2012

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Corporate Report

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MEDICAL CARE

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2012

CONTINUITY

Corporate Report

CONTINUITY IS OUR COMPANY'S STRENGTH.

IT IS A PREREQUISITE FOR OUR LONG-TERM SUCCESS. BY CONTINUOUSLY REFINING OUR IDEAS AND PROVEN PRINCIPLES, WE HAVE BECOME THE WORLD MARKET LEADER IN DIALYSIS.

To us, continuity does not mean being able or compelled to carry on as before.

We see continuity as growth and development, steadily moving in one direction towards one goal: giving kidney patients a better quality of life.

At Fresenius Medical Care, innovation is founded on our extensive experience as well as proven expertise and technologies. The result is reliable products and services, which we offer worldwide. Millions of dialysis patients benefit from them every single day, and this continuity ensures the success and safety of their usually life-long treatment.

Creating a future worth living. For dialysis patients. Worldwide. Every day.

More than three decades of experience in dialysis, innovative research, the global leader in dialysis services and products – that is Fresenius Medical Care.

Patients with kidney disease can now look ahead with much more confidence thanks to our innovative technologies and treatment concepts. We give them a future, one that offers them the best-possible quality of life. We use the increasing demand for modern dialysis methods to our advantage and work consistently to enhance the Company's growth. Together with our employees, we focus on pursuing strategies that will enable us to uphold our technological leadership. As a vertically integrated company, we offer products and services for the entire dialysis value chain.

The highest medical standards are our benchmark. This is our commitment to our patients, our partners in the healthcare system and our investors, who trust in the reliable performance and the future of Fresenius Medical Care.

CHAPTER 1

TO OUR SHAREHOLDERS

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BAD HOMBURG, MARCH 2013

Dear Fellow Shareholders

As of the beginning of 2013, I have been given responsibility for leading Fresenius Medical Care's global operations. Together with our Management Board and Dr. Ben J. Lipps – my predecessor and long-acting Chief Executive Officer of our Company – we managed a demanding but overall successful year in 2012. I would like to take this opportunity to personally thank Ben for his service and his tireless dedication during more than 14 years as CEO. His leadership was an integral part of the organization's success these past years, and it allows me to announce a strong set of numbers for 2012.

The fiscal year 2012 was once again a year of record financial results for our Company. Our revenue reached $13.8 billion, up 10% from 2011. In the same period, our net income grew on a reported basis by 11% to $1,187 million. Our free cash flow before acquisitions and dividends increased to $1,373 million in 2012 compared to $876 million in the previous year. We achieved this positive business performance in 2012 in spite of many challenges, including the integration of several large acquisitions, a much tougher economic environment for our product business and our efforts to help patients and employees following the Superstorm Sandy disaster in North America.

Our continued financial strength enabled us to adhere to our results-oriented dividend policy once again in 2012. We will propose an increase of our annual dividend by 9% to €0.75 per ordinary share. Subject to this resolution being approved, our shareholders can expect the 16th consecutive increase since the foundation of our Company. As you might have observed, we have strengthened our mid-term dividend policy and would now like to establish dividend to grow approximately in line with the growth in earnings per share. In addition, we have established the ability to buy back stock if and when we think it is appropriate to do so.

Reflecting on our 2012 results, I am extremely pleased with how our Company performed in people terms. This really impressed me, especially since we as a Company asked for a lot from our people as I indicated above. No matter how difficult the circumstances and how challenging the events have been, our employees delivered outstanding and compassionate care for our patients and their communities by providing best-in-class products and lifesaving services.

On behalf of the entire Management Board, I would like to thank every one of our 86,153 employees around the globe for these outstanding efforts. We are proud of their ongoing commitment to make products based on the highest quality standards and their

pure enthusiasm in treating our patients with great compassion. In my new role, I am looking forward to meeting many of our employees who work for Fresenius Medical Care all around the globe.

We are doing the right thing by giving our patients top priority. I believe that doing so is also ultimately advantageous for our shareholders. This patient-first focus keeps us aware of the ongoing imperative to continually innovate and improve, and to overcome potential challenges ahead. It also underscores our aspiration to make life worth living for our patients around the world every day.

However positive the long-term performance of our stock may have been, we had to realize that our stock could not repeat its huge outperformance of the DAX in 2011, when the index dropped by 16% and our share price increased by 22%. One of the reasons for this not being the case in 2012 was that the general investment sentiment has been positive and markets have been up by as much as 30%, for example the DAX. In such a positive investment environment, defensive stocks like ours are clearly not on the top of the list for investors compared to cyclical investments that profit disproportionally from such a friendly investment environment and have even more attractive valuation multiples. Additionally, in 2012 our share price was affected by speculation as to how and when the prospective payment reimbursement system for Medicare patients in North America would be further adjusted for additional savings. In the third quarter of 2012, we also posted a year-on-year earnings decrease compared to 2011. Despite having communicated the reasons for this and indicating our ability to continue to meet our full-year guidance, this affected the value of our shares.

In the fiscal year 2012, we continued to invest in our Company's future and to expand our product and services businesses. This enabled us to secure our market-leading position around the world.

In 2013 and beyond, we will continue to focus on three areas: (1) investing in our employees; (2) maintaining quality services resulting in satisfied patients; and (3) producing outstanding and innovative products, to the benefit of people with kidney failure and our market position. The challenging demographic and megatrends surrounding diseases such as diabetes and hypertension afford us the opportunity to provide vital and impactful solutions, while at the same time doing business in a market niche that will grow consistently in coming years.

In my mind, there is no need to react to short-term influences or take on excessive risk. We are in this business, and will maintain our focus for the long run.

As I am a builder, rather than a renovator, our annual report reflects the theme of "continuity". To me, continuity manifests itself through ongoing improvements of our products and services and a steady development of our business and related areas to provide life-sustaining treatment to the growing number of patients who live with chronic kidney disease.

Although 2013 will not be an easy year for our Company, I feel positive about the Company's continued progress and new prospects. Challenges like the legislative overhang of a new reimbursement formula in North America, the newly introduced medical device tax and, finally, the outcome of the fiscal cliff discussions for our industry – so-called "sequestration", resulting in a 2% reimbursement cut across Medicare – will be an issue. Nevertheless, looking at the underlying operational performance of the Company that we can influence, it is fair to say that we are well prepared to sustain development and growth in our business and retain your ongoing trust in Fresenius Medical Care.

Yours sincerely

RICE POWELL

Chief Executive Officer of Fresenius Medical Care

Management Board

DR. BEN J. LIPPS

Chairman until December 31, 2012

RICE POWELL

Chairman since January 1, 2013

Dr. Ben J. Lipps (72) was Chief Executive Officer and Chairman of the Management Board of Fresenius Medical Care from 1999 until December 31, 2012. Prior to that, he was CEO of Fresenius Medical Care North America from 1996 to 1999 and of Fresenius U.S. from 1985 to 1996. He has worked in the field of dialysis for about 40 years. After earning his master's degree and doctorate in Chemical Engineering at the Massachusetts Institute of Technology, he led the research team at Dow Chemical that developed the first commercial hollow-fiber artificial kidney at the end of the 1960s.

Rice Powell (57) is Chief Executive Officer and Chairman of the Management Board effective January 1, 2013. Prior to that, he was Vice Chairman of the Management Board and Member of the Management Board responsible for the region North America from 2010 to 2012. He joined Fresenius Medical Care in 1997 and was appointed to the Company's Management Board and Co-CEO of Fresenius Medical Care North America in January 2004. He has over 30 years of experience in the healthcare industry. From 1978 to 1996, he held various positions, among others at Baxter International Inc. and Biogen Inc. in the U.S.

MICHAEL BROSNAN
Finance

Michael Brosnan (57) was appointed Chief Financial Officer on January 1, 2010. Previously, he served as Chief Financial Officer of Fresenius Medical Care North America for seven years. He joined the Company in 1998 as Vice President of Finance and Administration for Spectra Renal Management, the Company's laboratory services organization. Subsequently, he assumed several executive functions at Fresenius Medical Care North America. Prior to joining the Company, he held senior financial positions at Polaroid Corporation and was an audit partner at KPMG.

ROBERTO FUSTÉ
Asia-Pacific

Roberto Fusté (60) is Chief Executive Officer for Asia-Pacific. After completing his studies in Economic Sciences at the University of Valencia, Spain, he founded the company Nephrocontrol S.A. in 1983. After Nephrocontrol was acquired by the Fresenius Group in 1991, he held several senior positions within the Company in the Latin America and Asia-Pacific regions, among others. He was appointed to the Management Board of Fresenius Medical Care in 1999.

DR. EMANUELE GATTI

Europe, Middle-East, Africa and Latin America, and Global Chief Strategist

Dr. Emanuele Gatti (57) is Chief Executive Officer for Europe, Middle East, Africa and Latin America (EMEALA). He is also Global Chief Strategist. After completing his studies in Bioengineering, he lectured at several biomedical institutions in Milan. He continues to be involved in research and development activities, including the Danube University in Krems, Austria, at which he holds a position as honory senator. Emanuele Gatti has been with Fresenius Medical Care since 1989. Before being appointed to the Company's Management Board in 1997, he was responsible for its dialysis business in Southern Europe.

RONALD KUERBITZ

North America

Ronald Kuerbitz (53) is Chief Executive Officer for North America effective January 1, 2013. He joined Fresenius Medical Care in 1997 and served recently as Executive Vice President for Market Development and Administration for Fresenius Medical Care North America. He has 20 years of experience in the health care field, having held positions in law, compliance, business development, government affairs and operations. Since 2011 Ronald Kuerbitz has served as Chairman of Kidney Care Partners, Washington D.C. He is a graduate of Albion College and received his juris doctor degree from the Yale Law School.

DR. RAINER RUNTE

Global Law, Compliance, Intellectual Property, Corporate Business Development, and Labor Relations Director Germany

Dr. Rainer Runte (53) is Member of the Management Board responsible for Global Law, Compliance, Intellectual Property and Corporate Business Development. He has also been appointed Labor Relations Director for Germany. He has worked for the Fresenius Group for more than 20 years. In 1997, he assumed the position of Senior Vice President for Law at Fresenius Medical Care and was appointed to the Management Board in 2002. Before joining the Company, he worked as a scientific assistant in the law department of Goethe University in Frankfurt and as an attorney in a firm specialized in economic law.

KENT WANZEK

Production

Kent Wanzek (53) was appointed Chief Executive Officer for Global Manufacturing Operations on January 1, 2010. From 2004 onwards, he was in charge of North American operations for the Renal Therapies Group at Fresenius Medical Care North America. Prior to joining the Company in 2003, he held several senior executive positions at Philips Medical Systems, Perkin Elmer, and Baxter Healthcare Corporation, among others.

Report of the Supervisory Board

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA AGAIN DEALT THOROUGHLY IN THE FINANCIAL YEAR 2012 WITH QUESTIONS OF THE EFFECTS OF THE COST REIMBURSEMENT SYSTEM IN THE U.S., WITH THE CONSEQUENCES OF THE WORLDWIDE ECONOMIC SITUATION FOR THE OPPORTUNITIES AND RISKS FOR THE DEVELOPMENT OF THE COMPANY'S BUSINESS, WITH PROSPECTS TO DEVELOP THE CURRENT BUSINESS, AS WELL AS THE PRODUCT INNOVATIONS BEING DEVELOPED.

Details

In the expired financial year 2012, the Supervisory Board again dealt extensively with the situation and the business perspectives of the Company and various special issues as well as performing the duties imposed on it by the law, the Articles of Association, the rules of procedure and the German Corporate Governance Code. We regularly advised the Management Board of the general partner, Fresenius Medical Care Management AG, on the management of the Company and supervised the management of the Company within our responsibility as the Supervisory Board of the partnership limited by shares. The management informed us in written and oral reports regularly, promptly and comprehensively about all significant questions of company policy and the company planning and strategy, the progress of transactions, acquisitions, the profitability and liquidity, the situation of the Company and the Group and the risk situation and risk management. All business processes significant for the Company were discussed by us on the basis of reports of the Management Board of the general partner in the committees and in full session comprehensively and the strategic

direction of the Company was also discussed with the Management Board of the general partner. In accordance with the procedure of previous years, we again reviewed the economic development of acquisitions of the previous years and compared them with the planning and prognoses at the time of each acquisition. The Supervisory Board passed resolutions in the terms of its responsibilities under statutes and under the Articles of Association.

Meetings

In the financial year 2012, five meetings – some of which extended to more than one day – of the Supervisory Board and several telephone conferences took place. No Supervisory Board Member attended less than half of the meetings. Between the meetings, written reports were provided. The Chairman of the Supervisory Board also maintained close contact with the Management Board of the general partner apart from at the meetings.

Focus of the Discussions in the Supervisory Board

In the expired financial year 2012, the Supervisory Board dealt intensively and in all its meetings with the situation of the Company in the overall economic context particularly in view of worldwide developments. Since the products and services of the Company are paid for to a significant extent by health care systems which are financed either by taxes or by social security contributions, the financial liquidity of states and related organisations are of major relevance to the Company.

The amended provisions of the reimbursement system in the U.S. and their effects on the Company again received special attention. The Supervisory Board was regularly informed thereof. The developments in reimbursement systems outside the U.S. and the overall economic environment in each case were discussed.

The business development, the competitive situation and the planning of the Management Board in the various regions were again at the centre of the discussions. On the occasion of a meeting of several days' duration in Shanghai, the Supervisory Board particularly gave attention to the business development and the plans in Asia and met the executive employees of the Asia-Pacific region.

The Supervisory Board informed itself of the quality assurance systems and the qualitative results of the various production sites and, together with the Management Board, discussed the expected quantity development in the existing plants and their expansion. Moreover, the Supervisory Board discussed and conferred with the Management Board on the accusations in the context of the allegedly insufficient warning notices for two pharmaceutical products (NaturaLyte and GranuFlo).

The financing of the Company, in particular the refinancing of the existing syndicated credit agreement was again intensively discussed.

The Audit and Corporate Governance Committee

Prof. Dr. Fahrholz, Mr. Johnston, Dr. Krick and Dr. Weisman were Members of the Audit and Corporate Governance Committee. The Audit and Corporate Governance Committee met under the chairmanship of Dr. Walter L. Weisman (independent financial expert in the meaning of section 100 para. 5 German Stock Corporation Act) in the year under report on a total of five occasions in meetings and held a number of telephone conferences. It dealt with the annual and consolidated financial statements, the proposal for the application of profit and the report according to form 20-F for the American Securities and Exchange Commission (SEC). The Audit and Corporate Governance Committee also discussed each quarterly report with the management. It also satisfied itself as to the independence of the auditor of the annual and consolidated financial statements, instructed him to undertake the audit, concluded the fee agreement with him and discussed and determined with him the points of emphasis of the audit. The Audit and Corporate Governance Committee further dealt with compliance of the Company and, in particular, with allegations by external third parties that, in countries outside the U.S. and Germany, infringements of the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-corruption regulations have occured. With the collaboration of the compliance department of the Company and external lawyers, the Audit and Corporate Governance Committee initiated an investigation, to which also the internal control processes are subject. It is anticipated that the progress of the investigation will

concern the Audit and Corporate Governance Committee also in the current financial year, because no conclusive results were available at the end of the year under report.

Representatives of the auditor participated in all meetings of the Audit and Corporate Governance Committee and in several telephone conferences and reported thereby on their auditing and the audit review of the quarterly financial statements and, in the absence of Members of the Management Board of the general partner, on the cooperation with them. Moreover, the representatives of the auditor reported on the material results of their audit and were also available for additional information.

The accounting process, the effectiveness of the internal control system, of the risk management and of the internal audit system, and the audit were discussed several times in the Audit and Corporate Governance Committee. KPMG AG Wirtschaftsprüfungsgesellschaft reviewed, in the course of the audit, the internal control system in relation to the accounting process and the establishment of the early risk recognition system and raised no objections thereto. The Management Board of the general partner provided periodic reports on larger individual risks. The Management Board of the general partner also informed the committee regularly i.e. at all ordinary meetings of the Audit and Corporate Government Committee and in part in telephone conferences on the compliance situation of the Company. In addition, the head of internal audit reported periodically to the committee.

In 2012, the Audit and Corporate Governance Committee again dealt with the internal control system of the Company in accordance with the Sarbanes-Oxley Act (SOX 404). On 26 February 2013, the Company received an unqualified audit certificate from KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, for the implementation of the regulations of SOX 404 in the financial year 2012.

The legal and business relations of the Company to Fresenius SE & Co. KGaA and/or its affiliates were again subject matter of the reviews of the Audit and Corporate Governance Committee. It was possible to confirm that the relationships corresponded to those "at arm's length".

The results of the discussions and resolutions in the Audit and Corporate Governance Committee have been reported to the Supervisory Board by its chairman in each case.

Joint Committee

The Joint Committee, the approval of which is acquired in particular for certain important transactions and certain transactions between the Company and Fresenius SE & Co. KGaA and/or its affiliates, did not meet in 2012 because no transactions subject to the approval of the Joint Committee were undertaken.

For the general partner, its Supervisory Board Members Dr. Ulf M. Schneider and Dr. Gerd Krick are delegates to the Joint Committee of the Company, for Fresenius Medical Care AG & Co. KGaA, Dr. Walter L. Weisman and Mr. William P. Johnston are elected members to the Joint Committee.

Nomination Committee

The Nomination Committee of the Company, the members of which in the year under report were Dr. Gerd Krick (chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk, prepares personnel proposals of the Supervisory Board and proposes to the Supervisory Board of the Company suitable candidates for its election proposals to the general meeting. In the year under report, the Nomination Committee did not hold a meeting, because there was no necessity.

Corporate Governance

The Supervisory Board again reviewed the efficiency of its activities and also dealt with the exchange of information between the Management Board of the general partner and the Supervisory Board (including information by the Management Board on recent developments concerning corporate governance and compliance on a regular basis) and between the Supervisory Board and the Audit and Corporate Governance Committee. No objections arose in the course thereof.

The Supervisory Board Members Mr. Classon, Mr. Johnston, Dr. Krick, Dr. Schenk and Dr. Weisman are also Members of the Supervisory Board of the general partner, Fresenius Medical Care Management AG. The Supervisory Board Members Dr. Krick and Dr. Schenk are also Members of the Supervisory Board (Dr. Krick as chairman and Dr. Schenk as vice-chairman) of Fresenius Management SE which acts as general partner of Fresenius SE & Co. KGaA, holding 31.2% of the shares in the Company and all shares in its general partner, Fresenius Medical Care Management AG. Dr. Krick is also a Member (chairman) of the Supervisory Board of Fresenius SE & Co. KGaA.

Consultancy or other service relationships between Supervisory Board Members and the Company apply in the year under report only to Dr. Schenk who is also partner in the law firm Noerr LLP; the companies of the internationally operating law firm Noerr provided legal advice to Fresenius Medical Care AG & Co. KGaA and affiliated companies in the year under report. In the year under report, an amount of approximately €1.4 M (plus VAT) was paid or processed for payment in December 2012 by Fresenius Medical Care to law firm Noerr (2011: approximately €1.4 M). This represents less than 3% of Fresenius Medical Care's worldwide legal and other consultancy fees. The Supervisory Board (just as the Supervisory Board of the general partner) approved the engagement and payment in each case after having been provided detailed information on this by resolution with Dr. Schenk abstaining; the payments were effected only after the approving resolutions by the Supervisory Board in each case.

The Supervisory Board found that it and its committees have, in its opinion, an appropriate number of independent members.

At the Supervisory Board meeting of 4 December 2012, the Supervisory Board discussed the conformity declaration of the Company under section 161 Stock Corporation Act on the German Corporate Governance Code and resolved on same. The version of the conformity declaration of December 2012 applies as it appears at present permanently accessible on the Internet page of the Company. The deviations from the recommendations of the Code refer, firstly, to the (absence of an) age limit specified or set for Members of the Supervisory Board of the Company (likewise for the Members of the Supervisory Board and the Management Board of the general partner) and the lack of setting concrete objectives for the composition of the Supervisory Board of Fresenius Medical Care as well as taking these into account in election proposals and reporting on the status of their implementation. As the composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure 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 international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board Members within the meaning of Code-No 5.4.2 and diversity. This includes the aim to establish an appropriate female representation on a long-term basis. 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. Furthermore, in service contracts of the Management Board Members of the general partner, no cap on severance is included for the reasons stated in the conformity declaration.

The Corporate Governance Report of the general partner and of the Supervisory Board together with the declaration on the management according to section 289a Commercial Code are on pages 126 et seqq. of the annual report. The declaration on Corporate Governance for the year under report was discussed by the Supervisory Board and approved at its meeting of 25 February 2013.

Annual and Consolidated Financial Statements

The annual financial statements of Fresenius Medical Care AG & Co. KGaA and the annual report were prepared in accordance with the regulations of the German Commercial Code, the consolidated financial statements and consolidated management report

pursuant to section 315a Commercial Code in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. The accountancy, the annual financial statements and the annual report of Fresenius Medical Care AG & Co. KGaA and the consolidated financial statements and consolidated annual report of Fresenius Medical Care AG & Co. KGaA, in each case for the financial year 2012, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin which was elected as auditor by resolution of the general meeting of 10 May 2012 and instructed by the Audit and Corporate Governance Committee. Each of the said documents carries an unqualified certificate. The audit reports of the auditor were laid before the Audit and Corporate Governance Committee and before the Supervisory Board. The Audit and Corporate Governance Committee reviewed the annual and consolidated financial statements and the annual reports taking account of the audit reports of the auditor, and reported to the Supervisory Board thereon.

The Supervisory Board also reviewed the annual financial statements, the annual report and the proposal for the application of profit and the consolidated financial statements and consolidated annual report in each case for the financial year 2012. The documents were provided to it in due time. The Supervisory Board has declared its agreement to the result of the audit of the annual financial statements and the consolidated financial statements by the auditor. The representatives of the auditor who signed the audit reports participated in the discussions of the Supervisory Board of the annual and consolidated financial statements, reported on the significant results of the audit and were available for additional information. Even after the final results of its own review, no objections are to be raised by the Supervisory Board to the annual financial statements and the annual report of the Company or to the consolidated financial statements and the consolidated annual report.

At its meeting on 25 February 2013, the Supervisory Board approved the annual financial statements and annual report of Fresenius Medical Care AG & Co. KGaA for 2012 presented to it by the general partner. The declaration on Corporate Governance for the reporting year 2012 was also a subject of discussion and resolution. At that meeting, the draft of the report according to form 20-F for filing with the Securities and Exchange Commission (SEC), which contains, inter alia, the consolidated financial statements and the consolidated annual report in accordance with the U.S. Generally Accepted Accounting Principles, (U.S. GAAP) with the US dollar as the currency of the report, was also discussed. At its meeting of 13 March 2013, the consolidated financial statements and the consolidated annual report were approved by the Supervisory Board. The Supervisory Board also approved the general partner's proposal for the application of profit which provides for a dividend of €0.75 for each ordinary share and €0.77 for each preference share.

Dependency Report

The general partner, Fresenius Medical Care Management AG, prepared a report on the relationships to affiliates in accordance with section 312 Stock Corporation Act for the financial year 2012. The report contains the final declaration of the general partner that the Company, in accordance with the circumstances known to the general partner at the time at which the transaction was undertaken or the measures taken or omitted, received reasonable consideration for each transaction and was not disadvantaged by the conduct of the measures or their omission.

The Supervisory Board and the Audit and Corporate Governance Committee received the report in due time and reviewed it. The auditor participated in the relevant discussions, reported on the main results of his review and was available for additional information. The Supervisory Board and the Audit and Corporate Governance Committee share the view of the auditor who added the following certificate to that report on 25 February 2013:

"In accordance with our conscientious audit and assessment, we confirm that (1) the statements of fact in the report are correct, (2) the consideration of the Company in the course of the transactions listed in the report was not unreasonably high, (3) the measures listed in the report are not the occasion for an

assessment substantially different from that of the general partner".

Even according to the final result of the review by the Supervisory Board, no objections to the declaration of the general partner on the relationships to affiliates at the foot of the report are to be raised.

Composition of the Management Board of the General Partner

At the end of 31 December 2012, the tenure of the Chairman of the Management Board of the general partner, Dr. Ben J. Lipps, ended. Dr. Lipps has formed the Company significantly since its start – with the merger of the dialysis division of Fresenius AG with National Medical Care in the year 1996 – initially as Chairman of the Board of Directors of Fresenius Medical Care North America, since 1999 as Chairman of the Management Board of Fresenius Medical Care AG, since the transformation of this company into a KGaA as Chairman of the Management Board of its general partner, Fresenius Medical Care Management AG. Even before his engagement at Fresenius Medical Care, Ben Lipps was since 1985 in charge of the dialysis activities of Fresenius in the U.S., when this business unit generated a turnover of little more than €100 M. Dr. Lipps stands for the development of dialysis since its beginnings like no other. Most of the time of his long business career, Ben Lipps has dedicated to the well-being of dialysis patients. The Company owes Dr. Lipps an extraordinary debt of gratitude.

In recognition of his extraordinary service in the development of the Company and his broad experiences in the Company, the Supervisory Boards of Fresenius Medical Care Management AG and of Fresenius Medical Care AG & Co. KGaA have appointed Dr. Lipps as their Honorary Chairman as of 1 January 2013.

Effective from 1 January 2013, the Supervisory Board of the general partner has appointed the previous Deputy Chairman of the Management Board, Mr. Rice Powell, as Chairman of the Management Board in succession of Dr. Lipps. Likewise effective from 1 January 2013, Mr. Ron Kuerbitz has been appointed as a member of the Management Board for the region North America. Moreover, Dr. Olaf Schermeier has been appointed as of 1 March 2013 as an ordinary Management Board member of Fresenius Medical Care Management AG for research and development.

The Supervisory Board thanks the Members of the Management Board of the general partner as well as all employees for their commitment and for the diligent work performed in 2012.

Bad Homburg v.d.H., 13 March 2013
The Supervisory Board

DR. GERD KRICK
Chairman

Capital Market and Shares

OUR STRATEGY AIMS AT SUSTAINABLY INCREASING THE SHAREHOLDER VALUE OF FRESENIUS MEDICAL CARE. THE LONG-TERM TREND OF OUR SHARE PRICE SHOWS THAT INVESTORS HAVE CONFIDENCE IN OUR GROWTH STRATEGY AND OUR PROSPECTS.

STOCK MARKET

Within the last ten years, the price of Fresenius Medical Care's ordinary shares has roughly quadrupled. An investor seeking long-term growth who invested €10,000 in Fresenius Medical Care ordinary shares ten years ago and reinvested the dividends would have reaped assets of €35,079 as of December 31, 2012. This reflects an average annual rate of return of 13.4%. Over the same period, the German DAX and the Dow Jones index in the U.S., for example, posted significantly smaller annual growth of 9 and 4% respectively.

The financial markets continued to be influenced by the global debt crisis in the year under review. Growing confidence in the economic development at the start of the year inspired stock markets in the first quarter of the year. With rising numbers of negative news on the budget situations of several countries in Europe and a lack of economic stimulation, prices on the stock markets began to slide significantly in the second quarter. Towards the middle of the year, robust quarterly results from many companies and improved economic data led to rising share prices – a development that continued in the fourth quarter of 2012, generating a very positive overall performance for stock prices in 2012. The DAX therefore ended 2012 at 7,612 points, an increase of 29% compared with 2011. Further information on the performance of the world's leading stock indices can be found in table 1.3.1.

T. 1.3.1 *Stock indices/shares*

	Country/ region	*31.12.2011*	*31.12.2012*	*Change*	*High*	*Low*
DAX	*GER*	5,898	7,612	29%	7,672	5,969
Dow Jones	*U.S.*	12,218	13,104	7%	13,610	12,101
Nikkei	*JP*	8,455	10,395	23%	10,395	8,296
CAC	*FR*	3,160	3,641	15%	3,674	2,950
FTSE	*GB*	5,572	5,898	6%	5,966	5,260
DJ EURO STOXX 50	*EUR*	2,317	2,636	14%	2,660	2,069
DJ EURO STOXX Healthcare	*EUR*	435	488	12%	498	425
Fresenius Medical Care ordinary shares *in €*	*GER*	52.50	52.31	0%	59.51	50.80
Fresenius Medical Care ADR *in $*	*U.S.*	33.99	34.30	1%	38.93	32.13

Source: Reuters data, own calculations

MODEST PERFORMANCE OF FRESENIUS MEDICAL CARE ORDINARY SHARES IN THE YEAR UNDER REVIEW

Fresenius Medical Care shares developed modestly in 2012: As of the end of the year, the price of the ordinary shares was €52.31, roughly at the same level of the previous year. This performance placed our ordinary shares among the lowest of those in the DAX. Fresenius Medical Care's ordinary shares recorded their high for the year on July, 30 (€59.51) and their low on January, 12 (€50.80).

The debate on the future terms of the new reimbursement system for dialysis patients with national health insurance (Medicare) in the U.S., that came into force in 2011, and associated impacts on our business in future years, were the significant factors that influenced the development of Fresenius Medical Care's share price in 2012 and especially from the middle of the year. Additionally, the discussions about the automatic budget cuts to reduce the government debt in the U.S. burdened the development of the share. Those measures also have an impact on government reimbursement levels in the healthcare system which affects the dialysis sector. Based on a bill the reimbursement rates for dialysis services in the U.S. have been reduced by 2% in March 2013 compared to the previous year.

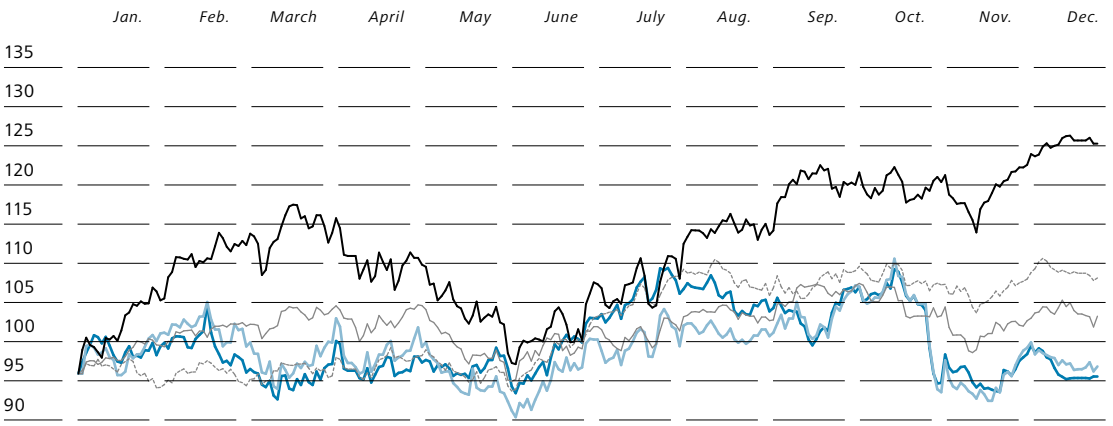
In a very positive market environment with increasing stock quotations, defensive classified stocks only showed average performance.

The development of the share price was bolstered by the continuing positive revenue and profit performance of our Company: in 2012 we again achieved record results in revenue and earnings; see also the "Result of operations" section *starting on page 53*.

The exchange rate of the euro against the U.S. dollar continued to play an important role in the development of our share price in 2012. An appreciation of local currencies (especially the euro) against the U.S. dollar is advantageous for Fresenius Medical Care's reporting, as we report in U.S. dollars. As a result, we benefit from higher values when our balance sheet items and earnings (in local currencies) are translated into U.S. dollars. On the other hand, the appreciation of the euro also means that several conventional valuations, which are usually calculated in U.S. dollars, are less favorable when translated into euro. This can be significant as many investors base their decisions first and foremost on the euro share price.

C. 1.3.2 *Index and share price performance, indexed December 31, 2011 – December 31, 2012*

in %



Fresenius Medical Care ordinary share (€) *Fresenius Medical Care ADR ($)* *DAX* *Dow Jones* *DJ Euro Stoxx Healthcare*

Source: Reuters data, own calculations

Share split at ADR

In 2012, the price of Fresenius Medical Care shares traded on the New York Stock Exchange (NYSE) in the form of American depositary receipts (ADR) increased by 1%. The ADR price movement is basically tied to the ordinary and preference shares, taking into account the development of the euro/U.S. dollar exchange rate. Since implementing a 2:1 share split in our ADRs in December 2012, two ordinary or respectively preference ADRs now correspond to one ordinary or respectively preference share of Fresenius Medical Care.

Development of preference shares

The price of Fresenius Medical Care's preference shares normally develops in line with the ordinary share price. As the vast majority of preference shareholders accepted the offer to convert their preference shares into ordinary shares in February 2006, the number of preference shares outstanding and thus the volume of tradable shares is very low. As a result, any further statements regarding the price of our preference shares would be speculative.

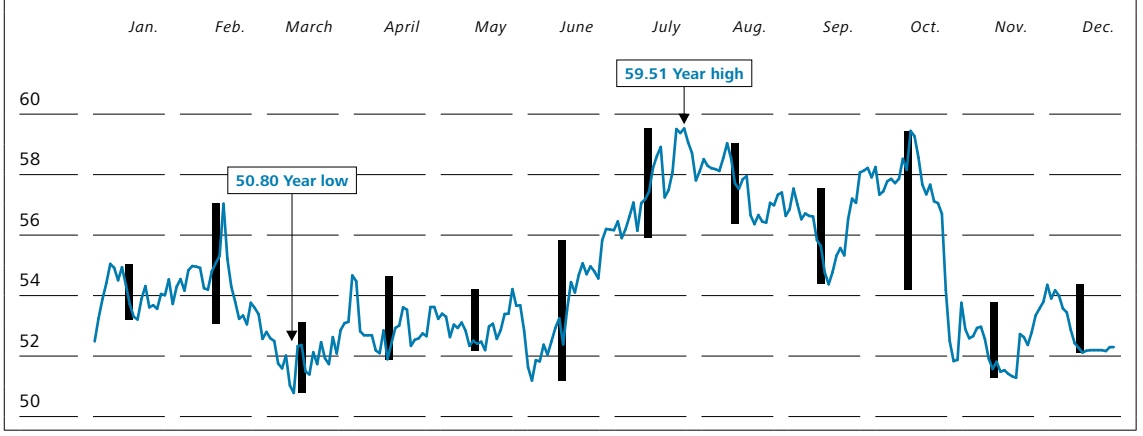
Slight increase in market capitalization

The market capitalization of Fresenius Medical Care amounted to €15.99 BN as of December 31, 2012, and was therefore around €60 M higher than the figure for the previous year of €15.93 BN. The trading volume of ordinary shares – in line with general decrease in trading activity in DAX shares in 2012 – was down as compared with the previous year and averaged 0.68 M per trading day (previous year: 0.83 M). Due to the very small number of outstanding preference shares, their daily fluctuations are normally much beyond than those of ordinary shares.

Good positioning in DAX rankings

At the end of the fiscal year, our ordinary shares still held a good position in the rankings published by Deutsche Börse, which serve as a basis for determining the composition of the DAX. The rankings are compiled monthly based on the trading volume and market capitalization relating to the free float. At the end of 2012, our weighting in the DAX was 1.64%, and therefore slightly lower than the previous year's value of 2.16%. This essentially reflects the weaker

C. 1.3.3 *Share price performance, absolute*
December 31, 2011 – December 31, 2012
in €



Ordinary share *Price range in each month*
Source: Reuters data, own calculations

(relative) performance of our ordinary shares compared to other DAX companies. In terms of market capitalization, we moved down four places last year and are now ranked 19th. With regard to trading volume, we fell two places from 26 to 28.

The Fresenius Medical Care shares are included in a number of other important international share indices, such as the Dow Jones, MSCI and the FTSE. For the fourth consecutive year, our ordinary shares were listed in the Dow Jones Euro Stoxx Sustainability Index, which takes into account ecological and social as well as economic criteria.

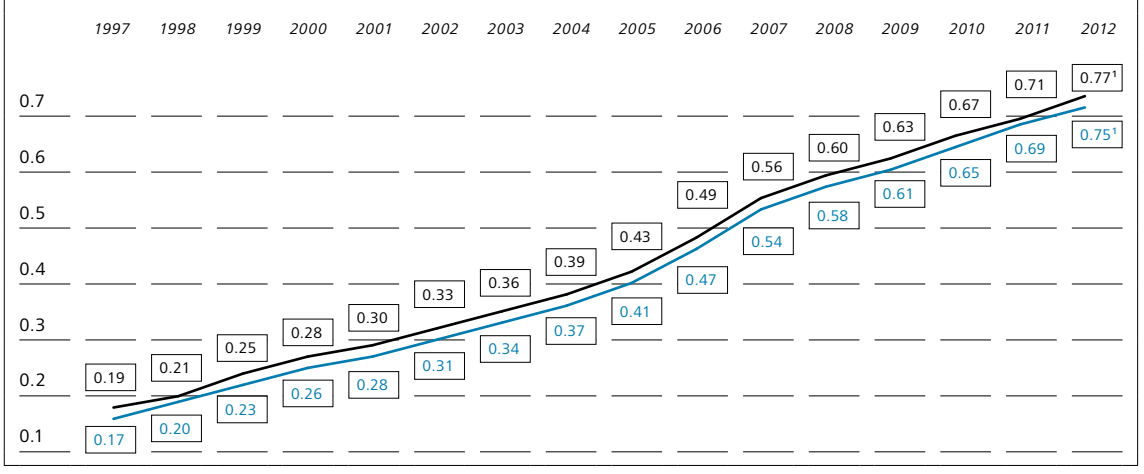
DIVIDEND CONTINUITY

Fresenius Medical Care intends to continue its profit-oriented dividend policy. At the Annual General Meeting on May 16, 2013, the Management Board will propose the shareholders an increase of the dividend by 9% to €0.75 per ordinary share. Subject to the approval of the Annual General Meeting the shareholders can expect an increase of the dividend for the 16th year in a row since the foundation of Fresenius Medical Care in 1996. Based on the proposed dividend and the closing prices for our shares at the end of 2012, the dividend yield for our ordinary shares should be around 1.4% (2011: 1.3%). Since 1997, the dividend should have risen by around 10% on average each year.

