the right to request that the issuers repurchase the Senior Notes at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective Senior Notes. Since January 31, 2011, the Senior Notes of Fresenius Finance B.V. maturing in 2016 were redeemable at the option of the issuer at prices that have already been fixed at the date of issuance in the indentures. In February 2013, these Senior Notes were repaid completely before maturity at a price of 100.916% (see note 37, Subsequent events). All other Senior Notes of Fresenius Finance B.V. and of Fresenius US Finance II, Inc. may be redeemed prior to their maturity at the option of the issuers at a price of 100% plus accrued interest and a premium calculated pursuant to the terms of the indentures under observance of certain notice periods.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the bondholders, which, under certain circumstances, partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the payment of dividends, the volume of capital expenditure, the redemption of subordinated liabilities and the mortgaging or sale of assets, among other items. Some of these restrictions are lifted automatically when the rating of the respective Notes reaches investment grade. In the event of non-compliance with certain terms of the Senior Notes, the bondholders (owning in aggregate more than 25% of the outstanding Senior Notes) are entitled to call the Senior Notes and demand immediate repayment plus interest. As of December 31, 2012, the Fresenius Group was in compliance with all of its covenants.

On January 26, 2012, Fresenius Medical Care US Finance II, Inc. issued unsecured Senior Notes of US$800 million with a coupon of 5.625% at par and unsecured Senior Notes of US$700 million with a coupon of 5.875% at par. In addition, FMC Finance VIII S.A. issued unsecured Senior Notes of €250 million with a coupon of 5.25% at par. The Senior Notes issued by Fresenius Medical Care US Finance II, Inc. in the amount of US$800 million are due on July 31, 2019 and the US$700 million Senior Notes are due on January 31, 2022. The Senior Notes issued by FMC Finance VIII S.A. are due on July 31, 2019. Net proceeds are used for acquisitions, to refinance indebtedness and for general corporate purposes.

On October 17, 2011, FMC Finance VIII S.A. issued €100 million of unsecured, floating-rate Senior Notes at par, which are due in 2016. The Senior Notes carry interest of three-month EURIBOR plus 350 basis points. Net proceeds were used for acquisitions, to repay indebtedness and for general corporate purposes.

On September 14, 2011, Fresenius Medical Care US Finance II, Inc. and FMC Finance VIII S.A. issued unsecured Senior Notes of US$400 million and €400 million, respectively. The Senior Notes have a coupon of 6.5% and are due in 2018. They were issued at an issue price of 98.62% and had a yield to maturity of 6.75%. Net proceeds were used for acquisitions, to refinance indebtedness and for general corporate purposes.

On June 20, 2011, Fresenius Medical Care US Finance, Inc. acquired substantially all of the assets of FMC Finance III S.A. and assumed the obligations of FMC Finance III S.A. under its US$500 million 6.875% Senior Notes due in 2017 and the related indenture. The guarantees of FMC-AG & Co. KGaA, Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (FMC D-GmbH) for these Senior Notes have not been amended and remain in full force and effect.

On February 3, 2011, Fresenius Medical Care US Finance, Inc. and FMC Finance VII S.A. issued unsecured Senior Notes of US$650 million and €300 million, respectively, which are due in 2021. The Senior Notes issued by Fresenius Medical Care US Finance, Inc. with a coupon of 5.75% at an issue price of 99.06% had a yield to maturity of 5.875%. The Senior Notes issued by FMC Finance VII S.A. have a coupon of 5.25% and were issued at par. Net proceeds were used to repay indebtedness, for acquisitions and for general corporate purposes.

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

FMC-AG & Co. KGaA has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of FMC-AG & Co. KGaA and its subsidiaries to, among other things, incur debt, incur liens, engage in sale and leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2012, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all of their covenants under the Senior Notes.

24. MANDATORY EXCHANGEABLE BONDS

To finance the acquisition of APP Pharmaceuticals, Inc. (since 2012: Fresenius Kabi USA, Inc.), Mandatory Exchangeable Bonds (MEB) in an aggregate nominal amount of €554.4 million were issued by Fresenius Finance (Jersey) Ltd. in July 2008. Fresenius Finance B.V. subscribed for these MEB at 100% of their principal amount. Afterwards, the MEB were on-lent to Fresenius SE (since January 28, 2011: Fresenius SE & Co. KGaA), who placed the MEB in the market. The bonds carried a coupon of 5⅝% per annum and matured on August 14, 2011. Upon maturity, the bonds were mandatorily

exchangeable into ordinary shares of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA). Each holder of an MEB received 1,418 ordinary shares of FMC-AG & Co. KGaA per MEB, corresponding to a final conversion price of €35.26. The ordinary shares of FMC-AG & Co. KGaA were owned by Fresenius SE & Co. KGaA and there was no issuance of new shares. Fresenius SE & Co. KGaA's shareholding in FMC-AG & Co. KGaA was thus reduced by 15,722,644 ordinary shares to 30.4% of the ordinary share capital.

The MEB were shown under short-term liabilities in an amount of €554 million until their maturity on August 14, 2011.

The derivative financial instruments embedded in the MEB were measured at fair value and were shown separately in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities until the maturity of the MEB.

25. TRUST PREFERRED SECURITIES

Fresenius Medical Care issued trust preferred securities through Fresenius Medical Care Capital Trusts, statutory trusts organized under the laws of the State of Delaware, United States. Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) owned all of the common securities of these trusts. The sole asset of each trust was a senior subordinated note of FMC-AG & Co. KGaA or a wholly owned subsidiary of FMC-AG & Co. KGaA. FMC-AG & Co. KGaA, Fresenius Medical Care Deutschland GmbH (FMC D-GmbH) and Fresenius Medical Care Holdings, Inc. (FMCH) have guaranteed payment and performance of the senior subordinated notes to the respective Fresenius Medical Care Capital Trusts. The trust preferred securities were guaranteed through a series of undertakings by FMC-AG & Co. KGaA, FMC D-GmbH and FMCH.

The trust preferred securities entitled the holders to distributions at a fixed annual rate of the stated amount and were mandatorily redeemable after 10 years.

On June 15, 2011, Fresenius Medical Care redeemed the trust preferred securities that became due on that date and that were issued in 2001 by Fresenius Medical Care Capital Trust IV and V in the amount of US$225 million and €300 million, respectively, primarily with funds obtained under existing credit facilities.

26. PENSIONS AND SIMILAR OBLIGATIONS

GENERAL

The Fresenius Group recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Fresenius Group. Fresenius Group's pension plans are structured differently according to the legal, economic and fiscal circumstances in each country. The Fresenius Group currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Fresenius Group is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Fresenius Group has funded defined benefit plans in particular in the United States, Norway, the United Kingdom, the Netherlands and Austria. Unfunded defined benefit plans are located in Germany and France.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under Fresenius Group's funded plans, assets are set aside to meet future payment

obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefit obligations and the return on plan assets for that year. A company's pension liability is impacted by these actuarial gains or losses.

In the case of Fresenius Group's funded plans, the defined benefit obligation is offset against the fair value of plan assets. A pension liability is recognized in the consolidated statement of financial position if the defined benefit obligation exceeds the fair value of plan assets. An asset is recognized and reported under other assets in the consolidated statement of financial position if the fair value of plan assets exceeds the defined benefit obligation and if the Fresenius Group has a right of reimbursement against the fund or a right to reduce future payments to the fund.

Under defined contribution plans, the Fresenius Group pays defined contributions to an independent third party as directed by the employee during the employee's service life which satisfies all obligations of the Fresenius Group to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Fresenius Group paid contributions upon leaving the Fresenius Group. The Fresenius Group has a main defined contribution plan in North America.

DEFINED BENEFIT PENSION PLANS

At December 31, 2012, the projected benefit obligation (PBO) of the Fresenius Group of €986 million (2011: €753 million) included €294 million (2011: €260 million) funded by plan assets and €692 million (2011: €496 million) covered by pension provisions. The current portion of the pension liability in an amount of €13 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €679 million is recorded as pension liability.

57% of the pension liabilities in an amount of €692 million relate to the "Versorgungsordnung der Fresenius-Unternehmen" established in 1988 (Pension plan 1988), which applies for most of the German entities of the Fresenius Group except Fresenius Helios. The rest of the pension liabilities relates to individual plans from Fresenius Helios entities in Germany and non-German Group entities.

Plan benefits are generally based on an employee's years of service and final salary. Consistent with predominant practice in Germany, the benefit obligations of the German entities of the Fresenius Group are unfunded. The German Pension Plan 1988 does not have a separate pension fund.

Fresenius Medical Care Holdings, Inc. (FMCH), a subsidiary of Fresenius Medical Care AG & Co. KGaA, has a defined benefit pension plan for its employees in the United States and supplemental executive retirement plans. During the first quarter of 2002, FMCH curtailed these pension plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. FMCH has retained all employee benefit obligations as of the curtailment date. Each year, FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2012, FMCH's minimum funding requirement was US$6.2 million (€4.8 million). In addition to the compulsory contributions, FMCH voluntarily provided US$4.6 million (€3.6 million) to the defined benefit plan. Expected funding for 2013 is US$10.3 million (€7.8 million).

Fresenius Group's benefit obligations relating to fully or partly funded pension plans were €457 million. Benefit obligations relating to unfunded pension plans were €529 million.

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in

benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from Fresenius Group's funded benefit plans.

The funded status has developed as follows:

€ in millions	2012	2011
Benefit obligations at the beginning of the year	**753**	655
Changes in entities consolidated	**18**	4
Foreign currency translation	**-5**	12
Service cost	**20**	19
Prior service cost	**8**	0
Interest cost	**39**	35
Contributions by plan participants	**2**	1
Transfer of plan participants	**–**	–
Curtailments/settlements	**-3**	0
Actuarial losses	**188**	47
Benefits paid	**-31**	-20
Divestitures	**-2**	0
Amendments	**-1**	–
Benefit obligations at the end of the year	**986**	753
thereof vested	**849**	638
Fair value of plan assets at the beginning of the year	**260**	261
Changes in entities consolidated	**15**	–
Foreign currency translation	**-3**	6
Actual return on plan assets	**26**	-4
Contributions by the employer	**14**	6
Contributions by plan participants	**1**	1
Settlements	**-1**	–
Transfer of plan participants	**0**	–
Benefits paid	**-18**	-10
Fair value of plan assets at the end of the year	**294**	260
Funded status as of December 31	**692**	493

As of December 31, 2012, the fair value of plan assets did not exceed the benefit obligations in any pension plan. As of December 31, 2011, the fair value of plan assets of €45 million relating to one single pension plan exceeded the corresponding benefit obligations of €42 million. The resulting amount of €3 million was recognized as an asset. In 2011, for all the remaining pension plans of the Fresenius Group, the benefit obligations exceeded the fair value of plan assets and resulted in a total amount of €496 million recognized as a pension liability.

The discount rates for all plans are based upon yields of portfolios of equity and highly rated debt instruments with maturities that mirror the plan's benefit obligation. Fresenius Group's discount rate is the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

in %	2012	2011
Discount rate	**4.04**	5.15
Rate of compensation increase	**3.11**	3.12
Rate of pension increase	**1.67**	1.71

At December 31, 2012, the accumulated benefit obligations for all defined benefit pension plans were €913 million (2011: €703 million).

The following table relates to pension plans with projected benefit obligations and accumulated benefit obligations in excess of plan assets:

€ in millions	2012	2011
Projected benefit obligation (PBO)	**986**	711
Accumulated benefit obligation (ABO)	**913**	667
Fair value of plan assets	**294**	215

The pre-tax changes of other comprehensive income (loss) relating to pension liabilities during the years 2012 and 2011 are shown in the following tables:

€ in millions	As of Jan. 1, 2012	Reclassifications[1]	Additions	Foreign currency translation	As of Dec. 31, 2012
Actuarial gains and losses	-173	15	-171	–	**-329**
Prior service cost	3	5	-9	–	**-1**
Transition obligation	-1	–	–	–	**-1**
Adjustments related to pension liabilities	-171	20	-180	–	**-331**

[1] Effects recognized in the consolidated statement of income

€ in millions	As of Jan. 1, 2011	Reclassifications[1]	Additions	Foreign currency translation	As of Dec. 31, 2011
Actuarial gains and losses	-107	8	-68	-6	**-173**
Prior service cost	3	–	–	–	**3**
Transition obligation	-1	–	–	–	**-1**
Adjustments related to pension liabilities	-105	8	-68	-6	**-171**

[1] Effects recognized in the consolidated statement of income

For the tax effects on other comprehensive income at December 31, 2012 see note 29, Other comprehensive income (loss).

The Fresenius Group expects the following amounts to be amortized from other comprehensive income into net periodic pension cost in the year 2013:

€ in millions	2013
Actuarial gains and losses	23
Prior service cost	2
Transition obligation	–

Defined benefit pension plans' net periodic benefit costs of €62 million (2011: €45 million) were comprised of the following components:

€ in millions	2012	2011
Service cost	**20**	19
Interest cost	**39**	35
Expected return on plan assets	**-16**	-17
Amortization of unrealized actuarial losses, net	**15**	8
Amortization of prior service costs	**4**	–
Amortization of transition obligations	**1**	–
Settlement loss	**-1**	0
Net periodic benefit cost	**62**	45

Net periodic benefit cost is allocated as personnel expense within cost of sales or selling, general and administrative expenses as well as research and development expenses. The allocation depends upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

in %	2012	2011
Discount rate	**5.07**	5.40
Expected return of plan assets	**5.21**	5.50
Rate of compensation increase	**3.29**	3.30

Changes in the discount factor, inflation and mortality assumptions used for the actuarial computation resulted in actuarial losses in 2012 which increased the fair value of the defined benefit obligation. Unrecognized actuarial losses were €329 million (2011: €173 million).

The following table shows the expected benefit payments for the next 10 years:

for the fiscal years	€ in millions
2013	27
2014	28
2015	30
2016	35
2017	36
2018 to 2022	216
Total expected benefit payments	**372**

The Fresenius Group uses December 31, 2012 as the measurement date in determining the funded status of all plans.

The major part of pension liabilities relates to Germany. At December 31, 2012, 67% of the pension liabilities were recognized in Germany, 33% in the rest of Europe and North America.

63% of the beneficiaries were located in North America, 29% in Germany and the remainder throughout the rest of Europe and other continents.

The fair values of plan assets by categories were as follows:

€ in millions	December 31, 2012 Quoted prices in active markets for identical assets Level 1	December 31, 2012 Significant observable inputs Level 2	December 31, 2012 Total	December 31, 2011 Quoted prices in active markets for identical assets Level 1	December 31, 2011 Significant observable inputs Level 2	December 31, 2011 Total
Categories of plan assets						
Equity investments	**38**	**44**	**82**	31	43	74
Index funds[1]	**32**	**44**	**76**	27	43	70
Other equity investments	**6**	**0**	**6**	4	0	4
Fixed income investments	**63**	**117**	**180**	50	113	163
Government securities[2]	**29**	**1**	**30**	25	2	27
Corporate bonds[3]	**21**	**116**	**137**	13	111	124
Other fixed income investments[4]	**13**	**–**	**13**	12	–	12
Other[5]	**30**	**2**	**32**	21	2	23
Total	**131**	**163**	**294**	102	158	260

[1] This category mainly comprises low-cost equity index funds not actively managed that track the S & P 500, S & P 400, Russell 2000, the MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.
[2] This category primarily comprises fixed income investments by the U.S. government and government sponsored entities.
[3] This category primarily represents investment grade bonds of U.S. issuers from diverse industries.
[4] This category mainly comprises private placement bonds as well as collateralized mortgage obligations and funds that invest in treasury obligations directly or in treasury backed obligations.
[5] This category mainly represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

The methods and inputs used to measure the fair value of plan assets are as follows:

Index funds are valued based on market quotes.