The total payout for 2012 would amount to approximately €230 M. With the exchange rate at the end of the financial year, the total dividend works out approximately $304 M. Based on our consolidated net income of $ 1,187 M, this represents a payout ratio of about 26%.

C. 1.3.4 *Development of the dividend*

in €



Ordinary share *Preference share*

¹ *Proposal to be approved by the Annual General Meeting on May 16, 2013.*

SHAREHOLDER STRUCTURE STILL VERY BALANCED

At the beginning of 2013, we again had our shareholder structure analyzed. We were able to identify the owners of around 97% (previous year 94%) of our 306.71 M outstanding shares. With regard to the shares in free float, we were able to attribute around 96% (previous year: 92%) to individual investors.

At the end of February 2012, Fresenius SE & Co. KGaA announced that it had completed its purchase of 3.5 M Fresenius Medical Care ordinary shares, as it had advised in November 2011. As of December 31, 2012, Fresenius SE & Co. KGaA therefore held a total of approximately 94.4 M ordinary shares in Fresenius Medical Care. With a holding of 30.8% of the share capital, Fresenius SE & Co. KGaA is our biggest shareholder. In our shareholder structure analysis, we identified nine more institutions with an investment of more than 1% in our share capital.

Overall, we identified 897 institutional investors (previous year: 808) through the shareholder structure analysis. The top 20 institutional investors in our Company held about 45% of identified shares in the free float (previous year: 40%). Nine of the top 20 investors are based in Great Britain, while six are in the U.S., two each in Germany and France and one in Norway.

In terms of geographical distribution, 41.6% of identified shares based on free float were held by institutions in North America. 55.5% of shares were held in Europe, excluding Germany. The majority of these (28.5% of shares) were found in Great Britain. Around 8.3% of our Company's shares were held in Germany.

The survey carried out at the beginning of 2013 reveals a shareholder structure that, in our opinion, continues to be well balanced, both from a geographical point of view and in terms of private and institutional investors. For 2013 and 2014, we see the regional focus of our investor relations activities continuing in North America and Europe, as well as in selected countries in Asia and the Middle East.

Voting rights notifications in 2012

In 2012 we received ten voting rights notifications as required by section 21(1) of the German Securities Trading Act (WpHG) as well as one voting right notification as required by section 41 (4d) of the German Securities Trading Act (WpHG). All voting rights notifications can be found on the Investor Relations section of our website www.fmc-ag.com.

T. 1.3.5 *Number of identified shares as per shareholder structure analysis*
figures rounded in M

	Number of shares	*in %*	*in % of free float*
Number of shares outstanding as of December 31, 2012	306.71	100.0	–
of which ordinary shares	302.74	98.7	–
of which preference shares	3.97	1.3	–
Identified shares	297.94	97.1	–
Unidentified shares	8.77	2.9	4.1
Shares in free float	212.33	69.2	–
▸ *Identified shares based on free float*	**203.56**	**–**	**95.9**

SUCCESSFUL INVESTOR RELATIONS ACTIVITIES

Our investor relations work in 2012 again focused on delivering comprehensive, transparent and timely information to the capital markets. This included disclosing information on the strategy and management principles of Fresenius Medical Care, its operational and financial business developments, as well as the Company's outlook to a wide audience encompassing not only shareholders, other capital market participants and analysts, but also employees, journalists and the general public. Our aim in doing this is to communicate our Company's business performance in an appropriate and accurate manner allowing existing and potential investors to make informed investment decisions and providing other target groups with a balanced overview of the Company and its activities, its strategy and prospects. We want to make a significant contribution to increasing the value of Fresenius Medical Care in the long-term by means of effective financial communication.

Fresenius Medical Care provides all stakeholders with equal and timely access to information which may affect the share price. All communication channels aim to avoid selectively distributing any information which might have an impact on the share price. Depending on the information and recipient, Fresenius Medical Care selects the communication channel that is most suitable at that point in time for effective communication. In doing so, we fulfill the requirements of the valid laws and guidelines in both the U.S. and Germany. These include the regulations of the Deutsche Börse and the New York Stock Exchange, as well as the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), the German Corporate Governance Code and the Sarbanes-Oxley Act. More on this and other corporate governance issues can be found *starting on page 126*.

Generally, Fresenius Medical Care does not respond to rumors relating to the Company unless it can be expected to have a significant impact on the Company's share price or related trading activities.

T. 1.3.6 *Geographical distribution of identified shares*

	2013		2012	
	Number of shares	in %	Number of shares	in %
North America	74,485,623	41.6	65,125,282	38.3
Germany	14,792,631	8.3	14,075,232	8.3
Great Britain	51,123,272	28.5	51,767,913	30.5
France	14,394,428	8.0	13,204,422	7.8
Norway	5,735,595	3.2	5,275,742	3.1
Rest of Europe	13,311,669	7.4	13,975,306	8.2
Rest of the world	5,276,647	3.0	6,536,044	3.8
▸ *Shares attributable to regions*	**179,119,865**	**100.0**	**169,959,941**	**100.0**
Private investors	24,440,222	–	24,330,449	–
▸ *Identified shares based on free float*	**203,560,087**	**–**	**194,290,390**	**–**

In 2012, we again continued to intensify our contacts with financial analysts as well as with institutional and private investors worldwide. Financial analysts continue to express great interest in our Company. This is reflected by the fact that we are actively tracked and covered by 36 equity analysts, so-called sell-side analysts. We continue to expect the current banking and debt crisis to lead to further restructuring measures in the banks' equity departments, which could have an impact on the amount and quality of coverage. As of the end of 2012, 15 analysts rated our shares as a "Buy", 17 analysts voted for "Hold" and four analysts recommended investors to "Sell" their shares.

In the year under review, we presented Fresenius Medical Care in around 900 one-on-ones with analysts and investors and answered questions about our business performance and the Company's future. In addition, we showcased the Company and its prospects at 13 roadshows and 34 investment conferences around the globe. In the second half of the current fiscal year 2013, we intend to provide our investors and analysts with comprehensive information on our Company, including our strategy and our mid-term goals as part of a Capital Market Day. In recent years, we have welcomed large numbers of analysts and investors at regular intervals at such events. Private investors also play an extremely

T. 1.3.7 *Basic share data*

	Ordinary share	*Preference share*
Share type	No par value bearer share	No par value bearer share
Stock exchanges		
Germany: Frankfurt Stock Exchange/Prime Standard	FME	FME3
U.S.: New York Stock Exchange (NYSE)	FMS	FMS/P
Security identification codes		
Securities No. (WKN)	578580	578583
ISIN	DE0005785802	DE0005785836
CUSIP No. (NYSE)	358029106	358029205
Reuters		
XETRA	FMEG.DE	FMEG_p.DE
Frankfurt Stock Exchange	FMEG.F	FMEG_p.F
ADR NYSE	FMS.N	FMS_p.N
Bloomberg		
XETRA	FME GY	FME3 GY
Frankfurt Stock Exchange	FME GR	FME3 GR
ADR NYSE	FMS US	FMS/P US

important role. For this reason, we took part, among others, in events organized by the German Association for the Protection of Shareholders (Deutsche Schutzvereinigung für Wertpapierbesitz, DSW) for private investors.

The business year 2012 was a repeated success for the Investor Relations department of Fresenius Medical Care: Our Company was again honored for its outstanding work – despite the moderate performance of the shares during the fiscal year. The Thomson Reuters news agency awarded Fresenius Medical Care its prize for best IR work in the "MedTech and Healthcare" category for the seventh time in a row. A survey carried out by the U.S. magazine "Institutional Investor" ranked our Company highest in the "healthcare" category in Europe for the fifth year in succession.

On our website www.fmc-ag.com, we also provide the following information:

- price information on our shares listed on the Frankfurt and the New York stock exchanges,
- publications such as quarterly reports, annual reports, investor news, and ad hoc announcements,
- full-year and interim reports in the form of live web-casts of analyst meetings and conference calls, including corresponding information and presentation material,
- live transmission of the CEO's speech at the Annual General Meeting,
- financial calendar with information on reporting, the Annual General Meeting and other events.

In addition, it is possible to contact us directly via e-mail on our website, for example to receive automatic updates on Company developments in the future.

T. 1.3.8 *Key figures for Fresenius Medical Care's ordinary shares*

		2012	2011	2010	2009	2008
Number of shares[1]	in M shares	302.74	300.16	298.28	295.75	293.93
Share prices (XETRA trading)						
Year-high	in €	59.51	55.13	45.79	37.71	39.10
Year-low	in €	50.80	41.11	36.10	26.07	29.73
Year-end price	in €	52.31	52.50	43.23	36.94	33.31
Average daily trading volume	in shares	682,226	825,970	824,535	1,040,200	1,498,696
Share prices (ADR NYS)						
Year-high	in $	38.93	39.96	32.01	27.48	29.51
Year-low	in $	32.13	27.88	23.71	17.83	19,92
Year-end price	in $	34.30	33.99	28.85	26.51	23.59
Market capitalization						
Year-end	in € M	15,986	15,930	13,143	11,045	9,919
Year-end	in $ M	21,092	20,621	17,270	15,911	13,787
Exchange rate	$ to €	1.3194	1.2945	1.3141	1.4406	1.3900
Index weight						
DAX	in %	1.64	2.16	1.36	1.31	1.41
Dividend						
per share	in €	0.75[2]	0.69	0.65	0.61	0.58
Dividend yield[3]	in %	1.4	1.3	1.5	1.7	1.7
Total payout	in € M	230[2]	210	197	183	173
Earnings per share (EPS)						
Number of shares[4]	in M shares	301.14	299.01	296.81	294.42	293.23
Earnings per share (EPS)	in $	3.89	3.54	3.25	2.99	2.75

[1] *As of December 31, 2012.*
[2] *Subject to the approval of the Annual General Meeting on May 16, 2013.*
[3] *Based on end of the year 2012.*
[4] *Weighted average number of outstanding shares.*

CHAPTER 2

OUR FISCAL YEAR

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Operations and Strategy

FRESENIUS MEDICAL CARE IS THE WORLD'S LEADING PROVIDER OF DIALYSIS PRODUCTS AND SERVICES. DIALYSIS IS A VITAL BLOOD CLEANSING PROCEDURE THAT SUBSTITUTES THE FUNCTION OF THE KIDNEY IN CASE OF KIDNEY FAILURE.

LEADING PROVIDER OF DIALYSIS PRODUCTS AND SERVICES

As a vertically integrated company, Fresenius Medical Care offers products and services along the entire dialysis value chain. In the year under review, we further expanded our business with dialysis products and in particular our services business. We now care for approximately 258,000 dialysis patients in around 3,200 proprietary dialysis clinics in approximately 40 countries worldwide. We are continuously developing this network of clinics – the largest and most international in the world – to accommodate the ever growing number of dialysis patients. At the same time, we operate more than 40 production sites on all continents, making us the leading provider of dialysis products including dialysis machines, dialyzers and disposable accessories. The Company's largest plants in terms of production output are in the U.S. (Ogden, Utah, and Walnut Creek, California), Germany (Schweinfurt and St. Wendel), and Japan (Buzen). We also maintain further manufacturing facilities worldwide which cover local demand for dialysis products as a rule. Therefore they are much smaller than the sites mentioned above. Further information on our production activities can be found in the "Procurement and production" chapter *starting on page 70*; a list of our major holdings can be found in the "Financial report" *starting on page 120*.

Fresenius Medical Care is organized regionally and divided into the segments North America, EMEA (Europe, Middle East, Africa), Latin America and Asia-Pacific. For reporting purposes, the EMEA, Latin America and Asia-Pacific regions are grouped into the "International" segment. Fresenius Medical Care's Company headquarters are in Bad Homburg, Germany. The headquarters of North America, our most important region in terms of revenue, are in Waltham, Massachusetts (U.S.). An overview of Fresenius Medical Care's main locations can be found in chart 2.1.1 *on page 34*.

Management and control

Since February 2006, Fresenius Medical Care has had the legal form of a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA). The corporate structure of Fresenius Medical Care AG & Co. KGaA as well as the Company's management and supervisory structure are discussed in the "Corporate governance report" *starting on page 126*. The Members of the Management Board are presented *starting on page 12*; information on the positions of the Management Board and the Supervisory Board can be found *starting on page 155*.

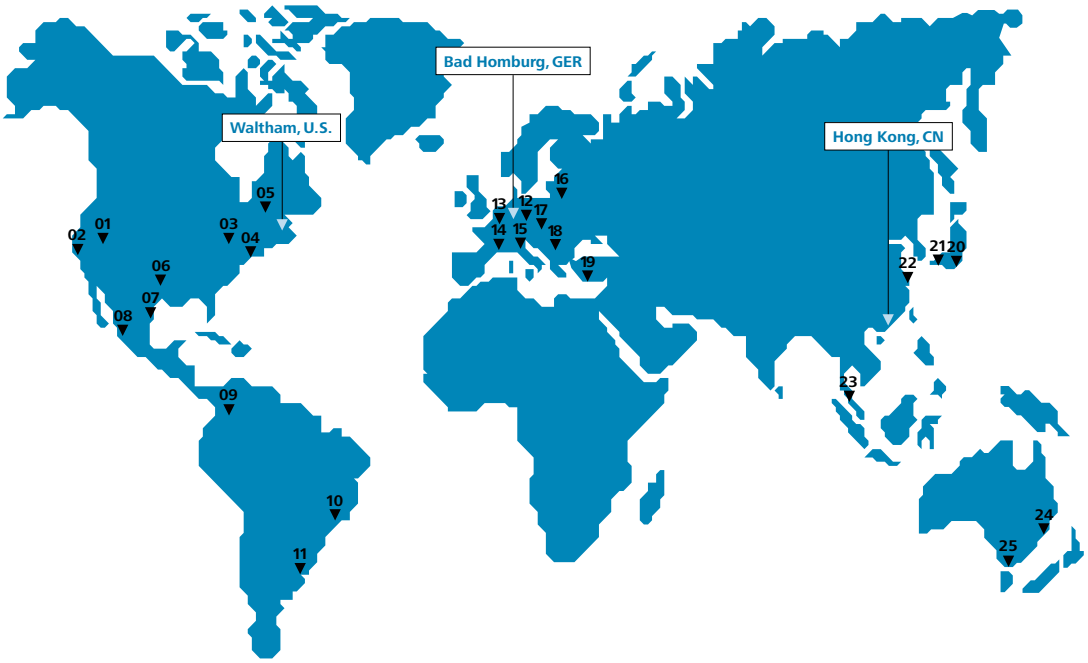
Reporting on the basis of U.S. GAAP

Fresenius Medical Care reports on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) with the U.S. dollar as the reporting currency. This is due to the Company's high business volume in the U.S. and the fact that it is listed on the New York Stock Exchange. Furthermore, the Company prepares its reports in accordance with International Financial Reporting Standards (IFRS).

Our products, services and business processes

At the end of 2012, about 2.306 M patients regularly underwent dialysis worldwide. Dialysis is a vital blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. It removes toxins and surplus water from the body, which is normally discarded through urination in healthy individuals, as the patient's kidneys can no longer fulfill this task. We distinguish between two types of dialysis treatment: hemodialysis (HD) and peritoneal dialysis (PD). In the case of HD, a hemodialysis machine controls the flow of blood from the patient through a special filter, the dialyzer. With PD, the patient's peritoneum is used as a dialyzing membrane. Fresenius Medical Care's business encompasses both therapy methods.

C. 2.1.1 *Major locations*



America	*Europe*	*Asia-Pacific*
Waltham, U.S. Regional headquarters North America	**Bad Homburg, GER** Company headquarters and regional headquarters for Europe, Middle East, Africa and Latin America	**Hong Kong, CN** Regional headquarters Asia-Pacific
01 Ogden, U.S. Dialyzers	**12 Schweinfurt, GER** Dialysis machines	**20 Inukai, JP** Fiber bundles
02 Walnut Creek, U.S. Dialysis machines	**13 St. Wendel, GER** Dialyzers & bags for peritoneal dialysis	**21 Buzen, JP** Dialyzers & dialysis solutions
03 Toledo, U.S. Hemodialysis concentrates	**14 L'Arbresle, FR** Dialyzers & hemodialysis concentrates	**22 Changshu, CN** Tubing systems
04 Livingston, U.S. Hemodialysis concentrates	**15 Cremona, IT** Tubing systems	**23 Ipoh, MY** Water treatment systems
05 Montreal, CA Hemodialysis concentrates	**16 Borisov, BY** Dialyzers & tubing systems	**24 Smithfield, AU** Hemodialysis concentrates
06 Irving, U.S. Hemodialysis concentrates	**17 Krems, AT** Adsorbers	**25 Scoresby, AU** Equipment
07 Reynosa, MX Tubing systems	**18 Vršac, SRB** Dialyzers, dialysis solutions & tubing systems	
08 Guadalajara, MX Dialysis solutions	**19 Antalya, TR** Tubing systems	
09 Santafé de Bogotá, CO Dialysis solutions		
10 Jaguariúna, BR Dialysis solutions		
11 Pilar, AR Hemodialysis concentrate & dialysis solutions		

▼ *Headquarters* ▼ *Production*

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

Hemodialysis in specialized clinics

Most dialysis patients undergo hemodialysis (HD) in specialized clinics. HD is by far the most common type of renal replacement therapy, accounting for more than 89% of all cases worldwide. It requires the use of special products, primarily hemodialysis machines and dialyzers that are connected to the device and act as "artificial kidneys", filtering toxic substances from the patient's blood. Fresenius Medical Care is the world's leading manufacturer of these and other dialysis products for use in both our own and third-party clinics. Further information can be found in the section "Dialysis market" *starting on page 42 and in the glossary on page 161.*

Home dialysis is still a niche market

The two types of home dialysis are peritoneal dialysis (PD) *see glossary on page 162* and home hemodialysis. In the year under review, about 11% of all dialysis patients worldwide underwent PD. Home hemodialysis continues to be a niche market: At the end of 2012, only around 0.6% of all patients received this treatment. We provided products to approximately 49,000 PD patients and more than 3,500 home hemodialysis patients by the end of 2012; as a result, around 20% of all PD patients and approximately 28% of all home hemodialysis patients use our dialysis products. More information on home dialysis can be found in the magazine *starting on page 30.*

Acute dialysis in the case of sudden kidney failure

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

Dialysis drugs expand our product portfolio

Dialysis drugs enable us to expand our product portfolio horizontally beyond providing dialysis products and services; they therefore fit in perfectly with our strategic focus. Usually, patients undergoing dialysis require medication to counteract anemia and to control their mineral metabolism. This includes agents to stimulate red blood cell production (erythropoietin, EPO), iron compounds, phosphate binders, vitamin D preparations and so-called calcimimetics, *see the glossary starting on page 159*. We obtain the dialysis drugs EPO and vitamin D from specialized providers, but make phosphate binders ourselves for use in our own clinics as well as for sale to third parties. Iron compounds are produced by Vifor Fresenius Medical Care Renal Pharma Ltd., a joint venture between our Company and the Swiss company Galenica.

Laboratory services complete our service portfolio

Nephrologists rely on extensive laboratory tests to tailor dialysis to each patient. The laboratory results have a significant impact on the quality of patients' treatment and therefore their quality of life. In 2012, Spectra Laboratories, our subsidiary in the U.S., provided around 60 M laboratory services for some 192,000 patients in our own as well as in external dialysis clinics.

Dialysis also possible on vacation and business trips

Usually, patients requiring regular dialysis are constrained in their mobility. Vacations or business trips to other countries seem impossible. For patients on HD or PD who wish to travel, Fresenius Medical Care offers a complimentary reservation service for dialysis treatment outside their normal environment. We use not only our own global network of clinics for this, but also certified third-party dialysis providers, enabling dialysis patients to receive their vital treatment in many countries of the world.

Major markets and competitive position

Dialysis services in 3,160 proprietary clinics worldwide

Fresenius Medical Care is the world's leading provider of dialysis services with a market share of about 11% based on the number of treated patients. We not only provide services to most dialysis patients, with 3,160 clinics worldwide we also operate more dialysis clinics than any of our competitors in 2012. We treated 64% of our patients in North America, 19% in Europe, 10% in Latin America and 7% in the Asia-Pacific region.

High market share with dialysis products

Our dialysis products accounted for around 33% of the global market in 2012, which means that we are still the market leader in this area. The market share of our key products – dialyzers and dialysis machines – was even higher at around 45 and 55%, respectively.

Further information on the major markets and the position of Fresenius Medical Care can be found in the "Dialysis market" section *starting on page 42*.

Legal and economic conditions

Fresenius Medical Care provides life-saving products and therapies for patients suffering from chronic kidney failure and is therefore exposed to economic cycles to a relatively small extent. This sets us apart from manufacturers of consumer goods, for instance, whose products are subject to a more cyclical demand.

Fresenius Medical Care's business is impacted more by government reimbursement rates and systems. Reimbursement schemes for dialysis treatments differ from country to country and often even within countries. Fresenius Medical Care provides dialysis services in more than 40 countries with different economic conditions. Our international experience puts us in a position to support national healthcare systems in their endeavors to create suitable reimbursement structures, adapt our business to local needs and regulations, and at the same time act profitably. Further information can be found in the "Dialysis market" section *starting on page 42*.

As a life-saving treatment, dialysis is subject to the highest safety and quality standards. These requirements are stipulated in numerous national and international legal provisions, standards and norms which are the basis for our corporate activities. For further information see the the section "Quality management systems are regularly reviewed" *on page 81*.

Finally, demographic factors contribute to the continued growth of the dialysis market. These include the aging population and the rising incidence of diabetes and hypertension, two diseases that often precede chronic kidney failure. In recent years, forecasts on the occurrence of these two diseases have continuously been adjusted upwards. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and higher standards of living, also in developing countries.

STRATEGY, OBJECTIVES, AND CORPORATE MANAGEMENT

Our long-term strategy aims at sustainably increasing shareholder value. We focus our business activities on our patients' health and hence on the quality of treatment with the objective of improving their quality of life and raising their life expectancy. The Management Board uses a number of different tools and indicators to evaluate the Company's business performance, develop its strategy, and make investment decisions. Overall, we are still in an excellent position to achieve our growth targets described in this chapter.

Company strategy

Our strategy takes into account concrete, measurable growth targets as well as long-term trends forecast by us in the dialysis market. We not only expect the number of patients to increase but also the

quality of services provided and of the products available to become even more important in future. We think, integrated care for kidney patients is another area that will continue to grow in the future. In response to this, we will not only focus our business on individual services or dialysis products, but also on combining the different areas of application related to dialysis.

In September 2010, we presented a mid-term strategy with defined targets in the form of GOAL 13 drawing upon the previous growth strategy GOAL 10. GOAL 13 stands for "Growth Opportunities to Assure Leadership in 2013". As GOAL 13 comes to a close in 2013, we intend to set new goals in the current financial year that will allow us to maintain our outstanding market position and to be successful in the dialysis market. Basically we will continue along our growth paths in the future:

Path 1: Organic growth
We intend to strengthen our leading market position by the expansion of our clinic network and by introducing our innovative dialysis products. We are planning to expand our clinic network in all important markets and growth regions worldwide to maintain and even improve our leading market position. At the same time, we aim to advance our comprehensive, innovative treatment concepts (see "Our dialysis services business" chapter *starting on page 79*) and combine them with dialysis drugs, for example. This strategy makes us stand out significantly against our competitors. We expect that most of our future growth will be generated in an organic way.

Path 2: Acquisitions
With our long-term growth objectives and our aim to boost profitability in mind, we regularly screen possible acquisitions to selectively expand our dialysis clinic network. To this end, we focus on particularly attractive regions. In addition we also see potential for growth in the suitable serving of vascular access needs to our patients.

Path 3: Horizontal expansion
Already in the business year 2010, we had expanded our range of dialysis drugs in accordance with our strategy by the formation of a joint venture with the Swiss-based Galenica. The formation of Vifor Fresenius Medical Care Renal Pharma Ltd. in which Fresenius Medical Care has a 45% share had been completed at the end of 2011 after clearance by the antitrust commissions. The joint venture is designed to develop and distribute drugs for kidney patients. The products are used to counteract anemia and to regulate the bone metabolism of dialysis patients as well as patients with chronic kidney failure who do not yet need dialysis treatment.

Path 4: Home dialysis
As in the past, only a relatively small number of dialysis patients, approximately 11%, perform dialysis at home. Most patients receive their treatment in specialized dialysis clinics. In the long term, we want to assume an important role in the home therapies market, which includes peritoneal dialysis as well as home hemodialysis. To achieve this goal, we intend to combine our comprehensive and innovative product portfolio with our expertise in the area of dialysis services.

Additional information about our strategy in the different operation areas and regions are set out in the chapters "Subsequent events" and "Outlook" *starting on page 118* and in various other sections of this annual report.

Key performance indicators

The Management Board uses various financial indicators when operating the Company. We manage the activities of our segments based on their operational results, defined as EBIT (Earnings before Interest and Taxes). EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) is specifically used as an indicator to determine the total debt/EBITDA ratio allowing us to assess the Company's creditworthiness.

The Management Board evaluates each segment based on target figures that reflect those revenues and expenses that the segments are actually able to control. Therefore, interest expenses for financing, tax expenses, legal costs, expenses of the headquarter including controlling and finance, professional services and certain expenses for research and development are not included in a segment based target figure.

The operating cash flow is used to assess whether a business can itself generate the cash required to maintain the assets reported in its balance sheet and make expansion investments.

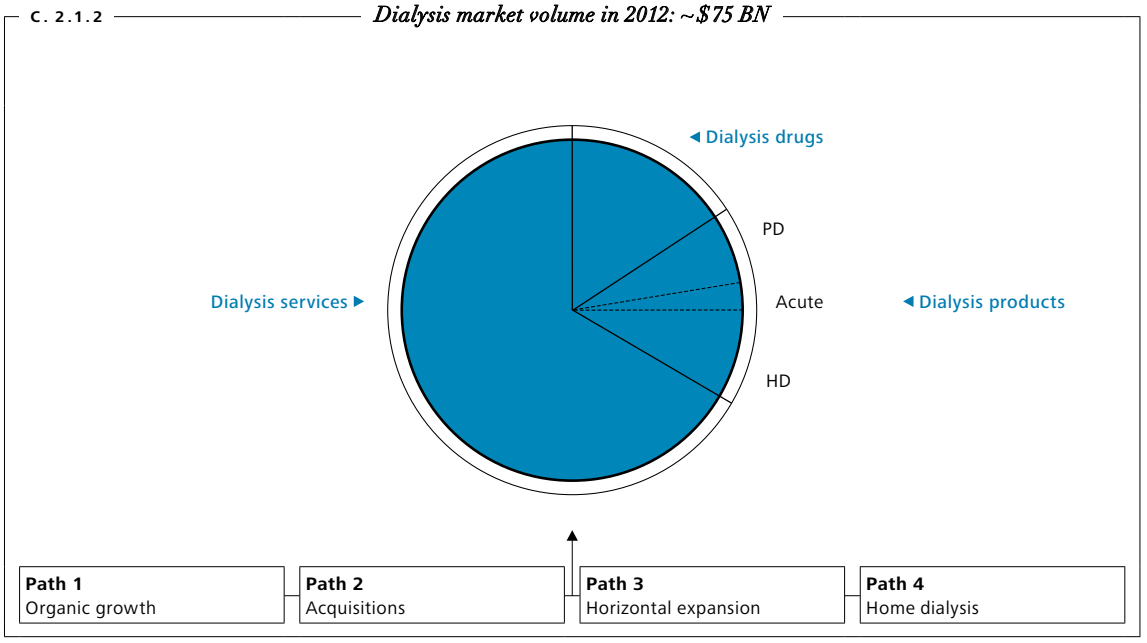
To determine the total debt/EBITDA ratio, financial liabilities are compared to EBITDA. The total debt/EBITDA ratio is an indicator of the amount of debt and the length of time needed to service it. It provides more reliable information about the extent to which a company is able to meet its payment obligations than simply taking the absolute amount of financial liability into account. Fresenius Medical Care holds a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of the Company's customers have a high credit rating as the industry is characterized by stable and sustained cash flows that can be planned. This means that we can work with a relatively large share of debt capital compared with companies in other industries (see also "Principles and objectives of financial management" section *starting on page 58*).

We also gear our corporate management towards operating indicators based on the following yield calculations:

▸ ROIC (Return on invested capital) expresses how efficiently a company allocates the capital under its control or how well it employs its capital with regard to a specific investment project. Fresenius Medical Care's ROIC in 2012 of 8.1% was at a comparable level as in the previous year of 8.7%.

▸ ROOA (Return on operating assets) expresses how efficiently employed capital is managed throughout the Company by calculating profit in relation to total capital. Fresenius Medical Care's ROOA in 2012 of

C. 2.1.2 *Dialysis market volume in 2012: ~$75 BN*



11.4% was at a similarly high level as in the prior year (2011: 12.2%).

▸ ROE (Return on equity) provides an insight into the Company's profitability. To calculate it, corporate net income (net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) is placed in relation to employed shareholder capital (capital of shareholders of Fresenius Medical Care AG & Co. KGaA). With 12.5% in the fiscal year 2012 ROE (after tax) was at a comparable level to 2011.

▸ When calculating our cost of capital, we use the WACC (weighted average cost of capital) formula. The WACC is derived using the weighted average of costs incurred for equity and debt. Fresenius Medical Care's WACC in 2012 was at 6.8%, after 6.7% in the prior year. Comparing the Company's WACC with its ROIC of 8.1% reveals that in 2012, Fresenius Medical Care not only generated its capital costs, but also increased its shareholder value.

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

Further Information on acquisitions can be found in the sections "Acquisitions and divestitures" *on page 50,* and "Financial situation" *starting on page 58*.

Details on the development of these indicators as well as other financial figures can also be found in the chapter "Results of operations, financial situation, assets and liabilities" *starting on page 53*, and in the "Financial report" *starting on page 15*.

T. 2.1.3 *Key performance indicators*

	2012[1]	2011
EBIT *in $M*	2,329	2,075
EBITDA *in $M*	2,932	2,632
Debt EBITDA ratio	2.83	2.69
Return on invested capital (ROIC) *in %*	8.1	8.7
Return on operating assets (ROOA) *in %*	11.4	12.2
Return on equity (ROE) *in %*	12.5	13.6

[1] *Based on adjusted numbers; further details can be found in the section "Results of operations" starting on page 53.*

Business Environment

2012 WAS CHARACTERIZED BY CONSISTENTLY SLUGGISH OVERALL DEMAND, MAINLY CAUSED BY THE HIGH LEVEL OF SOVEREIGN DEBT IN MANY COUNTRIES, ESPECIALLY IN EUROPE. HOWEVER, THE DIALYSIS MARKET IS GROWING WORLDWIDE. AT THE END OF 2012, APPROXIMATELY 2.306 M DIALYSIS PATIENTS WERE BEING TREATED.

OVERALL ECONOMIC ENVIRONMENT

Declining growth rates of many leading economies and an economic slowdown in emerging countries resulted in lower year-on-year growth of the global gross domestic product (GDP); it amounted to just 3.2% in 2012, compared with 3.8% in 2011.

Regional development affected by European debt crisis

The U.S. economy posted slightly higher economic growth in 2012 compared to the previous year, boosted by the stabilization of the real estate market and an increase in investing activities. GDP rose by 2.2% in 2012, compared with 1.8% in 2011.

In 2012, the euro zone as a whole was affected by the sovereign debt crisis in the southern peripheral nations. The uncertain economic situation and persistently high unemployment ensured that consumer spending and investment remained at a low level, which increasingly impaired growth in other industrialized nations.

Asia again showed the strongest growth in 2012. However, in some key markets economic development tailed off compared to the previous year.

The economic situation in Latin America presented itself differently in 2012: Some countries expanded strongly, while in others the economy performed worse than in the previous year. In the region as a whole, economic growth slowed down, largely due to a drop in export demand. A GDP of 2.9% was generated in 2012 (2011: 6.3%).

T. 2.2.1 *Real gross domestic product and consumer prices*

Change compared to the previous year in %

	Gross domestic product		*Consumer prices*	
	2012	*2011*	***2012***	*2011*
U.S.	2.2	1.8	2.1	3.2
Germany	0.7	3.0	2.0	2.3
Euro zone	−0.5	1.4	2.5	2.7
European Union	−0.3	1.5	2.5	3.1
New EU member states	0.9	2.2	3.8	2.9
Russia	4.5	4.3	5.5	8.4
Japan	2.0	−0.5	−0.2	−0.3
China	7.8	9.2	2.6	5.4
India	3.8	7.9	9.1	8.9
Asia	6.6	8.2	4.3	6.1
Latin America	2.9	6.3	6.2	6.3
▸ ***Worldwide***	**3.2**	**3.8**	**4.6**	**5.7**

Source: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2012", December 18, 2012; monthly reports of the Deutsche Bundesbank and the European Central Bank

Energy and commodity prices remain high in 2012

Costs for energy and commodities, especially oil, remained at a similarly high level on average in 2012 as in the previous year, with considerable fluctuations over the course of the year. For Fresenius Medical Care, an increase in transport and energy costs of 1% generally means a reduction in the Company's result after tax of approximately 0.3%. Fresenius Medical Care counters these price fluctuations by concluding long-term supply contracts. In this way, we can limit the possible negative effects of short-term price rises on the Company's results.

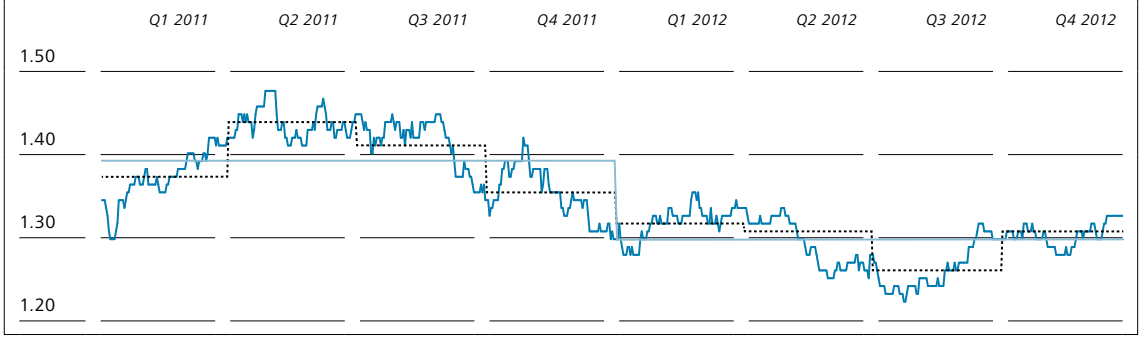
Minimum dependency on economic cycles

Compared with other industries, the dialysis market is barely affected by macroeconomic impacts: Demand for medical care as a whole, including life-preserving products and services for kidney patients, is rising because of the aging population. Consequently, the dialysis market is a growth market. Fresenius Medical Care is therefore only dependent on economic cycles to a limited extent.

Exchange rate developments characterized by weak euro

For Fresenius Medical Care, movements in the U.S. dollar and the euro in relation to one another are especially crucial as we generate a major part of our sales in the U.S. and the euro zone. In reporting terms, an appreciation of the euro is advantageous for us, as our base currency is the U.S. dollar, so that the balance sheet values achieved in euros are higher (translation effect). Consequently, the decline of the euro against the U.S. dollar impacted our business in 2012.

C. 2.2.2 *Exchange rate development U.S. dollar/euro*



$/€ — Year average ··· Quarter average
Source: Reuters data, own calculations

T. 2.2.3 *Sensitivity analysis*

10% appreciation in currency against the $

	Impact on sales of Fresenius Medical Care ***2012***
Euro	~1.3 %
Other European currencies	~0.7 %
Renminbi and Hong Kong dollar	~0.2 %
Japanese Yen	~0.1 %
Other Asian currencies	~0.4 %
South American currencies	~0.5 %

Source: Company data and estimates

Our global network of production sites enables us to meet the demand in our dialysis products business. Our production sites are to a large extent based in the markets they serve, so that costs occur in the same currency in which we generate our sales. As a result, we are less affected by long-term currency fluctuations, enabling us to minimize our transaction risks, i.e. risks due to foreign currency items or exchange rate fluctuations. In our service business, the risk is even less because we provide our services locally and therefore in the respective currency. As the service business constitutes Fresenius Medical Care's major area of operations, the currency risk can be classified as small overall.