Other equity investments are valued at their market prices as of the date of the statement of financial position.

Government bonds are valued based on both market prices (Level 1) and market quotes (Level 2).

Corporate bonds and other bonds are valued based on market quotes as of the date of the statement of financial position.

Cash is stated at nominal value which equals the fair value.

U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market prices.

Plan investment policy and strategy

For the North American funded plan, the Fresenius Group periodically reviews the assumptions for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the expected rate of return on pension plan assets of the North American pension plan was 7.0% for the year 2012.

The overall investment strategy for the North American pension plan is to achieve a mix of approximately 96% of investments for long-term growth and 4% for near-term benefit payments with a wide diversification of asset types, fund strategies and fund managers.

The target allocations for plan assets in North America are 35% equity securities and 65% long-term U.S. bonds. The investment policy considers that there will be a time horizon for invested funds of more than five years. The total portfolio

will be measured against a policy index that reflects the asset class benchmarks and the target asset allocation. The plan policy does not allow investments in securities of Fresenius Medical Care AG & Co. KGaA or other related party securities. The performance benchmarks for the separate asset classes include: S & P 500 Index, S & P 400 Index, Russell 2000 Growth Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long Term Government Index and Barclays Capital 20 Year U.S. Treasury Strip Index.

The following schedule describes Fresenius Group's allocation for its funded plans.

in %	**Allocation 2012**	Allocation 2011	Target allocation
Equity investments	**27.99**	28.47	35.07
Fixed income investments	**61.24**	62.58	57.64
Other incl. real estate	**10.77**	8.95	7.29
Total	**100.00**	100.00	100.00

The overall expected long-term rate of return on assets of the Fresenius Group amounts to 6.05% compounded annually. Contributions to plan assets for the fiscal year 2013 are expected to amount to €15 million.

DEFINED CONTRIBUTION PLANS

Fresenius Group's total expense under defined contribution plans for 2012 was €84 million (2011: €63 million). Of this amount, €45 million related to contributions by the Fresenius Group to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds for employees of Fresenius Helios. Further €30 million related to contributions to the North American savings plan, which employees of FMCH can join.

Following applicable collective bargaining agreements, the Fresenius Group pays contributions for a given number of employees of Fresenius Helios to the Rheinische Zusatzversorgungskasse (a supplementary pension fund) and to other public supplementary pension funds (together referred to as ZVK ÖD) to complement statutory retirement pensions. Given that employees from multiple participating entities are insured by these ZVK ÖDs, these plans are Multi-Employer plans. Employees are entitled to the benefits defined in the statutes regardless of the contributed amounts.

The plan operates on a pay-as-you-earn system based on applying a collection rate to given parts of gross remuneration.

Paid contributions are accounted for as personnel expenses within cost of sales and selling, general and administrative expenses and amounted to €45 million in 2012 (2011: €31 million). Thereof €13 million were payments to the Rheinische Zusatzversorgungskasse (2011: €15 million).

Further disclosures are either irrelevant or immaterial for plans in supplementary pension funds or the necessary information cannot be obtained from the ZVK ÖDs without undue cost and effort.

Under the North American savings plan, employees can deposit up to 75% of their pay up to an annual maximum of US$16,500 if under 50 years old (US$22,000 if 50 or over). Fresenius Medical Care will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. Fresenius Medical Care's total expense under this defined contribution plan for the years ended December 31, 2012 and 2011 was €30 million and €24 million, respectively.

27. NONCONTROLLING INTEREST

NONCONTROLLING INTEREST SUBJECT TO PUT PROVISIONS

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

Noncontrolling interest subject to put provisions changed as follows:

€ in millions	2012
Noncontrolling interest subject to put provisions as of January 1, 2012	**317**
Noncontrolling interest subject to put provisions in profit	72
Purchase of noncontrolling interest subject to put provisions	116
Dividend payments	-87
Currency effects, first-time consolidations and other changes	-20
Noncontrolling interest subject to put provisions as of December 31, 2012	**398**

As of December 31, 2012 and 2011, €173 million and €88 million, respectively, were exercisable. One put option was exercised for a total consideration of €2 million in 2012.

NONCONTROLLING INTEREST NOT SUBJECT TO PUT PROVISIONS

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

€ in millions	2012	2011
Noncontrolling interest not subject to put provisions in Fresenius Medical Care AG & Co. KGaA	**4,692**	4,254
Noncontrolling interest not subject to put provisions in VAMED AG	**33**	28
Noncontrolling interest not subject to put provisions in the business segments		
Fresenius Medical Care	**201**	123
Fresenius Kabi	**86**	63
Fresenius Helios	**111**	136
Fresenius Vamed	**2**	2
Total noncontrolling interest not subject to put provisions	**5,125**	4,606

Due to the maturity of the Mandatory Exchangeable Bonds on August 14, 2011, Fresenius SE & Co. KGaA's shareholding in Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) was reduced by 15,722,644 ordinary shares to 30.4% of the ordinary share capital. From November 2011 to February 2012, Fresenius SE & Co. KGaA purchased 3,500,000 ordinary shares of FMC-AG & Co. KGaA. Therewith, Fresenius SE & Co. KGaA's shareholding in FMC-AG & Co. KGaA amounted to 31.2% of the ordinary share capital as of December 31, 2012.

Noncontrolling interest not subject to put provisions changed as follows:

€ in millions	2012
Noncontrolling interest not subject to put provisions as of January 1, 2012	**4,606**
Noncontrolling interest not subject to put provisions in profit	734
Stock options	79
Purchase of noncontrolling interest not subject to put provisions	56
Dividend payments	-204
Purchase of ordinary shares of FMC-AG & Co. KGaA	-43
Currency effects, first-time consolidations and other changes	-103
Noncontrolling interest not subject to put provisions as of December 31, 2012	**5,125**

28. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

Development of subscribed capital

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

During the fiscal year 2012, 1,150,924 stock options were exercised. Consequently, as of December 31, 2012, the subscribed capital of Fresenius SE & Co. KGaA, including the new shares of the capital increase, consisted of 178,188,260 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

Notification by shareholders

The following table shows the notifications disclosed in 2012 in accordance with Section 26 (1) of the German Securities Trading Act (WpHG). They reflect the corresponding level of investments held in Fresenius SE & Co. KGaA:

Notifying party	Date of reaching, exceeding or falling below	Reporting threshold	Attribution pursuant to Section 22 WpHG	Percentage of voting rights	Number of voting rights
BlackRock, Inc., New York, United States [1]	April 25, 2012	Falling below 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	4.88	7,974,870
BlackRock, Inc., New York, United States [2]	May 4, 2012	Exceeding 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	5.36	8,756,380
Deutsche Bank AG, Frankfurt am Main, Germany	May 15, 2012	Exceeding 3% and 5%		6.34	11,228,068
			thereof pursuant to Sections 21 and 22	5.79	10,250,631
			thereof pursuant to Section 25	0.17	300,000
			thereof pursuant to Section 25a	0.38	677,437
Deutsche Bank AG, Frankfurt am Main, Germany	May 16, 2012	Falling below 3% and 5%		0.45	793,326
			thereof pursuant to Sections 21 and 22	0.00	0
			thereof pursuant to Section 25	0.00	0
			thereof pursuant to Section 25a	0.45	793,326
BlackRock Advisors Holdings, Inc., New York, United States	July 23, 2012	Exceeding 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	5.05	8,954,443
BlackRock Advisors Holdings, Inc., New York, United States	August 28, 2012	Falling below 5%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	4.98	8,847,524
The Capital Group Companies, Inc., Los Angeles, United States [3]	November 2, 2012	Exceeding 3%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2 and 3	3.12	5,557,985
BlackRock Group Limited, London, Great Britain	November 9, 2012	Falling below 3%	Section 22 (1) sentence 1 No. 6 in connection with (1) sentence 2	2.91	5,185,231

[1] Attribution of voting rights via: BlackRock International Holdings, Inc., BR Jersey International Holdings LP, BlackRock Group Limited
[2] Attribution of voting rights via: BlackRock Holdco 2, Inc., BlackRock Financial Management, Inc., BlackRock International Holdings, Inc., BR Jersey International Holdings LP, BlackRock Group Limited
[3] Attribution of voting rights via: Capital Research and Management Company

The Else Kröner-Fresenius-Stiftung as major shareholder informed Fresenius SE & Co. KGaA on December 19, 2012, that it holds 48,231,698 ordinary shares of Fresenius SE & Co. KGaA representing 27.07% of the subscribed capital on December 31, 2012.

All WpHG-notifications by shareholders are published on the website of the Company www.fresenius.com under Investor Relations – Fresenius Share/ADR – Shareholder Structure.

AUTHORIZED CAPITAL

By resolution of the Annual General Meeting on May 13, 2011, the previous Authorized Capitals I to V were revoked and a new Authorized Capital I was created.

In accordance with the new provision in the articles of association of Fresenius SE & Co. KGaA, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 12, 2016, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €40,320,000 through a single issue or multiple issues of new bearer ordinary shares against cash contributions and/or contributions in kind (Authorized Capital I). A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (e. g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, the proportionate amount of the shares issued with exclusion of subscription rights may

not exceed 10% of the subscribed capital neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization. In the case of a contribution in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company. The authorizations granted concerning the exclusion of subscription rights can be used by the general partner only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 20% of the subscribed capital, neither at the time of the resolution on the authorization nor at the time of the utilization of the authorization.

The changes to the Authorized Capital became effective upon registration of the amendments to the articles of association with the commercial register on July 11, 2011.

Due to the capital increase, the Authorized Capital I decreased by €13.8 million to €26,520,000 at December 31, 2012.

CONDITIONAL CAPITAL

Corresponding to the stock option plans, the Conditional Capital of Fresenius SE & Co. KGaA is divided into Conditional Capital I, Conditional Capital II and Conditional Capital III. These are used to satisfy the subscription rights in connection with previously issued stock options or convertible bonds, as the case may be, for bearer ordinary shares under the stock option plans of 1998, 2003 and 2008 (see note 35, Stock options).

By resolution on May 11, 2012, the Annual General Meeting of Fresenius SE & Co. KGaA authorized the general partner, with the approval of the Supervisory Board, until May 10, 2017, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €16,323,734 through issuing of up to 16,323,734 new bearer ordinary shares (Conditional Capital IV). The change of Fresenius SE & Co. KGaA's articles of association with regard to the Conditional Capital IV became effective upon registration with the commercial register on July 4, 2012. The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash or of warrants from option bonds issued for cash exercise their conversion or option rights and as long as no other forms of settlement are used (Conditional Capital IV). The new bearer ordinary shares shall participate in the profits from the start of the fiscal year in which they are issued.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 1998	888,428
Conditional Capital II Fresenius AG Stock Option Plan 2003	2,976,630
Conditional Capital III Fresenius SE Stock Option Plan 2008	6,024,524
Total Conditional Capital as of January 1, 2012	**9,889,582**
Fresenius AG Stock Option Plan 1998 – options exercised	-30,458
Fresenius AG Stock Option Plan 2003 – options exercised	-479,376
Fresenius SE Stock Option Plan 2008 – options exercised	-641,090
Conditional Capital IV, approved on May 11, 2012	16,323,734
Total Conditional Capital as of December 31, 2012	**25,062,392**

CAPITAL RESERVES

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

In the second quarter of 2012, the capital reserves increased by €989 million in connection with Fresenius SE & Co. KGaA's capital increase. The accrued expenses less applicable tax benefit were charged in an amount of €11 million against the capital reserves.

OTHER RESERVES

Other reserves comprise earnings generated by Group entities in prior years to the extent that they have not been distributed.

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE & Co. KGaA as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2012, a dividend of €0.95 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid. The total dividend payment was €155 million.

29. OTHER COMPREHENSIVE INCOME (LOSS)

Other comprehensive income (loss) comprises all amounts recognized directly in equity (net of tax) resulting from the currency translation of foreign subsidiaries' financial statements and the effects of measuring financial instruments at their fair value as well as the change in benefit obligation.

Changes in the components of other comprehensive income (loss) in 2012 and 2011 were as follows:

€ in millions	Amount before taxes	Tax effect	Total before noncontrolling interest after taxes	Noncontrolling interest	Total after taxes
Cash flow hedges	-26	5	-21	-33	-54
Change in unrealized gains/losses	-35	9	-26	-34	-60
Realized gains/losses due to reclassifications	9	-4	5	1	6
Change of fair value of available for sale financial assets	-8	–	-8	–	-8
Foreign currency translation	-13	35	22	53	75
Actuarial losses on defined benefit pension plans	-22	8	-14	-27	-41
Total changes 2011	-69	48	-21	-7	-28
Cash flow hedges	28	-5	23	-1	22
Change in unrealized gains/losses	15	-4	11	-8	3
Realized gains/losses due to reclassifications	13	-1	12	7	19
Change of fair value of available for sale financial assets	-9	–	-9	–	-9
Foreign currency translation	-82	2	-80	-82	-162
Actuarial losses on defined benefit pension plans	-106	30	-76	-36	-112
Total changes 2012	**-169**	**27**	**-142**	**-119**	**-261**

Changes in accumulated other comprehensive income (loss) net of tax by component in 2012 and 2011 were as follows:

€ in millions	Gains/losses on cash flow hedges	Change of fair value of available for sale financial assets	Foreign currency translation	Pension obligations	Total, before non-controlling interest	Non-controlling interest	Total
Balance December 31, 2010	-124	–	226	-67	35	139	174
Other comprehensive income before reclassifications	-26	-8	22	-17	-29	-11	-40
Amounts reclassified from accumulated other comprehensive income	5	0	–	3	8	4	12
Net current-period other comprehensive income	-21	-8	22	-14	-21	-7	-28
Balance December 31, 2011	-145	-8	248	-81	14	132	146
Other comprehensive income before reclassifications	11	-9	-80	-83	-161	-132	-293
Amounts reclassified from accumulated other comprehensive income	12	0	–	7	19	13	32
Net current-period other comprehensive income	23	-9	-80	-76	-142	-119	-261
Balance December 31, 2012	**-122**	**-17**	**168**	**-157**	**-128**	**13**	**-115**

Reclassifications out of accumulated other comprehensive income (loss) in 2012 and 2011 were as follows:

€ in millions	Amount of gain or loss reclassified from accumulated other comprehensive (income) loss		Affected line item in the consolidated statement of income
	2012	2011	
Details about accumulated other comprehensive (income) loss components			
Gains/losses on cash flow hedges			
Interest rate contracts	**29**	14	Interest income/expense
Foreign exchange contracts	**-4**	-3	Cost of sales
Foreign exchange contracts	**-3**	-1	Selling, general and administrative expenses
Foreign exchange contracts	**–**	0	Interest income/expense
Total before tax	**22**	10	
Tax expense or benefit	**-3**	-4	
Net of tax	**19**	6	
Amortization of defined benefit pension items			
Prior service costs	**5**	–	[1]
Transition obligations	**–**	–	[1]
Actuarial gains and losses	**15**	8	[1]
Total before tax	**20**	8	
Tax expense or benefit	**-7**	-2	
Net of tax	**13**	6	
Total reclassifications for the period	**32**	12	

[1] Net periodic benefit cost is allocated as personnel expense within cost of sales or selling, general and administrative expenses as well as research and development expenses.

OTHER NOTES

30. COMMITMENTS AND CONTINGENT LIABILITIES

OPERATING LEASES AND RENTAL PAYMENTS

Fresenius Group's subsidiaries lease office and manufacturing buildings as well as machinery and equipment under various lease agreements expiring on dates through 2101. Rental expense recorded for operating leases for the years ended December 31, 2012 and 2011 was €565 million and €497 million, respectively.

Future minimum rental payments under non-cancellable operating leases for the years subsequent to December 31, 2012 are:

for the fiscal years	€ in millions
2013	502
2014	434
2015	372
2016	310
2017	297
Thereafter	1,041
Total	**2,956**

As of December 31, 2012, future investment commitments existed up to the year 2017 from the acquisition contracts for hospitals at projected costs of up to €341 million. Thereof €127 million relates to the year 2013.

Besides the above mentioned contingent liabilities, the amount of other commitments is immaterial.

LEGAL PROCEEDINGS

The Fresenius Group is routinely involved in numerous claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Fresenius Group currently deems to be material are described below. For the matters described below in which the Fresenius Group believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Fresenius Group believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Commercial litigation

W.R. Grace & Co. lawsuit

Fresenius Medical Care was originally formed as a result of a series of transactions it completed pursuant to the Agreement and Plan of Reorganization dated as of February 4, 1996, by and between W.R. Grace & Co. and Fresenius SE (the Merger). At the time of the Merger, a W.R. Grace & Co. subsidiary known as W.R. Grace & Co.-Conn. had, and continues to have, significant liabilities arising out of product-liability related litigation (including asbestos-related actions), pre-Merger tax claims and other claims unrelated to National Medical Care, Inc. (NMC), which was W.R. Grace & Co.'s dialysis business prior to the Merger. In connection with the Merger, W.R. Grace & Co.-Conn. agreed to indemnify Fresenius Medical Care, Fresenius Medical Care Holdings, Inc. (FMCH), and NMC against all liabilities of W.R. Grace & Co., whether relating to events occurring before or after the Merger, other than liabilities arising from or relating to NMC's operations. W.R. Grace & Co. and certain of its subsidiaries filed for reorganization under Chapter 11 of the U.S. Bankruptcy Code (the Grace Chapter 11 Proceedings) on April 2, 2001.

Prior to and after the commencement of the Grace Chapter 11 Proceedings, class action complaints were filed against W.R. Grace & Co. and FMCH by plaintiffs claiming to be creditors of W.R. Grace & Co.-Conn., and by the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate in the Grace Chapter 11 Proceedings, alleging, among other things that the Merger was a fraudulent conveyance, violated the uniform fraudulent transfer act and constituted a conspiracy. All such cases have been stayed and transferred to or are pending before the U.S. District Court as part of the Grace Chapter 11 Proceedings.

In 2003, Fresenius Medical Care reached agreement with the asbestos creditors' committees on behalf of the W.R. Grace & Co. bankruptcy estate and W.R. Grace & Co. in the matters pending in the Grace Chapter 11 Proceedings for the settlement of all fraudulent conveyance and tax claims against it and other claims related to Fresenius Medical Care that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and Fresenius Medical Care will receive protection against existing and potential future W.R. Grace & Co. related claims, including fraudulent conveyance and asbestos claims, and indemnification against income tax claims related to the non-NMC members of the W.R. Grace & Co. consolidated tax group upon confirmation of a W.R. Grace & Co. bankruptcy reorganization plan that contains such provisions. Under the Settlement Agreement, Fresenius Medical Care will pay a total of US$115 million without interest to the W.R. Grace & Co. bankruptcy estate, or as otherwise directed by the Court, upon plan confirmation. No admission of liability has been or will be made. The Settlement Agreement has been approved by the U.S. District Court. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the plan of reorganization and the confirmation orders were affirmed by the U.S. District Court on January 31, 2012. Multiple parties have appealed to the Third Circuit Court of Appeals and the plan of reorganization will not be implemented until the appeals are finally resolved.

Subsequent to the Merger, W.R. Grace & Co. was involved in a multi-step transaction involving Sealed Air Corporation (Sealed Air, formerly known as Grace Holding, Inc.). Fresenius Medical Care is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by Fresenius Medical Care relating to pre-Merger tax liabilities and Merger-related claims. Under the Settlement Agreement, upon final confirmation of a plan of reorganization that satisfies the conditions of Fresenius Medical Care's payment obligation, this litigation will be dismissed with prejudice.

Baxter patent dispute "touchscreen interfaces" (1)
On April 4, 2003, FMCH filed a suit in the U.S. District Court for the Northern District of California, styled Fresenius USA, Inc., et al., v. Baxter International, Inc., et al., Case No. C 03-1431, seeking a declaratory judgment that FMCH does not infringe patents held by Baxter International, Inc. and its subsidiaries and affiliates (Baxter), that the patents are invalid, and that Baxter is without right or authority to threaten or maintain suit against FMCH for alleged infringement of Baxter's patents. In general, the asserted patents concern the use of touch screen interfaces for hemodialysis machines. Baxter filed counterclaims against FMCH seeking more than US$140 million in monetary damages and injunctive relief, and alleging that FMCH willfully infringed on Baxter's patents. On July 17, 2006, the court entered judgment on a jury verdict in favor of FMCH finding all asserted claims of Baxter patents invalid as obvious and/or anticipated in light of prior art.

On February 13, 2007, the court granted Baxter's motion to set aside the jury's verdict in favor of FMCH and reinstated the patents and entered judgment of infringement. Following a trial on damages, the court entered judgment on November 6, 2007 in favor of Baxter on a jury award of US$14.3 million. On April 4, 2008, the court denied Baxter's motion for a new trial, established a royalty payable to Baxter of 10% of the sales price for continuing sales of FMCH's 2008K hemodialysis machines and 7% of the sales price of related disposables, parts and service beginning November 7, 2007, and enjoined sales of the touchscreen-equipped 2008K machine effective January 1, 2009. Fresenius Medical Care appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, Fresenius Medical Care completed design modifications to the 2008K machine that eliminate any incremental hemodialysis machine royalty payment exposure under the District Court order. On September 10, 2009, the Federal Circuit reversed the district court's decision and determined that the asserted claims in two of the three patents at issue are invalid. As to the third patent, the Federal Circuit affirmed the district court's decision; however, the Court also vacated the injunction and award of damages. These issues were remanded to the District Court for reconsideration in light of the invalidity ruling on most of the claims. As a result, FMCH is no longer required to fund the court-approved escrow account set up to hold the royalty payments ordered by the district court. Funds of US$70 million were contributed to the escrow fund. Upon remand, the district court reduced the post verdict damages award to US$10 million and US$61 million of the escrowed funds was returned to FMCH. In the parallel reexamination of the last surviving patent, the U.S. Patent and Trademark Office (USPTO) and the Board of Patent Appeals and Interferences ruled that the remaining Baxter patent is invalid. On May 17, 2012, the Federal Circuit affirmed the USPTO's ruling and invalidated the final remaining Baxter patent. Baxter's request to the Federal Circuit for a rehearing has been denied, and the Federal Circuit has issued a mandate to the USPTO to cancel the claims of the last remaining asserted Baxter HD patent. Baxter has appealed to the Federal Circuit claiming that approximately US$20 million of damages awarded to it by the District Court before the Federal Circuit affirmed the USPTO ruling constitutes a final judgment hat may be collected. FMCH is opposing this appeal.

Baxter patent dispute "Liberty Cycler"

On August 27, 2012, Baxter filed suit in the U.S. District Court for the Northern District of Illinois, styled Baxter International Inc., et al., v. Fresenius Medical Care Holdings, Inc., Case No. 12-cv-06890, alleging that FMCH's Liberty™ cycler infringes certain U.S. patents that were issued to Baxter between October 2010 and June 2012. Fresenius Medical Care believes it has valid defenses to these claims, and will defend this litigation vigorously.

Product liability litigation

On December 12, 2012, a group of plaintiffs' counsel filed a petition to form a federal multidistrict litigation and thereby consolidate certain lawsuits alleging wrongful death and personal injury claims against FMCH and its affiliates. The complaints to be consolidated for pre-trial management allege generally that inadequate labeling and warnings for FMCH's dialysate concentrate products NaturaLyte® and Granuflo® caused harm to patients. In addition, a substantial number of similar state court cases have been filed that cannot be formally consolidated with the federal cases. FMCH believes that these lawsuits are without merit, and will defend them vigorously. In one case, the complaint was formally served on Fresenius SE & Co. KGaA and Fresenius Management SE causing both companies to be formally involved in the litigation. Both companies also believe the lawsuits to be without merit and intend to defend them vigorously.

Other litigation and potential exposures

Renal Care Group – Class action "acquisition"

Renal Care Group, Inc. (RCG), which Fresenius Medical Care acquired in 2006, is named as a nominal defendant in a complaint originally filed September 13, 2006 in the Chancery Court for the State of Tennessee Twentieth Judicial District at Nashville styled Indiana State District Council of Laborers and Hod Carriers Pension Fund v. Gary Brukardt et al. Following the trial court's dismissal of the complaint, plaintiff's appeal in part, and reversal in part by the appellate court, the cause of action purports to be a class action on behalf of former shareholders of RCG and seeks monetary damages only against the individual former directors of RCG. The individual defendants, however, may have had claims for indemnification and reimbursement of expenses against Fresenius Medical Care. Subject to the approval of the Nashville Chancery Court, the plaintiff has agreed to dismiss the complaint with prejudice against the plaintiff and all other class members in exchange for a payment that is not material to Fresenius Medical Care.

Fresenius Medical Care Holdings – Qui tam complaint (Massachusetts)

On February 15, 2011, a qui tam relator's complaint under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. The United States has not intervened in the case United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleges that FMCH seeks and receives reimbursement from government payors for serum ferritin and hepatitis B laboratory tests that are medically unnecessary or not properly ordered by a physician. On March 6, 2011, the United States Attorney for the District of Massachusetts issued a Civil Investigative Demand seeking the production of documents related to the same laboratory tests that are the subject of the relator's complaint. FMCH has cooperated fully in responding to the additional Civil Investigative Demand, and will vigorously contest the relator's complaint.

Subpoena "New York"

On June 29, 2011, FMCH received a subpoena from the United States Attorney for the Eastern District of New York (E.D.N.Y). On December 6, 2011, a single Company facility in New York received a subpoena from the Office of the Inspector General of the Department of Health and Human Services that was substantially similar to the one issued by the U.S. Attorney for the E.D.N.Y. These subpoenas are part of a criminal and civil investigation into relationships between retail pharmacies and outpatient dialysis facilities in the State of New York and into the reimbursement under government payor programs in New York for medications provided to patients with end-stage renal disease. Among the issues encompassed by the investigation is whether retail pharmacies may have provided or received compensation from the New York Medicaid program for pharmaceutical products that should be provided by the dialysis facilities in exchange for the New York Medicaid payment to the dialysis facilities. FMCH has cooperated in the investigation.

Subpoena "American Access Care, LLC"

Civil investigative demands were issued under the supervision of the United States Attorneys for Rhode Island and Connecticut to American Access Care, LLC (AAC) and certain affiliated entities prior to Fresenius Medical Care's acquisition of AAC in October 2011. In March 2012, a third subpoena was issued under the supervision of the United States Attorney for the Southern District of Florida (Miami). The subpoenas cover a wide range of documents and activities of AAC, but appear to focus on coding and billing practices and procedures. Fresenius Medical Care has assumed responsibility for responding to the subpoenas and is cooperating fully with the United States Attorneys.

Internal review

Fresenius Medical Care has received communications alleging certain conduct in certain countries outside the United States and Germany that may violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. In response to the allegations, the Audit and Corporate Governance Committee of Fresenius Medical Care's Supervisory Board is conducting an internal review with the assistance of independent counsel retained for such purpose. Fresenius Medical Care voluntarily advised the U.S. Securities and Exchange Commission and the U.S. Department of Justice that allegations have been made and of Fresenius Medical Care's internal review. Fresenius Medical Care has also directed its independent counsel, in conjunction with Fresenius Medical Care's Compliance Department, to review Fresenius Medical Care's compliance program including internal controls related to compliance with international anti-bribery laws and implement appropriate enhancements. Fresenius Medical Care is fully committed to FCPA compliance. It cannot predict the final outcome of its review.

Subpoenas "Massachusetts and Louisiana"

In December 2012 and January 2013, FMCH received subpoenas from the United States Attorneys for the District of Massachusetts and the Western District of Louisiana requesting production of a range of documents relating to products manufactured by FMCH, including the Granuflo® and Naturalyte® dialysate concentrate products. FMCH intends to cooperate fully in these matters.

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

The Fresenius Group, like other health care providers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. The Fresenius Group must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, and other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from Fresenius Group's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence "qui tam" or "whistle blower" actions. In May 2009, the scope of the False Claims Act was expanded and additional protections for whistle blowers and procedural provisions to aid whistle blowers' ability to proceed in a False Claims Act case were added. By virtue of this regulatory environment, Fresenius Group's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, investigative demands, subpoenas, other inquiries, claims and litigation relating to Fresenius Group's compliance with applicable laws and regulations. The Fresenius Group may not always be aware that an inquiry or action has begun, particularly in the case of "whistle blower" actions, which are initially filed under court seal.

The Fresenius Group operates many facilities throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Fresenius Group relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these

employees. On occasion, the Fresenius Group may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene Fresenius Group's policies or violate applicable law. The actions of such persons may subject the Fresenius Group and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act and the Foreign Corrupt Practices Act, among other laws and comparable laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Fresenius Group has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Fresenius Group maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Fresenius Group or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on Fresenius Group's reputation and business.

The Fresenius Group has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Fresenius Group has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Fresenius Group or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on Fresenius Group's reputation and business.

Accrued special charge of Fresenius Medical Care for legal matters

At December 31, 2001, Fresenius Medical Care recorded a pre-tax special charge of US$258 million to reflect anticipated expenses associated with the defense and resolution of pre-Merger tax claims, Merger-related claims, and commercial insurer claims. The costs associated with the Settlement Agreement and settlements with insurers have been charged against this accrual. With the exception of the proposed US$115 million (€87 million) payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While Fresenius Medical Care believes that its remaining accrual reasonably estimates its currently anticipated costs related to the continued defense and resolution of this matter, no assurances can be given that its actual costs incurred will not exceed the amount of this accrual.