Fresenius Medical Care's business is mainly subject to short-term effects due to volatility in exchange rates, especially fluctuations in the euro against the U.S. dollar, but also in the currencies of our other international locations against the euro.

Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section *starting on page 50* and in the "Outlook" chapter *starting on page 119.*

DIALYSIS MARKET

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

Collection and analysis of market data

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

T. 2.2.4 *Dialysis patients: Regional development*

	2012	*Change*
North America	**543,000**	**~+5%**
U.S.	436,000	~+4%
Europe/Middle East/Africa	**617,000**	**~+4%**
EU	332,000	~+2%
Asia-Pacific	**906,000**	**~+9%**
Japan	309,000	~+2%
Latin America	**240,000**	**~+6%**
▸ ***Worldwide***	**2,306,000**	**~+7%**

Source: Company data and estimates

Sector-specific conditions

Patient numbers rising worldwide

Chronic kidney failure is a global problem: At the end of 2012, approximately 2.957 M patients were being treated.

At regional level, the frequency of chronic kidney failure varies. Prevalence, i.e. the relative number of people being treated for end-stage renal disease in a particular country, also differs significantly from one country to another. The prevalence rate, measured in patients per million population (pmp), can be well below 100 in developing countries. On average, the figure in countries in the European Union is just over 1,000 pmp. Countries such as Taiwan, Japan and the U.S. have very high figures. In some cases, they are well over 2,000 pmp. There are various reasons for the significant divergence in prevalence rates:

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

The number of dialysis patients in 2012 rose by around 7%. In the U.S., Japan, and Western and Central Europe, we again 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.

Comparison of treatment methods

Of the 2.306 M patients who were undergoing dialysis treatment at the end of 2012, 2.056 M – about 89% – were being treated with hemodialysis and around 250,000 with peritoneal dialysis; *see glossary on page 162*. In a global comparison of treatment methods, hemodialysis is clearly the most commonly used.

The third option for treating patients with end-stage renal disease is kidney transplantation. Approximately 651,000 patients were living with a transplanted kidney at the end of 2012. However, for many years now, the number of donated organs

T. 2.2.5 *Patients with end-stage renal disease (ESRD)*
in M

Patients with end-stage renal disease (ESRD)	**2.957**	**100%**
of which dialysis	2.306	78%
Hemodialysis (HD)	2.056	70%
Peritoneal dialysis (PD)	0.250	8%
of which patients with transplants	0.651	22%

Source: Company data and estimates

worldwide has been significantly lower than the number of patients on transplant waiting lists. Despite extensive efforts by regional initiatives to increase awareness of kidney donation and the willingness to donate, the share of patients receiving kidney transplantation compared to other treatment methods has remained relatively unchanged over the past ten years.

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

Our customers are mostly health insurers and companies

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. The 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. We generated around 1% of our revenue with DaVita in the last fiscal year.

Healthcare and reimbursement systems vary from country to country

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

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

One example of a reimbursement model based on qualitative criteria is the bundled reimbursement system for dialysis introduced in the U.S., our biggest sales market, in 2011. It relates to dialysis treatment for patients in the U.S. who are predominantly covered by national health insurance (Medicare or Medicaid patients). All products and services that used to be reimbursed according to the composite rate as well as services that were reimbursed separately in the old system, such as the administration of certain intravenous drugs and diagnostic laboratory tests, are now reimbursed in a lump sum. This bundled reimbursement rate is adapted to patients' characteristics such as age and weight; it also provides adjustments for patients who require exceptional

T. 2.2.6 *Regional breakdown of center dialysis and home dialysis*

	Center dialysis	*Home dialysis*
Europe/Middle East/Africa	93%	7%
Latin America	88%	12%
Asia-Pacific	90%	10%
North America	82%	18%
▸ ***Worldwide***	**89%**	**11%**

Source: Company data and estimates

medical care, which is more costly. The U.S. reimbursement system also takes into account quality parameters such as the regulation of the hemoglobin content of the blood (anemia management) and the effectiveness of dialysis treatment. Additional quality parameters will be introduced in the next few years, such as good results in patient satisfaction surveys and the monitoring of mineral metabolism in the bones.

The automatic budget cuts to reduce government debt in the U.S. also have an impact on government reimbursement levels in the healthcare system. This also affects the dialysis sector. Based on a bill, a reduction of the reimbursement rates for dialysis services by 2% in March 2013 is taken into consideration. However, reimbursement levels are subject to an annual inflation adjustment; this will amount to a 2.3% increase in 2013. Thanks to our vertical business model, we are well positioned to work with reimbursement systems that use qualitative criteria, such as the system in the U.S., and are also well-equipped for any future adjustments.

Fresenius Medical Care in a global comparison

We estimate the volume of the global dialysis market at around $75 BN for 2012, corresponding to an increase of around 2% compared to the previous year (4% in constant currency terms). We assume that market volume can be broken down as follows: dialysis products with around $ 13 BN and dialysis services (including dialysis drugs) with approximately $ 62 BN.

Dialysis product market with three major providers

The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with products for peritoneal dialysis, *see also glossary on page 162*. In terms of revenue, the three largest manufacturers of dialysis products together accounted for approximately 64% of the worldwide market in 2012. With a market share of approximately 33%, Fresenius Medical Care was the market leader in this segment, followed by Baxter and Gambro. The remaining, mainly Japanese, dialysis product providers all held market shares in the single-digit percentage range.

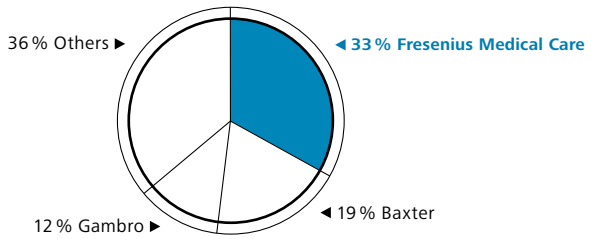
T. 2.2.7 *Market position in major product groups in 2012*

	1st	*2nd*	*3rd*
Dialyzers	Fresenius Medical Care	Gambro	Nipro
Dialysis machines	Fresenius Medical Care	Nikkiso	Gambro
Concentrates for hemodialysis	Fresenius Medical Care	Fuso	Gambro
Bloodline systems	Fresenius Medical Care	Gambro	Kawasumi
Products for peritoneal dialysis	Baxter	Fresenius Medical Care	Terumo

Source: Company data and estimates

C. 2.2.8 *Dialysis products in 2012*

Market share, based on sales



Source: Company data and estimates

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of around 222 M units in 2012. Around 100 M, or almost half, were made by Fresenius Medical Care, meaning that we comfortably held the largest market share in this segment. We set a new unit sales record in the U.S., our largest single market, with more than 38 M dialyzers sold in 2012.

Hemodialysis machines constitute another key segment of our product business. Here, too, we are the clear market leader: More than 77,000 dialysis machines were sold worldwide in 2012, and some 55% of them were produced by Fresenius Medical Care. Our biggest sales market for dialysis machines is the U.S. In the reporting year, more than 94% of the dialysis machines sold there were made by Fresenius Medical Care. Our 2008 series machine is the leading dialysis system in the U.S. with more than 114,000 units in use. China was our second-largest market after the U.S. for sales of new hemodialysis machines in the reporting year: We delivered more than 7,000 machines there in 2012. Almost half (47%) of all hemodialysis machines currently in use in China were produced by Fresenius Medical Care.

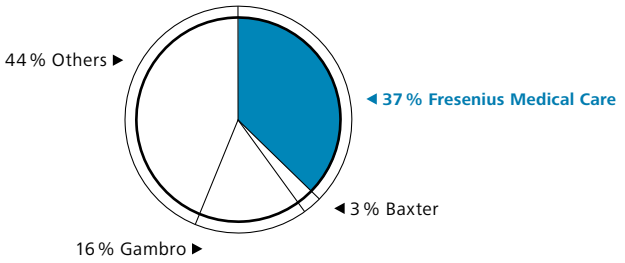
In the area of peritoneal dialysis, we account for 20% of the global market in terms of revenue; see also chart 2.2.10. In the U.S., we hold a market share of 42%. Further information on our position in the home dialysis market, which comprises home hemodialysis and peritoneal dialysis, can be found in the "Home dialysis is still a niche market" section *on page 35*.

Dialysis services – patients mostly looked after in dialysis centers

Renal patients generally receive dialysis treatment in clinics or dialysis centers, which they visit for several hours three times a week. They are treated either during the day or overnight while they sleep. Further treatment options include home dialysis,

C. 2.2.9 *Hemodialysis products 2012*

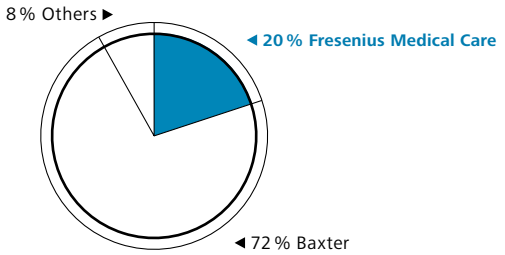
Market share, based on sales



Source: Company data and estimates

C. 2.2.10 *Peritoneal dialysis products 2012*

Market share, based on sales



Source: Company data and estimates

which patients mostly carry out themselves at home under expert guidance and with the necessary accessories, or dialysis on vacation, for example on a cruise ship or at a resort; Fresenius Medical Care also offers services for these cases. The vast majority of dialysis services, however, involve conventional treatment in clinics or centers.

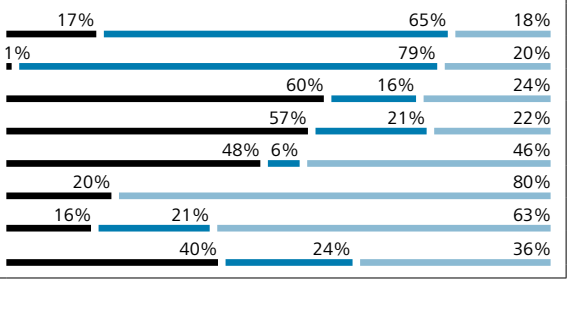
In 2012, most dialysis patients were cared for in one of around 33,400 dialysis centers worldwide, resulting in an average of some 70 patients per center. The organization of the centers also differs significantly depending on whether the healthcare systems in the individual countries are mainly state-run or privately operated: There are approximately 5,900 dialysis clinics in the U.S. and about 5,400 in the European Union (EU). Whereas only approximately 1% of patients in the U.S. are treated by publicly operated clinics; in the EU, the figure is around 57%. In Japan, on the other hand, private nephrologists (doctors specializing in renal care) play a key role; around 80% of dialysis patients are treated in their dialysis facilities.

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

In this respect, the Chinese market is also increasingly important to us: The country's government is making efforts to develop a modern healthcare system with corresponding reimbursement structures – an important prerequisite for opening the market for dialysis services to international providers. In 2012, we opened our first dialysis clinic in this region in the Eastern Chinese province of Jiangsu, where we care for around 40 patients. This makes Fresenius Medical Care one of the first foreign companies to open a dialysis clinic in this highly restrictive market. However, we will continue to drive our future growth in the Chinese dialysis services market primarily through cooperation with local clinics and management contracts. So far, this applies to 72 clinics (previous year: 52 clinics), which we provide with dialysis machines and disposable products.

C. 2.2.11 *Dialysis clinic operators in 2012*

Share of patients treated



Public *Private companies* *Private individuals*

Source: Company data and estimates

In the U.S., Fresenius Medical Care and the second-largest provider, DaVita, together serve over 70% of all dialysis patients; this means that the concentration at dialysis clinics is already relatively high. In the reporting year, Fresenius Medical Care extended its position as market leader and treated more than 160,000 patients, approximately 37% of all dialysis patients in the U.S. (2011: 138,400 patients, approx. 33%). The number of patients we treated also increased significantly in 2012 as a result of the acquisition of dialysis clinic operator Liberty Dialysis Holdings, Inc. Further information on this can be found in the "Company strategy" section *starting on page 36* and in the "Subsequent events" chapter *on page 118.*

Outside the U.S., the dialysis services segment is still considerably more fragmented: With 1,078 dialysis clinics and more than 93,000 patients in 40 countries, Fresenius Medical Care operates the largest and most international network of clinics by far.

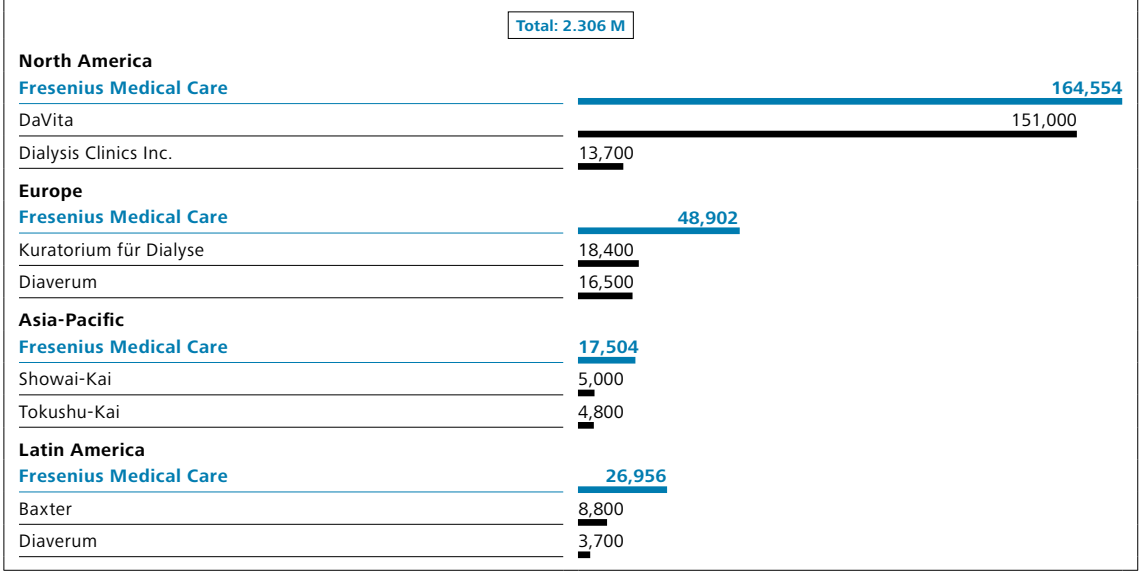
Overall, Fresenius Medical Care further consolidated its clear position as market leader in the dialysis services business in the reporting period: Last year, it treated 257,916 dialysis patients (2011: 233,156) in 3,160 clinics (2011: 2,898).

Dialysis drugs supplement our range

Usually, patients undergoing dialysis require medication to counteract anemia and to control their mineral metabolism – both of which are consequences of chronic kidney failure. In 2012, the market volume of dialysis drugs amounted to about $8.6 BN, based on data from the market research institution IMS MIDAS® and our own internal estimates. The majority of this is allotted to a few drug classes. Approximately $5.5 BN, representing almost two thirds of the total market for dialysis drugs, is generated with erythropoesis-stimulating agents for treating anemia. We source them from the American company Amgen and its partners, for example.

C. 2.2.12 *Dialysis services worldwide in 2012*

Number of patients treated



Source: Company data and estimates

Phosphate binders used to control bone metabolism, on the other hand, are produced in-house, both for use in our own dialysis centers as well as for distribution to third parties. The market volume of phosphate binders was about $1.4 BN in the previous year. We produce iron compounds for the treatment of anemia as part of a joint venture with Galenica – Vifor Fresenius Medical Care Renal Pharma Ltd. We also use them in our own clinics and distribute them to third parties. The market volume of intravenous iron compounds such as these amounted to around $800 M in 2012, of which around half is for the treatment of kidney disease.

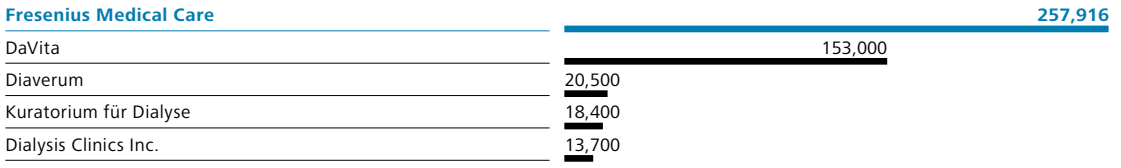
EVENTS SIGNIFICANT FOR BUSINESS DEVELOPMENT

Management Board Changes

Rice Powell succeeded Dr. Ben J. Lipps as Chief Executive Officer (CEO) of Fresenius Medical Care and Chairman of the Management Board, effective January 1, 2013. Previously, he served as Vice Chairman and Member of the Management Board responsible for the region North America. Furthermore, Ron Kuerbitz succeeded Rice Powell as Member of the Management Board responsible for the region North America, also effective January 1, 2013. Ron Kuerbitz joined Fresenius Medical Care North America in 1997, having held various positions within the company and most recently serving as General Counsel and Chief Administration Officer responsible for Market Development and Administration for Fresenius Medical Care North America. Fresenius Medical Care extended its Management Board

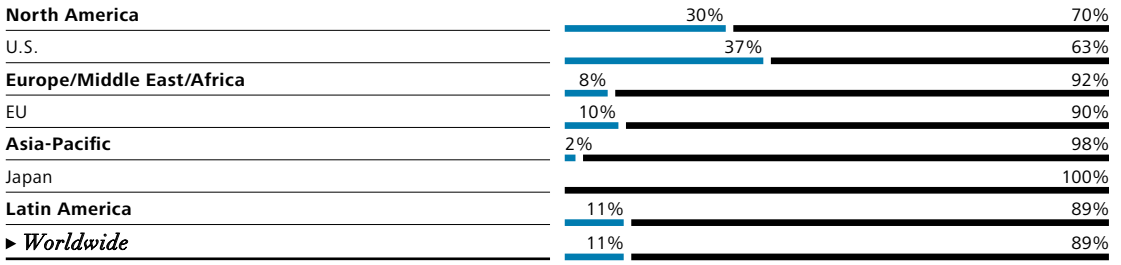
C. 2.2.13 *Top 5 dialysis providers worldwide in 2012*

Number of patients treated



Source: Company data and estimates

C. 2.2.14 *Fresenius Medical Care: Patients treated in 2012*



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

effective March 1, 2013 and appointed Dr. Olaf Schermeier as Chief Officer of Global Research and Development (R & D) and Member of the Management Board. Before joining Fresenius Medical Care, he has served in a senior position in the field of research and development at the German based company Dräger Medical.

Acquisitions and divestitures

Our investment strategy remained unchanged in 2012. We stepped up investments in our future growth by continually expanding our network of clinics and product business and by increasing our production capacities. In the year under review, our budget for acquisitions was on a similar level compared to 2011. In total, we spent $1.615 BN on acquisitions net of divestitures thereof $1.5 BN for the acquisition of Liberty Dialysis Holdings, Inc. In spring 2012 we closed the acquisition following the approval by the United States' Federal Trade Commission FTC. Further information about our investitures and acquisitions can be found in the section "Financial situation" *starting on page 58* and in the "Financial report" *starting on page 15*.

Financing

In January 2012, Fresenius Medical Care successfully completed the largest placement of senior notes in the history of the Company. Proceeds from the offering of three senior unsecured notes in euro and U.S. dollar amounting to approximately $1.81 BN was used for acquisitions including the acquisition of Liberty Dialysis Holdings, Inc., to refinance indebtedness and for general corporate purposes.

Further information on senior unsecured notes can be found in the "Financial situation" section *starting on page 58* and in the "Financial report" *starting on page 72*.

Business environment

The Company's business environment remained largely unchanged in 2012, as did the relevant legal frameworks for our business. At the beginning of 2011, a new reimbursement system for the treatment of dialysis patients with national health insurance (Medicare) was introduced in the United States, our largest sales market. Specific products and services are now reimbursed with one flat fee instead of being paid individually as was previously the case. In addition to an annual inflationary adjustment starting in 2012 a particular feature of this new reimbursement system is the focus on certain quality parameters such as regulation of the hemoglobin content of the blood (anemia management) and the mineral metabolism in the bones. For further information see the "Healthcare and reimbursement systems" section *starting on page 44*.

Conclusion

No other significant events took place in 2012 that had a material impact on the operating business or legal structure of Fresenius Medical Care. Fresenius Medical Care continued its outstanding development in the previous fiscal year, achieving record revenue and earnings figures in the year under review. All regions and segments contributed to this success.

COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH FORECASTS

Fresenius Medical Care looks back on another successful business year: We once again achieved new records both in terms of revenue and earnings and were able to sustain our growth path. We largely met our ambitious targets for 2012.

Fresenius Medical Care set new records last year. Revenue rose by 10% to $13.80 BN, our operating result (EBIT) by 7% to $ 2.22 BN, and net income by 11% to $ 1.19 BN. We achieved these results despite the difficult general conditions compared to previous years, in particular the negative impact of the devaluation of the euro and other currencies against the U.S. dollar.

At the beginning of the reporting year, we expected revenue of around $14 BN and net income of around $ 1.14 BN. As the year progressed, we adapted our targets for 2012 to current developments and modified them slightly. The actual figures were in line with our targets.

Consolidated revenue increased by 10% to $13.80 BN in the 2012 fiscal year. The unfavorable development of several currencies against the U.S. dollar prevented us from reaching a higher figure; in constant currency

terms, revenue was up by 12% in 2012. All regions – North America, Europe/Middle East/Africa, Asia-Pacific and Latin America – contributed to revenue growth. Further details on the development of revenue can be found in the "Results of operations" section *starting on page 53*.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA increased by 11% to $1.19 BN in the fiscal year 2012. This includes a non-taxable investment gain related to the acquisition of Liberty Dialysis Holdings, Inc. It also includes charges related to the amendment of the agreement for the iron product Venofer and a donation to the American Society of Nephrology. Excluding the investment gain and the before mentioned charges net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA was $1.12 BN, an increase of 4% compared to 2011. Further information can be found in the "Results of operations" section *starting on page 53*.

The expected steady growth of the dividend is reflected in our dividend proposal: Subject to approval by the Annual General Meeting, the dividend per ordinary share will increase by 9% to €0.75 (2011: €0.69). More information on this can be found in the "Dividend continuity" section *on page 25*.

We earmarked around $700 M for capital expenditures and around $1.80 BN for acquisitions in 2012. We remained almost completely within our target and used $666 M for capital expenditures (net) – corresponding to 4.8% of revenue – and $1.615 BN for acquisitions less divestitures. For further information, see the "Financial situation" section *starting on page 58*.

The operating cash flow, driven by earnings development and ongoing excellent management of accounts receivables, increased by 41% to $2.04 BN in 2012. At 14.8% of revenue, the operating cash flow was therefore well above the target of 10% of revenue.

T. 2.2.15 *Targets and results for 2012*
adjusted for special charges

	Results 2012	*Targets 2012*	*Target achieved*
Revenue	+10% to $13.80 BN	~$14 BN	✓
Net income	+4% to $1.12 BN	~$1.14 BN	✓
Dividend[1]	+9% per ordinary share to €0.75	Continuous rise	✓
Capital expenditures, net	$666 M	~ $700 M	✓
Acquisitions, net	$1.615 BN	~$1.8 BN	✓
Tax rate	33.9%	33 to 35%	✓
Debt/EBITDA	2.83	< 3.0	✓
Number of employees	86,153	> 86,000	✓
Research and development expenses	$112 M	~ $130 M	
Product innovations	5008 CorDiax	Further expansion of product and service range	✓

[1] *Proposal subject to the approval of the Annual General Meeting on May 16, 2013.*

According to our forecast, the leverage ratio (defined as the ratio of total financial debt to earnings before interest, taxes, depreciation and amortization = debt/EBITDA) should have been below 3.0 by the end of 2012. The actual leverage ratio was 2.83 as at the reporting date, and therefore also developed as predicted.

The number of employees at Fresenius Medical Care (full-time equivalents) grew from 79,159 at the end of 2011 to 86,153 at the end of 2012, reaching our forecast figure of more than 86,000. The Company's continued strong organic growth and acquisitions, especially in North America, were key contributing factors.

Research and development expenditures aimed at boosting and enhancing Fresenius Medical Care's ability to adapt to future requirements amounted to $112 M, not quite meeting our target of around $130 M. This discrepancy was mainly due to exchange rate movements and delays in projects. Our research and development activities are focused on further developing existing product groups. Details can be found in the "Research and development" chapter *starting on page 64*.

The dialysis market developed as we had predicted: the number of patients worldwide grew by around 7%. As expected, there were no significant changes compared to the previous year concerning the allocation of dialysis patients to different treatment methods. Hemodialysis continued to be by far the most important method used to treat chronic kidney failure in 2012. For further information, see the "Dialysis market" section *starting on page 42*.

THE MANAGEMENT'S GENERAL ASSESSMENT OF BUSINESS PERFORMANCE

2012 was a very successful year: Revenue and earnings climbed to record levels. We largely achieved all the ambitious targets we set ourselves.

Fresenius Medical Care experienced stronger growth in each of the regions than the dialysis industry as a whole. As a result, we managed to strengthen our market position. We maintained our position as market leader in North America, by far our biggest market, and recorded significant revenue growth in the markets outside of North America (Europe, Latin America and Asia), reinforcing our market position in these regions.

In addition, Fresenius Medical Care continued to boost its profitability in the year under review. Once again, there were improvements in all relevant key figures. This is partly due to our ongoing high level of investments in maintaining existing clinics, equipping new facilities, and expanding production capacities.

CHAPTER 2.3

Results of Operations, Financial Situation, Assets and Liabilities

THE FINANCIAL YEAR 2012 WAS VERY SUCCESSFUL. AGAIN, WE ACHIEVED RECORD REVENUES AND EARNINGS DESPITE CHALLENGING MARKET CONDITIONS AND UNFAVORABLE CURRENCY EFFECTS.

RESULTS OF OPERATIONS

Revenue

In the year under review, Fresenius Medical Care again increased its revenue significantly by 10% to $13.80 BN, corresponding to a 12% growth rate in constant currency terms. The Company's organic growth amounted to 5%, while acquisitions (net) accounted for 7% of revenue growth. Revenue from dialysis services were up by 13% (15% in constant currency) to $10.49 BN. Revenue from dialysis products rose by 1% to $3.31 BN (5% at constant currency).

Revenue in North America, still our most important business region with a share of 65%, was $9.03 BN in 2012, 14% above the $7.93 BN generated in the previous year. The organic growth amounted to 4%, while acquisitions (net) accounted for 10% of revenue growth. Revenue from dialysis services increased by 16% to $8.23 BN (2011: $7.11 BN). Revenue from dialysis products decreased by 1% to $0.80 BN (2011: $0.81 BN).

Revenue in the International segment, which includes all regions outside North America, improved by 2% to $4.74 BN (9% at constant currency). Acquisitions had the positive effect to increase revenue by 3%, while organic growth was 6%. Revenue from dialysis services in that region grew by 4% over the previous year to $2.26 BN. In constant currency terms, this represents an increase of 11%. Revenue from dialysis products rose by 1% to $2.48 BN in 2011, corresponding to 7% in constant currency terms.

T. 2.3.1 *Revenue by segment*
in $M

	2012	2011[2]	Change	Exchange rate effects	Organic Growth	Acquisitions/ divestitures (net)
North America						
Dialysis products	801	813	−1%	0%	2%	−3%
Dialysis services	8,230	7,113	16%	0%	4%	12%
▸ *Total*	**9,031**	**7,926**	**14%**	**0%**	**4%**	**10%**
International						
Dialysis products	2,478	2,458	1%	−6%	7%	0%
Dialysis services	2,262	2,170	4%	−7%	6%	5%
▸ *Total*	**4,740**	**4,628**	**2%**	**−7%**	**6%**	**3%**
Worldwide						
Dialysis products[1]	3,308	3,288	1%	−4%	6%	−1%
Dialysis services	10,492	9,283	13%	−2%	4%	11%
▸ *Total*	**13,800**	**12,571**	**10%**	**−2%**	**5%**	**7%**

[1] *Including revenue generated by corporate functions in the amount of $29 M for 2012 and $17 M for 2011.*
[2] *Revenue of 2011 had been adjusted by $ −224 M according to a U.S. GAAP accounting change.*

At the end of 2012, we operated 3,160 dialysis clinics, 9% more than 2011. We treated 257,916 dialysis patients in the year under review, an increase of 11%. The number of treatments rose by 12% to around 38.59 M in the reporting year.

The largest business region in the International segment is Europe/Middle East/Africa (EMEA). Revenue in this region decreased by 2% to $2.89 BN in 2012, and increased by 6% based on constant currencies. The region's share of total revenue was 21% (2011: 23%). By the end of 2012, we were treating 48,902 patients in 608 dialysis facilities, 556 patients or 1% more than twelve months before. In 2012, we generated revenue of $ 1.33 BN from dialysis services in this region, up 1% over the preceding year. In constant currency terms, this represents a 10% increase. Revenue from dialysis products amounted to $1.56 BN, minus 4% compared to the previous year and an increase of 3% based on constant currencies.

Revenue in the region Latin America increased by 15% to $804 M (24% based on constant currencies). The share of total revenue slightly increased to 6% compared to the previous year. Revenue from dialysis services grew by 15% (23% in constant currency terms) to $558 M. Revenue from dialysis products was at $246 M, an increase of 14% compared to the previous year (27% in constant currency terms). By the end of 2012, more than 26,956 patients were receiving dialysis treatments in the 225 clinics in this business region.

The Asia-Pacific region recorded an increase in revenue of 6% to $1.04 BN. This corresponds to a 7% revenue growth based on constant currencies. The share of total revenue of that region accounted for 8%, same as in the previous year. Revenue from dialysis services increased by 1% (2% in constant currency terms) to $371 M. Revenue from dialysis products in this region grew by 9% (10% in constant currency terms) to $672 M.

Earnings

Operating income (EBIT)

Earnings before interest and taxes (EBIT) rose by 7% to $2.22 BN in 2012. The operating income includes charges in the amount of $110 M related to the amendment of the agreement for our iron product Venofer in North America and a donation to the American Society of Nephrology. Excluding those charges the operating income increased by 12% to $2.33 BN. Based on the adjusted result the operating margin increased from 16.5 to 16.9%, mainly due to the increase in the North American segment. The operating income there improved by 19% to $1.72 BN in 2012. The operating income margin increased from 18.1% in 2011 to 19.0% in 2012.

T. 2.3.2 *Revenue by region*
in $ M

	2012	2011	Change	Percentage of total revenue
North America	9,031	7,926	14%	65%
Europe/Middle East/Africa	2,893	2,948	−2%	21%
Latin America	804	700	15%	6%
Asia-Pacific	1,043	980	6%	8%
Corporate	29	17	70%	0%
▸ *Total*	**13,800**	**12,571**	**10%**	**100%**

In the International segment, we recorded an operating income of $809 M around the level of the previous year. The operating income margin decreased from 17.4 to 17.1%.

Corporate costs increased in the course of 2012, as expected, particularly due to the donation to the American Society of Nephrology and increased legal fees. The total corporate operating expenditure amounted to $205 M in 2012, after $167 M in 2011.

Net income

In 2012, net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA grew by 11% to $1.187 BN, compared to $1.071 BN in 2011. This includes a non-taxable investment gain of $140 M related to the acquisition of Liberty Dialysis Holdings, Inc. and after tax charges mentioned above in the amount of $71 M ($110 M before tax charges). Excluding the investment gain and the special charges net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA was $1,118 M, up 4% compared to the previous year.

T. 2.3.3 *Patients*

	2012	2011	Change
North America	164,554	142,319	16%
Europe/Middle East/Africa	48,902	48,346	1%
Latin America	26,956	25,381	6%
Asia-Pacific	17,504	17,110	2%
▸ *Total*	**257,916**	**233,156**	**11%**

T. 2.3.4 *Treatments*
in M

	2012	2011	Change
North America	24.41	21.61	13%
Europe/Middle East/Africa	7.49	6.60	13%
Latin America	4.10	3.68	11%
Asia-Pacific	2.59	2.50	4%
▸ *Total*	**38.59**	**34.39**	**12%**

T. 2.3.5 *Clinics*

	2012	2011	Change
North America	2,082	1,838	13%
Europe/Middle East/Africa	608	600	1%
Latin America	225	218	3%
Asia-Pacific	245	242	1%
▸ *Total*	**3,160**	**2,898**	**9%**

Gross profit

Gross profit in 2012 amounted to $4.60 BN, up 11% compared to 2011. The gross profit margin improved from 33.0 to 33.3%. The increase in the margin is largely due to the improved gross profit margin in North America.

Selling, general and administrative expenses rose by 11% to $2.22 BN (2011: $2 BN) and from 15.9 to 16.1% as a percentage of revenues. The increase resulted mainly from higher costs in the region North America, mainly due to an increase in personnel expenses and special charges relating to the acquisition of Liberty Dialysis Holdings, Inc.

Depreciation and amortization in 2012 grew to $603 M compared to $557 M in 2011. Depreciation as percentage of revenues remained unchanged at 4.4%.

Research and development costs were at $112 M, on par with the previous year.

Net interest

Net interest expenses in 2012 amounted to $426 M, after $297 M in 2011. This development is largely a consequence of a rise in debt from issuing several tranches of senior notes to refinance the acquisition of dialysis clinics, especially of Liberty Dialysis Holdings, Inc.

Detailed information on our "Financial situation" can be found *starting on page 58* and in note 10 of the "Financial report" *starting on page 70*.

T. 2.3.6 *Operating income (EBIT)*
in $ M

	2012	2011	Change
North America	1,615	1,435	12 %
International	809	807	0 %
Corporate	(205)	(167)	23 %
▸ *Total*	**2,219**[1]	**2,075**	**7 %**

[1] *The operating income includes special charges in the amount of $110 M.*

T. 2.3.7 *Condensed statement of income*
in $ M

	2012	2011	Change
Net revenue	13,800	12,571	10%
Cost of revenue	9,199	8,419	9%
▸ *Gross profit*	**4,601**	**4,152**	**11%**
In % of revenue	33.3	33.0	–
▸ *Operating income (EBIT)*	**2,219**	**2,075**	**7%**
Investment gain	140	–	–
Interest expense, net	427	297	44%
▸ *Earnings before taxes*	**1,932**	**1,778**	**9%**
▸ *Net income*	**1,187**[1]	**1,071**	**11%**

[1] *Net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA. The number includes a non-taxable investment gain of $140 M and after tax charges in the amount of $71 M related to the amendment of the agreement for the iron product Venofer in North America and a donation to the American Society of Nephrology.*

Tax rate

Income tax in the year under review amounted to $605 M, compared to $601 M in 2011. This corresponds to an effective tax rate of 31.3%, after 33.8% in 2011. Excluding the investment gain and the special charges mentioned above the effective tax rate for 2012 was 33.9%.

Earnings per share

Earnings per ordinary share (EPS) rose by 10% in 2012 to $3.89, compared with $3.54 in 2011. Excluding the investment gain and the special charges mentioned above earnings per ordinary share was $3.66. The average weighted number of shares outstanding in 2012 was around 305.1 M (2011: 303.0 M), of which 301.1 M were ordinary shares (2011: 299.0 M ordinary shares). The increase in the number of shares outstanding resulted from stock options exercises. Details on how earnings per ordinary share are derived can be found in the "Financial report" *on page 85*.

Value added statement

The value added statement reflects Fresenius Medical Care's total economic output in 2012. All outlays, such as the consumption by value of purchased goods and services, as well as depreciation and amortization have been deducted from the Company's performance. The value added of Fresenius Medical Care in 2012 was $7.3 BN, up 12% from $6.5 BN in 2011. The bulk of this, 67% or $4.9 BN, was paid to staff, while 8% or $605 M went to the public sector. Lenders partook of around $470 M or 7%. The shareholders and other partners received around 6% or $436 M. $891 M from the value added remained in the Company for reinforcement of the business.

Order situation

Order volume is not a significant indicator for Fresenius Medical Care as three-quarters of our business model are related to services that are performed regularly. Our product business mainly comprises single-use products and is not defined by project-related orders that could lead to significant changes in order volumes in the reporting period. As a result, Fresenius Medical Care does not report on the basis of this financial indicator.

T. 2.3.8 *Value added statement*
in $ M

	2012		2011	
Creation				
Company output	13,839	100%	12,672	100%
Outlays	(5,962)	−43%	(5,618)	−44%
Gross value added	7,877	57%	7,054	56%
Depreciation/amortization	(603)	−4%	(557)	−5%
▸ *Net value added*	**7,274**	**53%**	**6,497**	**51%**
Distribution[1]				
Staff	4,872	67%	4,362	67%
Public sector	605	8%	601	9%
Lenders	470	7%	357	6%
Shareholders and other partners	436	6%	398	6%
Company	891	12%	779	12%
▸ *Net value added*	**7,274**	**100%**	**6,497**	**100%**

[1] *Assuming the distribution of 2012 profits is approved by the Annual General Meeting on May 16, 2013.*

FINANCIAL SITUATION

Our investment and financing strategy did not change substantially in the past financial year. This is also due to our business model, which is based on stable and high cash flows, allowing a more consistent and higher level of debt than might be the case in other industries. We still regard our refinancing options as being very stable and flexible. We have successfully renewed our revolving credit facility in October 2012. In the current financial year, the focus of our investing activities is on our dialysis services business, with an emphasis on expanding our global dialysis clinic network.