31. FINANCIAL INSTRUMENTS

The relationship between classes and categories as well as the reconciliation to the statement of financial position line items is shown in the following table:

Classes	Categories				
	Loans and receivables	Financial liabilities measured at amortized cost	Financial liabilities/assets measured at fair value in the consolidated statement of income	Available for sale financial assets	Relating to no category
Cash and cash equivalents					▸ Cash and cash equivalents
Assets recognized at carrying amount	▸ Trade accounts receivable (incl. receivables from and loans to related parties) ▸ Other non-current assets (solely loan to Renal Advantage Partners, LLC) (until February 28, 2012)				
Assets recognized at fair value				▸ German government securities ▸ Shares	
Liabilities recognized at carrying amount		▸ Trade accounts payable ▸ Short-term accounts payable to related parties ▸ Short-term debt (incl. short-term loans from related parties) ▸ Long-term debt excluding capital lease obligations ▸ Senior Notes ▸ Trust preferred securities (until June 15, 2011) ▸ Mandatory exchangeable bonds (excluding embedded derivatives) (until August 14, 2011)			▸ Long-term capital lease obligations
Liabilities recognized at fair value			▸ Other short-term liabilities (solely Contingent Value Rights (until March 31, 2011) and derivatives embedded in the Mandatory Exchangeable Bonds (until August 14, 2011))		
Noncontrolling interest subject to put provisions recognized at fair value					▸ Noncontrolling interest subject to put provisions
Derivatives for hedging purposes			▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities		▸ Other current assets ▸ Other non-current assets ▸ Other short-term liabilities ▸ Other long-term liabilities

The derivative financial instruments embedded in the Mandatory Exchangeable Bonds (MEB) were included in the statement of financial position item short-term accrued expenses and other short-term liabilities until the maturity of the MEB (for details relating to the MEB, please see note 24, Mandatory Exchangeable Bonds). Due to their special character and the difference in valuation, the embedded derivatives were classified separately. Also because of their special character and different valuation, the Contingent Value Rights (CVR) were classified separately from their statement of financial position item.

VALUATION OF FINANCIAL INSTRUMENTS

The carrying amounts of financial instruments at December 31, classified into categories, were as follows:

€ in millions	2012	2011
Loans and receivables	**3,668**	3,428
Financial liabilities measured at amortized cost	**11,897**	10,574
Assets measured at fair value in the consolidated statement of income[1]	**37**	44
Liabilities measured at fair value in the consolidated statement of income[1]	**32**	77
Available for sale financial assets	**182**	26
Relating to no category	**330**	68

[1] There are no financial instruments designated as at fair value through profit or loss upon initial recognition.

The following table presents the carrying amounts and fair values as well as the fair value hierarchy levels of Fresenius Group's financial instruments as of December 31, classified into classes:

		2012		2011	
€ in millions	Fair value hierarchy level	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	1	**885**	**885**	635	635
Assets recognized at carrying amount	3	**3,668**	**3,668**	3,428	3,427
Assets recognized at fair value	1	**182**	**182**	26	26
Liabilities recognized at carrying amount	2	**11,991**	**12,593**	10,627	10,874
Liabilities recognized at fair value	2	**23**	**23**	18	18
Noncontrolling interest subject to put provisions recognized at fair value	3	**398**	**398**	317	317
Derivatives for hedging purposes	2	**-35**	**-35**	-212	-212

The significant methods and assumptions used to estimate the fair values of financial instruments as well as classification of fair value measurements according to the three-tier fair value hierarchy are as follows:

Cash and cash equivalents are stated at nominal value, which equals the fair value.

The nominal value of short-term financial instruments such as accounts receivable and payable and short-term debt represents its carrying amount, which is a reasonable estimate of the fair value due to the relatively short period to maturity for these instruments.

The fair values of major long-term financial instruments are calculated on the basis of market information. Financial instruments for which market quotes are available are measured with the market quotes at the reporting date. The fair values of the other long-term financial liabilities are calculated at the present value of respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Fresenius Group as of the date of the statement of financial position are used.

The fair value of Fresenius Medical Care's loan to Renal Advantage Partners, LLC was based on significant unobservable inputs of comparable instruments and thus the class assets recognized at carrying amount consisting of trade accounts receivable and this loan is classified as fair value hierarchy Level 3.

The class assets recognized at fair value comprises German government securities and shares. The fair values of these assets are calculated on the basis of market information. Therefore, this class is classified as Level 1.

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

The class liabilities recognized at fair value is classified as hierarchy Level 2. Until the maturity of the MEB and the delisting of the CVR, this class consisted of the derivatives embedded in the MEB and the CVR.

The carrying amounts of derivatives embedded in the MEB and the CVR corresponded with their fair values. The MEB matured on August 14, 2011. The embedded derivatives were measured at fair value, which was estimated based on a Black-Scholes model which uses significant other observable inputs. Therefore, they were classified as Level 2.

The CVR were traded on the stock exchange in the United States and were therefore valued with the current stock exchange price until December 31, 2010. Consequently, they were classified as Level 1. In the first quarter of 2011, the CVR were deregistered and delisted from the NASDAQ due to the expiration of the underlying agreement and became valueless.

The valuation of the class noncontrolling interest subject to put provisions recognized at fair value is determined using significant unobservable inputs. It is therefore classified as Level 3.

Derivatives, mainly consisting of interest rate swaps and foreign exchange forward contracts, are valued as follows: The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the date of the statement of financial position. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the date of the statement of financial position. The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position for the respective currency.

Fresenius Group's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit-risk adjustments are factored into the valuation of derivatives that are assets.

For the fair value measurement of the class derivatives for hedging purposes, significant other observable inputs are used. Therefore, they are classified as Level 2 in accordance with the defined fair value hierarchy levels.

Currently, there is no indication that a decrease in the value of Fresenius Group's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	Dec. 31, 2012		Dec. 31, 2011	
€ in millions	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts (current)	**0**	**50**	0	103
Interest rate contracts (non-current)	**0**	**18**	0	60
Foreign exchange contracts (current)	**15**	**11**	9	39
Foreign exchange contracts (non-current)	**1**	**–**	1	5
Derivatives designated as hedging instruments[1]	**16**	**79**	10	207
Interest rate contracts (current)	**0**	**6**	0	0
Interest rate contracts (non-current)	**0**	**2**	0	3
Foreign exchange contracts (current)[1]	**37**	**9**	43	58
Foreign exchange contracts (non-current)[1]	**–**	**–**	1	1
Derivatives not designated as hedging instruments	**37**	**17**	44	62

[1] Derivatives designated as hedging instruments and foreign exchange contracts not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely entered into to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes were recognized at gross value within other assets in an amount of €53 million and other liabilities in an amount of €88 million.

The current portion of interest rate contracts and foreign exchange contracts indicated as assets in the previous table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the MEB were recognized within other short-term liabilities until the maturity of the MEB.

Effects of financial instruments recorded in the consolidated statement of income

The net gains and losses from financial instruments consisted of allowances for doubtful accounts in an amount of €251 million and foreign currency transactions of -€22 million. Interest income of €54 million resulted mainly from trade accounts receivable and loans to related parties. Interest expense of €720 million resulted mainly from financial liabilities, which are not recognized at fair value in the consolidated statement of income.

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

	2012		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	-20	29	2
Foreign exchange contracts	39	-7	0
Derivatives in cash flow hedging relationships[1]	**19**	**22**	**2**
Foreign exchange contracts			4
Derivatives in fair value hedging relationships			**4**
Derivatives designated as hedging instruments	**19**	**22**	**6**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

	2011		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	-60	14	-7
Foreign exchange contracts	-31	-4	–
Derivatives in cash flow hedging relationships[1]	**-91**	**10**	**-7**
Foreign exchange contracts			-7
Derivatives in fair value hedging relationships			**-7**
Derivatives designated as hedging instruments	**-91**	**10**	**-14**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

In 2012, losses of €9 million (2011: €8 million) for available for sale financial assets were recognized in other comprehensive income (loss).

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gain or loss recognized in the consolidated statement of income	
€ in millions	**2012**	2011
Interest rate contracts	**–**	3
Foreign exchange contracts	**-23**	43
Derivatives embedded in the MEB	**0**	-100
Derivatives not designated as hedging instruments	**-23**	-54

Losses from derivatives in fair value hedging relationships and from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by gains from the underlying transactions in the corresponding amount.

The Fresenius Group expects to recognize a net amount of €2 million of the existing gains for foreign exchange contracts deferred in accumulated other comprehensive income (loss) in the consolidated statement of income within the next 12 months. For interest rate contracts, the Fresenius Group expects to recognize €48 million of losses in the course of normal business during the next 12 months in interest expense.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income. Until 2011, the position other financial result in the consolidated statement of income included gains and losses from the valuation of the derivatives embedded in the MEB, which was made until August 14, 2011 (see note 11, Other financial result).

MARKET RISK

General

The Fresenius Group is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Fresenius Group issues senior notes and commercial papers and enters into mainly long-term credit agreements and euro notes (Schuldscheindarlehen) with banks. Due to these financing activities, the Fresenius Group is exposed to interest risk caused by changes in variable interest rates and the risk of changes in the fair value of statement of financial position items bearing fixed interest rates.

In order to manage the risk of interest rate and foreign exchange rate fluctuations, the Fresenius Group enters into certain hedging transactions with highly rated financial institutions as authorized by the Management Board. Derivative financial instruments are not entered into for trading purposes.

In general, the Fresenius Group conducts its derivative financial instrument activities under the control of a single centralized department. The Fresenius Group has established guidelines derived from best practice standards in the banking industry for risk assessment procedures and supervision concerning the use of financial derivatives. These guidelines require amongst other things a clear segregation of duties in the areas of execution, administration, accounting and controlling. Risk limits are continuously monitored and, where appropriate, the use of hedging instruments is adjusted to that extent.

The Fresenius Group defines benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and sustainable market rates. Depending on the individual benchmarks, hedging strategies are determined and generally implemented by means of micro hedges.

Earnings of the Fresenius Group were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives mainly matched the critical terms of the underlying exposures.

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

Derivative financial instruments

Foreign exchange risk management

The Fresenius Group has determined the euro as its financial reporting currency. Therefore, foreign exchange translation risks resulting from the fluctuation of exchange rates between the euro and the local currencies, in which the financial statements of the foreign subsidiaries are prepared, have an impact on results of operations and financial positions reported in the consolidated financial statements.

Besides translation risks, foreign exchange transaction risks exist, which mainly relate to transactions such as purchases and sales as well as engineering and services provided by the Fresenius Group which are denominated in foreign currencies. A major part of transaction risks arise from products manufactured in Fresenius Group's worldwide production sites which are usually denominated in the local currency of the respective manufacturer and are delivered worldwide to various Fresenius Group entities. These intragroup sales are mainly denominated in euros, U.S. dollars and yens. Therefore, Group companies are exposed to changes of the foreign exchange rates between the invoicing currencies and the local currencies in which they conduct their businesses. Solely for the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Fresenius Group enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. To ensure that no foreign exchange risks result from loans in foreign currencies, the Fresenius Group enters into foreign exchange swap contracts.

As of December 31, 2012, the notional amounts of foreign exchange contracts totaled €2,950 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. The predominant part of the foreign exchange forward contracts to hedge risks from operational business was recognized as cash flow hedge, while foreign exchange contracts in connection with loans in foreign currencies are partly recognized as fair value hedges. The fair values of cash flow hedges and fair value hedges were €5 million and -€4 thousand, respectively.

The hedge-effective portion of changes in the fair value of foreign exchange forward contracts that are designated and qualified as cash flow hedges of forecasted product purchases and sales is reported in accumulated other comprehensive income (loss). These amounts are subsequently reclassified into earnings as a component of cost of sales or as selling, general and administrative expenses in the same period in which the hedged transaction affects earnings.

As of December 31, 2012, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 35 months.

The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following 12 months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95% and a holding period of up to one year. The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i. e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. As of December 31, 2012, the Fresenius Group's cash flow at risk amounts to €43 million, this means, with a probability of 95%, a potential loss in relation to the forecasted foreign exchange cash flows of the next 12 months will be not higher than €43 million.

Interest rate risk management

Fresenius Group's interest rate risks mainly arise from money market and capital market transactions of the Group for financing its business activities.

The Fresenius Group enters into interest rate swaps and, on a small scale, into interest rate options in order to protect against the risk of rising interest rates. These interest rate derivatives are mainly designated as cash flow hedges and

have been entered into in order to convert payments based on variable interest rates into payments at a fixed interest rate and in anticipation of future debt issuances. The U.S. dollar interest rate swaps with a notional volume of US$1,200 million (€909 million) and a fair value of -US$29 million (-€22 million) expire at various dates in the years 2013 and 2014. The euro interest rate swaps with a notional volume of €676 million and a fair value of -€54 million expire in the years 2013 to 2022. The U.S. dollar interest rate swaps bear an average interest rate of 3.25% and the euro interest rate swaps bear an average interest rate of 2.95%.

Interest payables and interest receivables in connection with the swap agreements are accrued and recorded as an adjustment to the interest expense at each reporting date. Concerning interest rate contracts, unscheduled repayments or the renegotiation of hedged items may in some cases lead to the de-designation of the hedging instrument, which existed up to that point. From that date, the respective hedging transactions are recognized in the consolidated statement of income.

For purposes of analyzing the impact of changes in the relevant reference interest rates on Fresenius Group's results of operations, the Group calculates the portion of financial debt which bears variable interest rates and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Fresenius Group assumes an increase in the reference rates of 0.5% compared to the actual rates as of the date of the statement of financial position. The corresponding additional annual interest expense is then compared to the net income attributable to shareholders of Fresenius SE & Co. KGaA. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of less than 1% on the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA and Fresenius SE & Co. KGaA shareholders' equity.

Stock price risk management

Price risks arise from changing stock prices of available for sale financial assets. Gains and losses arising from available for sale financial assets are recognized directly in the consolidated statement of equity until the asset is disposed of or if it is considered to be impaired. A decline of 10% in prices of the recognized assets would have an effect of less than 0.2% on Fresenius SE & Co. KGaA shareholders' equity.

CREDIT RISK

The Fresenius Group is exposed to potential losses regarding financial instruments in the event of non-performance by counterparties. With respect to derivative financial instruments, it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value amounting to €53 million for foreign exchange derivatives at December 31, 2012. No credit exposure existed from interest rate derivatives. The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables. In order to control this credit risk, the Management of the Fresenius Group performs an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts, please see note 15, Trade accounts receivable.

LIQUIDITY RISK

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Fresenius Group manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Fresenius Group believes that existing credit facilities as well as the cash generated by operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity (see note 22, Debt and capital lease obligations).

The following table shows the future undiscounted contractual cash flows (including interests) resulting from recognized financial liabilities as well as the fair value of noncontrolling interest subject to put provisions and the fair value of derivative financial instruments:

€ in millions	up to 1 year	1 to 3 years	3 to 5 years	more than 5 years
Long-term debt and capital lease obligations (including accounts receivable securitization program) [1]	640	2,029	2,263	413
Short-term debt	217	0	0	0
Senior Notes	325	1,413	1,356	4,781
Trade accounts payable	961	0	0	0
Noncontrolling interest subject to put provisions	168	55	84	91
Derivative financial instruments	76	13	6	1
Total	**2,387**	**3,510**	**3,709**	**5,286**

[1] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2012.

32. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. Capital management includes both equity and debt. A principal objective of Fresenius Group's capital management is to optimize the weighted-average cost of capital. Further, it is sought to achieve a balanced mix of equity and debt. To secure growth on a long-term basis, a capital increase may also be considered in exceptional cases, for instance to finance a major acquisition.

Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing and non-cyclical markets, predictable and sustainable cash flows are generated. They allow a reasonable proportion of debt, i. e. the employment of an extensive mix of financial instruments. Moreover, Fresenius Group's customers are generally of high credit quality.

Shareholders' equity and debt have developed as follows:

SHAREHOLDERS' EQUITY

€ in millions	Dec. 31, 2012	Dec. 31, 2011
Shareholders' equity	**12,758**	10,577
Total assets	**30,664**	26,321
Equity ratio	**41.6%**	40.2%

Fresenius SE & Co. KGaA is not subject to any capital requirements provided for in its articles of association. Fresenius SE & Co. KGaA has obligations to issue shares out of the Conditional Capital relating to the exercise of stock options and convertible bonds on the basis of the existing 1998 (until June 30, 2012), 2003 and 2008 stock option plans (see note 35, Stock options).

DEBT

€ in millions	Dec. 31, 2012	Dec. 31, 2011
Debt	**11,028**	9,799
Total assets	**30,664**	26,321
Debt ratio	**36.0%**	37.2%

According to the definitions in the underlying agreements, the Mandatory Exchangeable Bonds and the Contingent Value Rights were not categorized as debt until their maturity.

Assuring financial flexibility is the top priority in the Group's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of the investors. Fresenius Group's maturity profile displays a broad spread of maturities with a high proportion of medium- and long-term financing. In the choice of financing instruments, market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account.

The net debt/EBITDA ratio is a key financial figure for the Fresenius Group. As of December 31, 2012, the net debt/EBITDA ratio (before special items) was 2.6 and was therefore within Fresenius Group's target range of 2.5 to 3.0. At the end of 2013, the Fresenius Group expects the net debt/EBITDA ratio to be at the lower end of the target range.

Fresenius Group's financing strategy is reflected in its credit ratings. The Fresenius Group is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

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

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

Following the announcement of the voluntary public takeover offer to RHÖN-KLINIKUM AG shareholders, Standard & Poor's and Moody's had placed the company rating under review for a possible downgrade. Fitch affirmed the company rating and the outlook. Early September 2012, Fresenius SE & Co. KGaA announced that it has decided not to submit a new takeover offer to the shareholders of RHÖN-KLINIKUM AG for the time being. As a consequence, Standard & Poor's and Moody's confirmed the outlook with stable.

33. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

The consolidated statements of cash flows of the Fresenius Group for the fiscal years 2012 and 2011 are shown on page 125.

Cash funds reported in the consolidated statement of cash flows and in the consolidated statement of financial position comprise cash on hand, checks, securities and cash at bank which are readily convertible within three months and are subject to insignificant risk of changes in value.

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

€ in millions	2012	2011
Interest paid	**580**	474
Income taxes paid	**659**	516

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

€ in millions	2012	2011
Assets acquired	**3,980**	1,412
Liabilities assumed	**-444**	-168
Noncontrolling interest	**-178**	-34
Notes assumed in connection with acquisitions	**-551**	-56
Cash paid	**2,807**	1,154
Cash acquired	**-184**	-46
Cash paid for acquisitions, net	**2,623**	1,108

34. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting tables shown on pages 128 to 129 of this annual report are an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed, which corresponds to the internal organizational and reporting structures (Management Approach) at December 31, 2012.

The key data disclosed in conjunction with the consolidated segment reporting correspond to the key data of the internal reporting system of the Fresenius Group. Internal and external reporting and accounting correspond to each other; the same key data and definitions are used.

Sales and proceeds between the segments are indicative of the actual sales and proceeds agreed with third parties. Administrative services are billed in accordance with service level agreements.

The business segments were identified in accordance with FASB ASC Topic 280, Segment Reporting, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. The business segments of the Fresenius Group are as follows:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed
- Corporate/Other

The segment Corporate/Other mainly comprises the holding functions of Fresenius SE & Co. KGaA as well as Fresenius Netcare GmbH, which provides services in the field of information technology and Fresenius Biotech, which does not fulfill the characteristics of a reportable segment. In addition, the segment Corporate/Other includes intersegment consolidation adjustments as well as special items (see note 3, Special items). Until 2011, this segment included special

items in connection with the fair value measurement of the Mandatory Exchangeable Bonds and the Contingent Value Rights.

Details on the business segments are shown on page 131 of the notes.

Segment reporting by region takes account of geographical factors and the similarity of markets in terms of opportunities and risks. The allocation to a particular region is based on the domicile of the customers.

NOTES ON THE BUSINESS SEGMENTS

The key figures used by the Management Board to assess segment performance, have been selected in such a way that they include all items of income and expenses which fall under the area of responsibility of the business segments. The Management Board is convinced that the most suitable performance indicator is the operating income (EBIT). The Management Board believes that, in addition to the operating income, the figure for earnings before interest, taxes and depreciation/amortization (EBITDA) can also help investors to assess the ability of the Fresenius Group to generate cash flows and to meet its financial obligations. The EBITDA figure is also the basis for assessing Fresenius Group's compliance with the terms of its credit agreements (e. g. the Fresenius Medical Care 2006 Senior Credit Agreement, the Fresenius Medical Care 2012 Credit Agreement or the 2008 Senior Credit Agreement).

Depreciation and amortization is presented for property, plant and equipment, intangible assets with definite useful lives of the respective business segment.

Net interest comprises interest expenses and interest income.

Net income attributable to shareholders of Fresenius SE & Co. KGaA is defined as earnings after income taxes and noncontrolling interest.

The operating cash flow is the cash provided by/used in operating activities.

The cash flow before acquisitions and dividends is the operating cash flow less net capital expenditure.

Debt comprises bank loans, senior notes, capital lease obligations, liabilities relating to outstanding acquisitions as well as intercompany liabilities. Until their maturity in 2011, trust preferred securities were also included in debt. The Mandatory Exchangeable Bonds and the Contingent Value Rights were not categorized as debt (see note 32, Supplementary information on capital management).

Capital expenditure mainly includes additions to property, plant and equipment.

Acquisitions refer to the purchase of shares in legally independent companies and the acquisition of business divisions and intangible assets (e. g. licenses). The key figures shown with regard to acquisitions present the contractual purchase prices comprising amounts paid in cash (less cash acquired), debts assumed and the issuance of shares, whereas for the purposes of the statement of cash flows, only cash purchase price components less acquired cash and cash equivalents are reported.

The EBITDA margin is calculated as a ratio of EBITDA to sales.

The EBIT margin is calculated as a ratio of EBIT to sales.

The return on operating assets (ROOA) is defined as the ratio of EBIT to average operating assets. Operating assets are defined as total assets less deferred tax assets, trade accounts payable and advance payments from customers as well as guaranteed subsidies.

In addition, the key indicators "Depreciation and amortization in % of sales" and "Operating cash flow in % of sales" are also disclosed.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	2012	2011
Total EBIT of reporting segments	**3,120**	2,608
General corporate expenses Corporate/Other (EBIT)	**-137**	-45
Group EBIT	**2,983**	2,563
Investment gain	**109**	0
Interest expenses	**-720**	-587
Interest income	**54**	56
Other financial result	**-35**	-100
Income before income taxes	**2,391**	1,932

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Dec. 31, 2012	Dec. 31, 2011
Short-term debt	**205**	171
Short-term loans from related parties	**4**	3
Current portion of long-term debt and capital lease obligations	**519**	1,852
Long-term debt and capital lease obligations, less current portion	**4,436**	3,777
Senior Notes	**5,864**	3,996
Debt	**11,028**	9,799
less cash and cash equivalents	**885**	635
Net debt	**10,143**	9,164

The following table shows the non-current assets by geographical region:

€ in millions	Dec. 31, 2012	Dec. 31, 2011
Germany	**4,509**	3,715
Europe (excluding Germany)	**2,756**	2,588
North America	**13,507**	11,294
Asia-Pacific	**1,069**	1,008
Latin America	**404**	391
Africa	**47**	47
Total non-current assets[1]	**22,292**	19,043

[1] The aggregate amount of net non-current assets is the sum of non-current assets less deferred tax assets and derivative financial instruments.

In 2012, the Fresenius Group generated sales of €4,191 million (2011: €3,573 million) in Germany. Sales in the United States were €7,931 million at actual rates and €7,319 million in constant currency in 2012 (2011: €6,747 million).

35. STOCK OPTIONS

COMPENSATION COST IN CONNECTION WITH THE STOCK OPTION PLANS OF THE FRESENIUS GROUP

In 2012, the Fresenius Group recognized compensation cost in an amount of €36 million for stock options granted since 2008. For stock incentive plans which are performance-based, the Fresenius Group recognizes compensation cost over the vesting periods, based on the market values of the underlying stock at the grant date.

FAIR VALUE OF STOCK OPTIONS

The Fresenius Group elected to adopt FAS 123(R), Share-Based Payment, prospectively.

The Fresenius Group uses a binomial option pricing model in determining the fair value of stock options granted under the stock option plans of Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA. Option valuation models require the input of highly subjective assumptions including expected stock price volatility. Fresenius Group's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 150% of the exercise price. Fresenius Group's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option.

The weighted-average assumptions for the calculation of the fair value of grants of the Fresenius SE Stock Option Plan 2008 made during the years 2012 and 2011 are as follows:

	2012		2011	
€ in millions	December Grant	July Grant	December Grant	July Grant
Expected dividend yield	**1.40%**	**1.52%**	1.60%	1.58%
Risk-free interest rate	**0.90%**	**1.00%**	1.70%	2.68%
Expected volatility	**28.55%**	**28.93%**	29.18%	29.15%
Life of options	**7 years**	**7 years**	7 years	7 years
Exercise price per option in €	**87.36**	**78.40**	71.37	71.28

The expected volatility results from the historical volatility calculated over the expected life of options. The volatility was determined when the fair value of stock options was calculated for the first time and since then has been controlled every year upon issuance of a new tranche.

FRESENIUS SE & CO. KGAA STOCK OPTION PLANS

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

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

Stock Option Plan 2008

During 2008, Fresenius SE adopted the 2008 Plan to grant subscription rights to members of the Management Board and executive employees of the Company and affiliated companies. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was amended and completely adapted to ordinary shares. Under the 2008 Plan, up to 6.2 million options can be issued, which carry entitlement to exclusively obtain 6.2 million ordinary shares (originally 3.1 million ordinary shares and 3.1 million preference shares). Up to 1.2 million options are designated for members of the Management Board of Fresenius Management SE (originally Management Board of Fresenius SE), up to 3.2 million options are designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 1.8 million options are designated for executive employees of Fresenius SE & Co. KGaA (originally of Fresenius SE) and its affiliated companies (except for Fresenius Medical Care). With respect to the members of Fresenius Management SE's Management Board, the Supervisory Board of Fresenius Management SE now holds the sole authority to grant stock options and administer the 2008 Plan. The Management Board of Fresenius Management SE now has such authority with respect to all other participants in the 2008 Plan. The options can be granted in five tranches with effect as of the first bank working day in July and/or the first bank working day in December. The exercise price of options shall be the average closing price of Fresenius SE & Co. KGaA's (originally Fresenius SE's) ordinary shares (originally ordinary and preference shares) on the Frankfurt Stock Exchange during the 30 trading days immediately prior to each grant date. For participants in the United States, the exercise price may be the average closing price during the 30 calendar days immediately prior to the grant date, if this is higher. Options granted have a seven-year term but can be exercised only after a three-year vesting period. The vesting of options granted is mandatorily subject to the condition, in each case, that the annual success target within the three-year vesting period is achieved. For each such year, the success target is achieved if the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA, adjusted for extraordinary effects, has increased by at least 8% compared to the respective

adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA of the previous fiscal year. For each year in which the success target has not been met, one-third of the options granted shall forfeit. The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA shall be calculated on the basis of the calculation method of the accounting principles according to U.S. GAAP. For the purposes of the 2008 Plan, the adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA is determined and will be verified with binding effect by Fresenius SE & Co. KGaA's auditor during the audit of the consolidated financial statements. The performance targets for 2008 to 2012 were met. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares or a cash payment in lieu of increasing capital by the issuance of new shares. If all conditions are fulfilled, stock options may be exercised throughout the year with the exception of certain pre-determined black-out periods. Former options for preference shares are now exclusively options for ordinary shares.

Stock Option Plan 2003

During 2003, Fresenius AG adopted the 2003 Plan for members of the Management Board and executive employees. This incentive plan which is based on convertible bonds was replaced by the 2008 Plan and no options have been granted since 2008. Due to the change of legal form of Fresenius SE into Fresenius SE & Co. KGaA and the conversion of all preference shares into ordinary shares, this plan was also amended and completely adapted to ordinary shares. Under the 2003 Plan, eligible employees have the right to acquire ordinary shares (originally ordinary and preference shares) of Fresenius SE & Co. KGaA (originally of Fresenius AG or of Fresenius SE, respectively). The bonds expire in 10 years and one third of them can be exercised beginning after two, three and four years after the grant date, respectively. Upon issuance of the option, the employees had the right to choose options with or without a stock price target. The conversion price of options subject to a stock price target corresponds to the stock exchange quoted price of the ordinary shares (originally ordinary or preference shares, respectively) upon the first time the stock exchange quoted price exceeds the initial value (after the share split in 2007: 1/3 of the initial value) by at least 25%. If converted after the share split, the conversion price which entitles to three ordinary shares (originally three ordinary shares or three preference shares, respectively) is equal to the triple of one third of the initial value. The initial value is the joint average stock exchange price of the ordinary shares (originally ordinary shares or preference shares, respectively) during the last 30 trading days prior to the date of grant. The conversion price of options without a stock price target is the initial value. In the case of options not subject to a stock price target, the number of convertible bonds awarded to the eligible employee was 15% less than if the employee elected options subject to the stock price target. Each convertible bond granted after the share split in 2007 entitles to subscribe one ordinary share (originally one ordinary or one preference share, respectively), subject to payment of the conversion price. Bonds granted and converted prior to the share split were entitled to subscribe one ordinary share (originally one ordinary or one preference share, respectively), conversion after the share split entitles to three ordinary shares (originally three ordinary or three preference shares, respectively). In addition, due to the elimination of the preference shares, after the change of legal form, the success target of the 2003 Plan had to be adjusted to the effect that it is deemed to be achieved if and when the aggregate of the following price increases amounts to at least 25%: (1) increase of the joint average stock exchange price of ordinary and preference shares from the day of the issuance until the day

when the change of legal form took effect and (2) increase of the stock exchange price of ordinary shares since the change of legal form took effect.

Stock Option Plan 1998

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

Transactions during 2012

In 2012, Fresenius SE & Co. KGaA awarded 1,206,145 stock options under the 2008 Plan, including 198,660 options to members of the Management Board of Fresenius Management SE, at a weighted-average exercise price of €78.54, a weighted-average fair value of €21.18 each and a total fair value of €26 million, which will be amortized over the three-year vesting period.

During the fiscal year 2012, Fresenius SE & Co. KGaA received cash of €46 million from the exercise of 1,150,924 stock options. The average stock price of the ordinary share at the exercise date was €84.06. The intrinsic value of options exercised in 2012 was €48 million.

929,147 convertible bonds were outstanding and exercisable under the 2003 Plan at December 31, 2012. The members of the Fresenius Management SE Management Board held 220,360 convertible bonds. At December 31, 2012, out of 4,455,605 outstanding stock options issued under the 2008 Plan, 1,132,182 were exercisable and 931,380 were held by the members of the Fresenius Management SE Management Board.