Principles and objectives of financial management

Besides optimizing our financial costs, financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The Company ensures this flexibility by using a wide range of financial instruments and securing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide spread of maturities up to 2022.

The main financing instrument is the syndicated credit agreement with a revolving credit facility and a long-term loan. In addition, we use several other mid and long-term financing instruments, mainly including senior, unsecured notes in euro and U.S. dollar and to a lesser extent, senior, unsecured euro notes with fixed-rate and floating-rate tranches.

With only partially drawn credit facilities and our accounts receivable, we have sufficient financial resources. Our target for committed and unutilized credit facilities is between $300 M and $500 M. Our 2013 principal financing needs are the payment of $140 M for a loan as well as our dividend payment of approximately $304 M in May 2013. We intend to finance in accordance with our described financing strategy.

T. 2.3.9 *Major financing instruments of Fresenius Medical Care*

	Amount in M	*Coupon*	*Maturity*
Credit agreement revolving facility	~ $1,250	–	October 30, 2017
Credit agreement term loan A	$2,600[1]	–	October 30, 2017
Senior notes 2010 – 2016	€250	5.50%	July 15, 2016
Senior notes 2011 – 2016	€100	3-month-Euribor +3.50%	October 15, 2016
Senior notes 2007 – 2017	$500	6.875%	July 15, 2017
Senior notes 2011 – 2018	$400	6.50%	September 15, 2018
Senior notes 2011 – 2018	€400	6.50%	September 15, 2018
Senior notes 2011 – 2021	$650	5.75%	February 15, 2021
Senior notes 2011 – 2021	€300	5.25%	February 15, 2021
Senior notes 2012 – 2019	€250	5.25%	July 31, 2019
Senior notes 2012 – 2019	$800	5.625%	July 31, 2019
Senior notes 2012 – 2022	$700	5.875%	January 31, 2022
Euro notes	€45[1]	–	October 27, 2014
Accounts receivable facility	$800	–	January 15, 2016

[1] *Original amount before amortization.*

In our long-term financial planning, we focus primarily on the leverage ratio, defined as total debt/EBITDA ratio. This sets our total financial debt in relation with our earnings before interest, taxes, depreciation and amortization (EBITDA). Fresenius Medical Care holds a strong position in the growing dialysis sector, which is considered in general non-cyclical. This industry is characterized by relatively stable cash flows. Our market position is further supported by a high creditworthiness of most of our customers. A substantial portion of our accounts receivables are generated by governmental healthcare institutions. While payment and collection practices vary not only between countries but also between individual authorities, governmental payors usually represent a lower to moderate credit risk. This allows us a more consistent and higher level of debt as this may be the case in other industries. At the end of 2012, the debt/EBITDA ratio was 2.83 compared to 2.69 in the previous year. Further information on this can be found in the "Strategy, objectives, and corporate management" section *starting on page 36*.

For detailed information on financing, please see the "Financial report", section "Liquidity and capital resources" *starting on page 25* and the "Outlook" chapter *starting on page 119*.

Rating

In the beginning of 2012, Standard & Poor's Ratings Services upgraded the company's corporate credit to "BB+" from "BB" and confirmed a "stable outlook". The rating agencies Moody's and Fitch have confirmed Fresenius Medical Care's ratings, Moody's with "Ba1" and a "stable outlook", Fitch with "BB+" and also a "stable outlook".

T. 2.3.10 *Rating*

	Standard & Poor's	*Moody's*	*Fitch*
Corporate credit rating	BB+	Ba1	BB+
Outlook	Stable	Stable	Stable
Senior secured debt	BBB–	Baa3	BBB
Senior unsecured debt	BB+	Ba2	BB+

T. 2.3.11 *Net investments and acquisitions by segment*
in $ M

	2012	*2011*	*of which property, plant and equipment*	*of which acquisitions/ intangible assets and other investments*	*of which divestitures*	*Absolute change compared to 2011*
North America	1,914	1,047	298	1,849	233	867
International	192	1,133	195	28	31	–941
Corporate	175	165	173	2	0	10
▸ *Total*	**2,281**	**2,345**	**666**	**1,879**	**264**	**–64**

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

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

Liquidity analysis

Our main sources of liquidity are our operating cash flow and credits granted by third parties, as well as the use of other financing instruments as required. We need these resources primarily to finance working capital, to fund acquisitions, to build, expand and equip our own dialysis centers and production facilities, and to repay debt and to pay dividends. For detailed information on liquidity, please see the "Liquidity and capital resources" section of the "Financial report" *starting on page 25*.

16th consecutive dividend increase

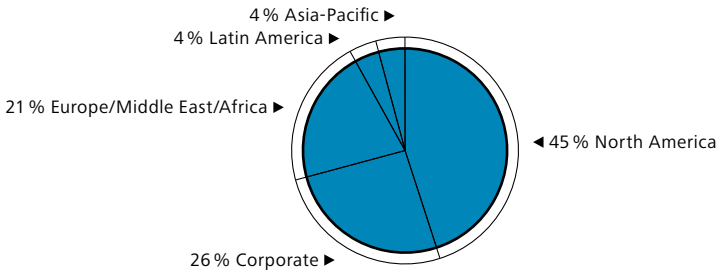
Fresenius Medical Care will propose the Annual General Meeting the 16th consecutive dividend increase. The recommended dividend per ordinary share is expected to increase by 9% from €0.69 for 2011 to €0.75 for 2012, the dividend per preference share by 8% to €0.77 (2011: €0.71). The total dividend payout expected will amount to approximately €230 M (2011: €210 M). For further information on dividends, please refer to the "Dividend continuity" section *on page 25*.

Capital expenditures and acquisitions

In 2012, Fresenius Medical Care spent $2.28 BN on capital expenditures, acquisitions and the purchase of intangible assets. $1.91 BN of this was spent in the North America segment, $192 M in the International segment and $175 M for corporate functions.

Total net investment in property, plant and equipment was $666 M, up from $570 M the year before. A large portion of capital expenditures – $372 M – concerned equipping existing and new clinics. In addition, $170 M was invested in the maintenance and expansion of production capacity, primarily in Germany, North America, France and China. $133 M was spent for the capitalization of dialysis machines provided to customers – mainly in the International segment. A lesser amount of $9 M is accrued due to divestments. Capital expenditures in property, plant and equipment amounted to some 5% of overall revenue, at the same level as in the previous year.

C. 2.3.12 *Net investments in property, plant and equipment by regions*



T. 2.3.13 *Days sales outstanding*
in days, December 31

	2012	2011	Change
North America	55	55	0
International	115	121	–6
▶ *Total*	**76**	**80**	–4

41% of net investments were used for expansion activities, while 59% were spent on maintaining existing production sites and dialysis clinics.

In geographical terms, 45% of our net investments were made in North America, followed by corporate functions with 26%, Europe with 21%, Latin America with 4% and Asia-Pacific with 4%.

In 2012, around $1,879 M was spent on acquisitions, primarily for purchasing dialysis clinics. $1,849 M of this sum went to the North America segment, $28 M to the International segment and $2 M to corporate functions. Acquisitions in 2012 related primarily to the purchase of Liberty Dialysis Holdings, Inc.

Cash flow analysis

The cash from operations, also known as operating cash flow, rose in 2012 by 41% and exceeded with 2.04 BN (previous year: $1.45 BN) the mark of two billion for the first time in the history of the Company. The increase is mainly due to the favorable development of working capital. Cash flows were used for investing activities (expenditures and acquisitions). A detailed description of additional factors is presented in the "Liquidity and capital resources" section of the "Financial report" *starting on page 25*.

In 2012, we observed some regional differences in the payment patterns of our customers. The days sales outstanding, in other words the number of days that pass before customers settle outstanding invoices of Fresenius Medical Care, decreased significantly in the year under review. The days sales outstanding in the North America segment continued to be on a low level in 2012. In the International segment the improved payment behavior of individual European countries has contributed to a decline in days sales outstanding. The high days sales outstanding in this segment mainly reflect the average payment delays by government and private entities, and here particularly in European countries with relatively higher budget deficits.

In 2012, our free cash flow, before acquisitions and dividends, was $1,373 M compared to $876 M in 2011. Taking account of payments for acquisitions (net of divestitures) of $1,615 M (2011: $1,775 M) and dividends of $272 M (2011: $281 M), we achieved a free cash flow of $−514 M compared to $−1,180 M in the previous year.

For further information, please see the "Capital expenditures and acquisitions" section *starting on page 60*.

T. 2.3.14 *Abbreviated statement of cash flow*[1]
in $M

	2012	2011	Veränderung
Cash at the beginning of the year	457	523	−13%
Cash flow from operating activities	2,039	1,446	41%
Cash flow from investing activities	(2,281)	(2,345)	–
Cash flow from financing activities	486	793	–
Effect of exchange rate changes on cash and cash equivalents	5	40	–
Cash at the end of the year	688	457	50%
Free cash flow	1,373	876	57%

[1] *A detailed representation can be found in the "Financial report" starting on page 44.*

C. 2.3.15 *Operating cash flow*
in $M

ASSETS AND LIABILITIES

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

Balance sheet and asset situation

The Company's total assets grew by 14% year-on-year to $22.33 BN (also 14% in constant currency terms).

Fixed assets rose by 17% (16% in constant currency) to $16.20 BN at the end of 2012. This corresponds to approximately 73% of the Group's total assets. The increase in our assets in absolute terms is mainly attributable to acquisitions.

Fixed assets include goodwill of $11.42 BN, mainly from the acquisition of Renal Care Group in 2006 and the acquisition of Liberty Dialysis Holdings, Inc. in 2012 as well as the founding of Fresenius Medical Care in 1996. The increase in goodwill in 2012 compared to the previous year ($9.19 BN) resulted primarily from acquisitions undertaken in the reporting year, especially from the above mentioned acquisition of Liberty Dialysis Holdings, Inc. in the amount of $ 2.0 BN. Property, plant and equipment were up 12% to $2.94 BN in the year under review, mainly due to capital expenditures and acquisitions. Further information on this can be found in the "Capital expenditures and acquisitions" section *starting on page 60.*

Other non-current assets and notes receivable decreased from $0.55 BN to $0.35 BN due to the repayment of a loan regarding the acquisition of Liberty Dialysis Holdings, Inc.

C. 2.3.16 *Balance sheet structure – assets*

Fixed assets *Other current assets* *Accounts receivable* *Inventories*

C. 2.3.17 *Balance sheet structure – liabilities*

Shareholders' equity *Long-term liabilities*[1] *Short-term liabilities*

[1] *Including minority interests of other shareholders with put options.*

Current assets rose by 8% (7% in constant currency) to $6.13 BN at the end of 2012. Key drivers were the increase in cash (by 50% to $688 M) and the trade accounts receivable (by 8% to $3.02 BN), mainly due to the acquisition of Liberty Dialysis Holdings, Inc. and to business growth related to a reduction of days sales outstanding (DSO).

Inventories grew by 7% (also 7% in constant currency terms) to $1.04 BN in 2012. This development is mainly due to the business growth. For further information, see the "Financial situation" section *starting on page 58*.

Shareholders' equity

The liabilities side of the balance sheet saw a 14% increase in shareholders' equity to $9.21 BN at the end of 2012. This was mainly driven by earnings, stock option exercises and an increase in non-controlling interests without put-options. Shareholders' equity was reduced by dividend payouts for 2011. The equity ratio amounted to 41% and thus remained unchanged from the previous year's figure.

Liabilities increased by 14% (14% at constant currency) to $13.12 BN. Debt amounted to $8.30 BN (2011: $7.21 BN), $0.46 BN of which were attributable to short-term borrowings (2011: $1.72 BN). The reduction is attributable to the closing of the new senior credits, reported under medium to long-term debt. These increased to $ 7.84 BN from $5.49 BN in 2011. The increase resulted from the issuance of bonds in January, 2012 and from the reclassification of the liabilities from the senior credits. 73% of our debt is U.S. dollar denominated, compared to 70% in the previous year.

The Group has no significant accruals. The largest single accrual of $115 M covers a special charge for the final settlement of fraudulent conveyance claims and all other legal matters in connection with the National Medical Care transaction in 1996 resulting from the bankruptcy of W.R. Grace. Further information can be found in note 19 of the "Financial report" *starting on page 95*.

Research and Development

AS PART OF OUR GROWTH STRATEGY, WE DEVELOP NEW MARKET-ORIENTED PRODUCTS AND ENHANCE EXISTING ONES AS WELL AS IMPROVING DIALYSIS TREATMENTS. OUR R & D TEAMS BENEFIT FROM OUR VERTICALLY INTEGRATED BUSINESS MODEL. AS WE ALSO OPERATE DIALYSIS CLINICS, THEY HAVE ACCESS TO THE OPINIONS AND EXPERIENCE OF PATIENTS, PHYSICIANS, AND NURSES AT ALL TIMES.

RISE IN R & D EXPENSES

In the reporting year, Fresenius Medical Care spent a total of around $112 M on research and development (2011: $ 111 M). Similar to previous years, R & D expenditure corresponded to approximately 3% of our dialysis product revenue and slightly less than 1% of our total revenue. At the end of 2012, our patent portfolio comprised some 4,850 property rights in approximately 850 patent families, i.e. groups of patents linked to an invention. Our development work in the reporting year produced around 80 additional patent families.

In 2012, a total of 530 highly qualified employees (full-time equivalents) worked for Fresenius Medical Care in R & D worldwide (2011: 530). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams. Our largest R & D unit with around 350 employees is in the EMEA region (Europe, Middle East and Africa); charts 2.4.4 and 2.4.5 provide information on their levels of education and professional backgrounds. Most of our R & D colleagues work at our German facilities in Schweinfurt and Bad Homburg. Smaller teams work in St. Wendel (also in Germany), and in Bucharest (Romania), where an R & D competency center specializing in software developments has been set up. In addition, we have specialist teams for research and development in the North America and Asia-Pacific regions.

Effective March 1, 2013 Fresenius Medical Care has appointed a new member to the Management Board,

T. 2.4.1 *Expenditures for research and development*
in $ M

	2012	2011	2010	2009	2008
▸ *Total*	112	111	97	94	80

T. 2.4.2 *Number of patents*

	2012	2011	2010	2009	2008
▸ *Total*	4,850	4,415	3,601	2,850	2,402

T. 2.4.3 *Number of employees in R&D*
full-time equivalents

	2012	2011	2010	2009	2008
▸ *Total*	530	530	503	477	415

who is responsible for our R&D activities. This underscores our aspiration to constantly improve our products, develop new solutions for treating patients on dialysis, and at the same time increase the efficiency of our processes in general and control them at a global level – see "Subsequent events" *on page 118*.

In Krems in Austria, we operate our own R&D department for sorbent technology *see glossary on page 163* as well as manufacturing products for various sorbent therapies. In Krems, we are also in close contact with local universities – see section „Cooperation in research extended" in this chapter. Over the next few years, we intend to expand our unit in Krems into a competency center for sorbent technologies, as we believe that these technologies hold considerable potential for new blood purification applications and treatments.

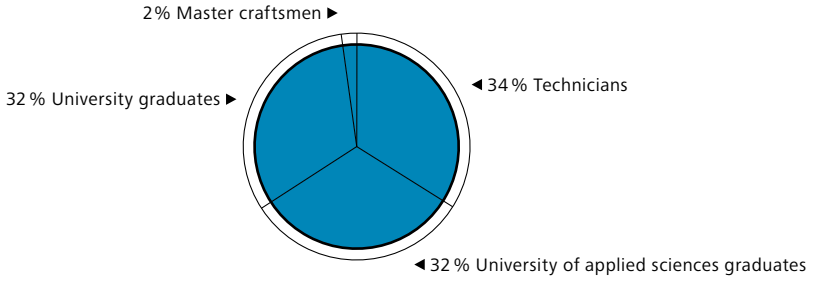
As part of our innovation culture, we also strive to carry out research and development responsibly. For more information on this, see the "Responsibility" chapter *starting on page 94*.

FOUR TRENDS CHARACTERIZE OUR RESEARCH AND DEVELOPMENT

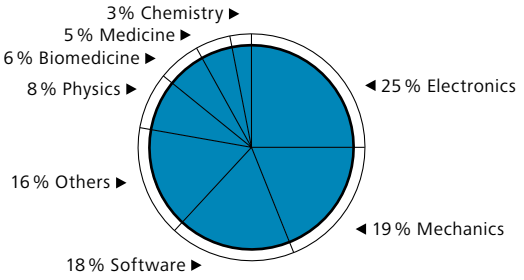
Our R&D work was again particularly influenced by the following four trends in 2012:

▸ Advances in medicine and technology:
Dialysis is still a relatively young discipline. It has only been available as a standard treatment for chronic kidney failure for about 50 years. However, research on the complex interactions and concomitant effects that occur with kidney failure is increasing. At the same time, the technological possibilities for treating patients are also improving. Our R&D is geared towards quickly turning new findings into market-ready products, enabling us to offer patients gentler, safer and more individual treatment. Major technological trends in this area include new developments in information technology, technologies to gradually reduce the size of products and simplify their use, and the integration of various treatment elements to create holistic therapy systems. We are also working on promising methods such as sorbent technology for

C. 2.4.4 *Level of education of R&D employees in the European region*



C. 2.4.5 *Professional groups of R&D employees in the European region*



recycling tap water, as large quantities of water are required for hemodialysis treatment.

▸ Sustained growth in patient numbers:
More people than ever suffer from chronic kidney failure. It is estimated that by 2020, there may be around 3.8 M kidney patients worldwide. This development is exacerbated by the increase in the number of people suffering from diseases such as high blood pressure and diabetes – typical precursors of kidney failure that are becoming more and more common due to factors such as a lack of exercise, an unhealthy diet, or obesity. For this reason, a key focus of our research and development is also on home therapies such as peritoneal dialysis and home hemodialysis along with related technologies and products. Treatment at home provides patients who are suited to it with greater freedom in their daily lives. It also helps to free up the limited capacity in dialysis clinics and gives people who live in areas with a weak healthcare infrastructure access to treatment that may not have been available otherwise.

▸ The increase in concomitant diseases:
Patients with chronic kidney failure are getting older. This is partly because society is aging overall and the risk of suffering from end-stage renal disease increases with age. Another reason is that advances in medicine are raising the life expectancy of kidney patients. The older patients get, however, the greater the likelihood of concomitant diseases occurring, for example severe cardiac and vascular conditions. Based on their growing prevalence and new scientific insights, these are increasingly becoming a focal point of our research and development as diagnostic and therapy systems that go beyond dialysis itself.

▸ Rising cost pressure in healthcare:
An aging population, the spread of chronic illnesses, and the aspiration to offer new or improved technologies in patient care all present major financial challenges to healthcare systems. Even more reason for Fresenius Medical Care to abide by a principle that is also specified in our internal research guidelines: Innovations not only have to be of high quality, but must also be affordable so that patients can benefit from them. Based on our experience in operating our own dialysis clinics, we do not consider these to be incompatible demands.

R & D PROJECTS IN THE REPORTING YEAR

To meet the challenges described and achieve the best possible therapeutic performance, our R & D teams continued to enhance our dialysis products and therapy systems in 2012. The focus was on further improving clinical results and the quality of life of patients as well as minimizing cardiovascular risks while keeping therapy costs under control and making sure that our products are easy and safe to handle.

Therapy systems continuously enhanced

In the past year, we introduced a new therapy system, the 5008 CorDiax. We also provided care teams in the U.S. with new modules for the 2008T therapy system.

Introducing the new 5008 CorDiax therapy system
In the reporting year, we launched the new 5008 CorDiax therapy system in the EMEALA (Europe, Middle East, Africa and Latin America) region. It combines proven and new functions to offer top-quality therapy and maximum patient safety as well as being easy to use and making sustainable use of available resources. This enables us to attain optimum treatment results and further minimize the risks of cardiovascular diseases.

The outstanding functions of the 5008 CorDiax are:

▸ Venous Access Monitor (VAM):
A rare but dangerous occurrence is the loss of blood during dialysis. This can happen 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, for example. The software-based monitoring system VAM detects

such problems and reacts with an alarm that activates the necessary safety responses in the dialysis device. VAM has been available for the 5008 therapy system since 2011 and is already well established on the market. We work constantly on its optimization.

▸ AutoSub plus:
Current data shows that ONLINE HDF treatment *see glossary on page 162* with our 5008 therapy system is particularly gentle and efficient if the volume of blood replaced during dialysis is as high as possible. However, if this level is too high, adverse side-effects can occur. As the maximum replacement volume can be different for individual patients and even for individual dialysis treatments, we developed the AutoSub plus software for the 5008 CorDiax in the reporting year. It enables optimized, fully automatic regulation of the volume of blood to be replaced, tailored to each patient's needs.

▸ FX CorDiax dialyzer:
The new FX CorDiax dialyzer, which we introduced in Europe in 2011, is particularly effective. It contains the high-performance Helixone plus membrane, which selectively filters toxins with a medium molecular size and low molecular weight, such as phosphates, out of the blood, thus reducing the risk of cardiovascular diseases. The membrane also ensures that beneficial substances for the patient, such as the essential blood component albumin, are not flushed out at the same time.

▸ 5008 CorDiax HD-Paed:
Children suffering from kidney failure need special care when undergoing dialysis treatment. With this in mind, we launched the 5008 CorDiax HD-Paed in the reporting year. It is the first hemodialysis (HD) device in the world to be approved for children with a body weight of ten kilograms or more.

New modules added to our therapy system

We also improved our 2008T therapy system for the U.S. market in the reporting year. It is the first hemodialysis machine to be approved on the U.S. market with an integrated software platform for entering and managing clinical treatment data directly at the treatment room. The module helps physicians and clinic staff to record data efficiently and promptly as required by the authorities for billing services pursuant to the new reimbursement system in the U.S. The 2008T can be connected to various data management systems used in U.S. dialysis clinics. The advantage for care staff is that they can access dialysis treatment data and data from the medical information system (MIS), which were previously recorded and stored in a variety of sources, in the treatment room, enabling them to adjust the treatment and treatment plans directly.

▸ 2008MeDS:
In the reporting year, we added an infusion pump for intravenously administered iron compounds to the dialysis device 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 further increasing patient safety as well. We continue to establish the infusion pump on the market as a component of the 2008T in 2013.

▸ bibag system:
A further module to be launched in 2013 for the 2008T is the bibag system. It contains dry bicarbonate concentrate as a pure substance. This dispenses with the need for storing the water contained in liquid concentrates, reducing the amount of packaging and the corresponding waste to a minimum.

▸ Crit-Line:
In the reporting year, we also enhanced and compacted our Crit-Line analysis device so that it can be integrated in our 2008T dialysis machine. Crit-Line is used to control the fluid balance of patients with chronic and acute kidney failure – and therefore also to detect and treat attendant symptoms. We expect to launch the enhanced analysis device, called CLiC (Crit-Line in a clip) on the U.S. market in 2013 following approval from the U.S. Food and Drug Administration (FDA).

Innovations in home dialysis offer additional safety for patients

One way of treating the rising number of dialysis patients outside of dialysis centers is home hemodialysis. In the reporting year, we enhanced two home hemodialysis machines – the 2008K@home in the U.S. and the 5008 S CorDiax home HD in the EMEALA region – that adapt treatment to patients' individual medical needs and daily lives.

The 2008K@home is one of only two devices specifically for home hemodialysis with FDA approval in the entire U.S. market. The user interface has been simplified to enable patients to operate the machine intuitively. We also improved other products in the reporting year. A new wireless wetness detector will be launched in 2013 that features a new alarm function, providing additional safety. A signal sounds as soon as a leak occurs at the vascular access during dialysis, which, if it were to go unnoticed, could be fatal.

Previously, Fresenius Medical Care's ONLINE HDF treatment method was restricted to dialysis in clinics. Thanks to the 5008 S CorDiax home HD, which we introduced in 2012, this therapy method is now also available as a standard feature in home hemodialysis. Functions such as cable-free remote control, an intuitive user interface designed with patients in mind, and innovative safety functions have been developed for the special needs of home hemodialysis patients.

New dialysis machine gives patients maximum independence and mobility

Our home hemodialysis systems already give some of our patients greater flexibility in their daily lives. The Portable Artificial Kidney (PAK), which we aim to launch on the North American market following approval from the U.S. Food and Drug Administration (FDA), is another device that should provide even more dialysis patients with even greater independence in future.

The key advantages of the Portable Artificial Kidney are:

- It can be quickly and easily dismantled into two portable sections that are easy to transport. In addition, it is simple to assemble and take apart without the help of a technician and is easy to use.

- Thanks to innovative sorbent technology, the PAK needs just six liters of potable tap water for hemodialysis treatment. By comparison, conventional hemodialysis requires 120 to 200 liters of specially treated warm water per treatment. Consequently, the PAK no longer needs to be connected to the water supply for dialysis treatment.

This means that the PAK is extremely resource-efficient, flexible and can be used almost anywhere, giving dialysis patients maximum independence and mobility.

CLINICAL RESEARCH DELIVERS POSITIVE RESULTS

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

In the reporting year, we undertook clinical studies to examine the automatic regulation of the electrolyte balance. The overall electrolyte balance of the human body and the individual electrolyte concentrations in the various bodily fluids and tissues are hugely significant for the function of the entire organism. In healthy people, the natural kidney assumes the complex task of regulating this; in patients with end-stage renal disease, dialysis performs this function. Particularly in hemodialysis, where the dialysis solution is continuously prepared by a dialysis machine, it is possible to influence these processes

favorably by adapting the dialysis solution accordingly. As the underlying issues are complex, we need to test these thoroughly in clinical studies before we can offer an automated method of this kind as a routine procedure to aid physicians. We are currently performing clinical tests on such a procedure.

Another focus of our clinical studies at present is peritoneal dialysis (PD) and especially overhydration, which affects over half of PD patients. Active fluid management can offer patients numerous benefits: It could increase the survival rate, reduce the number and duration of hospital stays, diminish the occurrence of an enlarged left ventricle of the heart, improve patients' quality of life, and better maintain residual renal function. In the area of hemodialysis, our Body Composition Monitor analysis system is already an integral part of therapy, enabling us to determine the individual fluid status and body composition of each patient. We are currently conducting a study to show that the Body Composition Monitor can also be used to improve fluid management in PD patients.

In a study started in 2011, we are accompanying 1,000 adult patients over a three-to-four-year period, who were about to have their first PD treatment after diagnosis when the study began. Data is recorded regularly on each patient including their current medication, typical laboratory results and fluid status. In this way, we aim to track the status and development of fluid levels before and during PD treatment in relation to residual renal function, nutrition levels and the treatment prescribed by the physician. We also intend to obtain information on the best time to switch treatment from PD to HD.

In another study, we are assessing a low-sodium PD solution for patients with high blood pressure compared to a conventional solution already available on the market. The aim is to reduce high blood pressure and improve sodium and water management. High blood pressure and sodium and water deposits are typical concomitant diseases in PD patients with end-stage renal disease.

COOPERATION IN RESEARCH EXTENDED

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

We also maintain close contact with research institutes in the U.S., where our cooperation partners include renowned universities as well as the Renal Research Institute (RRI). The RRI was founded in 1997 as a joint venture between Fresenius Medical Care North America and the Beth Israel Medical Center, a hospital in New York. It is a leading institute in the field of clinical treatment and research into chronic kidney failure. Together, we are working on some fundamental issues related to dialysis treatment. These include the complex causes of kidney disease, particular aspects of treating children with kidney disease, or issues such as fluid management in dialysis patients or the effects of kidney disease on the natural acid-base balance in the human body.

Our R&D projects are mainly carried out by our own employees and research departments. To date, we have only used third-party services for these purposes to a small extent. When cooperating with national and international universities and other scientific institutions, we use various financing models. Some of our research alliances are also publicly funded.

Procurement and Production

AS THE INDUSTRY LEADER WITH MANY YEARS' EXPERIENCE IN DIALYSIS, WE CAN CALL ON CONSIDERABLE INTERNAL RESOURCES IN THE AREA OF PRODUCTION. THESE INCLUDE MANUFACTURING CAPACITY IN ALL REGIONS AS WELL AS EXPERTISE IN COMPLEX PRODUCTION TECHNOLOGIES AND PROCESSES. FURTHERMORE WE HAVE EXTENSIVE SKILLS IN QUALITY MANAGEMENT, PROCUREMENT AND LOGISTICS FOR SOPHISTICATED MEDICAL PRODUCTS.

WORLDWIDE NETWORK OF PRODUCTION SITES

Our largest sites in terms of production volume are in the U.S., Germany and Japan. Chart 2.1.1 *on page 34* presents an overview of our main production sites.

We manufacture dialysis machines at two sites: Schweinfurt (Germany) and Walnut Creek (U.S.). In November 2012, Fresenius Medical Care produced its 500,000th dialysis machine. The device that belongs to the multi-award-winning 5008 series rolled off the production line at the Schweinfurt plant and was donated to the German Kidney Foundation. Further information can be found in our magazine *starting on page 44*.

We manufacture most of our other products directly in the regions in which they are needed. For example, we produce and assemble dialyzers and the corresponding hollow fibers at our facilities in Ogden (U.S.), St. Wendel (Germany), L'Arbresle (France), and Buzen (Japan), among others. Concentrates for hemodialysis are manufactured at different sites across the globe, for example in Germany, Italy, Turkey, Morocco, the U.S., Argentina and Australia.

Most of the solutions used for peritoneal dialysis are supplied by our production sites in St. Wendel and Ogden. In terms of production volume, our plant in Reynosa (Mexico) is the largest facility for bloodline systems both within the Company and worldwide.

GLOBAL MANUFACUTRING OPERATIONS DIVISION STRENGTHENED

The Global Manufacturing Operations division (GMO) bundles our expertise in production methods and processes, quality management, strategic purchasing, and supply chain management across all regions. The central GMO division enables us to:

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

At the end of 2012, the division comprised 13,175 employees (2011: 12,600) and more than 40 production sites in around 30 countries. The functions and activities of the GMO division in the reporting year are set out in the sections below.

Production facilities expanded

Some of our production sites have longstanding experience in manufacturing certain products. As Company-wide centers of excellence, they use their expertise in core technologies and materials to advise our local production sites on harmonizing their processes. With this approach, GMO encourages the exchange of particularly successful procedures and methods between the different regions and sites.

At the same time, we are continuously assessing new opportunities for the different regions to supply each other with products and components, thus further increasing the efficiency of production. For

example, in 2012 we started manufacturing empty bags for hemodialysis for the Latin American market at our site in L'Arbresle (France). These bags are then filled with dry concentrate in Colombia and Brazil.

Furthermore, we expanded and optimized many of our production sites in the reporting year. For instance, several new production lines as well as a new high-bay warehouse were put into operation at our St. Wendel facility in 2012. At our plant in Ogden, we raised our dialyzer capacity from 37 M to 48 M and added another production line for hollow fibers for dialyzers in the reporting year. This enables us to meet the growing global demand for dialyzers. We also boosted production of our dialysis machines in Schweinfurt by approximately 20%.

Quality management initiatives continued

In the area of quality management, we continued initiatives to improve quality, cut costs, and reduce processing times in production as part of implementing a cross-regional program.

Quality management systems for safe products and procedures

To offer our patients and customers worldwide products and treatment of the highest quality, we have installed comprehensive quality management systems in all our business regions. These ensure that all of our products and procedures comply with quality and safety standards from development and production to market approval and use in clinics, right up to training customers and dealing with complaints. The quality management systems used in our production unite internal regulations, processes and procedures that do not only meet the demands of generally recognized external standards and guidelines but also represent best practice. Our plants apply recognized quality management tools such as "Lean Six Sigma", a quality management system to describe, measure, analyze, improve and monitor processes with the aim of boosting quality in production.

Our quality and production management teams work closely with local authorities in the respective regions. Some of our production sites are certified according to several regional quality standards. Therefore linking quality issues throughout the Company is so important to us. This multiple certification enables us to be flexible and supply markets worldwide with our products while minimizing potential risks relating to potential supply shortages.

To ensure compliance with the defined quality levels and legal requirements for production in all regions, we have established similar processes worldwide. This enables us to ensure minimum standards for guidelines and processes relating to quality management systems at all Fresenius Medical Care production facilities. In addition, we aim to further harmonize our internal audit processes in quality management in the next fiscal year.

Improving quality and efficiency with the global "FOSY" initiative

We made further progress with the global "FOSY" initiative in our regions in the reporting year. FOSY stands for Fresenius Operating System. It is a management philosophy with which we aim to improve quality in production, cut costs and reduce processing times, thus enhancing our operational efficiency. In the reporting year, we incorporated all operating units as well as quality management in FOSY. GMO finance and GMO administration will follow in 2013. FOSY is based on the efficient processes of Lean Management and process control as part of the Six Sigma method, but goes significantly further. We are guided by the following four principles of this philosophy:

- Customers' needs and quality are our top priorities.
- We rely exclusively on sound business processes.
- The just-in-time principle applies in all our operations.
- We ensure an efficient flow of information, materials and processes.

To achieve the efficiency and quality objectives of FOSY, staff undergoes appropriate training courses, for example, taking part in workshops, called Kaizen events.

Strategic purchasing and materials management integrated further

In the area of strategic purchasing, it is becoming increasingly important to closely observe regional as well as global developments in the procurement markets and their individual currencies. Only in this way can we benefit from international price advantages and compensate for dependencies on individual suppliers when purchasing raw materials and components. Our employees in strategic purchasing in Europe, the U.S. and Asia therefore work closely together to coordinate procurement and further expand our competitive, globally balanced supplier network. The key objectives are to ensure the supply of raw materials from different currency areas and manage our relationships with the Company's main suppliers as effectively as possible.

Securing an efficient and flexible supply of raw materials

We coordinate tenders and negotiations for the purchase of raw materials or components that are needed by more than one site centrally in cross-regional project teams. To enable us to manufacture products at several sites throughout the Company in line with demand, we also enter into partnerships with suppliers that provide us with components of a consistently high quality. They also need to meet strict production specifications and comply with the principles of our codes of conduct. These also include multinational suppliers that can produce and deliver raw materials in more than one region.

Based on recent developments in the financial and real markets, we assume that prices will continue to fluctuate to some extent despite easing of tension in the commodities markets in the short and medium term. Therefore, in the reporting year, we focused our instruments for market development partly on forging even stronger links with our strategic partners and further diversifying our supplier portfolio.

Managing relationships with the Company's most important suppliers

Our procurement strategy is geared to purchasing high-quality materials and components at optimum economic conditions through long-term mutual relationships with our suppliers. We select our suppliers very carefully according to their suitability and performance, and develop innovative products and processes together with key suppliers. At the same time, we avoid risks relating to our supply of raw materials, for instance by ensuring that we are not dependent on one or just a few suppliers for core materials or components. Comprehensive risk management allows us to monitor our supply of components and raw materials as well as our relationships with strategic suppliers across regions according to uniform criteria, and thus identify potential risks at an early stage. These criteria include consistently high delivery quality, availability in the short, medium and long term, currency risks, and the likeliness of natural disasters. In 2013, we will introduce further forecasting and analysis tools to enable us to further minimize potential procurement risks.

Supply Chain Management in the regions

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

Planning system for demand assessment and inventory management expanded

In the reporting year, we stepped up cooperation between GMO, our regional supply chain management teams, and sales and marketing. This enabled us to align our production capacity and inventory management more closely with medium-term demand

patterns. In addition, we continuously expanded our planning system for demand assessment and inventory management with respect to our most important disposable products: Whereas it was initially limited to bloodline systems, it can now also be used for dialysis solutions, dry concentrates and dialyzers. The system enables us to centrally plan and manage all tasks along the supply chain for these products across all regions and production sites within the International segment. A special distribution logic ensures that production orders for the same products and manufacturing methods are efficiently spread between the relevant production sites.

Automated replenishment management introduced in other countries

Our system for demand assessment and inventory management is based on the SCALE (Supply Chain Alignment EMEALA) initiative. We are gradually implementing this program in the EMEALA (Europe, Middle East, Africa, Latin America) region. SCALE comprises numerous measures to improve and harmonize the flexibility, service quality and cost efficiency of supply chain management. In 2012, we introduced automated replenishment control in additional national warehouses, including those in Switzerland, Turkey and Russia; thereby we already integrated the system in 15 countries in the EMEA region. This ensures that our national warehouses are refilled when their inventory reaches a defined minimum level. We plan to link our subsidiary in Serbia to the system in 2013.

New processes create transparency

In December 2011, we also integrated our production of hemodialysis devices for the EMEALA region in Schweinfurt into the processes developed as part of the SCALE project. However, unlike in the case of disposable items, a production order for HD devices is not triggered by demand planning ("make to stock"), but by a customer order, whereby the device is configured according to the customer's specifications ("make to order"). Thanks to the transparency created by the new process, we have increased the supply capability of this facility.