Stock option transactions are summarized as follows:

Ordinary shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2010	**2,644,661**	**43.87**	**906,895**
Granted	1,143,440	71.28	
Exercised	786,358	38.85	
Forfeited	151,389	48.38	
Converted from preference shares	2,643,773	43.87	
Balance 2011	**5,494,127**	**50.25**	**2,248,083**
Granted	1,206,145	78.54	
Exercised	1,150,924	39.83	
Forfeited	164,596	55.90	
Balance 2012	**5,384,752**	**58.72**	**2,061,329**

Preference shares Dec. 31	Number of options	Weighted-average exercise price in €	Number of options exercisable
Balance 2010	**2,644,661**	**44.74**	**906,895**
Exercised	888	48.71	
Converted into ordinary shares	2,643,773	44.74	
Balance 2011	**0**		

The following table provides a summary of fully vested options outstanding and exercisable for ordinary shares at December 31, 2012:

OPTIONS FOR ORDINARY SHARES

	Options outstanding			Options exercisable		
Range of exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Number of options	Weighted-average remaining contractual life in years	Weighted-average exercise price in €
10.01 – 15.00	19,881	0.50	13.65	19,881	0.50	13.65
15.01 – 20.00	4,608	0.50	18.18	4,608	0.50	18.18
20.01 – 25.00	54,922	1.50	21.96	54,922	1.50	21.96
25.01 – 30.00	150,438	2.47	28.60	150,438	2.47	28.60
30.01 – 35.00	634,848	3.50	33.81	634,848	3.50	33.81
35.01 – 40.00	292,172	3.39	39.21	292,172	3.39	39.21
40.01 – 45.00	11,482	2.92	41.62	11,482	2.92	41.62
45.01 – 50.00	11,664	3.50	48.81	11,664	3.50	48.81
50.01 – 55.00	1,508,790	3.88	53.89	483,352	2.58	54.69
55.01 – 60.00	382,908	4.50	56.43	382,908	4.50	56.43
60.01 – 65.00	9,000	4.92	63.53	0		
70.01 – 75.00	1,111,694	5.49	71.27	15,054	4.50	70.79
75.01 – 80.00	1,173,585	6.50	78.39	0		
85.01 – 90.00	18,760	6.92	87.36	0		
	5,384,752	**4.69**	**58.72**	**2,061,329**	**3.30**	**43.15**

At December 31, 2012, the aggregate intrinsic value of exercisable options for ordinary shares was €91 million.

At December 31, 2012, total unrecognized compensation cost related to non-vested options granted under the 2008 Plan was €31 million. This cost is expected to be recognized over a weighted-average period of 2.1 years.

FRESENIUS MEDICAL CARE AG & CO. KGAA STOCK OPTION PLANS

Fresenius Medical Care AG & Co. KGaA Long Term Incentive Program 2011

On May 12, 2011, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 (2011 SOP) was established by resolution of Fresenius Medical Care AG & Co. KGaA's (FMC-AG & Co. KGaA) Annual General Meeting (AGM). The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of Fresenius Medical Care Management AG's (FMC Management AG) Management and Supervisory Boards, forms FMC-AG & Co. KGaA's Long Term Incentive Program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants may be granted awards, which will consist of a combination of stock options and phantom stock. Awards under the 2011 Incentive Program will be granted over a five-year period and can be granted on the last Monday in July and/or the first Monday in December each year. Prior to the respective grant, the participants will be able to choose how much of the granted value is granted in the form of stock options and phantom stock in a predefined range of 75:25 to 50:50, stock options vs. phantom stock. The number of phantom shares that plan participants may choose to receive instead of stock options within the aforementioned predefined range is determined on the basis of a fair value assessment pursuant to a binomial model. With respect to grants made in July, this fair value assessment will be conducted on the day following FMC-AG & Co. KGaA's AGM and with respect to the grants made in December, on the first Monday in October. The awards under the 2011 Incentive Program are subject to a four-year vesting period. The vesting of the awards granted is subject to achievement of performance targets. The 2011 Incentive Program was

established with a conditional capital increase up to €12 million subject to the issue of up to 12 million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

Members of the Management Board of FMC Management AG, members of the management boards of FMC-AG & Co. KGaA's affiliated companies and the managerial staff members of FMC-AG & Co. KGaA and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of FMC Management AG's Management Board, FMC Management AG's Supervisory Board has sole authority to grant awards and exercise other decision making powers under the 2011 Incentive Program (including decisions regarding certain adjustments and forfeitures). FMC Management AG has such authority with respect to all other participants in the 2011 Incentive Program.

The exercise price of stock options granted under the 2011 Incentive Program shall be the average stock exchange price on the Frankfurt Stock Exchange of FMC-AG & Co. KGaA's ordinary shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the 2011 Incentive Program have an eight-year term and can be exercised only after a four-year vesting period. Stock options granted under the 2011 Incentive Program to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock under the 2011 Incentive Program entitles the holders to receive payment in euro from FMC-AG & Co. KGaA upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the closing stock exchange price on the Frankfurt Stock Exchange of one of FMC-AG & Co. KGaA's ordinary shares on the exercise date. Phantom stock will have a five-year term and can be exercised only after a four-year vesting period, beginning with the grant date. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

Stock Option Plan 2006

On May 9, 2006, as amended on May 15, 2007, the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2006 (Amended 2006 Plan) was established by resolution of FMC-AG & Co. KGaA's Annual General Meeting with a conditional capital increase up to €15 million subject to the issue of up to 15 million non-par value bearer ordinary shares with a nominal value of €1.00 each, which can be exercised to obtain one ordinary share. Of the 15 million ordinary shares, up to 3 million options were designated for members of the Management Board of FMC Management AG, up to 3 million options were designated for members of management boards of direct or indirect subsidiaries of FMC-AG & Co. KGaA and up to 9 million options were designated for managerial staff members of FMC-AG & Co. KGaA and such subsidiaries.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

After December 2010, no further grants were issued under the Amended 2006 Plan.

2001 International Stock Option Plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (2001 Plan), options in the form of convertible bonds with a principal of up to €10.24 million were issued to the members of the Management Board and other employees of FMC-AG & Co. KGaA representing grants for up to 4 million non-voting preference shares. The convertible bonds originally had a par value of €2.56 and bear interest at a rate of 5.5%.

In connection with the share split affected in 2007, the principal amount was adjusted in the same proportion as the share capital out of the capital increase and the par value of the convertible bonds was adjusted to €0.85 without affecting the interest rate.

Effective May 2006, no further grants can be issued under the 2001 Plan and no options were granted under the 2001 Plan after 2005 and the outstanding options will expire before 2016.

Transactions during 2012

During 2012, FMC-AG & Co. KGaA awarded 2,166,035 options under the 2011 Incentive Program, including 310,005 stock options granted to members of the Management Board of FMC Management AG, at a weighted-average exercise price of €57.15, a weighted-average fair value of €12.62 each and a total fair value of €27 million, which will be amortized over the four-year vesting period. FMC-AG & Co. KGaA awarded 178,729 shares of phantom stock, including 23,407 shares of phantom stock granted to members of the Management Board of FMC Management AG, at a measurement date weighted-average fair value of €48.95 each and a total fair value of €9 million, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During 2012, FMC-AG & Co. KGaA received cash of €79 million from the exercise of stock options. The intrinsic value of options exercised in 2012 was €65 million. FMC-AG & Co. KGaA recorded a related tax benefit of €16 million for 2012. In connection with cash-settled share-based payment transactions under the 2011 Incentive Plan, FMC-AG & Co. KGaA recognized expenses of €4 million and €1 million for the years ending December 31, 2012 and 2011, respectively.

At December 31, 2012, the Management Board members of FMC Management AG held 2,201,205 stock options for ordinary shares and employees of FMC-AG & Co. KGaA held 8,945,561 stock options for ordinary shares and 37,656 stock options for preference shares under the various stock-based compensation plans of Fresenius Medical Care.

At December 31, 2012, the Management Board members of FMC Management AG held 52,720 shares of phantom stock and employees of FMC-AG & Co. KGaA held 334,265 shares of phantom stock under the 2011 Incentive Program.

The table below provides reconciliations for options outstanding at December 31, 2012 as compared to December 31, 2011:

	Number of options in thousand	Weighted-average exercise price in €
Balance at December 31, 2011 (options for ordinary shares)	**12,025**	**37.24**
Granted	2,166	57.15
Exercised	2,575	30.62
Forfeited	469	36.66
Balance at December 31, 2012 (options for ordinary shares)	**11,147**	**42.66**
Balance at December 31, 2011 (options for preference shares)	**49**	**18.64**
Exercised	8	15.57
Forfeited	3	18.64
Balance at December 31, 2012 (options for preference shares)	**38**	**19.26**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2012:

	Number of options in thousand	Weighted-average remaining contractual life in years	Weighted-average exercise price in €	Aggregate intrinsic value € in millions
Options for ordinary shares	4,389	2.42	31.26	92
Options for preference shares	38	1.89	19.26	1

At December 31, 2012, total unrecognized compensation cost related to non-vested options granted under all plans was €41 million. This cost is expected to be recognized over a weighted-average period of 2.0 years.

36. RELATED PARTY TRANSACTIONS

Prof. Dr. med. D. Michael Albrecht, a member of the Supervisory Board of Fresenius SE & Co. KGaA, is medical director and spokesman of the management board of the Universitätsklinikum Carl Gustav Carus Dresden and a member of the supervisory boards of the Universitätsklinika Aachen, Magdeburg and Rostock. The Fresenius Group maintains business relations with these hospitals in the ordinary course and under customary conditions.

Prof. Dr. h. c. Roland Berger, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is a partner of Roland Berger Strategy Consultants Holding GmbH. In 2012, after discussion and approval by the Supervisory Board of Fresenius Management SE, the Fresenius Group paid €0.6 million to affiliated companies of the Roland Berger group for consulting services rendered (2011: €0.7 million).

Klaus-Peter Müller, a member of the Supervisory Board of Fresenius Management SE and of Fresenius SE & Co. KGaA, is the chairman of the supervisory board of Commerzbank AG. The Fresenius Group maintains business relations with Commerzbank under customary conditions. In 2012, the Fresenius Group paid €1.9 million in total to Commerzbank for financing commitments, in connection with Senior Notes issuances as well as the capital increase (2011: €0.6 million).

Dr. Franceso De Meo, a member of the Management Board of the general partner of Fresenius SE & Co. KGaA, was a member of the supervisory board of Allianz Private Krankenversicherungs-AG until July 6, 2011. In 2011, the Fresenius Group paid €4.3 million for insurance premiums to the Allianz group.

Dr. Dieter Schenk, deputy chairman of the Supervisory Board of Fresenius Management SE, is a partner in the international law firm Noerr LLP, which provides legal services to the Fresenius Group. In 2012, after discussion and approval of each mandate by the Supervisory Board of Fresenius Management SE, the Fresenius Group paid or processed for payment in December 2012 €1.8 million to this law firm for legal services rendered (2011: €1.4 million).

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

37. SUBSEQUENT EVENTS

On January 7, 2013, Fresenius announced the early redemption of the 5.5% Senior Notes due in 2016 that were issued in 2006. The aggregate principal amount of €650 million was completely repaid on February 7, 2013 at a price of 100.916% plus accrued and unpaid interest. Initially, the redemption was financed by utilizing existing credit lines. From the end of June 2013, drawings under the Senior Secured Credit Agreement arranged in December 2012 shall be utilized.

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

There have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2012. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

NOTES IN ACCORDANCE WITH THE GERMAN COMMERCIAL CODE (HGB)

38. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the audited Compensation Report (see page 28 ff.), which is part of the Management Report.

The Management Board's compensation is, as a whole, performance-oriented and was composed of three elements in 2012: non-performance-related compensation (basic salary), performance-related compensation (variable bonus), components with long-term incentive effects (stock options, postponed bonus payments and a share-based compensation with cash settlement (performance shares)).

The cash compensation paid to the Management Board for the performance of its responsibilities was €11,080 thousand (2011: €10,135 thousand). Thereof, €4,498 thousand (2011: €4,062 thousand) is not performance-related and €6,027 thousand (2011: €5,539 thousand) is performance-related. The amount of the performance-related compensation depends on the achievement of targets relating to the net income of the Fresenius Group and business segments. As a long-term incentive component, the members of the Management Board received 198,660 stock options under the Fresenius SE Stock Option Plan 2008 and 74,700 stock options under the Fresenius Medical Care AG & Co. KGaA Stock Option Plan 2011 and a share-based payment with cash settlement in an amount of €1,368 thousand.

The payment of a part of the performance-related compensation in an amount of €148 thousand was postponed by two years as a long-term incentive component. The payment depends on the achievement of targets relating to the net income attributable to shareholders of Fresenius SE & Co. KGaA of the years 2013 and 2014.

The total compensation paid to the Supervisory Boards of Fresenius SE & Co. KGaA and Fresenius Management SE and their committees was €2,592 thousand in 2012 (2011: €2,227 thousand). Of this amount, €213 thousand was fixed compensation (2011: €210 thousand), €100 thousand was compensation for committees services (2011: €89 thousand), and €2,279 thousand was variable compensation (2011: €1,928 thousand).

In 2012, to former members of the Management Board, €778 thousand (2011: €776 thousand) was paid. The pension obligation for these persons amounted to €11,310 thousand in 2012 (2011: €10,513 thousand).

In the fiscal years 2012 and 2011, no loans or advance payments of future compensation components were made to members of the Management Board of Fresenius Management SE.

39. AUDITOR'S FEES

In 2012 and 2011, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft were expensed as follows:

	2012		2011	
€ in millions	**Total**	**Germany**	Total	Germany
Audit fees	**17**	**6**	15	5
Audit-related fees	**3**	**3**	1	–
Tax consulting fees	**1**	**–**	1	0
Other fees	**2**	**1**	–	–
Total auditor's fees	**23**	**10**	17	5

40. CORPORATE GOVERNANCE

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

41. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The general partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2012 of Fresenius SE & Co. KGaA are distributed as follows:

in €	
Payment of a dividend of €1.10 per bearer ordinary share on the 178,188,260 ordinary shares entitled to dividend	196,007,086.00
Balance to be carried forward	28,913.39
Retained earnings	**196,035,999.39**

42. RESPONSIBILITY STATEMENT

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

Bad Homburg v. d. H., February 26, 2013

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its general partner

The Management Board

Dr. U. M. Schneider

Dr. F. De Meo

Dr. J. Götz

M. Henriksson

R. Powell

S. Sturm

Dr. E. Wastler

AUDITOR'S REPORT

To the Fresenius SE & Co. KGaA

We have audited the consolidated financial statements prepared by the Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, comprising the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements for the business year from January 1 to December 31, 2012. The preparation of the consolidated financial statements in accordance with Accounting Principles Generally Accepted in the United States of America (U.S. GAAP) is the responsibility of the legal representative of the Company. Our responsibility is to express an opinion on the consolidated financial statements based on our audit. In addition, we have been engaged to express an opinion as to whether the voluntarily prepared group management report is in agreement with the group management report of Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, prepared in accordance with § 290 and § 315 HGB [Handelsgesetzbuch "German Commercial Code"] apart from appropriate incorporation of U.S. GAAP financial data.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by the legal representative, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with U.S. GAAP and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The voluntarily prepared group management report is consistent with the consolidated financial statements prepared in accordance with U.S. GAAP and is, apart from appropriate incorporation of U.S. GAAP financial data, in agreement with the group management report of Fresenius SE & Co. KGaA prepared in accordance with § 290 and § 315 HGB, on which we issued an unqualified statutory audit opinion. Based on this, the group management report as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Frankfurt am Main, February 26, 2013

KPMG AG
Wirtschaftsprüfungsgesellschaft

Rohrbach
German Public Auditor

Walter
German Public Auditor

REPORT OF THE SUPERVISORY BOARD

In 2012, the Supervisory Board of Fresenius SE & Co. KGaA fulfilled its obligations in its respective terms in accordance with the provisions of the law, the articles of association, and the rules of procedure. It regularly advised the Management Board of the general partner, Fresenius Management SE, regarding the management of the Company, and has supervised the management in accordance with its Supervisory Board responsibilities.