Our Product Business

WE USE OUR MANY YEARS OF EXPERIENCE AND EXTENSIVE TECHNOLOGICAL EXPERTISE TO CONTINUOUSLY ENHANCE OUR PRODUCTS WITH THE AIM OF CONSTANTLY OPTIMIZING THE SUCCESS OF DIALYSIS TREATMENT, MINIMIZING THE RISK FACTORS FOR CARDIOVASCULAR DISEASES AND MAKING LIFE EASIER FOR DIALYSIS PATIENTS. OUR MAIN CONSIDERATIONS IN DEVELOPING AND MANUFACTURING OUR DIALYSIS PRODUCTS ARE THEIR QUALITY AND SAFETY.

PRODUCTS FOR HEMODIALYSIS

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

Dialysis machines

Computer-driven dialysis machines perform key tasks during hemodialysis: They pump blood from the patient's body through a bloodline system into the dialyzer. A dialysis fluid absorbs the toxins and excess water filtered out of the blood and transports them out of the body. The dialysis fluid is fed into the dialyzer via a separate cycle. The device also adds an anti-coagulation drug to the blood. In addition, the machine is equipped with various automatic monitoring and control functions that ensure safe and efficient dialysis treatment. The modular design of our hemodialysis machines allows treatment to be tailored to patients' individual needs and makes it easier for us to constantly enhance our devices and modules. For further information, see the "Research and development" chapter *starting on page 64*.

With its 2008T, 4008S classic and 5008 series dialysis machines, Fresenius Medical Care is the clear market leader. We sold 42,350 dialysis machines worldwide in 2012 (2011: 40,150). This means that more than one in two systems sold are produced by Fresenius Medical Care.

The 5008 therapy system features an extremely intuitive user interface. Its touchscreen makes the device easy and safe for doctors and nursing staff to use. In addition, this dialysis machine allows for ONLINE hemodiafiltration (HDF) – *see glossary on page 162* – as a standard feature. One of the advantages of this type of treatment is that it controls blood pressure and anemia more effectively and therefore has a positive impact on risk factors for cardiovascular diseases. By upgrading the device to the 5008 Cordiax, launched in the reporting year, Fresenius Medical Care has combined proven functions with totally new or improved applications. For example, the new 5008 Cordiax includes a special monitoring system that reacts promptly if the venous needle comes loose.

The 4008S classic system boasts impressive standard features and delivers very high treatment quality as well as reliability and safety at a low price. This gives even more dialysis patients easier access to high-quality dialysis treatment, for instance in regions with a poor infrastructure.

The 2008T dialysis machine for the North American market combines state-of-the-art treatment technology with the "Fresenius Clinical Data Exchange

(CDX)" system, a software to record and exchange clinical data. This gives nursing staff direct on-site access to dialysis treatment data and all other clinical data that would otherwise be recorded and stored in different sources. As a result, this integrated treatment system simplifies routines as well as billing under the bundled reimbursement system in force in the U.S.

Dialyzers

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

Dialyzers are generally used only once. Fresenius Medical Care also leads the field in this area. With our FX and FX CorDiax dialyzer series as well as its Optiflux series in North America, we provide a wide range of dialyzers. Thereby we meet the specific requirements of various therapy methods and patients' individual needs. Fresenius Medical Care has also developed dialyzers with a low blood priming volume specifically for treating children with dialysis.

Fresenius Medical Care sold about 100 M dialyzers in 2012 (2011: 93 M). The Company thus accounts for almost half of the global market of this product group.

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

Analysis systems

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

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

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

PRODUCTS FOR PERITONEAL DIALYSIS

In peritoneal dialysis the peritoneum is a natural filter. It has properties similar to the membranes used in the dialyzer, allowing certain substances to permeate its pores while keeping others back. Dialysis via the peritoneum is called peritoneal dialysis (PD). PD is carried out by patients themselves at home or on the move, for example at work. We offer PD systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD). Both therapies are supported by our patient management software.

Continuous ambulatory peritoneal dialysis

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

Stay.safe is a system provided by Fresenius Medical Care for continuous ambulatory peritoneal dialysis. It consists of a bag filled with fresh dialysis solution, an empty bag for the used solution, a system of tubes, and DISC, a central control switch specially developed by Fresenius Medical Care. Thanks to DISC technology, all treatment steps can be performed safely and easily in a defined sequence, virtually eliminating operating errors. In addition, the DISC features a special valve system that prevents bacteria from entering the catheter and causing an infection in the peritoneum. All stay.safe components are made of Biofine, an environmentally friendly plastic developed by Fresenius Medical Care comprising only carbon and hydrogen. Products made of Biofine can either be recycled or disposed of in an environmentally friendly way. The PD-Paed System is a product combination that is specifically approved for babies and small children with a body weight of up to 10 kg. It is suitable for treating chronic and acute kidney failure and also enables treatment in an incubator.

Automated peritoneal dialysis

Automated peritoneal dialysis (APD) is mostly carried out at night. A special device called a cycler takes over the exchange of dialysis fluid. In the evening, the patient connects up with the cycler, which then automatically replaces the dialysate after just a short time in the abdominal cavity several times during the night.

Fresenius Medical Care offers modern cyclers for APD such as sleep.safe and the Liberty Cycler specifically for the North American market. They are simple and safe to operate thanks to user-friendly software, easy to carry and allow patients to sleep comfortably during overnight treatment. In the cycler, a hydraulic pump controlled by several pressure sensors performs the fluid exchange. A microprocessor monitors the entire treatment process, and the bags are automatically connected by means of barcode recognition. An integrated heater warms up the dialysis fluid before it is fed into the abdomen. A special version of the sleep.safe is also available for treating children.

Patient management software

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

Fresenius Medical Care also produces and sells a host of other products essential to peritoneal dialysis such as PD catheters, disinfectant, or heating plates for heating the PD fluid to body temperature safely and conveniently.

PRODUCTS FOR FURTHER HOME THERAPIES

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

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

Our home HD therapy systems – the 2008K@home for the North American market and the 5008S with a special home HD package – are specifically geared to the requirements of this form of treatment. The package includes a remote control, an integrated blood pressure monitor, and user-friendly software, among other things.

PRODUCTS FOR ACUTE DIALYSIS

Continuous renal replacement therapy is used as part of routine clinical practice to treat acute kidney failure in critically ill patients.

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

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

PRODUCTS FOR OTHER BLOOD CLEANSING PROCEDURES

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

Liver support therapy

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

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

Therapeutic apheresis

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

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

Immunoapheresis is a therapy option for removing pathogenic antibodies. Immunosorba and Globaffin are two different sorbents offered by Fresenius Medical Care for immunoapheresis. During treatment, plasma is separated from the blood and fed through one of the two adsorbers. This binds the antibodies so that they accumulate in the adsorber and are removed from the plasma.

DIALYSIS DRUGS

Although dialysis assumes many key functions of the kidney, it cannot replace all of them. For this reason, patients with chronic kidney disease must also take drugs to keep the body's mineral levels balanced and prevent anemia. Fresenius Medical Care produces and sells selected preparations for treating patients with chronic kidney disease.

Healthy kidneys produce the hormone erythropoietin (EPO), which stimulates the formation of red blood cells. Insufficient levels of EPO can result in anemia. Frequent consequences are fatigue and an increased risk of cardiovascular diseases. Because iron is also essential for the formation of red blood cells, an iron supplement is also administered to many dialysis patients in addition to EPO.

Phosphate is a mineral that contributes to bone, tissue and muscle formation. However, excessive phosphate levels can cause hardening of the arteries and damage the vascular muscles. In healthy people, excess phosphate is excreted via the kidneys. In people with chronic kidney disease, however, it remains in the blood. Dialysis patients therefore have to take phosphate binders.

If the calcium level in the blood is too low, vitamin D ensures that the body absorbs more calcium from food. Insufficient quantities of vitamin D often lead to calcium deficiency. In healthy people, the kidney produces vitamin D. Dialysis patients can counter a deficiency by taking vitamin D supplements.

In hemodialysis, the blood must not clot outside the body. Therefore, an anticoagulant such as heparin or citrate is added to it via the dialysis machine.

Our Dialysis Services Business

OUR UNRIVALED EXPERIENCE AS A PROVIDER OF BOTH DIALYSIS SERVICES AND PRODUCTS MAKES US A VALUED PARTNER IN THE HEALTHCARE SYSTEM. BY INTERACTING DIRECTLY WITH PATIENTS, DOCTORS AND SPECIALIST DIALYSIS STAFF, WE ARE ABLE TO CONSTANTLY IMPROVE OUR SERVICES WHILE ENSURING THAT WE NEVER LOSE SIGHT OF THE NEEDS OF OUR STAKEHOLDERS.

COMPREHENSIVE TREATMENT WITH OUR NEPHROCARE AND ULTRACARE BRANDS

Comprehensive care of patients with chronic kidney disease is a key factor when it comes to achieving the best possible treatment quality. We take all aspects of treatment into account, from the vascular access in the patient's arm to high-quality dialysis as well as individual diet programs and supplementary services. With our UltraCare brand in North America and our NephroCare brand in the Europe, Middle East, Africa and Latin America (EMEALA) and Asia-Pacific regions, we have established an integrated therapy concept as the standard in our clinics and in home dialysis. This enables us to achieve a sustained improvement in patients' quality of life and keep costs for healthcare systems in check.

Our therapy concept is based on the following principles:

- We use our own high-quality products, pharmaceuticals and procedures in our clinics and for home dialysis patients; these are continually refined by our research and development team.

- We provide our patients with comprehensive treatment and medical advice from qualified, highly motivated clinical personnel and physicians.

- We create a safe and pleasant atmosphere in our dialysis centers for both patients and employees.

- We systematically improve our performance and efficiency levels by working according to both external and internal quality standards, and running our clinics in a professional manner. In addition we obtain important results by analyzing and evaluating treatment data of our own clinics on an ongoing basis.

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

In North America, various internal advisory boards promote the development of our standards and services: For example, a social work advisory board deals with the psychosocial concerns of patients and designs training programs for our social workers; a committee for dialysis nurses develops guidelines and procedures for clinical care; medical advisory boards assist us in our work with nephrologists to achieve the best outcome for our patients; and the patient advisory board advises us on such matters as how to make health educational material more readily understandable. In the International segment, too, we engage in direct dialog with our patients to continuously improve our services, for example through regular surveys or roundtable discussions. In addition, we set up the EMEALA Medical Board in the reporting year. This advises us on shaping our medical and scientific strategy for the EMEALA region.

QUALITY TARGETS SUCCESSFULLY ACHIEVED

To monitor how well we deliver on the brand promises of our therapy concepts NephroCare and UltraCare, we measure and compare our quality performance in our individual clinics as well as at a regional level using certain performance indicators. These are defined in the NephroCare Balanced Scorecard and UltraScore performance measurement systems, among others. As well as industry-specific clinical benchmarks (see table 2.7.1), they include our own quality targets. In the U.S., we present an annual UltraCare Center of Excellence Award to dialysis centers that meet our performance targets exceptionally well. In the EMEA region (Europe, Middle East and Africa), the "NephroCare Award" is given each year to the management of the countries that perform best in seven different categories as a recognition of outstanding clinical and operational excellence.

Clinical quality data in line with recognized standards

Our doctors and nursing staff work according to quality standards that are generally recognized in the industry. In 2012, they again provided our patients with top-quality treatment, as shown by the current medical quality parameters in table 2.7.1. We collect this information continuously by means of clinical data management systems and evaluate it in anonymized form. This enables us to measure the quality of our dialysis treatments so that we can continuously enhance it.

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. In dialysis patients, it has to be filtered out of the blood using renal replacement therapy. The Kt/V value of more than 1.2 recommended by general guidelines and standards was again attained in our clinics in almost 100% of cases in 2012.

T. 2.7.1 — *Quality data*

for the last respective quarter, in %

	Description	*Possible impact*	*U.S.*		*Europe/ Middle East/ Africa*		*Asia-Pacific*[1]	
			2012	*2011*	***2012***	*2011*	***2012***	*2011*
Kt/V > 1.2	Effectiveness of dialysis: measures how well the patient was detoxified	More days spent in hospital; increased mortality	97	97	97	95	97	97
Hemoglobin = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	An insufficient level of hemoglobin in the blood is indicative of anemia	75	78	58	57	59	58
Hemoglobin = 10–13 g/dl (international)			82	88	78	78	67	66
Calcium 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance		84	81	78	78	75	76
Albumin ≥ 3.5 g/dl[2]			85	85	86	88	89	90
Phosphate ≤ 5.5 mg/dl		Increased mortality	66	64	79	76	71	73
Patients without catheter (>90 days)	Measures the number of patients with vascular access	More days spent in hospital	82	82	85	84	94	96
Days in hospital per patient	The result of complications during dialysis	Restriction to patients' quality of life; cost-intensive	9.8	9.8	9.3	9.3	4.6	5.2

[1] *Philippines and Taiwan included.*
[2] *International standard BCR CRM470.*

Figures based on:
- *KDOQI guidelines (Kidney Disease Outcomes Quality Initiative) from the U.S.*
- *EBPG standard (European Best Practice Guidelines) from Europe.*
- *KDIGO guidelines (Kidney Disease: Improving Global Outcomes), a recent global initiative, which is gaining in significance.*

In addition, we aim for a specific hemoglobin value in our patients. Hemoglobin is the component of red blood cells that transports oxygen around the body. Too little hemoglobin in the blood implies anemia, which typically occurs in patients with chronic kidney failure. Besides dialysis, anemia is treated with iron supplements and the hormone compound erythropoietin (EPO) *see glossary on page 160*.

The level of albumin in the blood is indicative of a patient's general nutritional status. Phosphate concentrations show whether treating the patient with dialysis and medication is sufficient to enable 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 bone diseases, parathyroid gland damage, and vascular calcification, among other conditions. The number of days patients spend in hospital because of complications as part of their kidney desease is also an important indicator for us. We managed to reduce this figure again in 2012. Days spent in hospital significantly reduce the quality of life of dialysis patients and are also extremely cost-intensive.

In order to guarantee a sufficient blood flow and therefore an effective dialysis treatment a permanent vascular access is necessary. In this context, we record the number of patients who do not use a hemodialysis catheter as a vascular access for dialysis treatment. This is because catheters are associated with serious infections and more days spent in hospital. We are committed to further enhance the number of patients without using catheters.

Quality management systems are regularly reviewed

As at our production sites, we have installed quality management systems at our dialysis centers, which are regularly checked by third-party certification bodies. In Europe, for example, this is performed by the technical certification organization TÜV. Its experts inspect our clinics in annual audits to control conformance to the ISO 9001 standard for quality management and the ISO 14001 standard for environmental management. In the U.S., our clinics are monitored by the Centers for Medicare and Medicaid Services (CMS), a public healthcare authority. We also check our quality management systems on a regular basis using internal audits, carried out by employees who we train specifically for this purpose.

Quality surveys deliver positive results

We regularly carry out patient surveys to find out where we can make further improvements and in which areas we should expand our services. At the end of the reporting year, we started a patient survey in 24 European and Latin American countries and questioned more than 60,000 patients. Initial evaluations have shown that over 95% of patients would recommend their Fresenius Medical Care dialysis center to friends or relatives if they needed dialysis. They rated our services as good or very good, and feel well cared for and informed by our employees.

We also regularly conduct patient surveys in North America. In 2012 CMS stipulated the content of the patient satisfaction survey for the first time. The survey was conducted by an independent company to ensure confidentiality and anonymity.

NephroCare Excellence sets standards in treatment quality

Our dialysis services business is characterized by highly diverse and complex healthcare and remuneration systems. This presents us with a particular challenge as we intend to penetrate new markets. In some regions, when we set up our dialysis clinics we are the first operator to actually invest in establishing a sustainable care infrastructure. Dialysis centers that we acquire, on the other hand, do not always meet our quality and management standards. However, these standards are crucial to the quality of life of our patients, the satisfaction of our employees and our own commercial success. The NephroCare Excellence program in the EMEALA region (Europe, Middle East, Africa and Latin America) enables us to operate successfully and continue to grow steadily

even under such heterogeneous conditions. It defines medium and long-term quality and business targets for each of our countries in the EMEALA region. These targets relate to medical quality as well as to assigning and promoting employees, enhancing efficiency, standardizing processes, and using natural resources in a sustainable way.

To attain the targets defined in the NephroCare Excellence program, our national organizations have a range of management tools at their disposal. We are constantly developing these tools and can adapt them to changes in the economic conditions, for instance amendments to the reimbursement system. In this context, for example, the national organizations have access to clinical databases that we use throughout the Company and to training courses on our guidelines for medical care, patient care and the production of ultrapure water for treatment. In managing the dialysis centers, they can also draw on reporting systems such as the NephroCare Balanced Scorecard, NephroCare Cost Efficiency Benchmarking and satisfaction surveys for patients and employees. A central NephroCare Excellence program project team is responsible for coordinating and continuously monitoring target achievement.

In the reporting year, the dialysis centers taken over by Fresenius Medical Care as part of the acquisition of Euromedic's service business were integrated into the NephroCare Excellence program. A review of the business and quality targets for each country was another focal point in 2012. In addition, our central teams of experts developed new management tools in conjunction with our clinics in the reporting year, such as the medical peer review process. Clinic staff can use this to track the quality of treatment for each individual patient quickly and easily and identify any need for action.

Ensuring the quality of dialysis with EuCliD and eCube

Over the last few years, we have gradually introduced EuCliD (European Clinical Database) into our dialysis centers and consistently enhanced it. More than 500 dialysis centers in the EMEALA (Europe, Middle East, Africa and Latin America) regions worked with the system in the reporting year. EuCliD is used to obtain specific quality indicators for patients in a dialysis center. The data from all participating centers is pooled and used for benchmarking. Thanks to the EuCliD database, we now have access to anonymized treatment data for 50,000 patients and 22 M dialysis treatments. As a result, we can compare the treatment quality of the various dialysis facilities and our centers can maintain and improve their own quality on an ongoing basis.

In the North American market, we use eCube Clinical, an internet-based clinical information system. In 2012 we could access anonymized clinical data of nearly 54,000 dialysis patients from 672 own clinics. This comprehensive database provides clinic staff and doctors with important information as well as allowing us to analyze treatment quality in detail.

Certified Patient Safety Organization further expanded

In the reporting year, Fresenius Medical Care North America further expanded its Patient Safety Organization (PSO), certified by the U.S. Agency for Healthcare Research and Quality. The aim of PSOs is generally to improve patient safety and the quality of the healthcare system and in this way reduce errors or occurrences that can endanger the lives of patients. For this purpose, the PSO creates a framework so that doctors and other healthcare practitioners can supply information to it about such events freely and in confidence. The PSO makes this data available to

healthcare providers according to fixed rules to enable them to recognize and minimize the risks in patient care. After all, mistakes can occur even in our well-balanced system of continuous quality improvements, qualified and committed staff and structured clinic procedures – but they can be rectified if the relevant communication channels are available. All employees in clinics in the U.S. therefore report critical incidents to an internal PSO analysis system. We adapt any procedures that are prone to error and train our staff and patients to improve these procedures.

SERVICE FOR PATIENTS AND PARTNERS

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

Patient advice is key to successful treatment

The better informed kidney patients are about their illness and how they themselves can influence the course of the disease, the better the treatment results are likely to be. This is why Fresenius Medical Care places great value on providing dialysis patients with intensive medical advice and education. One example is "Thrive! with UltraCare". In this series of informational videos and audio CDs, dialysis patients discuss topics which many patients find difficult, but which can have a significant influence on the success of their treatment. Our patients in the U.S. can watch or listen to the Thrive! material either in the clinic or at home with their families. The program also comprises training modules aimed at helping our clinic employees to empathize more strongly with patients. In this way, they can respond even more effectively to patients' needs and motivate them to adhere to their treatment plan in a more disciplined manner.

Advice programs for dialysis patients enhanced

Our Treatment Options Program (TOPS) is geared to patients in the preliminary stages of chronic kidney failure. In the U.S., we offer this free of charge in both English and Spanish to educate patients and their families about the various treatment options for chronic kidney failure, from hemodialysis at the clinic or peritoneal dialysis therapy at home to kidney transplants. From September 2006 to June 2012, we trained as many as 73,500 patients with TOPS. You can find further information on the internet at www.ultracare-dialysis.com. In the International segment, we use the Kidney Options program to give patients initial information on the course of chronic kidney failure and the therapy options. This educational series is now available in 25 languages and used in more than 40 countries worldwide.

The first phase of treatment is often especially difficult for dialysis patients as it changes their daily routine drastically: They need to schedule several hours for treatment a few times a week; in addition, the range of food they are allowed to eat is restricted; and they are required to take a number of drugs every day while greatly reducing their fluid intake. Many patients find it difficult to muster the necessary discipline for this treatment plan, especially when they know little about their illness. To support these patients during this difficult phase beyond their visits to our clinics, Fresenius Medical Care offers the RightStart program in North America. In the reporting year, we added additional information to this program to give new dialysis patients the best possible start to life with dialysis. In addition, dialysis patients receive a weekly visit or phone call from

a dialysis specialist during the first months of treatment. The specialists provide patients with comprehensive information on the course of the illness and treatment, the importance of a high-quality vascular access, a healthy diet and specific treatment needs, for example if the patient also suffers from diabetes. They answer patients' questions and work closely with the dialysis clinic team. RightStart helps the clinic teams to improve the quality of patients' life during the critical initial phase of therapy, while boosting their confidence. After all, patients contribute greatly to the success of their treatment if they use sound information and make the right decisions for their health.

We also started offering a comprehensive introductory program at our dialysis centers in the EMEALA region in 2012: the Patient Introduction Package. The intention is to make the transition to life on dialysis easier for patients and provide them with a wide range of individual information.

It is important that patients who need to go to hospital are cared for consistently. However, patients' biochemical and physical parameters often deteriorate significantly in hospital, even if they only stay for a short time. One in three dialysis patients have to return to the clinic within 30 days after spending several days in hospital. Therefore, Fresenius Medical Care developed the RightReturn program for patients in North America when they return to an outpatient dialysis center after a hospital stay. RightReturn is aimed at keeping the health of dialysis patients stable by improving communication between care teams as well as constantly monitoring the patients' hemoglobin levels and dry weight.

Further patient programs for home therapies launched

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

In the North American market, we have developed "UltraCare at home", a home dialysis program that not only supplies patients with the products they need, but also provides supplementary services to boost the success of home therapy. These include ongoing training and support for our patients and their partners from doctors, dieticians, social workers and other members of the dialysis support team, technical assistance and constant access to the dialysis center. To ensure maximum safety for our home dialysis patients, we launched an extremely effective monitoring system in 2012. It transmits vital functions and data from the dialysis machine to the dialysis support team every day and provides immediate notification of any abnormalities. This increases the patients' sense of safety and means that their treatment can be adapted even more effectively to their individual needs.

In the EMEALA region, we have developed a holistic treatment concept specifically for peritoneal dialysis under the brand name P^3. It is designed to improve patients' quality of life and supports nursing staff, doctors and patients every step of the way during therapy. The P^3 program enables us to align the medical parameters of peritoneal dialysis even more closely to patients' needs to ensure that their dialysis treatment at home is as successful as possible.

Training programs intensified in Asia, Africa and the Middle East

In the complex and comparatively new medical discipline of dialysis, training doctors and nursing staff on an ongoing basis is just as important as providing advice to patients. The Advanced Renal Education Program (AREP) is our U.S. internet-based training program on the treatment and care of dialysis patients. It offers full and half-day seminars for nephrologists as well as e-learning courses for doctors and nursing staff. We have also stepped up training on quality issues in dialysis for doctors in Asia, Africa and the Middle East. Treatment standards are often still being developed in these regions, and demand for professional advice is correspondingly high. Fresenius Medical Care also organizes conferences, lectures, and workshops around the world in conjunction with international nephrology experts.

Further services make life easier for dialysis patients

In addition to our advice, educational and training programs, we offer a range of other services. One example is our internal pharmacy service, Fresenius Rx, in the U.S. In previous years, Fresenius Rx was geared to providing all-round pharmaceutical services for our patients. In 2012, we focused our services on kidney disease with the aim of becoming the leading pharmacy nationwide in this area. On the basis of this realigned strategy, Fresenius Rx can now use its expertise even better to support doctors and patients in the treatment of kidney disease. In the reporting year, we relaunched the "Strong Bones, Healthy Heart" program with Fresenius Rx to improve the mineral metabolism of the bones. The main objective of this initiative is to enhance the clinical results of dialysis patients with the help of the specialist pharmacy service. In addition, the program should help to prepare us for the expected changes in the reimbursement of costs for bone mineral metabolism drugs in 2016.

Most dialysis patients are extremely restricted in their mobility, as they are dependent on dialysis treatment several times a week. To allow them to go on vacation or on business trips despite these constraints, Holiday Dialysis International, a Fresenius Medical Care company, offers dialysis patients a free booking service so that they can be treated in clinics in many countries of the world. The Patient Travel Service helps patients in North America to plan and book dialysis treatment on trips in the U.S. and to Puerto Rico.

Dialysis services in emergency situations enhanced

To continue patients' vital dialysis treatment even in extreme weather conditions such as severe storms or floods, Fresenius Medical Care's professional emergency response teams are called into action in the affected regions. Their task is to protect patients and employees in emergency situations, for example during natural disasters or pandemics, and to give patients the best possible care as well as maintaining business operations, even in difficult situations. In the reporting year, the crisis management team in Asia-Pacific in particular further optimized its processes and infrastructure following its experience in previous years, and is therefore even better prepared for any new events.

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

Emergency aid provided in the U.S. and Italy

In June 2012, emergency task forces were in action during the severe storms in large parts of North America. Power failures and gas and water shortages posed a significant health risk to more than 71,000 dialysis patients in the region. Our action teams were also on duty during Hurricane Isaac in August and Hurricane Sandy, which wreaked considerable damage on the East Coast of the U.S. in October 2012 and affected 230 of our dialysis clinics in total. The teams acted extremely quickly to provide dialysis centers and home dialysis patients with water, generators, food and medication, thus ensuring that all of Fresenius Medical Care's dialysis patients received the treatment they needed.

In Italy, a severe earthquake struck the province of Emilia Romagna in May 2012. Fresenius Medical Care also had a crisis management system in place here. More than 200 dialysis machines were sent to Italy in a very short time and installed there, thus enabling that dialysis patients were cared for.

Employees

FRESENIUS MEDICAL CARE OWES ITS BUSINESS SUCCESS AND ITS LEADING POSITION IN THE DIALYSIS MARKET TO THE COMMITMENT OF ITS EMPLOYEES. WE OFFER A REWARDING WORKING ENVIRONMENT AND GOOD LONG-TERM PROSPECTS FOR THEIR PROFESSIONAL GROWTH. BY RECRUITING NEW TALENTS AND SUPPORTING THEIR DEVELOPMENT IN OUR THRIVING INTERNATIONAL COMPANY USING TARGETED MEASURES, WE ARE ALSO INVESTING IN OUR OWN FUTURE.

NUMBER OF EMPLOYEES CONTINUES TO GROW

As at December 31, 2012, Fresenius Medical Care employed a total of 86,153 members of staff (full-time equivalents) in more than 50 countries. Our workforce therefore yet again increased significantly by more than 9% or almost 7,000 compared to the previous year in absolute figures. This was attributable to our continued organic growth as well as acquisitions, especially in the area of dialysis services. In the reporting year, acquisitions accounted for 5% of our worldwide increase in employee numbers. The positive trend seen in previous years therefore continued: In the past ten years, the number of employees rose by more than 8% a year on average.

At the end of the reporting year, 59% of our employees were based in North America, 24% in the EMEA region (Europe, Middle East, Africa), 10% in Latin America and 7% in the Asia-Pacific region. Our staff count grew fastest in the North America region in 2012 with a rise of 5,707 employees, followed by the EMEA region with an increase of 526 employees. In the reporting year, our growth was supported by acquisitions, primarily to expand our clinic network; in North America, special mention should be made of the acquisition of Liberty Dialysis Holdings, Inc. In all other regions, the number of clinics and thus the workforce also increased again.

Staff costs at Fresenius Medical Care totaled $4,872 M in 2012 (2011: $4,362 M). This equates to 35% (2011:

C. 2.8.1 *Number of employees*
full-time equivalents

T. 2.8.2 *Employees by functional area*
full-time equivalents

	2012	2011	Change	Share
Production and services	69,963	64,757	5,206	81%
Headquarters	13,379	11,598	1,781	15%
Sales and marketing	2,281	2,274	7	3%
Research and development	530	530	–	1%
▸ *Total*	**86,153**	**79,159**	**6,994**	**100%**

35%) of revenue. Average staff costs per employee stood at $56,546 (2011: $55,108).

In Germany, Fresenius Medical Care employed approximately 4,300 people (full-time equivalents 2011: 4,200) at the end of the reporting year, accounting for around 5% of the total workforce. This underlines our high degree of internationalization. The average age of our employees in Germany was 42.2 years, somewhat above the previous year's figure (40.9 years). The average length of employment in the Company increased from 11.0 years in 2011 to 11.2 years in 2012. The staff turnover rate was once again low at 2.8% (2011: 3.2%).

TALENT MANAGEMENT ENHANCED

We place great value on enabling our employees to apply their individual skills in our Company as best as they can and to continue developing them on their career path as a specialist, manager or project leader. Life-long learning, continuous feedback on performance and work quality, and professional challenges in line with employees' abilities, including the opportunity to work abroad, are key instruments of our Company-wide personnel development program. In this way, we can offer talented employees clear development prospects while ensuring effective succession planning.

T. 2.8.3 *Employees by regions and segments*
full-time equivalents

	2012	2011	Change	Share
▸ *North America*	**51,189**	**45,488**	**5,707**	**59%**
Dialysis services	42,767	37,584		
Dialysis products	8,422	7,904		
▸ *Europe/Middle East/Africa*	**20,687**	**20,300**	**387**	**24%**
Dialysis services	12,845	12,624		
Dialysis products	7,842	7,676		
▸ *Latin America*	**8,400**	**7,874**	**526**	**10%**
Dialysis services	7,170	6,740		
Dialysis products	1,230	1,134		
▸ *Asia-Pacific*	**5,682**	**5,310**	**372**	**7%**
Dialysis services	3,514	3,423		
Dialysis products	2,168	1,887		
▸ *Worldwide*	**86,153**	**79,159**	**6,994**	**100%**
Dialysis services	66,296	60,371		
Dialysis products	19,662	18,601		
Corporate	195	187		

New program set up for managers

Our managers and employees with leadership potential take part in targeted training programs.

▸ Global Executive Challenge (GEC) is a worldwide program for employees in management positions. The program, which we ran for the first time as a pilot project in the reporting year, will be continued in the coming years. Further information can be found in our magazine *starting on page 52*.

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

▸ The MBA program is a part-time management course for qualified employees who have not had any formal business training. This enables us to prepare scientists and physicians in particular for management positions. We offer the program in collaboration with the Danube University Krems in Austria, with which we also cooperate on research (see the "Research and development" chapter *starting on page 64*).

Promoting employees at our clinics in line with demand

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

▸ UltraCare Clinical Advancement Program (UCAP) is one of our staff Renal Nurse (RN) development programs in the U.S. We have continuously enhanced the program over the past few years. UCAP consists of five advancing stages of Nephrology Nursing practice and is aimed at new and experienced employees in our clinics as well as in the areas of home dialysis and acute dialysis. The program helps dialysis nurses and care staff to develop and expand their knowledge and leadership skills and prepares them for the next step in their career, for example as a clinic manager, clinical educator providing health training for patients, or mentor to clinic staff. In 2013, we will roll out UCAP to additional clinics in the U.S. with the ultimate aim of enrolling all our dialysis nurses in North America. In the reporting year we have greater than 800 RNs enrolled.

▸ Mentor Connection is our mentoring program in the U.S., in which experienced nurse managers offer advice to new colleagues. In this way, we support nurse managers on-site and enable them to thrive in their new leadership positions.

We also recognize clinic managers who are particularly committed to their patients and employees and achieve excellent treatment results in their dialysis centers.

E-learning further enhanced

A medium that gained in importance once again for personnel development at Fresenius Medical Care across all functional areas is e-learning – digital training courses via the internet and intranet. At the end of 2012, more than 25,000 employees had signed up to the Online Learning Center in the EMEALA region (Europe, Middle East, Africa, Latin America). In the U.S., we also expanded our e-learning portal "Learning Management System" into a learning tool with a wide variety of subjects in the reporting year. Fresenius Medical Care aims to integrate e-learning into personnel development to an even greater extent in future in the form of blended learning.

PERFORMANCE-RELATED PAY

Fresenius Medical Care is committed to paying its employees in line with their performance and letting them share in the Company's success. Our remuneration concept therefore comprises fixed and variable components for most employees.

Bonuses increased again

We encourage our employees to identify more with Fresenius Medical Care by giving them a stake in our Company's success. Annual bonuses for all employees in Germany are based on the operating earnings (EBIT) of the Fresenius Group. In 2012, each eligible employee received €2,036 for the preceding financial year. Employees receive half of this amount in the form of stocks. The other half will be distributed as a cash component.

Remuneration program with long-term incentive effect

Our stock option plans allow our senior managers to participate in the Company's economic success and the development of the Fresenius Medical Care share price. In 2011, we introduced a long-term remuneration program with a long-term incentive effect, a combination of a stock option plan and a phantom stock plan. In this program, the exercising of options is linked directly to the Company's success. Over a period of five years, senior managers receive a total of up to 12 M options for ordinary bearer shares or phantom stocks. They can exercise these after a period of four years on condition that the adjusted earnings per share (EPS) have increased by at least 8% in each year over the four-year period. If this hurdle is cleared in one or two years only, the options are reduced accordingly. If earnings per share fall short of the mark completely, the options are canceled. Some 730 senior managers worldwide participated in this program in 2012. Further information on the stock option plan and the phantom stock plan can be found in the "Financial report" *starting on page 86*.

CREATING AN ATTRACTIVE WORKING ENVIRONMENT

We aim to create an attractive working environment for our employees to enable them to combine their professional and family lives. With our flexible working hours, part-time work models and care allowances we could contribute to this.

To supplement our other working time models, we have introduced compensation time accounts in Germany. In addition to a salary component in line with collective pay agreements, employees can "pay"

T. 2.8.4 *Profit sharing*

	2012	*2011*	*2010*	*2009*	*2008*
Figure *in €*	2,036	2,000	1,749	1,586	1,527
Number of eligible employees	3,231	3,068	2,918	2,765	2,581

value equivalents such as vacation days or compensation components into these personal time accounts and use them later for example for their professional development or to ensure a flexible transition to retirement. The aim of this program is to offer employees attractive long-term prospects within the Company and thus benefit from their experience for as long as possible.

We also offer Company sports programs as well as health-related information and events at various sites. In Bad Homburg we provide for example the "active lunch break", a basic fitness and yoga program. Also the Health Care Day takes place each year with presentations and health checks as well as the "healthy back campaign" where we offer individualized back-training to our employees. In addition, we offer confidential counseling and other support services. In the U.S., for example, we provide these jointly with an external partner.

Open house days at our plants and clinics, employee celebrations and joint projects such as charity campaigns encourage our employees to identify with the Company and its values.

PROMOTING DIVERSITY IN THE COMPANY

As a global company, we value the diversity that our employees provide in the form of personal strengths, characteristics, interests and ideas. We aim to continue fostering and benefiting from this diversity at Fresenius Medical Care in future. One key issue in this respect is the percentage of men and women in the Company as a whole and in management positions. In 2012, 70% of employees were women.

Fresenius Medical Care also has a high proportion of women in upper management positions of 31% (2011: 30%). Our employees' qualifications are most important to us. Gender is not a determining factor for employee selection. For this reason, we still do not intend to introduce fixed quotas.

TRAINING FOR YOUNG PEOPLE

In Germany, we also invest in the Company's future by offering vocational training for young people. As we train in association with the Fresenius Group, we can offer young men and women a wide range of prospects in a variety of trades, from electronics technicians for devices and systems, IT specialists and biological and chemical laboratory technicians to industrial business management assistants and

T. 2.8.5 *Percentage of men and women in the Company*

	2012	2011
Total employees *in %*		
Male	30	31
Female	70	69
Employees in upper management positions *in %*		
Male	69	70
Female	31	30

Source: Company data, based on headcount

industrial mechanics. In the reporting year, we also offered additional training opportunities for systems IT specialists, technical product designers and warehouse logistics specialists.

In the year under review, we provided more than 2,300 apprentices with vocational training jointly with the Fresenius Group. The number of positions in all training facilities in Germany rose again by over 20%. In addition, in 2012, more than 70 students were enrolled in work-study courses such as business information technology, electrical engineering, healthcare management and international business administration that we offer in cooperation with the Fresenius Group and several universities. In summer 2012, we offered training positions in a work-study course on accounting and controlling for the first time to attract junior staff to work in consolidation or controlling. We will continue to expand the choice of work-study courses to respond to growing internal demand.

Our trainee program and Graduate Development Program also offer interesting opportunities for students looking to gain a foothold in the Company. In the 18-month trainee program, graduates gain practical experience in internships lasting several months in various areas of the Company, including one abroad, as well as accompanying seminars to train them for work in a special field, for example controlling. The Graduate Development Program prepares young professionals over a period of up to twelve months for a particular function as part of their career as a specialist, project leader, or manager. Besides intensive on-the-job training accompanied by a mentor, the participants build up a network within the Company and assume more and more responsibility. The program is supplemented by further educational offers tailored to each employee including technical and communication training, as well as temporary employment abroad.

In addition, we organize initiatives such as the annual management simulation game, in which apprentices from all specialist areas, age groups and locations get to step into the role of an entrepreneur. This teaches young people social skills that will be crucial in their professional lives, such as teamwork and a sense of responsibility, in addition to their vocational training. Fresenius Medical Care apprentices were once again recognized for their outstanding performance in the reporting year, garnering local Chamber of Commerce awards. In previous years, we have been able to take on all apprentices and work-study trainees who completed their courses with good grades and intended to stay in our Company.

Through our involvement in and with schools, we aim to continue getting young people interested in a career at Fresenius Medical Care. To this end, we organize information days, visits to plants, internships and job application training courses. For example, in September 2012, we were involved in the "Training Night" in Bad Homburg, where our Group headquarters are located. Under the motto "Interactive Training", 19 other companies offering apprenticeships joined Fresenius Medical Care at the event. Students and parents were able to find information about vocational training and work-study courses as well as career prospects. Attended by over 750 people, the "Training Night" was once again hugely successful.

In Schweinfurt, where we produce dialysis machines, we set up "wissenswerkstatt Schweinfurt e.V." in conjunction with other companies, associations and Schweinfurt city council. This science workshop aimed at making technology more exciting and tangible for young people is due to open at the end of 2013.

The results of our training management efforts are very good and the growing number of high quality applications show that we are an attractive employer for graduates, trainees and students.

INCREASING OUR ATTRACTIVENESS AS AN EMPLOYER

As well as retaining talented employees at Fresenius Medical Care, it is more important now than ever to position ourselves on the job market as an interesting and attractive employer to gain qualified new employees.

Fresenius Medical Care gives students the opportunity to gain practical experience in various areas of the Company: We offer internships, research, project and graduate programs, and cooperate closely with institutions of higher education to enable talented young people to get to know us as an attractive employer early on. One example is the University of Applied Sciences in Würzburg-Schweinfurt (FHWS). As this college offers students an excellent education in the fields of business engineering, plastics technology, mechanical engineering, engineering IT and especially electrical engineering with a focus on medical and automation technology, many of its students and graduates are attractive potential employees for Fresenius Medical Care and especially for our Schweinfurt plant, where we develop and manufacture dialysis machines. For this reason, we have signed a cooperation agreement with FHWS including scholarships, student excursions to the plant, as well as lectures and semester-long projects within various divisions of our Company.

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

We have also revamped our careers website in the reporting year: Since May 2012, applicants can inform themselves even better about current vacancies on our career portal. Moreover we provide useful information about the Company on our new career-website. In Germany, as many as 367 job vacancies were posted on the career portal in 2012 and we received around 4,159 online applications. In the U.S., we announced around 12,000 job vacancies and received some 500,000 applications.

Responsibility

OUR CONCEPT OF RESPONSIBILITY BEGINS WITH OUR BUSINESS MODEL: AS WE ARE IN CONSTANT DIALOG WITH PATIENTS, EMPLOYEES AND DOCTORS, WE ALWAYS KEEP AN EYE ON THEIR NEEDS. AT THE SAME TIME, WE ARE EXPANDING ENVIRONMENTAL MANAGEMENT AT OUR SITES TO LIMIT THE IMPACT OF OUR BUSINESS ON THE ENVIRONMENT.

WE TAKE RESPONSIBILITY FOR THE ENVIRONMENT

Environmental management is a key factor of our business success: It enables us to implement increasingly stringent environmental requirements and design our operational processes to use resources as efficiently as possible, thus saving on costs. It also increasingly supports our business divisions in creating added value for our customers with eco-friendly products and services. Lastly, it ensures that we as a company take our responsibility to the environment seriously.

Environmental management a top priority in all our regions

Our EMEA (Europe, Middle East and Africa), North America, Asia-Pacific and Latin America regions step up their environment-related activities from year to year. Due to our decentralized corporate structure, we implement our environmental management at a regional level, as we do for most of our other operating areas. The responsible environmental managers develop strategies, sometimes in cooperation with external consultants, to boost environmental protection at our production sites and clinics and promote environmental awareness among our employees. They also coordinate environmental audits carried out by external government agencies, institutions and our own auditors at our production sites and clinics.

The EMEA region

Environmental management is part of our integrated management system in the EMEA region. The German technical inspection association TÜV regularly checks compliance with the ISO 14001 environmental management standard at our Company headquarters, in our certified plants and at national clinic organizations in Europe. At the end of 2012, our seven largest European production sites (2011: also seven) and our medical product development were certified according to ISO 14001. Furthermore, we have now introduced the environmental management system in 13 national regions in Europe (2011: twelve).

In the year under review, we began to implement our second environmental program for the Europe and Latin America regions. Management has defined five strategic environmental objectives as a framework for the program. At its sites and clinics, Fresenius Medical Care aims to:

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

Together with the respective business divisions, our environmental managers have derived a large number of environmental objectives from these points for the individual stages of the value chain, for example for research and development, our production sites, for logistics and our dialysis clinics. The managers of our production sites, for instance, are required to set targets to improve their environmental performance. Additionally they identify potential

savings in raw materials, energy and water, and plan measures to achieve improvements. By 2015, for example, we intend to recycle or incinerate at least 85% of production waste in the EMEA region. This target had already been achieved or exceeded at five of our seven biggest certified production sites in the EMEA region by the end of 2012. In the year under review, we launched projects to reduce water consumption at three plants. Four plants implemented measures to cut energy consumption and two sites curtailed their use of raw materials. At the Schweinfurt plant, for example, we have slashed the electricity consumption of each dialysis machine by a total of 27% over the last six years thanks to a variety of individual measures. At our Serbian site in Vršac, we reduced plastic waste in the production of dialysis filters by around a fifth.

Led by our St. Wendel site, we intend to develop performance indicators for energy use and raw materials consumption in 2013 to verify the sustainability of our production processes moving forward. Only in this way can we identify untapped potential in a production process that has already been largely optimized. We also plan to install a gas turbine at the St. Wendel plant in 2013 to generate energy. Coupling electricity and heat production can significantly increase efficiency when using natural gas as a fuel.

From 2007 to the end of 2010, we successfully implemented our first comprehensive environmental program for our European facilities. The main goals of this were to develop more environmentally friendly products, to curb the use of resources such as energy and water at production sites and dialysis clinics, and to avoid waste. One project was an energy efficiency initiative at our largest European production sites, thanks to which we now save more than €1.5 M in energy costs per year. Another project involved developing and launching our e-con5 clinic software, which we use in our European dialysis centers to gather data on our eco-efficiency, such as our water and energy consumption and waste disposal. In Europe, 452 of our clinics now use e-con5 (2011: 405), and we are continuing to roll out the software to gradually build up a comprehensive environmental data management system throughout Europe and, since 2012, in Latin America. Thanks to e-con5, our country organizations are now able to compare the ecological efficiency of their clinics on a monthly basis and quickly identify potential for improvement.

North America region

For our product business in the U.S., we have established a formal certified program to review environmental and occupational safety standards, to which all production plants and laboratories are subjected on an annual basis. The audits monitor compliance with regulations from the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency in addition to state and local statutes. At the end of August 2012, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 13th time from the U.S. casualty and property insurer CNA. This award honors the Company's commitment to its employees' health, to safety, damage prevention and risk control. The fact that absences due to work-related accidents have fallen significantly at Fresenius Medical Care is also acknowledged by the CNA.

Environmental management at our clinics is reviewed both internally and by federal agencies. One criterion is compliance with regulations for the disposal of medical waste. We have also begun to look at whether our clinics and production sites in the U.S. fulfill the criteria for certification according to the ISO 14001 environmental standard. The first certification process is set to begin in April 2013 at our plant in Livingston, California, and should be completed by the end of the year.

As in our other regions, both Company environmental management staff and external partners support

our U.S. plants and clinics in making their procedures more environmentally friendly with recycling programs, for example. For some years now, we have been running a program to reuse medical waste containers in our clinics together with a specialist waste disposal partner. At the Ogden site, our largest production facility in the U.S., we recycle materials from different areas of the plant, including different types of plastics and cardboard. At our Walnut Creek plant, we are working with a recycling company specialized in separating and recycling medical and electronic devices. As a result, we reprocess approximately 5% of all components from old dialysis machines for use as spare parts. In 2013, we intend to launch a program to continue to step up the recycling of paper and cardboard at our U.S. clinics.

Since the end of 2010, we have been working with an external service company in the U.S. that records and documents energy and water consumption in all our dialysis clinics on an ongoing basis. This enables us to collect data on the consumption of resources in our dialysis centers according to uniform criteria so that we can better identify opportunities to further improve our energy efficiency in future. Other tasks performed by the service provider include checking and settling the corresponding energy and water bills and compiling analysis reports on subjects such as greenhouse gas emissions and our carbon footprint for an internal mailing list. In 2013, we will also produce a monthly energy consumption report for the region, allowing us to identify clinics with unusually high water, gas and/or electricity consumption. This will enable us to avoid unnecessarily high energy consumption in future.

We comply with internal regulations to ensure that the equipment, fixtures and furnishings in our clinic buildings and interiors in the U.S. are as environmentally compatible as possible. Accordingly, we use energy-efficient lighting and air-conditioning systems, as well as eco-friendly flooring and wall paint. We meet or surpass industry standards for the insulation of roofs, walls, doors and windows. When purchasing water treatment systems for dialysis, we also increasingly ensure that these use resources and energy efficiently. In 2011, the first clinic in the U.S. equipped by Fresenius Medical Care received environmental certification in accordance with the U.S. LEED standard. LEED stands for "Leadership in Energy and Environmental Design" and establishes regulations for resource conservation and sustainability in construction.

Asia-Pacific and Latin America regions

In the Asia-Pacific region, local government agencies regularly carry out inspections of our wastewater systems and energy consumption, among other things. In addition, a Fresenius Medical Care team conducts annual audits to examine to what extent production, logistics, laboratories and administration comply with Company regulations for resource efficiency and environmental protection, and identifies areas for improvement. To this end, the auditors also utilize data on electricity, gas and water consumption as well as on waste disposal, which is collected on an ongoing basis in our production plants. We have implemented several energy efficiency projects at our Changshu site in China since 2010. For example, we now use air from one of our production areas that is kept at a constant temperature for air-conditioning in the warehouse. In 2012, we also installed hot air curtains to keep heat inside the rooms and warehouses. Since 2011, we have also reused waste water from the reverse osmosis plant and carried out further work to improve the site's pipeline system. In the area of production, we have recycled condensation water since 2012. Furthermore, we have separated and recycled materials such as paper, plastic and waste since 2011, thereby saving on disposal costs.

We also made further progress in the area of environmental management in the Latin America region. In the past year, we continued to train our staff in Columbia in environmental protection issues. This is essentially about raising their awareness of

how they can contribute to environmental protection on a day-to-day basis. Our environmental department in Bogotá also initiated a "Green Day" for all employees with activities covering all aspects of environmental protection. In our clinics, for example, dialysis teams made a film on environmental protection at the workplace. Prizes were awarded for especially creative work. In addition, we continued the "Environmental Leaders" program in the past year; this involves training volunteers at the individual clinics who then go on to support the implementation of environmental projects. To raise awareness among staff of Fresenius Medical Care Columbia's commitment to social responsibility, the environmental and HR departments – together with Fundación Fresenius (see "Commitment to patients' quality of life" in this section) – issue a quarterly newsletter. In 2013, we intend to introduce a waste management plan at our head office to train employees to reduce solid waste and promote the issue of recycling. In the past year, production and the medical department also initiated an occupational health and safety campaign.

In Argentina, we continue to record water and energy consumption and the disposal of medical waste at all dialysis centers on an ongoing basis. Using the consumption data obtained, we were able to negotiate successfully with water suppliers and specifically investigate water loss through damaged pipes; we also stepped up water treatment. In Venezuela, we continued an environmental awareness campaign for our clinic staff on the subject of waste disposal and energy and water consumption in 2012. The disposal of medical waste has also been improved. In Brazil, we intensively monitor water and energy consumption and the generation of medical waste in our clinics. To save water, we increasingly recycle the water from hemodialysis using the reverse osmosis method. This offers huge potential as the blood purification solution comprises 95% water. In 2012, we implemented the project at seven further clinics, bringing the current total to 15.

Environmentally-friendly products and services

We are increasingly concerned with making our products and processes more environmentally-friendly. The aim is to provide our customers with added value by helping them save on costs or fulfill environmental requirements better.

Developing environmentally friendly products

Our research and development division is continuously striving to make our products and processes more environmentally compatible 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 lastly by using energy and raw materials efficiently in production.

To enable us to improve and report on the Company's environmental performance in the long term, it is essential to track and analyze the impact of our products and services on the environment over their entire life cycle (ecological audit). In the reporting year, we therefore initiated the "Comparative life cycle assessment" project, which links information on product design, resource efficiency in production, logistics and the use of the products in dialysis. Data sources include in particular internal environmental reports, product specifications and data from external ecological audit databases. The aim of this project is to calculate and compare the ecological performance of different product groups for dialysis concentrates. By doing this, we can highlight especially environmentally friendly products in dialog with our customers and provide substantiated product information on the environmental impact of the concentrates. Moreover, this information can be used in the development of new products. In future, ecological auditing will be expanded to include further products and product groups.

At our key production site for dialyzers in St. Wendel in Germany, for example, we reduced the quantity of rinse water used in manufacturing dialysis membranes

see glossary on page 159 by 25% last year by feeding it back into the production process. A quarter of the rinse water is now reused with only the remaining three-quarters being replaced with fresh water. As a result, we were also able to reduce our energy requirements for treating contaminated rinse water by 25%, corresponding to annual savings of €150,000. The rinse water is used to clean residues of the solvent DMAC out of the freshly woven fibers for the dialysis membranes. The water and solvents are then separated again in a complex thermal process so that both can be reused in a closed cycle. The less rinse water has to be regenerated, the less thermal energy in the form of steam is required, and thus the greater the energy savings.

In addition to conserving natural resources, processing improvements enable us to achieve savings of more than €1 M per year.

Initiatives for ecologically sustainable dialysis

Achieving further reductions in the environmental impacts of dialysis treatment while maintaining resource and cost efficiency is one of our top priorities. In 2010, in collaboration with the German Energy Agency (DENA), we developed an environmentally friendly energy concept that takes into account the specific requirements of dialysis clinics. According to this model for a CO_2-neutral dialysis clinic, the clinic uses eco-friendly power and heat supplies to reduce its greenhouse gas emissions by as much CO_2 (carbon dioxide) as it produces due to energy consumption for dialysis, water treatment and other operations. On the basis of these findings, we devised a manual for the ecological construction and renovation of dialysis clinics in conjunction with the Anhalt University of Dessau in 2011. This provides our architectural staff in the various countries in the EMEA region (Europe, Middle East and Africa) with practical architectural and technical guidelines on how to implement the findings from the model, taking into account the special requirements of dialysis patients and clinical teams. This can be done, for example, by generating electricity with solar cells on the roof, recovering heat from dialysis wastewater, installing special heat insulation in the building shell, and placing the windows to use daylight as efficiently as possible.

Based on the concept of the CO_2-neutral clinic and the manual, we opened an especially environmentally friendly dialysis clinic in Roccadaspide, Italy, in 2012. The new building has brought together two nearby Fresenius Medical Care dialysis clinics and, compared to them, uses only half as much water and around a quarter less electricity. A core aspect of the environmental protection work is the installation of state-of-the-art water treatment technology by Fresenius Medical Care: A special two-stage water treatment facility produces the ultra-pure water required to manufacture the dialysis solution with very low water consumption, and a control device ensures a highly efficient supply of the dialysis concentrate from large tanks. The wastewater is also completely reused. As a result, this clinic saves around 2.5 M liters of water per year – in a very dry area where water is urgently needed for agriculture. Lower energy consumption is also aided by economical LED lights, which give off more even and more pleasant light and are also easier to dispose of than the conventional neon tubes. Moreover, the building is well insulated and its heating and cooling are particularly environmentally friendly and free from drafts thanks to the air conditioning built directly into the floors with an integrated heat exchanger. Fresenius Medical Care is planning to build further environmentally friendly clinics in Europe in the coming years. Another "green" dialysis clinic is already in planning near Barcelona; it is also expected to share many attributes of a CO_2-neutral clinic.

We will start monitoring the environmental status of our clinics in the first quarter of 2013. All dialysis clinics will undergo a self-assessment entitled "How green is your dialysis clinic?" and rate the extent to which key environmental protection measures have already been established on site. The questionnaire consists of 50 items on the subjects of clinic management, building management, energy and transportation, water and concentrates, waste, and materials. For example, clinics will be asked if they have people in charge of energy, water and waste management, whether environmental protection projects were carried out, whether the building is equipped with photovoltaic elements, sun protection blinds, and energy-efficient lighting and equipment, and to what extent the consumption of scarce resources is

analyzed. This assessment has two benefits: Firstly, we gain an overview of the environmental status of our clinics, which we can use as a basis for the renovation and refurbishment of clinic buildings. Secondly, we can monitor the extent to which planned new buildings comply with defined minimum standards. In addition, clinic management and employees are likely to further hone their awareness of environmental aspects, generate suggestions for improvement and implement them.

We also continued our environmental initiatives with external partners in 2012, such as the "Go Green in Dialysis" project that we started jointly with the European Dialysis and Transplant Nurses Association/European Renal Care Association (EDTNA/ERCA) in 2009. In September 2011, our environmental guidelines for dialysis specialists were published. These were developed as part of the "Go Green in Dialysis" project and are designed to support clinic employees in organizing the processes in the workplace in a more environmentally friendly manner. The official presentation of the guidelines at the EDTNA/ERCA annual conference met with great interest among conference participants. The guidelines have now been translated into another six languages.

In addition, together with EDTNA/ERCA, we will be presenting the Green Innovation Award for the first time in 2013. The ceremony will take place at the 42nd EDTNA/ERCA Conference 2013 in Malmo, Sweden. Prizes will be awarded for three ideas, best practices, projects or promising concepts from individuals or teams representing companies or institutions helping to promote or advance environmental protection in hemodialysis. A requirement for participation is that the benefit of the competition entry can be transferred to other projects and that it can be measured and is sustainable.

WE TAKE RESPONSIBILITY FOR OUR STAKEHOLDERS

As a manufacturer and provider of life-sustaining medical products and services, Fresenius Medical Care has a special responsibility towards its stakeholders, especially its patients and business partners. We base our conduct towards them as well as our research and development processes on Company and industry standards and legislation. Moreover, we are committed to improving the quality of life of kidney patients – as a service provider in our clinics, as a member of and together with associations and as a company in society. In this way, we aim not only to meet our responsibilities, but at the same time strengthen our good reputation in the dialysis market.

As part of our environmental program in the EMEALA region, we also began in 2011 to merge the existing local occupational safety systems in our dialysis clinics into one centralized occupational safety management system certified to the BSOHSAS 18001 standard and to incorporate it into our integrated management system. In the year under review, we successfully tested the new occupational safety management system in two dialysis clinics. Building on this, we have drawn up a training concept to serve as a basis for staff courses geared to specific target groups from 2013 to accompany the launch of the occupational safety management system.

Initiatives to promote people's health and well-being: Our quality policy

In the past year, we implemented our revised quality policy for the EMEALA region. It focuses on people within and outside our Company; our primary concern is their health and well-being. We have broken down our quality goals into different target groups, including patients, employees and our social environment.

▸ Patients:
We want to increase the life expectancy of people with kidney disease, liver failure and immunodeficiency and improve their quality of life.

▸ Employees:
We want to offer the best possible working conditions, win the long-term loyalty of qualified employees at our Company and promote their professional development.

▸ Social environment:
We want to fulfill our social responsibility, comply with safety standards and legal requirements and gear our actions to the Fresenius Medical Care code of conduct.

With the implementation of these goals we want to ensure that we uphold our corporate values, cultivate our corporate identity and our constructive dialog by improving our integrated management system on an ongoing basis.

Proper conduct towards patients and business partners set out in guidelines

Fresenius Medical Care's code of conduct provides the framework for responsible and correct conduct of our employees towards our patients and business partners in accordance with legal statutes; for more details on the code of conduct *see page 134*. Among other things, it contains specific guidelines on conduct for management and employees in our clinics as well as in sales and marketing. These regulations cover matters such as billing products and services correctly, behaving fairly vis-à-vis the competition, and treating patients with respect and integrity. Our marketing and sales employees receive specific compliance training tailored to their field of activity.

Research and development geared to ethical standards

Whenever Fresenius Medical Care wants to launch a new medical device or pharmaceutical product, the Company is legally required to prove and extensively document the new device's or product's effectiveness and safety based on clinical studies. This means that it must be used with a group of patients in a clinical environment over a specified period. For purposes of comparison, one or more additional groups of patients are treated using existing state-of-the-art products and methods.

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

We only use animal testing to obtain approval of new products and forms of treatment where this is prescribed by law. Such tests are carried out by third-party research institutes in recognized test laboratories, and are always first approved by an ethics committee for animal testing. As a matter of principle, our strategy is to avoid animal testing and to use alternative methods wherever possible.

Working for the good of our patients

As a dialysis company, our aim is to continuously improve the quality of life of kidney patients. We pursue this even beyond our core products and services through our involvement in various initiatives to promote an active, healthy lifestyle for dialysis patients, improve patients' access to high-quality treatment and provide health information and education about chronic kidney failure.

Commitment to patients' quality of life

Fresenius Medical Care cooperates globally with regional and national associations and institutions that champion the interests of dialysis patients. In addition, we develop our own initiatives to help patients lead a healthier and more active life. In the U.S., for instance, we sponsor the Renal Support Network, a charitable association by and for patients with chronic kidney failure, which aims at providing patients and their families with health information, giving them more confidence in their everyday lives and strengthening their initiative.

In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation committed to helping more than 200 young dialysis patients in the province of Rio de Janeiro. This organization works with authorities and the public to provide access to medication and kidney transplants for children and adolescents, and promotes the establishment of more pediatric dialysis units in hospitals. At the same time, it organizes special programs for young patients, such as exercise, art and music classes and therapy courses, and trains parents in how to deal with their children's disease.

In Chile, we started an initiative in 2011 to help patients find work and coach them at their new jobs. Various employers have already provided around 100 jobs for patients with working hours that leave sufficient time for dialysis treatment.

In Columbia, we have set up our own foundation to promote the health and well-being of our patients other than through actual dialysis treatment. The Fundación Fresenius is financed by donations from industry, our employees and private individuals. We prepare regular reports to show how the funds are used. In 2012, for example, the foundation provided patients with a warm, healthy meal immediately after their dialysis treatment; for patients with a low income, this was often the only meal of the day. The foundation also offered free travel between their homes and the dialysis center for patients with disabilities or on a low income. In addition, a large number of patients took part in cultural and sporting events and craft courses organized by the foundation. The foundation provided patients on peritoneal dialysis who do not have adequate conditions at home for their PD treatment with aseptic tents, in which conditions are hygienic and stable for treatment. The foundation intends to continue these activities and programs in 2013. For example, it intends to offer a cooking workshop for the first time to show chronic kidney patients who do not yet require dialysis the importance of healthy nutrition.

According to their registration data, one in three patients in Argentina does not have the elementary school leaving certificate presented after seven years, which means that many patients have insufficient reading skills. The low level of education also limits patients' quality of life: It makes it harder for them to find a job on an already tough employment market and amplifies the typical problems of living with dialysis, above all the need to comply with the treatment plan and take medication in a disciplined fashion. To offer these patients new opportunities and boost their initiative, we began a joint project with the Ministry of Education of Buenos Aires province in 2008: The ministry now sends teachers from its adult education program to seven of our dialysis clinics, while Fresenius Medical Care provides the teaching materials. In 2012, around 90 of our dialysis patients were taught by 14 teachers with the prospect of achieving their school-leaving certificate. By the end of 2012, 23 patients had attained this goal thanks to the project and five moved on to a higher level of education. The project's initiators as well as teachers and students consider the program to be exceptionally rewarding.

In Argentina, 25% of our patients suffer from disabilities and 70% have problems finding paid or even unpaid work. For ten years now, Fresenius Medical Care has therefore been involved in the "ProHuerta"

initiative (roughly translated as "pro kitchen garden") by the Argentine Institute for Agricultural Technology and the Ministry for Social Development. When Argentina experienced a severe economic crisis in 2002, access to food was also restricted for many dialysis patients. That was when the idea came about to provide patients with seeds for various types of vegetables and gardening equipment sufficient for an area of around 100 square meters and to feed a typical Argentine family. Together with their relatives, patients took part in classes and learned how to plant their vegetables, care for them as they grow and finally harvest and prepare them. In 2012, the program reached half and therefore more than 4,500 of our patients; one in seven of our employees were also involved in the program. 87% of our dialysis centers are now "green centers", which means that they distribute seeds twice per year (fall/winter and spring/summer seasons). In 2012, more than 5,000 seed kits were handed out to patients and employees for the first time. Patients are now also being provided with small livestock like chickens and small fruit trees.

Promoting knowledge and further education, improving patient care

Fresenius Medical Care organizes and supports scientific conferences with international nephrology experts as well as training programs for doctors and dialysis specialists worldwide, thereby helping to ensure quality in dialysis. This is especially important in regions where modern healthcare standards are still being developed. We also participate in projects aimed at encouraging young doctors to become interested in nephrology and promoting new talent in this area. In Brazil, for example, we have been supporting an initiative by the Brazilian Society of Nephrology. Every two years, medical students at the end of their training are awarded for research projects in which they have developed solutions that improve the prevention of chronic renal disease in the population.

We also take part in local projects to improve the care of dialysis patients. The Renal Research Institute, a joint venture between Fresenius Medical Care North America and a hospital in New York, is a partner of the Sustainable Kidney Care Foundation. This promotes projects in Tanzania, Africa, to give patients with acute kidney failure in regions without an existing supply structure access to dialysis treatment. Acute kidney failure frequently occurs there in connection with other severe diseases such as HIV or tuberculosis.

Raising public awareness

Fresenius Medical Care is also involved in raising the health awareness of the general public. In Taiwan, for instance, we organize an annual information event together with the national nephrology society and several hospitals with the aim of raising public awareness of a healthier lifestyle and promoting the early diagnosis of kidney disease.

In the past year, we also launched the "pre-ESRD" campaign in the U.S., with which we aim to draw media attention to the risk of kidney disease. The idea is intended to motivate people to pursue a lifestyle and diet that helps them to avoid kidney damage and completely prevent kidney failure as far as possible, and enable them to recognize the symptoms of kidney disease and ensure that it is treated in time before there is no alternative to dialysis. To this end, we offer information to the media on chronic kidney failure and interviews with our nephrologists.

As part of the World Kidney Day, we carried out a national information campaign in Argentina in 2012 to inform people about the negative impact of kidney disease as well as the connection between kidney and cardiovascular disease and diabetes. To this end, we organized public lectures and television interviews, distributed information material and offered diabetes and high blood pressure examinations free

of charge. More than 1,500 people took part in these health screenings throughout the country and were given advice on the subjects of health promotion, disease prevention and chronic renal failure. In Argentina, more than 27,000 patients underwent dialysis treatment in 2012. One in ten of the country's more than 40 M inhabitants showed first signs of chronic kidney failure and almost half of them were unaware of this. As a result, more than half of the patients receive their first dialysis treatment as emergency cases.

Our donations and emergency aid

We provide funds, dialysis machines and medical supplies in crisis situations and for institutions that need specific aid immediately. In May 2012, we delivered and installed dialysis equipment in the Emilia Romagna region in Italy at short notice after it had been struck by an earthquake. Our crisis teams were also at work in North America during the hurricanes in June, August and October. For more information see the chapter "Our dialysis services business" *starting on page 79*.

Risk and Opportunities Report

AS A COMPANY WITH GLOBAL OPERATIONS, FRESENIUS MEDICAL CARE IS NATURALLY EXPOSED TO RISKS ASSOCIATED WITH ITS BUSINESS ACTIVITIES. ULTIMATELY, WE CAN ONLY LEVERAGE OPPORTUNITIES FOR OUR BUSINESS IF WE ARE WILLING TO TAKE CERTAIN RISKS. MANY YEARS OF EXPERTISE AND OUR EXTENSIVE KNOWLEDGE OF THE MARKETS ENABLE US TO UNCOVER AND ASSESS RISKS AND OPPORTUNITIES FOR OUR BUSINESS AS EARLY AND RELIABLY AS POSSIBLE.

RISK MANAGEMENT

We see risk management as the ongoing task of determining, analyzing and evaluating the spectrum of potential and actual risks in the Company and our environment, and, where possible, taking corrective measures. Our risk management system, which is described in more detail below, provides us with a basis for doing so. It enables management to identify at an early stage risks that could jeopardize the growth or continued existence of Fresenius Medical Care, and to take steps to minimize any negative impact. As such, it is an important component of Fresenius Medical Care's management and governance.

OPPORTUNITIES MANAGEMENT

We identify opportunities based on comprehensive quantitative and qualitative analyses. This includes evaluating market data and closely examining research projects, while also taking general societal health trends into consideration. In the process, we monitor general economic, industry-specific, regional and local developments to an equal extent. Our goal is to anticipate trends at an early stage and adjust our business model accordingly. The close cooperation between our strategy departments, planning departments and other departments shall allow us to recognize global opportunities as early as possible. An overview of the most important opportunities we intend to capture for our Company can be found in the "Outlook" chapter *starting on page 119.*

RISK MANAGEMENT SYSTEM

Risk management is part of Fresenius Medical Care's integrated management system. The two pillars of our risk management are the corporate controlling function and the internal risk monitoring system. In the monitoring system, regional risk managers are responsible for identifying, assessing and managing potential as well as existing industry and market-related risks in their region and reporting them to the regional CFO's. Twice a year, the regional chief financial officers send their aggregated risk management reports to the central risk management coordinator who consolidates the reports and presents them to the Management Board. The risk management reports contain further information on potential risks. The Management Board is informed directly and immediately of any newly identified significant risks (for risk reporting see chart 2.10.1 *on page 105*). The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the Supervisory Board. More information is available in the "Report of the Supervisory Board" *starting on page 16*.

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

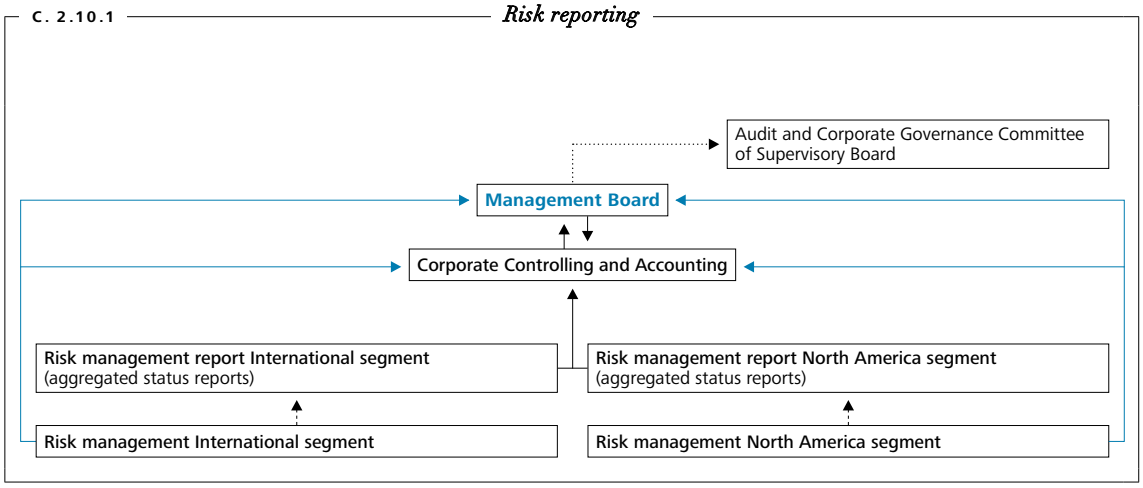
Part of our risk management system is the Global Internal Audit department. This department audits a selected number of Company departments and subsidiaries worldwide each year. The department works according to the internationally accepted standards of the Institute of Internal Auditors (IIA). At the beginning of 2012, a quality assessment of our internal audit in form of a peer review confirmed the compliance with the standards of the IIA. The scope of internal auditing is widespread and involves, among others, the effectiveness of controls over business processes, the reliability of financial reporting and the compliance with accounting regulations and internal policies. The Company locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. This annual audit plan is reviewed by the Management Board and finally approved by the Audit and Corporate Governance Committee of the Supervisory Board. It comprises financial audits of individual units, as well as full audits of all business processes of subsidiaries or business units. All audit reports are presented to the Management Board. The Global Internal Audit department is also responsible for monitoring the implementation of measures documented in the reports. The Management Board is informed about the implementation status on a quarterly basis. The Audit and Corporate Governance Committee of the Supervisory Board is also informed of the audit results. In 2012, a total of 40 audits were carried out. These included full-scope audits – reviews of all business processes – at our sites in Thailand and Portugal, among others.

It is nevertheless important to note that even a functioning and adequate risk management system such as that installed in our Company cannot guarantee that all risks are fully identified and controlled.

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

Fresenius Medical Care's internal control system over financial reporting ensures compliance with applicable accounting standards. The goal is to provide reasonable assurance that the Group financial statements are issued in accordance with the accounting principles. The Company's internal reporting process is generally carried out at four levels and ensures that financial data and key figures are reliably recorded, processed and controlled. At each of these four reporting levels – the local entity, the region, the segment and the entire Group – the figures and data are compared regularly on a monthly and quarterly basis with the previous year's values, budget targets, and the latest projections. In

C. 2.10.1 *Risk reporting*



- - *Assessment of general and specific risks and identification of new risks; review and consolidation of risks in the Risk Management Report.*
— *Reporting and review of Risk Management Report.*
— *Ad hoc risk reporting (considerable new risks).*
···*Reporting of Risk Management Report.*

addition, the Management Board and the departments responsible for preparing the annual and consolidated Group financial statements discuss in-depth all parameters, assumptions and estimates that substantially affect the Group and segment results reported externally. The Audit and Corporate Governance Committee of the Supervisory Board also deals with current quarterly results and compares them with budgets and projections.

Control mechanisms and compliance

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

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions include systematic and manual reconciliations, as well as the separation of certain personnel functions to prevent potential conflicts of interest. The fact that all process owners assess the risks of their respective processes in terms of their implications for accounting also ensures that risks with a direct impact on financial reporting are identified and that controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis and considered in the financial statements. Employees responsible for financial reporting are given regular and extensive training to deal with this.

Furthermore, Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program, which is monitored continuously, in all of its regions with the intention to ensure at any time and permanently that its business activities are in line with recognized standards as well as local laws and regulations. To monitor compliance is basically a management task at all the Company's decision-making levels. An important element of the compliance program is the code of conduct that is effective in all regions and considers the locally different legal and ethical standards. It encourages our employees worldwide to conduct themselves in a professional and responsible manner at all times. More information on this can be found in the "Compliance" section *starting on page 132*.

Special control and transparency requirements in the U.S.

As Fresenius Medical Care is also listed on the New York Stock Exchange, it is required to adhere to the requirements of the U.S. Sarbanes-Oxley Act. Section 404 of this federal law stipulates that the management boards of companies listed in the U.S. must take responsibility for implementing and adhering to an appropriate internal control system to guarantee reliable financial reporting. Based on this requirement, we review the design and operating effectiveness of our internal control system over financial reporting on a regular basis. These criteria are also included in the review by our external auditors.

To assess the effectiveness of our internal control system over financial reporting, we apply the criteria of the COSO model see chart 2.10.2. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission (SEC). In accordance with the COSO model, Fresenius Medical Care's internal control system over financial reporting is divided into the five levels control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these five levels is regularly documented, tested and assessed.

Our review of the internal control system over financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting). For our review, we use a special software which takes into account the definitions and requirements of this guideline. In a first step, regional project teams coordinate the assessment of the internal control system in each region, after which the results are consolidated for the whole Group. Based on this, management then evaluates the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A corporate steering committee meets several times a year to review changes and new requirements of the Sarbanes-Oxley Act, to discuss possible control deficiencies, and derive further measures. In addition, in its meetings, the Audit and Corporate Governance Committee of the Supervisory Board is informed regularly of the results of management's assessment.

As of December 31, 2012, management assessed Fresenius Medical Care's internal control system over financial reporting and deemed it effective.