COOPERATION BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

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

The Supervisory Board of Fresenius SE & Co. KGaA convened for four regular meetings in 2012 – in March, May, October, and December. In addition, the Supervisory Board had three informational events in April, July, and September in which the members of the Fresenius SE & Co. KGaA Supervisory Board were informed

in particular about planned acquisitions. Before the meetings, the Management Board of the general partner sent detailed reports and comprehensive approval documents to the members of the Supervisory Board. At each of its meetings, the Supervisory Board discussed in detail the business development and any important corporate decisions based on the reports from the general partner's Management Board.

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

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

All members of the Supervisory Board of Fresenius SE & Co. KGaA attended three of the regular Supervisory Board Meetings in 2012. At one regular meeting, two members were excused.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2012, the Supervisory Board mostly focused its monitoring and consulting activities on business operations and investments by the business segments. The Supervisory Board furthermore thoroughly reviewed and discussed all other significant business activities with the Management Board. One main consulting focus was on acquisitions, for example, the public takeover offer to the shareholders of RHÖN-KLINIKUM AG as well as the acquisition of Fenwal Holdings, Inc. by Fresenius Kabi. In addition, the Supervisory Board delegated authority regarding the exercise of the Supervisory Board's participation rights and reservations of the requirement of approval regarding the May 2012 capital increase to a Committee which was formed for this purpose. Accordingly, in May 2012, the Committee consented to the resolution of the Management Board regarding the use of the Authorized Capital I in the amount of €13.8 million, the exclusion of the shareholder's subscription rights and the determination of the issue price. The Supervisory Board was informed about conducting the capital increase. The Supervisory Board discussed in detail the 2013 budget and the midterm planning of the Fresenius Group. It also focused on the research and development strategies of the business segments. At its meetings and within the Audit Committee, the Supervisory Board also kept itself regularly informed about the Group's risk situation and risk management activities as well as compliance.

CORPORATE GOVERNANCE

The Supervisory Board and the Management Board of the general partner jointly issued a Declaration of Conformity in accordance with the German Corporate Governance Code pursuant to Section 161 of the German Stock Corporation Act (AktG) on December 20, 2012.

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

Prof. Dr. med. D. Michael Albrecht is a member of the Supervisory Board of our Company and is medical director and spokesman for the management board of the University Hospital Carl Gustav Carus Dresden as well as a member of the supervisory boards of the University Hospitals in Aachen, Magdeburg, and Rostock. The Fresenius Group maintains regular business relationships with these hospitals in the ordinary course under customary conditions. Klaus-Peter Müller is a member of the Supervisory Boards of our Company and of Fresenius Management SE, as well as Chairman of the supervisory board of Commerzbank AG, with which the Fresenius Group maintains business relationships under customary conditions. In 2012, the Fresenius Group paid €1.9 million in total to Commerzbank AG for financing commitments and in connection with Senior Notes issuances and the capital increase.

There are no direct consultancy or other service relationships between the Company and any given member of the Supervisory Board. In 2012, the Fresenius Group had consultancy contracts with the management consultancy firm Roland Berger Strategy Consultants GmbH, an affiliated company of the management consultancy firm Roland Berger Strategy Consultants Holding GmbH. Prof. Dr. h. c. Berger is a member of the Supervisory Board of Fresenius Management SE and a member of the Supervisory Board of our Company. Prof. Dr. h. c. Berger is at the same time a partner in Roland Berger Strategy Consultants Holding GmbH. The Fresenius Group paid €0.6 million (2011: €0.7 million) to Roland Berger Strategy Consultants GmbH for services rendered in 2012. The Supervisory Board closely examined this mandate and approved it. Prof. Dr. h. c. Berger abstained from the voting. The respective approval was made on the basis of a written submission to the Supervisory Board and prior to the payment of the invoices for the services.

Furthermore, various companies of the Fresenius Group were advised by affiliated companies of the internationally acting law firm Noerr. Dr. Schenk, member of the Supervisory Board of Fresenius Management SE and Deputy Chairman of the same, is also a partner of the law firm Noerr LLP. In 2012, the Fresenius Group

paid or processed for payment in December 2012 a total of about €1.8 million to the law firm Noerr (2011: €1.43 million). This corresponds to 2% of the total amount paid by Fresenius Group for services and legal advice in 2012 (2011: 2%). Thereof, about €0.4 million were attributable to services for Group companies not related to the business segment Fresenius Medical Care. The services rendered for Group companies of the business segment Fresenius Medical Care require a separate approval by the Supervisory Boards of Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA. The Supervisory Board of Fresenius Management SE, of which Dr. Schenk is a member, closely examined this mandate and approved it. Dr. Schenk abstained from the voting. The Supervisory Board of Fresenius SE & Co. KGaA, of which Dr. Schenk is not a member, dealt with the amounts for legal services paid to the law firm Noerr in relation to the amounts paid to other law firms.

The payments mentioned in the above section "Corporate Governance" are net amounts in Euro. In addition, VAT was paid.

For more information on corporate governance at Fresenius, please refer to the Corporate Governance Declaration and Report on pages 15 to 35 of the Annual Report. Fresenius has disclosed the information on related parties in the quarterly reports and on page 204 in this Annual Report.

WORK OF THE COMMITTEES

The Audit Committee held three meetings and six conference calls in 2012. The main focus of its monitoring activities was on the preliminary audit of the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2011 and discussions with the auditors about their reports and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board on which auditing firm to propose to the AGM for election as auditor for the annual financial statements of Fresenius SE & Co. KGaA and the Group for 2012. The Supervisory Board's proposal to the Annual General Meeting in 2012 to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, as auditor was based on a recommendation to this effect by the Audit Committee. The Audit Committee also reviewed the 2012 quarterly reports, the controlling reports on the development of the acquisitions, the compliance, the risk management system, the internal control system, and the internal auditing system. The chairman of the Audit Committee reported regularly in the following Supervisory Board meetings on the work of the committee.

The Supervisory Board delegated the exercise of the Supervisory Board's rights of consultation and approval regarding the use of the Authorized Capital I to a Committee which was set up for this purpose. The Committee held no meetings but two conference calls and passed a resolution by way of written vote. In this resolution, the Committee consented to the use of the Authorized Capital I in the amount of €13.8 million, the exclusion of the shareholder's subscription rights and the determination of the issue price.

The Company's Nomination Committee did not meet in 2012.

The Joint Committee, whose approval is necessary for certain important transactions of Fresenius SE & Co. KGaA and for certain legal acts between the Company and the Else Kröner-Fresenius Foundation, did not meet in 2012 because no transactions were effected that required the Joint Committee's approval.

There is no Mediation Committee because the Supervisory Board of Fresenius SE & Co. KGaA does not appoint the Management Board members of Fresenius Management SE.

For more information about the committees, their composition, and their work methods, please refer to the Corporate Governance Declaration and Report on pages 20, 21 and 215 of the Annual Report.

PERSONNEL

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

The Supervisory Board of the general partner Fresenius Management SE appointed Rice Powell, responsible for the business segment Fresenius Medical Care, and Mats Henriksson, responsible for the business segment Fresenius Kabi, as members of the Management Board of Fresenius Management SE as from January 1, 2013. We are pleased that the new appointments to the Management Board have been filled by managers with many years of experience in the Fresenius Group. Dr. Ben Lipps, CEO of Fresenius Medical Care, and Rainer Baule, CEO of Fresenius Kabi, both retired as planned from the Management Board at the end of 2012. They were both instrumental to the dynamic growth of the Group over many years, for which we would like to express our recognition and deep gratitude.

No other changes were made to the composition of the Management Board of the general partner Fresenius Management SE.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

The accounting records, the financial statements prepared according to the German Commercial Code (HGB), and the Management Report of the Company for 2012 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. The firm was elected as auditor at the Annual General Meeting of Fresenius SE & Co. KGaA on May 11, 2012, and was subsequently commissioned by the Supervisory Board. The auditors of KPMG issued their unqualified audit opinion for these statements. The same applies to the Company's consolidated

financial statements prepared according to IFRS accounting principles and to the regulations that govern these statements pursuant to Section 315a of the German Commercial Code (HGB). It also applies to the Company's consolidated financial statements prepared voluntarily according to U.S. GAAP.

The financial statements, the consolidated financial statements, the Management Reports, and the auditors' reports were submitted to each member of the Company's Supervisory Board within the required time. At their meetings on March 14 and 15, 2013, the Audit Committee and then the Supervisory Board discussed all the documents in detail.

The auditors delivered a detailed report on the results of the audit at each of these meetings. They found no weaknesses in the risk management system and the internal control system with regard to the accounting process. The auditors attended all meetings of the Supervisory Board and all meetings and conference calls of the Audit Committee.

The Audit Committee and the Supervisory Board approved the auditors' findings. Also the Audit Committee's and the Supervisory Board's own review found no objections to the Company's financial statements and Management Report or the consolidated financial statements and the Group Management Reports. At its meeting on March 15, 2013, the Supervisory Board approved the financial statements and Management Reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner's proposal on the allocation of the 2012 distributable profit.

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

Bad Homburg v. d. H., March 15, 2013

The Supervisory Board

Dr. Gerd Krick
Chairman

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Dr. Gerd Krick

Königstein

Former Chairman of Fresenius AG

Chairman

Offices
Supervisory Board
Fresenius Management SE (Chairman)
Fresenius Medical Care AG & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
VAMED AG, Austria (Chairman)

Prof. Dr. med. D. Michael Albrecht

Dresden

Medical Director and Spokesman of the Management Board of the Universitätsklinikum Carl Gustav Carus Dresden

Offices
Supervisory Board
GÖK Consulting AG
Universitätsklinikum Aachen
Universitätsklinikum Magdeburg
Universitätsklinikum Rostock

Prof. Dr. h. c. Roland Berger

Munich

Management Consultant

Offices
Supervisory Board
Fresenius Management SE
Prime Office REIT-AG (Chairman)
Schuler AG
Wilhelm von Finck AG (Deputy Chairman)
WMP EuroCom AG (Chairman)

Administrative Board
Wittelsbacher Ausgleichsfonds

Board of Directors
3W Power S.A., Luxembourg (until Jan. 12, 2012; Chairman)
Fiat S.p.A., Italy (until Apr. 4, 2012)
Geox S.p.A., Italy (since Nov. 8, 2012)
Impregilo S.p.A., Italy (Jun. 11, 2012 until Jul. 17, 2012)
Italy 1 Investment S.A., Luxembourg (until Mar. 6, 2012; Deputy Chairman)
RCS Mediagroup S.p.A., Italy (Vice President)

Dario Anselmo Ilossi

Rome, Italy

Trade Union Officer FEMCA Cisl – Energy, Fashion and Chemicals

Konrad Kölbl

Hof am Laithagebirge, Austria

Full-time Works Council Member

Member of the Manual Workers' Works Council of VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.

Chairman of the Group Works Council of VAMED AG

Deputy Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria

Klaus-Peter Müller

Bad Homburg v. d. H.

Chairman of the Supervisory Board of Commerzbank AG

Offices
Supervisory Board
Commerzbank AG (Chairman)
Fresenius Management SE
Linde AG

Administrative Board
Landwirtschaftliche Rentenbank

Board of Directors
Parker Hannifin Corporation, USA

Dieter Reuß

Weilrod

Full-time Works Council Member

Chairman of the Joint Works Council of Fresenius SE & Co. KGaA/ Bad Homburg site

Member of the General Works Council of Fresenius SE & Co. KGaA

Gerhard Roggemann

Hanover

Canaccord Genuity Ltd., London (formerly: Hawkpoint Partners Ltd., London)
Vice Chairman Investment Banking

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

Board of Directors
Friends Life Group plc, Great Britain
Resolution Ltd., Guernsey

Dr. Gerhard Rupprecht

Gerlingen

Former Member of the Management Board of Allianz SE

Deputy Chairman

Offices
Supervisory Board
Euler Hermes Deutschland AG
Fresenius Management SE
Heidelberger Druckmaschinen AG

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Stefan Schubert

Limburg-Staffel
Hospital nurse and full-time Works Council Member

Chairman of the Works Council of HELIOS Klinik Bad Schwalbach and of HELIOS Klinik Idstein

Chairman of the Group Works Council of Wittgensteiner Kliniken GmbH

Member of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
Wittgensteiner Kliniken GmbH

Rainer Stein

Berlin
Full-time Works Council Member

Chairman of the Group Works Council of HELIOS Kliniken GmbH

Chairman of the European Works Council of Fresenius SE & Co. KGaA

Corporate Offices
Supervisory Board
HELIOS Kliniken GmbH

Niko Stumpfögger

Zeuthen
Secretary of the Trade Union ver.di, Head of Company and Industry Politics in Health Care and Social Affairs
Deputy Chairman

Offices
Supervisory Board
HELIOS Kliniken GmbH (Deputy Chairman)

COMMITTEES OF THE SUPERVISORY BOARD

Audit Committee

Prof. Dr. h. c. Roland Berger (Chairman)
Konrad Kölbl
Dr. Gerd Krick
Gerhard Roggemann
Rainer Stein

Nomination Committee

Dr. Gerd Krick (Chairman)
Prof. Dr. h. c. Roland Berger
Dr. Gerhard Rupprecht

Joint Committee[1]

Dr. Dieter Schenk (Chairman)
Dr. Gerd Krick
Dr. Gerhard Rupprecht
Dr. Karl Schneider

Committee "Capital Increase"[2]

Dr. Gerd Krick
Dr. Gerhard Rupprecht
Rainer Stein
Niko Stumpfögger

[1] The committee consists equally of two members each of the Supervisory Board of Fresenius SE & Co. KGaA and of Fresenius Management SE.
[2] The project-related committee, related to the capital increase, was formed and ceased its work in the reporting period.