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

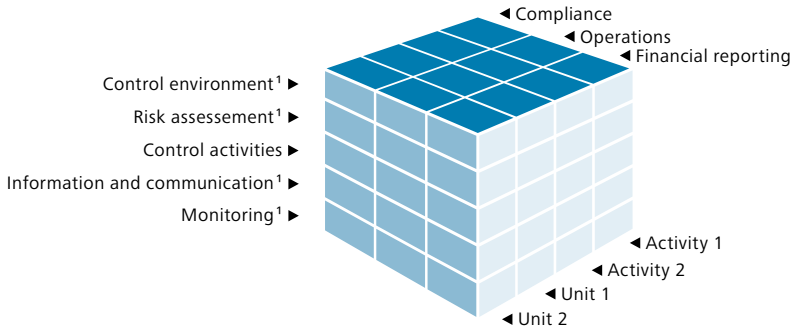
RISK AREAS

The following risks could have an impact on our business activities:

Risks related to the economy as a whole

The international business activities of Fresenius Medical Care are subject to a number of political, legal and financial risks, which we carefully monitor

C. 2.10.2 *COSO-Framework*



[1] *Entity level controls.*

and assess in addition to the general development of the global economy. We also conduct continuous, intensive analyses of country-specific risks with our international markets in mind.

The dialysis market is a growth market that is generally unaffected by macroeconomic influences. This can be partly explained by the fact that an aging population requires increasingly comprehensive medical care. Due to the stable demand for dialysis products and services, Fresenius Medical Care is only subject to economic fluctuations to a relatively small extent.

More information on this can be found in the "Overall economic environment" section *starting on page 40* and the "Outlook" chapter *starting on page 119*.

Industry risks

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

Company strategy and competition

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

Additionally, we closely monitor the market, especially the products of our competitors and newly launched dialysis-related products. This includes pharmaceutical generics and patented drugs for kidney patients, as they can affect the business with drugs distributed by Fresenius Medical Care. The Company maintains internal strategic departments that monitor the markets, whose main tasks are to identify and analyze all activities that could affect the dialysis market and the Group's business, and communicate these within the Company on a regular basis. This helps us to quickly react on new market conditions.

Last but not least, our many years of experience and our leading position in the dialysis industry give us a competitive edge, as do the synergies resulting from the teamwork between the various technical, medical and academic institutions within our vertically integrated Group.

Legal conditions in the healthcare sector

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

Details on the changes in the reimbursement system in the U.S., our most important market, can be found in the "Healthcare and reimbursement systems" section *starting on page 44*.

Risks associated with operating activities

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

Quality risks in production, for products and processes

We ensure that we comply with legal and Company product and production regulations first and foremost by means of extensive quality management systems in our regions. In implementing these regulations, our employees have access to documented process and

work instructions. Regular audits are carried out by authorized quality management staff at each of our production sites to ensure adherence to the guidelines. The audits cover all areas and aspects related to quality, from management and administration to development, production and customer satisfaction. Furthermore, the production processes in our plants are inspected by external bodies, for example in Europe by Technischer Überwachungsverein (TÜV) and by the Food and Drug Administration (FDA) in the U.S.

We also apply the methods of lean management and Six Sigma *see glossary on page 162* in our plants. These management tools are used to analyze and improve all production processes to permanently reduce the error rate. Our goal here is to achieve more consistent production results and to continuously improve the quality of our products and related production processes. Since 2010, our quality management has been centrally coordinated by our international business unit Global Manufacturing Operations (GMO) with the aim of identifying and managing quality risks even better. For further information on GMO, see the "Procurement and production" chapter *starting on page 70*.

Like all blood cleansing procedures that are performed outside of the human body, dialysis is associated with certain risks for the patient whose occurance could potentially damage Fresenius Medical Care's reputation. National as well as international standards and laws stipulate binding safety standards for dialysis products. In addition, we have created our own quality guidelines for research and development that in part exceed the legal requirements. We also document our research and development work in comprehensive scientific studies and publications; we produce detailed product information packs and instructions for users of our products, and conduct risk and error analyses according to the most stringent criteria. In addition, Fresenius Medical Care focuses on developing procedures and devices within the scope of a continuous product improvement process, to minimize as far as possible the risk of a patient being harmed due to a technical fault or human error.

Quality risks for our services

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

Our quality management also includes environmental management, as environmental resources are used for manufacturing dialysis products and the operation of dialysis centers produces clinical waste. More information on this can be found in the "Responsibility" chapter *starting on page 94*.

Risks in research and development

The risk of goals not being achieved or being achieved much later than anticipated is inherent in the development of new products and therapies. Most new products have to undergo comprehensive, cost-intensive preclinical and clinical tests before they receive regulatory approval and are launched on the market. All products, packages, applications and technologies are continuously and systematically

monitored, tested and improved. The development cycle for products made by Fresenius Medical Care is generally substantially shorter than for pharmaceutical products. It normally takes between two and three years from concept to market launch. Fresenius Medical Care counteracts risks in research and development projects by regularly analyzing and assessing development trends and reviewing the progress of projects. Furthermore, we ensure that the legal regulations governing clinical and chemical-pharmaceutical research and development are strictly adhered to. Our research team for dialysis products develops new products and technologies in close cooperation with representatives from the medical and scientific communities. For further information see the "Research and development" chapter *starting on page 64*.

Patent risks

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

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

Procurement risks

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

Our purchasing strategy is aimed at developing partnerships with strategic suppliers through long-term contracts and building relationships with new high-performing partners. At the same time we ensure that we have at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). This strategy in combination with ongoing monitoring of market developments enables us to minimize the risk of bottleneck situations considerably, even at times of limited availability of materials. All relevant suppliers are subject to regular Company-wide performance and risk monitoring. More information on this can be found in the "Strategic purchasing and materials management" section *on page 72*.

Fresenius Medical Care is also exposed to market-driven price fluctuations for raw materials. By continuously conducting market analyses, shaping supplier relations and contracts in accordance with our needs, and reviewing the use of financial instruments on a case-by-case basis, we are able to counteract these fluctuations to a certain extent. The intense cooperation between our procurement

teams in different regions means that we are able to benefit from international pricing advantages and manage risks related to currency fluctuations or dependencies on individual suppliers. More information on this can be found in the "Strategic purchasing and materials management" section *on page 72*.

Personnel risks

Our Company's success depends to a large extent on the dedication, motivation and abilities of our employees. We counter the risk of not being able to win and retain sufficient qualified personnel with extensive personnel marketing and recruitment measures as well as personnel development programs for specific target groups. More information can be found in our magazine *starting on page 52*.

Our continued growth in the area of dialysis services in particular depends on our ability to recruit and retain qualified care personnel. Especially in the U.S., where we operate most of our dialysis clinics, competition for such employees is intense. As a result, we are currently extending various measures and initiatives aimed at further increasing the satisfaction of our clinic personnel, maintaining their high level of motivation and further lowering the fluctuation rate in our clinics. We base these efforts on the results of extensive clinical employee satisfaction analyses. Our UltraCare Clinical Advancement Program (UCAP) in the U.S. is one example of such an initiative; more information can be found in the "Employees" chapter *starting on page 87*.

Our personnel management department addresses the overall risk of not being able to attract or retain highly qualified personnel. Its job is to find and cultivate new talent with targeted measures. Fresenius Medical Care offers employees a challenging work environment and long-term perspectives for their professional development. Furthermore, our employees enjoy performance-based bonus payments and attractive social benefits. Detailed information relating to personnel management can be found in the "Employees" chapter *starting on page 87*.

Risks due to non-compliance with laws and standards

Fresenius Medical Care has developed a code of conduct that applies to employees in all regions, specifying their conduct within the Company as well as towards our patients, external partners and the public, and encouraging them to comply with applicable laws and Company standards at all times. Together with our overall compliance program, this code is intended to help us meet our own expectations and those of our partners, and to successfully align our business activities to recognized standards as well as applicable laws and regulations. Further details on our compliance program can be found *starting on page 132*.

Risk of dependency on major customers

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

However, DaVita only accounted for about 1% of Fresenius Medical Care's total revenue in 2012. Therefore we consider the risk arising from relationships with major private-sector customers to be relatively small.

Acquisitions and investments

Fresenius Medical Care assesses potential financial risks arising from acquisitions and capital expenditures early on with the help of internal and, if necessary, external specialists. Potential acquisitions and investments are analyzed by an internal committee

(Acquisition Investment Council, AIC) based on minimum requirements relating to a number of parameters, with the objective of ensuring that the decision to buy or invest is profitable. The profitability of acquisitions and investments is also monitored after the event on the basis of these key indicators. More information on corporate management and control can be found *on page 33*.

Financial risks

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

We use interest rate hedging instruments to avert the risk of rising interest rates from our floating rate long-term debt. A sensitivity analysis revealed that if the relevant reference interest rates for the Company like Libor increased by 50 basis points, based on the current high level of hedging, the effect on the net income (attributable to shareholders of Fresenius Medical Care AG & Co.KGaA) would be around 1%. The interest derivatives expire in 2016.

Our foreign exchange exposures primarily result from transactions such as sales and purchases between Group companies located in different regions and currency areas. Most of our transaction exposures arise from sales of products from Group companies in the euro zone to other international business units. The foreign exchange risks are therefore related to changes in the euro against various other currencies. To hedge against these risks, we generally use foreign exchange forward contracts. The estimation and quantification of transaction risks from foreign currencies is determined according to the statistical model Cash-Flow-at-Risk (CFaR). CFaR indicates the amount of a potential loss of the forecasted foreign exchange cash flows of the next twelve months that occurs with a probability of 95%. As of December 31, 2012, Fresenius Medical Care's CFaR amounted to $39.7 M.

Please see the "Quantitative and qualitative disclosures about market risk" chapter of the "Financial report" for further details *starting on page 34*.

Debtor risks

To reduce the risk of delayed or non-payment by customers, we evaluate the credit standing of new customers and review the credit limits of existing ones. We monitor outstanding receivables of existing customers while assessing the possibility of default. For further details on outstanding receivables please see the "Financial report" *on page 11*.

Legal risks

Risks associated with litigation are continuously identified, assessed and reported within our Company. Fresenius Medical Care is involved in various legal proceedings resulting from our business operations among others. For details on ongoing proceedings and further information on material legal risks to which Fresenius Medical Care is exposed, please refer to note 19 of the "Financial report" *starting on page 95*.

Tax risks

Fresenius Medical Care is subject to tax audits, which can lead to secondary changes in tax assessments and assessments of withdrawal restrictions. Risks resulting from this are continually identified and evaluated. Further details on ongoing legal proceedings and more information on major tax risks of the "Financial report" can be found *on page 93*.

IT risks

As Fresenius Medical Care continues to grow in size and become more international, the processes within the Company are increasingly complex. Accordingly, we are dependent to an ever greater extent on information and communication technologies to structure our processes and harmonize them between different regions. Fresenius Medical Care uses constantly updated and newly developed hardware and software to prevent potential security risks in the area of information technology (IT). With the help of our Information Security Management System (ISMS), which is based on the internationally recognized security standard ISO 27002, we continuously enhance IT security guidelines and processes within Fresenius Medical Care. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for our business. Potential IT risks are covered by a detailed disaster recovery plan, which is tested and improved on an ongoing basis. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems. We use a mirrored infrastructure that creates a copy of critical systems, including clinical systems as well as the communication infrastructure and servers. To minimize organizational risks such as manipulation and unauthorized access, access is protected by passwords that must be changed regularly. With our strategy of operating three separate data centers (at major geographic regions) we further reduce the risk of complete, worldwide system outages. Moreover, Company guidelines relating to data protection, which also regulate the assignment of access rights, must be observed. Compliance is monitored with controls including those relating to Section 404 of the Sarbanes-Oxley Act please refer *to page 106*. Operational and security audits are carried out every year both internally and by external auditors.

Other operating risks

Potential risks from the construction of new production sites or the introduction of new technologies are considered early on in the planning stage and reviewed on an ongoing basis. When building new production units, we use internal milestones and continuously monitor whether they are achieved. Further preventive risk management measures limit the effect of environmental factors on dialysis services: Many of our proprietary dialysis clinics have emergency generators to ensure that life-saving dialysis treatments can be continued even in the event of a complete power failure. Furthermore, in the U.S. for example, a Fresenius Medical Care emergency team (disaster response team) steps in all-season during natural disasters such as hurricanes to professionally coordinate relief efforts and provide dialysis treatment for patients in the affected regions. More information on this can be found in the "Dialysis services in emergency situations" section *starting on page 85*.

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our international network of 3,160 dialysis clinics in more than 40 countries is the largest and most international network in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we understand that high quality is not only the key to a better quality of life for patients, but that it can also make a significant contribution to reducing the costs of healthcare. Based on this knowledge and our business model, we see several opportunities for further growth, which are explained in greater detail in the following section.

Industry-specific opportunities

Patient growth and demographic development

According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising by around 6% annually. This number is expected to reach more than 2.4 M in 2013. By 2020 the number of dialysis patients could reach around 3.8 M. Several social trends contribute to this growth in patient numbers. In Europe and the U.S., for example, these include the aging population and the increasing incidence of diabetes and hypertension, two illnesses which frequently precede the onset of chronic kidney failure. In developing and emerging countries, the expanding population and an increase in wealth are key factors that boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

Whether or not private companies can offer dialysis treatment and in what form depends on the healthcare system of the country in which they operate and its legal framework. For Fresenius Medical Care, opportunities to tap 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. These decisions are increasingly influenced by the following factors:

- In many countries, the resources for financing, managing and providing healthcare services are becoming ever scarcer. This situation has worsened as a result of the financial and economic crisis.

- At the same time, healthcare systems face the challenge of providing their population with increasingly comprehensive medical services. This is due to longer life expectancy and the associated increase in concomitant diseases or because fully-functioning healthcare provision is still being established.

- Dialysis is a complex life-sustaining procedure, which places high demands on a healthcare system in terms of expertise and efficiency.

For these reasons, public healthcare providers are increasingly looking to work with private providers to develop high-quality, sustainable healthcare solutions for patients with chronic kidney failure. This constitutes a huge opportunity for Fresenius Medical Care.

One example is Germany, the fifth-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis centers are predominantly operated by doctors in private practice, hospitals, and non-profit organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in medical care centers. These are facilities for outpatient care managed by doctors with different areas of expertise who are employed as salaried physicians. At the end of 2012, the Company was involved in 14 medical care centers (2011: ten). As an experienced partner, we want to continue to support our customers when it comes to setting up new structures in the German healthcare system, and take advantage of the opportunity to strengthen our business in the long term. In Japan, where dialysis centers are primarily managed by private nephrologists, new sales opportunities could also open up for private companies such as Fresenius Medical Care in the long term if these are approved as clinic operators in Asia's largest dialysis market.

Public private partnerships

In some countries, public private partnerships (PPP) promise to be an attractive business model for Fresenius Medical Care. These are contractually defined project alliances between the public sector and private companies in which both partners assume a specified share of the financing, tasks, risks, and opportunities. Here, too, our broad expertise in dialysis

gives us a competitive edge, as it enables us to prepare suitable offers for various levels of care for hospitals, health insurances, local or national authorities. Depending on the contract, we can set up new dialysis clinics and install the equipment, train medical personnel on quality, hygiene and nutrition or manage the clinics ourselves on the terms agreed. PPP therefore offers an opportunity for both partners: The public sector benefits from private investments in a dialysis infrastructure based on high standards of treatment, from the transfer of knowledge on quality, technology and management issues, and from the operational efficiency of a global dialysis company, helping it to provide patients with better and, at the same time, more cost-effective healthcare. In turn, Fresenius Medical Care can tap new markets, expand its market share, and extend its range of products and services with new forms of healthcare thanks to the PPP model. Partnerships of this type can also be the first step towards complete privatization. We are already part of PPP initiatives, for example in Italy, Bosnia, Portugal, South Africa, UAE, Australia, the Philippines, India and Indonesia. The relevant contracts are tailored to the respective needs of the partners involved as well as to the local legal conditions.

Growing demand for integrated healthcare

Cost pressures on the one hand and the growing number of patients on the other are causing an increase in global demand for a comprehensive – or integrated – healthcare concept for patients with chronic kidney failure. This is based on the following principle: All healthcare services and therapies associated with the treatment of a kidney patient – possibly going even one step further to include the treatment of concomitant diseases – are combined to create an integrated program that is tailored to the individual requirements of the patient and the needs of the insurer. Depending on the contract and which elements a healthcare system prescribes as part of basic treatment, this can involve, for example, special medical tests, drugs for kidney patients, the insertion and medical supply of the vascular access connecting a patient to the dialysis equipment (vascular access management), or the patient's travel to and from the dialysis center in addition to dialysis itself. This comprehensive care from a single source improves the way in which the different stages of treatment are coordinated and controlled, minimizes complications and thereby avoids additional stays in hospital, which are a significant burden for patients, as far as possible. As a consequence, the patient's quality of life and the quality of treatment increase, while the overall costs of the treatment decrease.

Payors increasingly no longer reimburse the components of this type of holistic treatment separately but combined in a "service bundle", which is linked to contractually defined, measurable treatment targets on which the dialysis provider must submit regular reports (pay for performance). These quality parameters are generally based on national and international guidelines on good treatment practice for kidney patients and in some cases even exceed them. Failure to meet these criteria results in measures ranging from a reduction in the reimbursement to a full withdrawal of the license.

Integrated healthcare using the pay-for-performance model offers opportunities for all those involved: Dialysis patients can enjoy a sustainably improved quality of life; pooling healthcare provision with a single provider reduces the overall costs of treatment as resources are used more efficiently and makes these costs easier to control and calculate for the public sector and for health insurers; dialysis providers can in turn expand their range of offers by providing the additional services required by the contract.

Fresenius Medical Care is particularly well placed to offer integrated treatment programs on a high level of quality for chronically ill kidney patients for several reasons:

▸ As a manufacturer of leading dialysis products and an operator of the largest international dialysis clinic network worldwide, we have long-standing experience in providing comprehensive care for dialysis patients.

▸ Thanks to the high quality and reliability of our products and services, we enjoy a very good reputation in the industry.

▸ We use sophisticated internal feedback instruments to measure and compare the success of treatment at our clinics and to rapidly identify any potential for improvements.

Opportunities related to our business operations

Horizontal expansion of our portfolio

Dialysis drugs supplement our range of dialysis services and products, enabling us to expand our portfolio horizontally. In line with our strategy *see page 36* and the general trend towards integrated healthcare (see above), they offer the Company further opportunities for growth.

New products and technologies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of clinics is no longer sufficient to treat all patients, home therapies look set to take on a more crucial role. This development offers Fresenius Medical Care opportunities for growth. As a result, we are expanding our expertise in peritoneal dialysis with high-quality products and treatment programs as well as acquisitions *see page 33 and in the glossary on page 162*. Sorbent technology already provides us with a key method for other forms of home therapy: home hemodialysis and the wearable artificial kidney, which an international team is currently developing in a long-term project. We use sorbents to make simple tap water suitable for use in dialysis and to recycle dialysis solution. These are major prerequisites for providing dialysis outside of medical healthcare facilities. We will continue to expand our range of innovative products and technologies in the future to react to growth opportunities – increasingly also with the aim of best meeting the demand for integrated care.

Internal organization and procedures

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

Acquisitions

By expanding our global network of clinics through acquisitions as well as procuring know-how and relevant technologies in the area of research and development, we are investing in our future growth. The close collaboration between our strategy and planning departments and the managers responsible for our acquisitions ensures that we are able to identify suitable potential acquisitions worldwide as early as possible. Further information on our acquisitions in the year under review can be found in the section "Acquisitions and divestitures" *on page 50* and in the section "Financial situation" *starting on page 58*.

Business model of Fresenius Medical Care

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

MANAGEMENT ASSESSMENT OF OVERALL RISKS AND OPPORTUNITIES

The Management Board bases its assessment of overall risk on the risk management system used by Fresenius Medical Care, which is regularly checked by third parties and by the Management Board. The effectiveness of this risk management system is monitored and, if necessary, improved as part of the Company-wide review of the integrated management system. The Management Board will continue to expand our risk management and its review of the associated management system to be able to identify, investigate and assess potential risks even more quickly and implement appropriate countermeasures. Based on the general principles for estimating risk factors described *starting on page 104*, we currently assume that none of the risks mentioned will significantly impair the earnings, financial and assets position of Fresenius Medical Care in the long term. Furthermore, no material changes to risks were identified compared to 2011. From an organizational point of view, we believe that we have created all necessary conditions in order to identify emerging risk situations early and to be able to react properly if necessary.

Subsequent Events

EFFECTIVE MARCH 1, 2013 FRESENIUS MEDICAL CARE HAS APPOINTED A NEW MEMBER OF THE MANAGEMENT BOARD RESPONSIBLE FOR RESEARCH AND DEVELOPMENT. UNTIL THE ANNUAL REPORT'S EDITORIAL DEADLINE, NO FURTHER SIGNIFICANT EVENTS TOOK PLACE.

CHANGES IN THE MANAGEMENT BOARD

Effective March 1, 2013 Fresenius Medical Care has expanded its Management Board and has appointed Dr. Olaf Schermeier as new Member of the Management Board being responsible for our global research and development activities. It is important for our future to continue to ensure market-oriented product innovations and at the same time to further increase the efficiency of our processes on a global basis. For this reason, we created the new role Chief Officer of Global R&D. Dr. Schermeier has many years of experience in various areas of the health care industry. Since 2004 he has served in a senior management position for the German company Dräger Medical.

No further significant events took place between the closing date of December 31, 2012, and the annual report's editorial deadline of March 13, 2013. There were no fundamental changes in the economic and business environment in our field of activity.

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

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

Fresenius Medical Care's business development met our expectations in the first weeks of 2013.

As discussed in the "Outlook" chapter *starting on page 119*, demand for our dialysis products and services worldwide continues to be high. Overall, the Management Board again assessed the Company's business development as positive when this annual report was compiled. From today's perspective, we expect to achieve our revenue, earnings and the other performance ratios as planned. At this report's editorial deadline, the current development of our business is basically in line with our expectations.

Outlook

HAVING ATTAINED OUR TARGETS ONCE AGAIN IN THE LAST FINANCIAL YEAR, WE ALSO EXPECT TO PERFORM POSITIVELY IN 2013. WE CONSIDER OURSELVES TO BE WELL PREPARED TO CONTINUE ON OUR PATH OF SUSTAINABLE GROWTH IN THE YEARS TO COME.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We aim to consolidate and, if possible, build on this position in the years ahead. We intend to maintain our vertically integrated business model; there are no plans to make significant changes to our business policy. Back in 2005, we defined our long-term growth strategy, the basic principles of which we continue to pursue. For further information on this, see the "Company strategy" section *starting on page 36*.

GLOBAL ECONOMIC GROWTH STABILIZES

After a year of slower growth, the global economy is expected to stabilize in 2013. But the high levels of government debt in many countries are furthermore dampening global demand. Overall, gross national product (GDP) is likely to grow by around 3.4% worldwide in 2013, following a rise of 3.2% in 2012.

The emerging countries will continue to lead the economic recovery in 2013

A slight economic recovery is expected in the U.S., based on falling unemployment and an associated increase in domestic demand. Spending cuts and tax rises cause negative effects.

In the overall assessment of the euro zone, a slowdown in growth is anticipated. The weak economic situation in the southern peripheral nations is countering the positive development in northern core countries such as Germany.

In Asia, the emerging countries, in particular China and India, are expected to be the key growth drivers, as in previous years.

T. 2.12.1 *Real gross domestic product and consumer prices*

Expected change from the previous year in %

	Gross domestic product		*Consumer prices*	
	2012	*2013*	***2012***	*2013*
U.S.	2.2	1.5	2.1	2.1
Germany	0.7	0.3	2.0	2.0
Euro zone	−0.5	−0.2	2.5	1.9
European Union	−0.3	0.1	2.5	2.0
New EU member states	0.9	1.3	3.8	3.0
Russia	4.5	3.8	5.5	5.5
Japan	2.0	0.5	−0.2	−0.3
China	7.8	8.0	2.6	2.5
India	3.8	6.5	9.1	8.5
Asia	6.6	7.3	4.3	4.2
Latin America	2.9	3.8	6.2	5.6
▸ ***Worldwide***	**3.2**	**3.4**	**4.6**	**4.2**

Sources: Institute for the Global Economy at the University of Kiel, "Weltkonjunktur im Winter 2012", December 18, 2012; monthly reports of the Deutsche Bundesbank and the European Central Bank

An economic upturn is also expected in Latin America in 2013, mainly driven by domestic demand.

THE DIALYSIS MARKET CONTINUES TO GROW

Fresenius Medical Care expects the number of dialysis patients worldwide to grow by about 6% in 2013. Some significant regional differences will probably remain. We anticipate a 2 to 4% increase in patient numbers in the U.S., Japan, Western and Central Europe. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are even higher with values of up to 10%, and in some countries even more. We expect patient numbers to continue to rise in the coming years, see chart 2.12.3 *on page 121*.

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

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

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

The volume of the worldwide dialysis market, which amounted to about $75 BN last year according to preliminary estimates, is expected to increase by around 4%. This is based on the assumption that exchange rates will remain stable in the forecasting period. The overall volume of the dialysis market could thus reach around $78 BN by 2013.

T. 2.12.2 *Expected growth in patient numbers in 2013*[1]

	Change
North America	**~5%**
U.S.	~4%
Europe/Middle East/Africa	**~4%**
EU	~2%
Asia-Pacific	**~10%**
Japan	~2%
Latin America	**~6%**
▸ ***Worldwide***	**~6%**

[1] *Internal estimates.*

GROWTH AND FUTURE SALES MARKETS

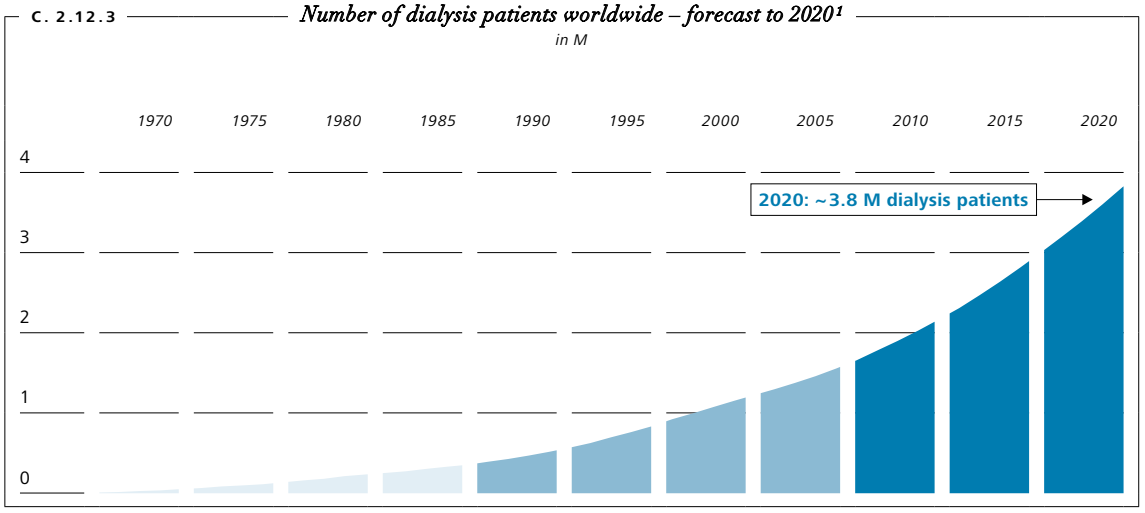
In the product business, we have had our own sales organizations in key growth markets in Eastern Europe and Asia for several years and already hold leading market positions. We serve small markets via distributors. We want to continue to expand our local range of products and local production. Acquisitions can also help us to achieve our aim of strengthening our product business. At the same time, we use acquisitions to grow our network of clinics in these regions. In China, we again strongly expanded our product business and our alliances with hospitals in the area of dialysis services in 2012 and plan to continue this in the coming years. Furthermore, we opened our own dialysis center in the Chinese province of Jiangsu in mid-2012 as part of a pilot project. In addition to China, another Asian market that looks increasingly promising is India. We have been represented on this product market through distributors since the 1990s. We also plan to open 30 of our own dialysis centers in India by 2015. Regional and local health authorities in India also promote the public private partnership model (PPP). Therefore, we also intend to conclude corresponding supply contracts with larger regional and municipal hospitals. The increasing importance of the Chinese and Indian markets with dialysis patient numbers rising by considerably more than 10% annually should accelerate our growth in the region as a whole.

BUSINESS DEVELOPMENT OF FRESENIUS MEDICAL CARE IN 2013

Exchange rates

Fresenius Medical Care's outlook for 2013 is based on the exchange rates at the beginning of the reporting year. As mentioned in the "Economic environment" section *starting on page 40*, the relationship of the U.S. dollar to the euro is especially important for Fresenius Medical Care. In its forecasts, Fresenius Medical Care also takes into account other exchange rates that are particularly relevant to the economic performance of its subsidiaries, such as the Taiwanese dollar against the U.S. dollar or the Chinese Yuan against the euro. Volatile exchange rates affect the forecast results of the subsidiaries, as well as the conversion of these results into U.S. dollars.

C. 2.12.3 *Number of dialysis patients worldwide – forecast to 2020*[1]



[1] *Internal estimates.*

Revenue

We aim to further significantly increase our revenue in the current financial year to more than $14.6 BN, which would correspond to a growth rate of more than 6%. We intend to continue this positive development in the years to come.

Net income

In 2013, we aim to achieve net income (attributable to shareholders of Fresenius Medical Care AG & Co. KGaA) between $1.1 BN and $1.2 BN. Net income in 2013 is expected to increase by 5 to 15% compared to the net income excluding an investment gain in 2012. In 2013, the operating income is expected to be between $2.3 BN and $2.5 BN, which would correspond to an increase of 4 to 13%.

At the time of this annual report's editorial deadline, no one-time effects that might have a significant impact on net income in 2013 were anticipated.

Earnings per share

For 2013, we expect earnings per shares to grow in parallel with net income.

Dividend

Fresenius Medical Care intends to continue its profit-oriented dividend policy. At the Annual General Meeting on May 16, 2013, the Management Board will propose to the shareholders an increase of the dividend by 9% to €0.75 per ordinary share. Subject to the approval of the Annual General Meeting, the shareholders can expect an increase of the dividend the 16th year in a row since the foundation of Fresenius Medical Care in 1996. In the subsequent years, we will align our dividend development to the growth in earnings per share. Information on the proposed dividend increase can be found in the "Dividend continuity" section *on page 25*.

Investments and acquisitions

In 2013, we intend to spend around $1 BN in absolute terms – or some 7% of revenue – on capital expenditures and acquisitions. Investments should account for around $0.7 BN or 5% of revenue in 2013. Around 50% of this amount is earmarked for expansion investments. Approximately $0.3 BN or 2% of revenue is to be used for acquisitions and equity investments.

In addition to the ongoing modernization of our dialysis clinics and production facilities, capital expenditures will primarily be used to open new dialysis clinics and expand our worldwide production capacities as well as on dialysis machines within the framework of long-term supply contracts. Additionally, capital expenditures will be used to rationalize production processes and to improve system support of internal processes. Furthermore, the Company is planning to continue making selective acquisitions to further consolidate the global business.

Cash flow

In 2013 the operating cash flow is again expected to account for more than 10% of revenue. To ensure that cash flow targets are met, the emphasis will continue to be on the management of current assets. With revenue forecast of more than $14.6 BN, this would result in an operating cash flow of around $1.5 BN in 2013.

Debt/EBITDA ratio

Fresenius Medical Care takes the debt/EBITDA ratio as its guideline for long-term financial planning. This ratio was 2.83 at the end of 2012. For 2013, the target figure is expected to be equal or below 3.0.

Financing

The Company's financing strategy gives top priority to ensuring our financial flexibility. With our only partly used credit facilities and accounts receivable facility Fresenius Medical Care has sufficient financial resources. In doing so, we are pursuing a target value for secured and unutilized credit facilities of at least $300 M to $500 M. Our 2013 principal financing needs are the payment of $140 M for a loan coming due in 2013. These payments as well as our dividend payment of approximately $300 M in May 3013 are

expected to be covered by our cash flows and by using existing credit facilities.

For further information, see the "Financial situation" section *starting on page 58*.

LEGAL STRUCTURE AND ORGANIZATION

The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) since 2006. Changes to the legal form are not planned in the foreseeable future. We intend to retain our decentralized organizational structure and the division into the three operating segments "North America", "International" and "Asia-Pacific". To our view, this well-proven structure ensures the best-possible flexibility and adaptation to market requirements.

FUTURE PRODUCTS AND SERVICES

We plan to spend approximately $140 M on research and development in the current financial year. The number of employees (currently 530 full-time equivalents) in this area is not expected to change significantly in 2013.

As a vertically integrated company, we aim to offer a complete portfolio of high-quality products and services for the treatment of chronic kidney failure that can be adapted flexibly to local market conditions and to the sometimes dynamic changes in healthcare systems and reimbursement structures.

In view of the growing challenge faced by healthcare systems to provide comprehensive, high-quality yet cost-effective care for an increasing number of patients, we want to use this extensive portfolio

T. 2.12.4 *Targets for 2013 and 2014*

	Results 2012	*Targets 2013*	*Targets 2014*
Revenue	$13.80 BN	>$14.6 BN	Increase of 6–8% at constant currency
Net income	$1.047 BN[1]	$1.1 BN–$1.2 BN	Based on revenue growth
Dividend	+9% per ordinary share to €0.75[2]	Based on development of earnings	Based on development of earnings
Investments, net	$666 M	~$700 M	~7–9% of revenues[3]
Acquisitions, net	$1.615 BN	~$300 M	~7–9% of revenues[3]
Debt/EBITDA ratio	2.8[4]	≤3.0	≤2.8
Employees[5]	86,153	>90,000	>92,000
Research and development expenses	$112 M	~$140 M	~$150 M
Product innovations	5008 CorDiax	Further expansion of product and service range	Further expansion of product and service range

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA. Adjusted for tax-free income from other investments to the amount of $140 M.*
[2] *Proposal to be approved by the Annual General Meeting on May 16, 2013.*
[3] *Based on capital expenditures and acquisitions.*
[4] *Pro forma numbers including Liberty Dialysis Holdings, Inc., after FTC mandated divestitures.*
[5] *Full-time equivalents.*

more and more to offer our healthcare partners integrated concepts for patient care. Thanks to our business model and our long-standing experience in operating an international network of clinics, we are in a particularly strong position to offer comprehensive high-quality solutions of this kind from a single source; see "Opportunities" section in the "Risk and opportunities report" *starting on page 113*.

One focus of our research and development work will be on developing innovations that incorporate additional treatment elements into our products and services or help to better align them – always with the aim of improving the quality, safety and cost-efficiency of treatment in equal measure. For example, we will be working on devices for our hemodialysis machines that reduce the handling of the bloodline system and its connections to just a few operations, thereby easing the workload of clinic staff. We will also be looking at integrating the dosage and administration of certain drugs into the dialysis machine cycle, along with new functions to improve the quality and safety of treatment.

In the interest of more comprehensive patient care, we will also continue to focus our software development efforts on developing integrated system solutions for clinical quality data management. These will be designed to enable a larger volume of data to be captured faster and more easily, enhance the quality of the data and thus continuously improve treatment. It is feasible in the long term, for example, that these systems will not only record the complete history of a patient's hemodialysis treatment, but also manage data as early as the preliminary stages of chronic kidney failure so that treatment can be better coordinated and possible preventive measures applied more specifically. A common data management solution for peritoneal and hemodialysis patients could also help to improve the coordination of treatment and thus its quality. These two patient groups are now normally logged in separate IT systems, although many peritoneal dialysis patients frequently switch to hemodialysis after a certain period due to the limitations of using the human peritoneum as a dialysis membrane.

In general, we will also continue to look into the issue of how new scientific and technological findings can be used to further improve the quality of life of a growing number of patients with chronic kidney failure – for example, through innovations in home therapies. Treatment safety will remain at the forefront of our efforts to continuously improve our products and services, and the concomitant diseases of chronic kidney failure will also remain a focus of our research.

A further research topic is transferring the blood cleansing process used for dialysis to other illnesses, like liver disease, septicemia or certain autoimmune and metabolic disorders. In the long term, we will continue researching new approaches to treating severe kidney and liver disease based on regenerative medicine. To do this, we work together with internationally renowned scientific institutions and universities that conduct research on adult liver and kidney stem cells.

Finally, we want to contribute further to reducing the environmental impact of our products and services during their lifecycle as far as possible.

EMPLOYEES

Due to the anticipated expansion in business, we expect the number of employees to grow in all regions in the current year, particularly in the area of dialysis services. By the end of 2013, the number of people working for Fresenius Medical Care is estimated to increase to more than 90,000 (full-time equivalents).

FUTURE USE OF NEW TECHNOLOGIES AND PROCESSES

With the assistance of the Global Manufacturing Operations division (GMO), we aim to help our regions to keep on providing their patients and customers with top product quality at the best price. At the same time, we intend to enable our regionally responsible Board Members and their teams to focus their work on developing and growing their dialysis services business. In 2013, one priority of GMO will be to diversify the global supplier portfolio even more so that we can reduce our product costs and offset currency and supply risks.

We will continue to harmonize our processes globally along the manufacturing chain, for example by migrating the current regional production systems to a common information technology system in the coming years. We will also introduce uniform IT systems in quality management, for example to document our processes internally and for complaint management.