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Ulf M. Schneider

Königstein

Chairman

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (since Apr. 25, 2012; Chairman)
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Medical Care Groupe France S.A.S., France (Chairman)
Fresenius Medical Care Management AG (Chairman)
HELIOS Kliniken GmbH (Chairman)

Board of Directors
Fresenius Kabi USA, Inc., USA (formerly APP Pharmaceuticals, Inc.)
FHC (Holdings) Ltd., Great Britain

Rainer Baule (until Dec. 31, 2012)

Überlingen

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius HemoCare Netherlands B.V., Netherlands (until Nov. 14, 2012; Chairman)
Fresenius Kabi Austria GmbH, Austria (until Dec. 31, 2012; Chairman)
Fresenius Kabi España S.A.U., Spain (until Dec. 31, 2012)
Labesfal – Laboratórios Almiro, S.A., Portugal (until Dec. 31, 2012)

Administrative Board
Fresenius Kabi Groupe France S.A., France (until Dec. 31, 2012; Chairman)
Fresenius Kabi Italia S.p.A., Italy (until Jun. 27, 2012; Chairman)

Board of Directors
FHC (Holdings) Ltd., Great Britain (until Dec. 31, 2012)
Fresenius Kabi Asia Pacific Ltd., Hong Kong (until March 1, 2012)
Fresenius Kabi Oncology Plc., Great Britain (until Dec. 31, 2012)
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (until Dec. 31, 2012)
Fresenius Kabi (Singapore) Pte Ltd., Singapore (until Dec. 31, 2012)
Fresenius Kabi USA, Inc., USA (formerly APP Pharmaceuticals, Inc.; until Dec. 31, 2012)

Offices
Advisory Board
Vorwerk & Co. KG (Chairman since Jan. 1, 2013)

Dr. Francesco De Meo

Petersberg

Business Segment Fresenius Helios

Corporate Offices
Supervisory Board
Damp Holding GmbH (Mar. 22, 2012 until Feb. 9, 2013; Chairman since Apr. 4, 2012)
HELIOS Beteiligungs AG (since Apr. 20, 2012; Chairman since Apr. 25, 2012)
HELIOS Kliniken Leipziger Land GmbH (until Jan. 20, 2012; Chairman)
HELIOS Kliniken Mansfeld-Südharz GmbH (Chairman)
HELIOS Kliniken Schwerin GmbH (Chairman)
HELIOS Klinikum Erfurt GmbH (until Jan. 20, 2012; Chairman)

Dr. Jürgen Götz

Bad Soden am Taunus

Chief Legal and Compliance Officer, and Labor Relations Director

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (since Apr. 25, 2012; Deputy Chairman)
HELIOS Kliniken GmbH
Wittgensteiner Kliniken GmbH (Chairman)

Mats Henriksson (since Jan. 1, 2013)

Bad Homburg v. d. H.

Business Segment Fresenius Kabi

Corporate Offices
Supervisory Board
Fresenius Kabi Austria GmbH, Austria (since Jan. 1, 2013; Chairman)
Fresenius Kabi España S.A.U., Spain (since Dec. 31, 2012)
Fresenius Kabi Japan K.K., Japan
Labesfal – Laboratórios Almiro, S.A., Portugal (since Jan. 1, 2013)

Administrative Board
Fresenius Kabi Groupe France S.A., France (since Jan. 1, 2013; Chairman)
Fresenius Kabi Italia S.p.A., Italy (since Jun. 27, 2012; Chairman)

Board of Directors
Beijing Fresenius Kabi Pharmaceutical Co., Ltd., China
Fenwal, Inc., USA (since Dec. 13, 2012)
Fenwal Holdings, Inc., USA (since Dec. 13, 2012)
FHC (Holdings) Ltd., Great Britain (since Jan. 1, 2013)
Fresenius Kabi Asia Pacific Ltd., Hong Kong
Fresenius Kabi Oncology Ltd., India
Fresenius Kabi Pharmaceuticals Holding, Inc., USA (since Jan. 1, 2013)
Fresenius Kabi (Singapore) Pte Ltd., Singapore
Fresenius Kabi USA, Inc., USA (since Jan. 1, 2013)
Sino-Swed Pharmaceutical Corp., Ltd., China

Dr. Ben Lipps (until Dec. 31, 2012)

Boston, Massachusetts (USA)

Business Segment

Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (until Dec. 31, 2012; Chairman)

Administrative Board
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman until Dec. 31, 2012)

Rice Powell (since Jan. 1, 2013)

Andover, Massachusetts (USA)

Business Segment

Fresenius Medical Care

Corporate Offices
Management Board
Fresenius Medical Care Management AG (Chairman since Jan. 1, 2013)

Administrative Board
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Deputy Chairman)

Board of Directors
Fresenius Medical Care Holdings, Inc., USA (Chairman since Jan. 1, 2013)

Stephan Sturm

Hofheim am Taunus

Chief Financial Officer

Corporate Offices
Supervisory Board
FPS Beteiligungs AG (since Apr. 25, 2012)
Fresenius HemoCare Netherlands B.V., Netherlands
Fresenius Kabi AG (Deputy Chairman)
Fresenius Kabi España S.A.U., Spain
HELIOS Kliniken GmbH
Labesfal – Laboratórios Almiro, S.A., Portugal
VAMED AG, Austria (Deputy Chairman)
Wittgensteiner Kliniken GmbH

Administrative Board
Fresenius Kabi Groupe France S.A., France

Board of Directors
FHC (Holdings) Ltd., Great Britain

Dr. Ernst Wastler

Linz, Austria

Business Segment Fresenius Vamed

Corporate Offices
Supervisory Board
Charité CFM Facility Management GmbH (Deputy Chairman)
VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H., Austria (Chairman)

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Dr. Gerd Krick

Königstein

Chairman

Prof. Dr. h. c. Roland Berger

Munich

Klaus-Peter Müller

Bad Homburg v. d. H.

Dr. Gerhard Rupprecht

Gerlingen

Dr. Dieter Schenk

Munich

Lawyer and Tax Consultant

Deputy Chairman

Offices

Supervisory Board
Fresenius Medical Care AG & Co. KGaA (Deputy Chairman)
Fresenius Medical Care Management AG
(Deputy Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Deputy Chairman)
TOPTICA Photonics AG (Chairman)

Administrative Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Karl Schneider

Mannheim

Former Spokesman of Südzucker AG

Offices

Administrative Board
Else Kröner-Fresenius-Stiftung (Deputy Chairman)

GLOSSARY

Health care terms/Products and services

Administrative data
Data transmitted to sickness funds as part of the billing process or to federal agencies like the German Federal Statistics Office due to legal requirements. In Germany, this includes information about coded diagnoses and procedures.

Analgesia
Suppression of pain.

Antibodies
Antibodies are proteins that bind specifically to a particular substance, its antigen. Antibodies are known collectively as immunoglobulins. They are produced by B-lymphocytes and plasma cells in response to infection or immunization, and bind to and neutralize pathogens, thus preparing them for uptake and destruction of phagocytes.

Ascites
Morbid accumulation of fluid in the peritoneal cavity, a medical condition also known as hydroperitoneum or abdominal dropsy. The term malignant ascites is used when the condition is caused by a tumor disease.

ATG-Fresenius S (anti T-lymphocyte globulin)
Polyclonal antibody that specifically binds to the patients T-lymphocytes and helps suppress the patient rejection of the transplanted organ. The antibody is used for organ transplants as well as for stem cell transplantation in some countries.

Calcimimetics
An expansion of the therapy options to more effectively influence the bone and mineral change in patients with chronic kidney disease. Calcimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients.

Colloids
Blood and Plasma substitute.

Compounding
Mixing of different solutions or components for IV or parenteral nutrition therapy.

Crystalloids
Fluids which contain electrolytes like sodium or chloride. Crystalloids are used for fluid therapy in order to replace lost fluids by patients. By using crystalloids one can achieve a short-term compensation of blood loss. Moreover, crystalloids can be used as carrier solutions for intravenously administered drugs.

Cytostatic drugs
Substances that inhibit cell growth and/or cell division.

Dialysis
Form of renal replacement therapy where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer is used to clean a patient's blood.

Dialysis machine
The hemodialysis process is controlled by a dialysis machine which pumps blood, adds anticoagulants, regulates the cleansing process, and controls the mixture of dialysate and its flow rate through the system.

Dialysis solution/Dialysate
Fluid used in the process of dialysis in order to remove the filtred out substances and excess water from the blood.

Dialyzer
Special filter used in hemodialysis for removing toxic substances, waste products of metabolic processes and and excess water from the blood. The dialyzer is sometimes referred to as the "artificial kidney".

Enteral nutrition
Application of liquid nutrition as a tube or sip feed via the gastrointestinal tract.

EPO (Erythropoietin)
Hormone that stimulates red blood cell production. Recombinant (i. e. artificially produced) human EPO is commonly prescribed to patients on dialysis who suffer from anemia.

FDA (U.S. Food & Drug Administration)
Official authority for food observation and drug registration in the USA.

Graft-versus-Host-Disease (GvHD)
Rejection of a transplanted organ, caused by T-cells in the donor graft that attack the host organism.

Health care terms/Products and services

Health care structure (primary, secondary, tertiary)
Primary health care refers to markets, in which basic infrastructure, health posts and rural hospitals are available.

Secondary health care refers to markets, in which general hospitals, specialist's clinics and rehabilitation are available.

Tertiary health care refers to markets, in which maximum care, teaching hospitals, university clinics, and centres of excellence are available.

Hemodialysis (HD)
A treatment method for dialysis patients where the blood of the patient is cleansed by a dialyzer. The solute exchange between blood and dialysate is dominated by diffusive processes.

Hemodialysis catheter
A catheter is a flexible tube inserted by surgery through the skin into a blood vessel or cavity to draw out body fluid or infuse fluid. In hemodialysis, a catheter can be used as a vascular access for dialysis treatment. In this case, the catheter is usually inserted into the superior vena cava, or occasionally the femoral vein.

Medical care center
Interdisciplinary facility for outpatient care, managed by a physician. Potential shareholders of the medical care center include all service providers (such as physicians, pharmacists, health care facilities) which are authorized to treat patients with statutory health insurance.

Medicare/Medicaid
A program developed by the federal U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for medical care to individuals over 65, people with chronic kidney failure or the disabled.

OHSAS (Occupational Health and Safety Assessment System)
Norm on which a management system for occupational health and safety will be implemented.

Parenteral nutrition
Application of nutrients directly into the bloodstream of the patient (intravenously). This is necessary if the condition of a patient does not allow to absorb and metabolise essential nutrients orally or as sip and tube feed in a sufficient quantity.

Peritoneal dialysis (PD)
Dialysis treatment method using the patient's peritoneum as a "filter" to cleanse his blood.

Polyclonal antibodies
Antibodies that recognize one specific structure, but are produced by different cell clones.

Prevalence
Number of all patients who suffer from a specific disease within a defined period. The prevalence rate indicates the number of people with this specific disease (e. g. terminal kidney failure) treated per million population.

Public-private partnership (PPP) model
Public-private partnership (PPP) describes a government service or private business venture which is funded and operated through a partnership of government and one or more private sector companies. PPP accompanies in most cases with a part-privatization of governmental services.

Three-chamber bag
The three-chamber bag contains all the macronutrients like – amino acids, glucose, lipids and as well electrolytes in three separate chambers. Immediately before infusion all nutrients are mixed thoroughly within the bag simply by opening individual chambers. This reduces the risk of contamination and saves time when preparing the infusions.

Trifunctional antibodies
Antibodies that bind to three different cell types in parallel (e. g. tumor cells, T-cells and accessory cells) resulting in a tumor-specific immune reaction.

Financial terms

ADR (American Depositary Receipt)
Certificate that represents indirect ownership of shares in a non-U.S. company and enables trading in the U.S.

Cash flow
Financial key figure that shows the net balance of incoming and outgoing payments during a reporting period.

Commercial paper program
Short-term unsecured promissory notes issued by corporations in need of short-term loans. Typically commercial paper maturities range from a few days up to under two years.

Compliance
Measures for adherence to laws and company policies.

Corporate Governance
Designation in international parlance for company management and company controlling focused on responsible, long-term value creation.

Days Sales Outstanding (DSO)
Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

EBIT
Earnings before interest and income taxes.

EBITDA
Earnings before interest, income taxes, depreciation and amortization.

Kommanditgesellschaft auf Aktien (KGaA)
A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or Komplementäraktionär), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

Organic growth
Growth that is generated by a company's existing businesses and not by acquisitions, divestitures or foreign exchange impact.

OTC (Over-the-counter)
Trading of securities that are not listed on a stock exchange in the respective country. Fresenius' sponsored Level 1 ADRs are traded on the OTC market in the U.S.

Rating
A classification of the creditworthiness of a company accepted on the international capital market. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

ROE (Return on Equity)
Measure of a corporation's profitability revealing how much profit a company generates with the money shareholders have invested.
ROE = fiscal year's net income / total equity x 100.

ROIC (Return on Invested Capital)
Calculated by: (EBIT – taxes) : Invested capital
Invested capital = total assets + amortization of goodwill (accumulated) – deferred tax assets – cash and cash equivalents – trade accounts payable – accruals (without pension accruals) – other liabilities not bearing interest.

ROOA (Return on Operating Assets)
Calculated by: EBIT x 100 : operating assets (average)
Operating assets = total assets – deferred tax assets – trade accounts payable – payments received on account – approved subsidies.

SE (Societas Europaea)
Legal form of a European stock corporation. The supranational legal entity is based on European Community law. Subject to European regulations, the SE is treated in all member states of the European Union as a stock corporation according to the national law of the member state in which the SE is incorporated.

Scope of Inventory (SOI)
Indicates the average number of days between receiving goods as inventory and the sale of the finished product.
Calculated by: (Inventories : Costs of goods sold) x 365 days.

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

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

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FINANCIAL CALENDAR

Report on 1st quarter 2013 Conference call, Live webcast	April 30, 2013
Annual General Meeting, Frankfurt am Main, Germany	May 17, 2013
Payment of dividend [1]	May 20, 2013
Report on 1st half 2013 Conference call, Live webcast	July 30, 2013
Report on 1st – 3rd quarters 2013 Conference call, Live webcast	November 5, 2013

[1] Subject to prior approval by the Annual General Meeting

FRESENIUS SHARE / ADR

	Ordinary share		ADR
Securities identification no.	578 560	CUSIP	35804M105
Ticker symbol	FRE	Ticker symbol	FSNUY
ISIN	DE0005785604	ISIN	US35804M1053
Bloomberg symbol	FRE GR	Structure	Sponsored Level 1 ADR
Reuters symbol	FREG.de	Ratio	8 ADR = 1 Share
Main trading location	Frankfurt/Xetra	Trading location	OTC-market

Corporate Headquarters
Else-Kröner-Straße 1
Bad Homburg v. d. H.
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Fresenius SE & Co. KGaA
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Corporate Communications
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Telefax: ++49 61 72 6 08-22 94
e-mail: pr-fre@fresenius.com

Commercial Register: Bad Homburg v. d. H.; HRB 11852
Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Dr. Ulf M. Schneider (President and CEO), Dr. Francesco De Meo, Dr. Jürgen Götz, Mats Henriksson, Rice Powell, Stephan Sturm, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

The German version of this Annual Report is legally binding.

The Annual Report, the financial statements of Fresenius SE & Co. KGaA, and the consolidated statements in accordance with IFRS accounting principles are available on our website and may be obtained upon request at Investor Relations.

You will find further information and current news about our company on our website at: http://www.fresenius.com.

Forward-looking statements:
This Annual Report contains forward-looking statements. These statements represent assessments which we have made on the basis of the information available to us at the time. Should the assumptions on which the statements are based on not occur, or if risks should arise – as mentioned in the risk report and the SEC filings of Fresenius Medical Care AG & Co. KGaA – the actual results could differ materially from the results currently expected.

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