In the current year, we aim to enhance the Fresenius Operating System (FOSY) (see the chapter "Procurement and production" *starting on page 70*) and promote its implementation in all regions. The management philosophy FOSY will enable us to increase quality in production, reduce costs and shorten lead times. In 2012, all operating units and quality management were included in FOSY. GMO finance and GMO administration will follow in 2013. In addition, we will strive to standardize improvement measures (use of same measures) or harmonize improvement measures (use of similar measures) across all regions. This will enable us to better identify best-practice approaches and use our strengths more effectively globally.

CHAPTER 2.13

Corporate Governance Report and Declaration on Corporate Governance

THE MANAGEMENT BOARD OF FRESENIUS MEDICAL CARE MANAGEMENT AG AND THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & 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 THE COMMUNICATION OF THE COMPANY ARE ITS KEY ELEMENTS.

The Management Board of the General Partner, Fresenius Medical Care Management AG, and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA hereinafter report pursuant to section 289a of the German Commercial Code (Handelsgesetzbuch – HGB) and to number 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex – DCGK) on the Company's corporate governance.

The Declaration on Corporate Governance is publicly available on the Company's website at www.fmc-ag.com in the section Investor Relations / Corporate Governance / Declaration on Corporate Governance.

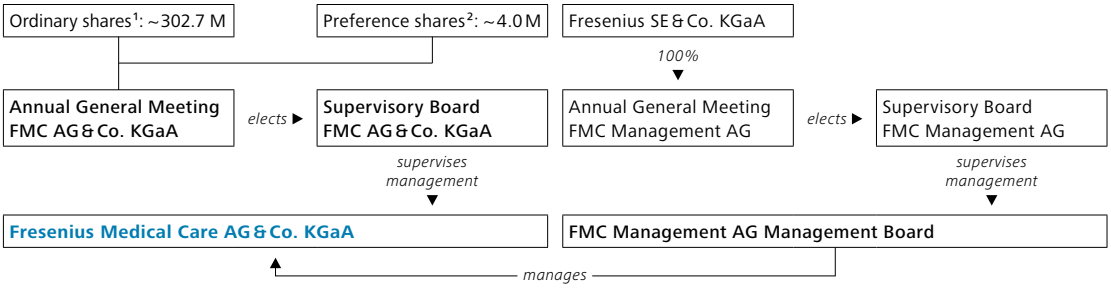
DECLARATION ON CORPORATE GOVERNANCE

Group Management and Supervision Structure

The legal form of the Company is that of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). The statutory bodies are the General Meeting, the Supervisory Board and the General Partner, which is Fresenius Medical Care Management AG. In the year under review 2012, there were no significant changes to the Group's management and supervision structure. The group management and supervisory structure is displayed in the chart 2.13.1.

C. 2.13.1 *Structure of Fresenius Medical Care AG & Co. KGaA*

Based on data as of December 31



[1] ~68.8 % Free Float, ~31.2 % Fresenius SE & Co. KGaA
[2] 100 % Free Float

FMC = Fresenius Medical Care

The Articles of Association of Fresenius Medical Care AG & Co. KGaA, which also specify the responsibilities of the bodies of the Company, are available online at www.fmc-ag.com in the section Investor Relations / Corporate Governance / Articles of Association.

Fresenius Medical Care aims for a corporate governance that ensures the highest transparency possible. The Management Board of the General Partner manages the business of the Company. In addition to the Company's Supervisory Board, Fresenius Medical Care Management AG has its own Supervisory Board.

Functioning of the Management Board and the Supervisory Board as well as Composition and Functioning of their Committees

The German Stock Corporation Act prescribes a dual management system for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares consisting of a management body and a supervisory board. The peculiarity in the case of the legal form of a KGaA is that its business activities are conducted by a personally liable shareholder (General Partner). In the case of Fresenius Medical Care AG & Co. KGaA, this is Fresenius Medical Care Management AG, whose Management Board is also responsible for conducting the business activities of the KGaA. Within the scope of statutory allocation of competences, the Supervisory Board is responsible for supervising and advising the Management Board and it is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are clearly defined by legislation and are strictly separated from one another.

The General Partner and its bodies

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board is responsible for managing the Company and conducting the Company's business. Its actions and decisions are directed towards the interests of the Company. Within the scope of filling managerial positions, the Management Board considers diversity and especially female representation in terms of selection from professionally qualified candidates. About one third of the participants of the stock option programs, which are reserved for managers, are female. In the year under review, the Management Board of the General Partner was composed of seven members.

In addition to observing legislation, the Articles of Association and the principles as explained herein, the General Partner's Management Board conducts the business activities of the Company in accordance with the applicable rules of procedure within the meaning of section 77 para. 2 of the German Stock Corporation Act (Aktiengesetz – AktG) and number 4.2.1 Sentence 2 of the German Corporate Governance Code. These rules of procedure define the principles of cooperation and provide for the schedule of responsibilities. Matters of special significance and scope are decided by the full Management Board in accordance with the rules of procedure. Deliberations of the Management Board are conducted by the Chairman of the Management Board or, if the latter is unavailable, by the Board member responsible for commercial matters or, if the latter is also unavailable, by the Board member who is the senior-most member in age of the Board Members present. The Chairman determines the order of the agenda items and the modus of voting. Unless unanimity or the acting of all Members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members.

The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least once a month. In practice, meetings of the Management Board generally take place twice a month.

In various cases, the rules of procedure require the Management Board to obtain the prior consent of the Supervisory Board or the competent Supervisory Board committee of the General Partner.

The Members of the Management Board and their areas of responsibility are introduced in the notes to the annual financial statements of Fresenius Medical Care AG & Co. KGaA for the year under review (the "notes") under "Management Board of the General Partner Fresenius Medical Care Management AG" (www.fmc-ag.com in the section Investor

Relations / Publications 2012 / Financial Statements according to German law (HGB)), on the internet at www.fmc-ag.com in the section Our Company / Management / Management Board and in the "Corporate report" *starting on page 12*.

As a stock corporation, Fresenius Medical Care Management AG also has its own Supervisory Board consisting of six members, which is chaired by Dr. Ulf M. Schneider. Other Members of the Supervisory Board of Fresenius Medical Care Management AG are Messrs. Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, William P. Johnston, Dr. Gerd Krick and Dr. Walter L. Weisman. As far as Members of the Supervisory Board of Fresenius Medical Care Management AG are also Members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, further information with regard to them can be found within the scope of information provided with regard to the Members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA in the notes under the header "Supervisory Board" (www.fmc-ag.com in the section Investor Relations / Publications 2012 / Financial Statements according to German law (HGB)), on the internet at www.fmc-ag.com in the section Our Company / Management / Supervisory Board and in the "Corporate report" *starting on page 155.* In addition to this, for the year under review the following information is provided with regard to Dr. Schneider, who is not a member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA:

Dr. Ulf M. Schneider
Chairman of the Management
Board of Fresenius Management SE

Supervisory Boards
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Medical Care Group France S.A.S.,
France (Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius HemoCare Netherlands B.V.,
The Netherlands
FPS Beteiligungs AG (Chairman; as of 25 April 2012)

Others
Fresenius Kabi USA, Inc., USA (Board of Directors)
FHC (Holdings), Ltd., Great Britain
(Board of Directors)

The Supervisory Board of Fresenius Medical Care Management AG appoints the Members of the Management Board and supervises and advises the Management Board in its management responsibilities. In accordance with number 5.1.3 of the German Corporate Governance Code, the Supervisory Board has established rules of procedure. Unaffected by the independence requirements according to statutory rules and to the demands of the German Corporate Governance Code, Fresenius Medical Care Management AG has committed itself by virtue of a so-called Pooling Agreement with Fresenius SE & Co. KGaA (inter alia) to a specific form of independence as defined therein. Pursuant to the Pooling Agreement, an "independent member" is a member of the Supervisory Board with no substantial business or professional relationship with Fresenius Medical Care AG & Co. KGaA, its General Partner, Fresenius SE & Co. KGaA, or its General Partner Fresenius Management SE, or any affiliates of these companies.

Supervisory Board of the Company

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA advises and supervises the business activities as conducted by the General Partner and performs the other duties assigned to it by law and by the Articles of Association. It is involved in strategy and planning as well as all matters of fundamental importance for the Company.

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA consists of the following six members: Dr. Gerd Krick (Chairman), Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, Prof. Dr. Bernd Fahrholz, William P. Johnston and Dr. Walter L. Weisman. Further information on the Members of the Supervisory Board can be found in the notes under the header "Supervisory Board" (www.fmc-ag.com in the section Investor Relations / Publications 2012 / Financial Statements according to German law (HGB)), on the internet at www.fmc-ag.com in the section Our Company / Management / Supervisory Board and in the "Corporate report" *starting on page 155*.

All Members of the Supervisory Board are elected by the General Meeting of Fresenius Medical Care AG & Co. KGaA as the competent election body according to the provisions of the German Stock Corporation Act. Such resolution of the General Meeting requires a majority of at least three quarters of the votes cast. Fresenius SE & Co. KGaA is excluded from voting on this issue (further explanations on this matter can be found under "Further Information regarding Corporate Governance" in the section titled "Shareholders"). When discussing its recommendations for the election of Members of the Supervisory Board to the General Meeting, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, what it considers an adequate number of independent Supervisory Board Members and diversity. This includes the aim to establish an appropriate female representation on a long-term basis. As the composition of the Supervisory Board needs to be aligned with the interests of the enterprise 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. 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. Therefore, the Supervisory Board has overall refrained from determining and taking into account specific objectives with respect to its composition when proposing candidates and from publishing the state of their implementation in the Corporate Governance Report. Accordingly, non-compliance is declared in the declaration of compliance of the 2012 financial year insofar. The declaration of compliance is included hereinafter, and can also be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations / Corporate Governance / Declaration of Compliance.

There is a strict separation between the Members of the Supervisory Board and those of the Management Board: simultaneous membership in both the Supervisory Board and the Management Board is not compatible with the law. In the year under review, the Supervisory Board did not include any members who were also Members of the General Partner's Management Board during the previous two years. The Members of the Company's Supervisory Board are independent in their decisions and are not bound by requirements or instructions of third parties.

The Supervisory Board consists of what it considers an adequate number of independent members, who also do not entertain any personal or business relations with the company, its corporate bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. Details on the treatment of potential conflicts of interests are set out in the section "Legal relationships with members of the Company's corporate bodies" below.

The term of office of the Members of the Supervisory Board is five years; the current term of office ends on conclusion of the General Meeting for 2016.

Details on the election, constitution and term of office of the Supervisory Board, its meetings and the adoption of resolutions, as well as its rights and obligations, are set out in Articles 8 et seq. of the Company's Articles of Association, which can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations / Corporate Governance / Articles of Association. According to number 5.1.3 of the German Corporate Governance Code, the Supervisory Board has furthermore adopted rules of procedure which set out, among other things, the modalities for convening meetings and the manner in which resolutions are adopted. Accordingly, the Supervisory Board meets at least twice per calendar half year. The deliberations of the Supervisory Board are conducted by the Chairman or, if the latter is unavailable, by his deputy, who also determines the order of the agenda items and the type of voting. As a rule, the Supervisory Board decides by simple majority of votes cast unless other majorities are prescribed by a mandatory provision of law. The Chairman of the Supervisory Board is responsible for coordinating and directing the Supervisory Board and represents the Supervisory Board vis-à-vis third parties.

In accordance with number 5.6 of the German Corporate Governance Code, the Members of the Supervisory Board regularly carry out efficiency evaluations with regard to their work. These take place in the form of open discussions in plenary meetings. On these occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the evaluations carried out show that each of the Supervisory Board and the committees are efficiently organised and that the co-operation of the Supervisory and Management Boards of the General Partner works very well, too.

The Members of the Supervisory Board regularly update themselves via in-house sources and via external sources about the current status of supervisory requirements. In addition to information provided to them by several external experts, also experts of the Company's departments regularly provide reports about relevant developments, such as – for example – relevant new developments in the revision of legal rules or in jurisprudence and also about recent developments in regulations on accounting according to U.S. GAAP and IFRS. In this way, the Supervisory Board, with the Company's reasonable assistance, ensures an ongoing qualification of its members and also a further development and updating of their expertise, power of judgment and experience, which is required for the Supervisory Board including its committees to duly perform their tasks.

In the year under review, five meetings of the Supervisory Board – partly lasting for several days – and several telephone conferences have taken place. Significant discussion topics have been the effects of the changes in the cost reimbursement system in the U.S., consequences of the worldwide economic situation for opportunities and risks for the development of the Company's business, possibilities to extent the current business as well as product innovations in development.

Further details about the aforementioned members' memberships in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations / Publications 2012 / Financial Statements according to German law (HGB)), on the internet at www.fmc-ag.com in the section Our Company / Management / Supervisory Board and in the "Corporate report" *starting on page 155*.

Committees of the Supervisory Boards

A) Committees of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA

From the midst of its members, the Supervisory Board of Fresenius Medical Care AG & Co. KGaA forms two standing committees, the Audit and Corporate Governance Committee and the Nomination Committee. Furthermore, there is a Joint Committee consisting of two members from each the Supervisory Board of the Company and the Supervisory Board of the General Partner.

Audit and Corporate Governance Committee

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA established an Audit and Corporate Governance Committee. During the year under review Messrs. Dr. Walter L. Weisman (Chairman), Prof. Dr. Bernd Fahrholz (Vice Chairman), Dr. William P. Johnston and Dr. Gerd Krick were members of this Committee.

The Audit and Corporate Governance Committee assists and advises the Supervisory Board and performs the duties incumbent on it by law and in accordance with the German Corporate Governance Code. Without prejudice to the responsibilities of the Supervisory Board, it also reviews the report of the General Partner on relationships with affiliated companies. In addition, the Audit and Corporate Governance Committee examines the report according to Form 20-F, which in addition to other disclosures includes the consolidated financial statements and the Group management report.

With the consent of the Supervisory Board, the Audit and Corporate Governance Committee adopted rules of procedure. The rules of procedure of the Audit and Corporate Governance Committees provide that between three and five members may belong to this Committee. The chairman shall not be a former member of the Management Board of the Company. All members of the Audit and Corporate Governance Committee must be independent within

the meaning of the Articles of Association of the Company (section 12 para. 2 sentence 3), which means that, apart from their membership in the Supervisory Board of the General Partner, they do not have any substantial business, professional or personal relationship with the Company or any of its affiliates. The question of independence is assessed solely by the Supervisory Board of the Company, with such independence as a rule being assumed where the member in question satisfies the requirements for independence pursuant to section 100 para. 5 of the German Stock Corporation Act and those of the New York Stock Exchange. Furthermore, members of the Audit and Corporate Governance Committee are required to possess expert knowledge in the finance and accounting sector. All members are independent within this meaning and were appointed to the Committee based on their specialist knowledge, their independence and their experience.

The Audit and Corporate Governance Committee convenes as circumstances require, but at least four times a year in any case. Meetings of the Audit and Corporate Governance Committee are lead by its chairman. A quorum of the body is constituted by the majority of its members. Subsequent to the meetings, the Audit and Corporate Governance Committee reports regularly through its chairman to the Supervisory Board of the Company and together with the latter addresses issues falling under the responsibility of the committee. In consultation with the Audit and Corporate Governance Committee, the Supervisory Board proposed KPMG AG Wirtschaftsprüfungsgesellschaft as auditor of the annual financial statements for the year under review.

Nomination Committee

In accordance with number 5.3.3 of the German Corporate Governance Code, the Supervisory Board has furthermore established a Nomination Committee. In the year under review, the Company's Nomination Committee included Dr. Gerd Krick (Chairman), Dr. Walter L. Weisman and Dr. Dieter Schenk. The Nomination Committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the Supervisory Board for the latter's nomination proposals to the General Meeting. In the year under review, the Nomination Committee was not convened as there was no demand to do so.

Joint Committee

Since 2006, Fresenius Medical Care AG & Co. KGaA has established a Joint Committee whose composition and activity is provided for in Articles 13a et seq. of the Articles of Association of the Company; these provisions can be viewed on the Company's website under www.fmc-ag.com in the section Investor Relations / Corporate Governance / Articles of Association. The Joint Committee is convened only as required, namely in cases of certain legal transactions defined in the Articles of Association as substantial transactions and for which the General Partner requires the consent of this body.

The Joint Committee is composed of two members of the Supervisory Board of the General Partner and two members of the Supervisory Board of the Company, with the chairman of this body being appointed by the General Partner. For the General Partner, Dr. Ulf M. Schneider and Dr. Gerd Krick have been named as members of the Joint Committee. By resolution of May 12, 2011, the General Meeting of the Company furthermore appointed Dr. Walter L. Weisman and William P. Johnston as members of the Joint Committee for Fresenius Medical Care AG & Co. KGaA.

The Joint Committee constitutes a quorum if at least three members are attending a meeting. As a rule, resolutions are adopted by simple majority of votes. When the Joint Committee has met, it reports to the General Meeting on its work; in this regard, section 171 para. 2 sentence 1 and sentence 2 (first half-sentence) as well as section 176 para. 1 sentence 1 of the German Stock Corporation Act apply mutatis mutandis. If resolutions have been adopted by the second vote being cast by the chairman, this fact must be disclosed in the report of the Joint Committee.

In the year under review, the Joint Committee was not convened as the requirements for a meeting have not been fulfilled.

Further details on the memberships of members of the aforementioned committees in other statutory supervisory boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the

section Investor Relations / Publications 2012 / Financial Statements according to German law (HGB)) and on the internet at www.fmc-ag.com in the section Our Company / Management / Supervisory Board.

B) Committees of the Supervisory Board of the General Partner

Furthermore, at the level of the Supervisory Board of the General Partner, Fresenius Medical Care Management AG, further Committees have been in place. The purpose of these committees is to raise the efficiency of the Supervisory Board's work and to deal with special issues of a complex nature, such as the composition and compensation of the Management Board, candidate proposals of the Supervisory Board of the General Partner as well as regulatory requirements and reimbursement of services in the dialysis field. These committees act only in a consulting capacity.

In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick, Mr. William P. Johnston and Dr. Walter L. Weisman.

In the year under review, members of the Regulatory and Reimbursement Assessment Committee were Messrs. William P. Johnston (Chairman), Rolf A. Classon (Vice Chairman) and Dr. Dieter Schenk.

Corresponding to number 5.3.3 of the German Corporate Governance Code, the Supervisory Board has furthermore established a Nomination Committee. In the year under review, the Nomination Committee of the General Partner's Supervisory Board included Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick (Deputy Chairman) and Dr. Walter L. Weisman. The Nomination Committee prepares Supervisory Board candidate proposals, and suggests suitable candidates to the General Partner's Supervisory Board for the latter's nomination proposals to its General Meeting. In the year under review, the Nomination Committee was not convened as there was no demand to do so.

Further details about the aforesaid members' membership in other statutory Supervisory Boards or in comparable domestic or foreign supervisory committees of business enterprises can be found in the notes to the financial statements under "Supervisory Board" (www.fmc-ag.com in the section Investor Relations / Publications 2012 / Financial Statements according to German law (HGB)), on the internet at www.fmc-ag.com in the section Our Company / Management / Supervisory Board and in the "Corporate report" *starting on page 155*.

Co-operation of General Partner and Supervisory Board of the Company

Good corporate governance requires an efficient co-operation between the management and the Supervisory Board on the basis of mutual trust. The General Partner and the Supervisory Board of the Company work together closely in the Company's interest: their joint goal is to increase the Company's value in the long term in compliance with the corporate governance principles and compliance regulations. The General Partner regularly informs the Company's Supervisory Board about all relevant issues regarding business policy, corporate planning and strategic enhancement, about the profitability of the Company as well as the development of business and the Group's position including an assessment of the risk situation. In the expired fiscal year, the Supervisory Board regularly advised the management, i.e. the Management Board of the General Partner, on the Company's management and supervised it in line with its responsibility as Supervisory Board of the partnership limited by shares.

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Compliance

Global business activities result in global responsibility. As the global market leader in dialysis, Fresenius Medical Care is aware of its responsibility.

We are committed to conduct the Company's business activities in compliance with local laws and regulations. We seek to demonstrate professionalism, honesty and integrity in the business relationships with our patients, customers, suppliers and other business partners, with the public authorities and the payors within the healthcare system, with our employees, shareholders and the general public.

For us, compliance means adhering to defined ethical and legal guidelines as part of our business activities. Observing compliance guidelines is an integral part of our corporate culture. We have implemented Fresenius Medical Care's compliance program in all of our business regions. Thus, our compliance guidelines apply to all our subsidiaries.

Our compliance program comprises of a code of conduct that has been approved by the Management Board. The code of conduct applies worldwide in every business section and combines our long-term interests with those of our partners. It describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies. The code of conduct is based on the core values of our Company: quality, honesty and integrity, innovation and improvement, respect, teamwork and dignity. Our corporate culture and policy as well as our entire business activities are guided by these values. Each employee is called on to ensure, by complying with the laws as well as the guidelines and rules of the code of conduct, that Fresenius Medical Care is appreciated as a partner of integrity and reliability in the healthcare system for patients, customers, suppliers, public authorities and the general public.

All employees have the possibility of reporting suspected violations of applicable laws or company policies. Information on violations may also be provided anonymously.

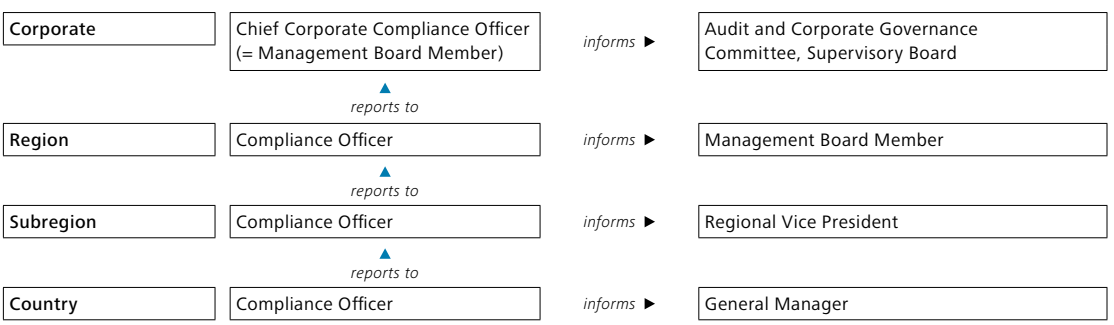
Further details can be obtained from the code of conduct published on the website of the Company at www.fmc-ag.com in the section Our Company / Compliance / Code of Conduct.

In his capacity as the Chief Compliance Officer, the member of the Management Board responsible for compliance regularly provides a compliance update to the Audit and Corporate Governance Committee of Fresenius Medical Care AG & Co. KGaA and to the Supervisory Board of Fresenius Medical Care Management AG.

We continued our compliance training activities in 2012. As part of this training, local compliance officers were given the opportunity at conferences to exchange their experiences with the compliance officers from their respective business regions. As the chart below shows, these officers are assigned a key role: They are responsible that each employee is informed about our code of conduct and its goals. At the same time, they are responsible for related training measures. Compliance officers act as contacts for our employees and can be reached via special telephone numbers or by e-mail. Of course, our local compliance officers can also be approached in person.

In the year under review, we strengthened the network and global cooperation within our compliance organization and promoted the exchange on company-wide compliance topics by hosting our compliance conferences in several regions.

C. 2.13.2 *Organizational structure of the compliance program*



In addition, we have leveraged current resources to strategically strengthen our compliance program through initiatives like online employee training and increased communication within the Company.

Our compliance program is also an integral part of our risk and opportunity management.

Risk and Opportunity Management

At Fresenius Medical Care, an integrated management system is in place to ensure that risks and opportunities are already identified at an early stage, optimizing the risk profile and minimizing the costs potentially related to the occurrence of risks through timely intervention. Our risk management is therefore an important component of the corporate management of Fresenius Medical Care. The adequateness and effectiveness of our internal control systems for the financial reporting are reviewed on a regular basis by the Management Board and by our auditor.

Further information about the risk and opportunity management system, our internal control system for the financial reporting and the compliance program can be found in the risk management section of the management report, on the internet under www.fmc-ag.com in the section Investor Relations / Publications 2012 / Financial Statements according to German law (HGB) and in the "Corporate report" *starting on page 104*.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

The German Corporate Governance Code includes key recommendations for the management and supervision of companies listed on a German stock exchange with the aim of making the rules for managing and supervising companies in Germany more transparent for investors. The code is also intended to enhance the trust of the public as well as that of employees and customers in the management and supervision of listed stock corporations.

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA endorse the principles set forth in the German Corporate Governance Code. The majority of the guidelines, recommendations and suggestions in the code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company. Comprehensive information regarding corporate governance is available on our website at www.fmc-ag.com in the Investor Relations section.

The annually required Declaration of Compliance according to section 161 of the German Stock Corporation Act issued by the Management Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA as of December 2012 as well as previous Declarations of Compliance are made permanently available to shareholders according to section 161 para. 2 of the German Stock Corporation Act and number 3.10 of the German Corporate Governance Code among other extensive information on corporate governance on the Company's website at www.fmc-ag.com in the section Investor Relations / Corporate Governance / Declaration of Compliance.

Declaration by the Management Board of the general partner of Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, and by the Supervisory Board of Fresenius Medical Care AG & 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 Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, (hereafter the Management Board) and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA declare that since issuance of the previous declaration of compliance in December 2011 the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice in the official section of the Federal Gazette (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 his/her 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 Medical Care in accordance with the German Stock Corporation Act 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 in 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 Medical Care 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, reasonably a report on implementation of the general declaration of intent cannot be made till then.

Bad Homburg, December 2012

Management Board of the general partner of
Fresenius Medical Care AG & Co. KGaA,
Fresenius Medical Care Management AG, and
Supervisory Board of Fresenius Medical
Care AG & Co. KGaA

FURTHER INFORMATION REGARDING CORPORATE GOVERNANCE

Shareholders

Company shareholders exercise their rights and voting powers in the General Meeting. Each ordinary share of Fresenius Medical Care AG & Co. KGaA entitles the holder to one vote at the General Meeting. The preference shares of Fresenius Medical Care AG & Co. KGaA do not grant any voting rights. As compensation, preference shareholders receive a preference in earnings distribution and a higher dividend. Shares with multiple or preference voting rights do not exist. As a matter of principle, the General Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review), respectively, its sole shareholder, Fresenius SE & Co. KGaA, can exercise at the General Meeting the voting rights connected with the ordinary shares it holds in Fresenius Medical Care AG & Co. KGaA. However, the General Partner and its sole shareholder are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the Members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, as well as the election of the auditor of the annual financial statements. This is to guarantee that the shareholders in the partnership limited by shares (KGaA) can solely decide on these matters, particularly those concerning the control of the Management.

General Meeting

According to the principles of the German Stock Corporation Act (Aktiengesetz), shareholders can exercise their voting rights at the Annual General Meeting themselves, by proxy via a representative of their choice, or by a company-nominated proxy acting on their instructions. Proxy voting instructions to a company nominee can be issued before and during the Annual General Meeting until the end of the open discussion period.

In the year under review, the Annual General Meeting of Fresenius Medical Care AG & Co. KGaA took place on May 10, 2012 in Frankfurt/Main (Germany). Approximately 78% of the ordinary share capital and approximately 2% of the preference share capital were represented. In 2011, more than 79% of the ordinary share capital and about 2.2% of the preference share capital were represented at the Annual General Meeting. All shareholders who were not able to participate had the possibility to follow the speech of the Chairman of the Management Board live on the internet. At the Annual General Meeting, resolutions were passed on the following topics:

- approval of the annual financial statements for the fiscal year 2011,
- allocation of distributable profit,
- approval of the actions of the General Partner and the Supervisory Board,
- election of the auditors and consolidated group auditors for the fiscal year 2012,
- resolution on the amendment to section 12 para. 2 sentence 2 of the Company's articles of association (composition of the Audit and Corporate Governance Committee).

All documents and information about the General Meeting and in particular the voting results and the speech of the Chairman of the Management Board are available on our website at www.fmc-ag.com in the section Investor Relations / Annual General Meeting.

Legal relationships with members of the Company's corporate bodies

When making decisions and in connection with the tasks and activities performed by them, the Members of the Management Board of the General Partner and of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, as well as the Supervisory Board of Fresenius Medical Care Management AG, do not pursue personal interests or give unjustified advantages to other people. Any outside activities or business dealings with the Company by members of the corporate bodies are to be disclosed to the Supervisory Board immediately and are subject to its approval, if necessary. The Supervisory Board reports to the General Meeting about possible conflicts of interests and how to deal with them. Furthermore, Dr. Ben J. Lipps as the Chairman of Fresenius Medical Care Management AG's Management Board, in the year under review, with the approval of Fresenius Medical Care Management AG's Supervisory Board, without a change remained at the same time a member of the Management Board of Fresenius

Management SE. The Members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA Dr. Krick (Chairman) and Dr. Schenk (Vice Chairman) were, in the year under report, also Members of the Supervisory Board of Fresenius Medical Care Management AG (Dr. Schenk as Vice Chairman) and of the Supervisory Board of Fresenius Management SE (Dr. Krick as Chairman, Dr. Schenk as Deputy Chairman), the general partner of Fresenius SE & Co. KGaA. Furthermore, Dr. Krick is the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. Dr. Schenk continues to be chairman of the administrative board of the Else Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE as well as limited shareholder of Fresenius SE & Co. KGaA, and co-executor of the estate of Mrs. Else Kröner. Dr. Krick receives a pension from Fresenius SE & Co. KGaA due to his previous work on the Management Board of the company. During the year under review, consulting or other service relationships between Members of the Supervisory Board and the Company existed only in the case of Dr. Schenk, who was in the year under review a member of the Supervisory Board of the Company and of the Supervisory Board of Fresenius Medical Care Management AG, a member of the Supervisory Board of Fresenius Management SE and, at the same time, a partner of the law firm Noerr LLP. In the year under review, the companies of the internationally operating law firm Noerr acted for Fresenius Medical Care AG & Co. KGaA and affiliated companies as legal advisor. The Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA have concerned themselves with each of the assignments in a detailed manner; moreover, the Supervisory Board dealt with the fee volume for the legal advice rendered by the law firm Noerr in proportion to the fee volume for other law firms. As regards specific mandates for future services to be provided by law firm Noerr and as regards the first three quarters of the year under review, the Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA have already given their consent to such activity, with Dr. Schenk abstaining from the vote. The resolutions were in each case passed on the basis of a written document for the Supervisory Board specifically stating each single mandate and the invoices rendered for each mandate. All payments rendered to the law firm Noerr in the year under review were made only after the approval of both Supervisory Boards. Any services rendered in the fourth quarter of the year under review will presumably be topic of the Supervisory Board's Meeting in March 2013 and will also be compensated only after approval has been obtained.

In the year under review, an amount of approximately €1.4 M (plus VAT) was paid or processed for payment in December 2012 by Fresenius Medical Care to law firm Noerr (2011: approximately €1.4 MIO). This represents less than 3% of Fresenius Medical Care's worldwide legal and other consultancy fees.

Information on Directors' Dealings and Shareholding

According to section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG), Members of the Management and Supervisory Boards or other employees in management positions are required to inform the Company when buying or selling shares in Fresenius Medical Care and related financial instruments if the volume exceeds €5,000 within a single year. During fiscal year 2012, we received a total of fifteen disclosures according to section 15a of the German Securities Trading Act, on which further information is provided in the chart 2.13.3 *starting on page 138*.

In accordance with applicable regulation, we have published these disclosures on our website at www.fmc-ag.com in the section Investor Relations / Corporate Governance / Directors' Dealings / Single Dealings.

Transparency of our Reporting

Fresenius Medical Care meets all transparency requirements imposed by number 6 of the German Corporate Governance Code. We attach special importance to informing our shareholders simultaneously and uniformly about our Company in our regular financial reporting events. Ad hoc releases and our corporate website play an essential role in these efforts. They provide investors and other interested persons equally with direct and timely access to the information we release.

T. 2.13.3 *Director's Dealings 2012*

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
March 9, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ben J. Lipps, Chairman of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: March 6, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Sale Quotation/Price per Share: €52.60550 Quantity: 70,935 Amount: €3,731,571.14 Place: XETRA Comments: Sale of Ordinay Shares
March 14, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Walter L. Weisman, Member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA	Date of Transaction: March 9, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ADR; ISIN US 3580291066) Type of Transaction: Purchase Quotation/Price per Share: $68.17 Quantity: 2,000 Amount: $136,340.00 Place: NYSE Comments: Purchase of Ordinay Shares (ADR)
March 27, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Rolf A. Classon, Member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA	Date of Transaction: March 23, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ADR; ISIN US 3580291066) Type of Transaction: Purchase Quotation/Price per Share: $68.50 Quantity: 2,857 Amount: $195,714.49 Place: NYSE Comments: Purchase of Ordinay Shares (ADR)
May 16, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Emanuele Gatti, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: May 17, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €52.60 Quantity: 25,469 Amount: €1,339,669.40 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
May 16, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ben J. Lipps, Chairman of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: May 17, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €52.692998 Quantity: 99,600 Amount: €5,248,222.80 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)

T. 2.13.3 *Director's Dealings 2012*

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
June 6, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Michael Brosnan, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: June 5, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €53.71 Quantity: 1,140 Amount: €61,229.40 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
June 26, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Roberto Fusté, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: June 26, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €54.522365 Quantity: 10,469 Amount: €570,794.64 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
November 16, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Rainer Runte, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: November 13, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €52.997595 Quantity: 35,469 Amount: €1,879,771.70 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
November 16, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Rainer Runte, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: November 15, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Purchase Quotation/Price per Share: €52.08648333 Quantity: 600 Amount: €31,567.51 Place: XETRA Comments: Purchase of ordinary shares

T. 2.13.3 *Director's Dealings 2012*

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
November 23, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Emanuele Gatti, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: November 23, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €51.615761 Quantity: 45,000 Amount: €2,322,709.25 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
November 30, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Roberto Fusté, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: November 28, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €51.187736 Quantity: 40,275 Amount: €2,061,586.07 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
December 12, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Michael Brosnan, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: December 7, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €53.703031 Quantity: 2,280 Amount: €122,442.84 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)
December 12, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ben J. Lipps, Chairman of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: December 10, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €54.0828 Quantity: 199,200 Amount: €10,773,293.76 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)

T. 2.13.3 *Director's Dealings 2012*

Notifying Date	*Issuer*	*Notifying Party*	*Transaction*
December 12, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Dr. Ben J. Lipps, Chairman of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: December 11, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Purchase Quotation/Price per Share: €53.9688 Quantity: 55,000 Amount: €2,968,284.00 Place: XETRA Comments: Purchase of ordinary shares
December 14, 2012	Fresenius Medical Care AG & Co. KGaA, 61346 Bad Homburg v.d.H.	Roberto Fusté, Member of the Management Board of Fresenius Medical Care Management AG	Date of Transaction: December 13, 2012 Title of Security/Right: Fresenius Medical Care AG & Co. KGaA Ordinary Share (ISIN DE 0005785802) Type of Transaction: Exercise of stock options against cash settlement Quotation/Price per Share: €54.193635 Quantity: 4,773 Amount: €258,666.22 Place: XETRA Comments: Exercise of stock options on Fresenius Medical Care shares of the stock option plan and sale of the shares (cash settlement)

All ad hoc releases as well as other news are published on our website at www.fmc-ag.com in the section Investor Relations / News. We keep our shareholders informed of key dates on the website of Fresenius Medical Care at www.fmc-ag.com in the section Investor Relations / Financial Calendar.

Financial Accounting and Audit, Stock Exchange Listing

Fresenius Medical Care prepares its consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP) and in U.S. dollars. In line with this, the consolidated financial statements as well as the interim consolidated quarterly reports are also prepared in accordance with these principles. The consolidated financial statements are published within the first 90 days of the end of each fiscal year, and the quarterly reports within the first 45 days of the end of each quarter.

As required by law, consolidated financial statements and a Group management report as well as quarterly reports continue to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The annual financial statements and the management report of Fresenius Medical Care AG & Co. KGaA are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The annual financial statements are decisive for the distribution of the annual profit.

Moreover, an annual report of Fresenius Medical Care, which equally reflects the requirements of U.S. GAAP and the German Commercial Code, is published each year.

Fresenius Medical Care shares are listed on the stock exchange in the U.S. (as American Depositary Receipts) and in Germany. We are therefore subject to a number of regulations and recommendations regarding the management, administration and monitoring of our Company. On the one hand, in addition to mandatory requirements under stock corporation and commercial law, we comply with the regulations of Deutsche Börse and adhere to most of the

recommendations of the German Corporate Governance Code. On the other hand, being a non U.S. company (a "foreign private issuer") we are subject to the regulations connected to our listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. We fully meet all of the current requirements applicable to our Company.

Fresenius Medical Care's declaration concerning significant differences between the systems of corporate governance in Germany and the U.S. – which is based on the listing standards of the New York Stock Exchange – can be accessed on the internet under www.fmc-ag.com in the section Investor Relations / Corporate Governance / NYSE-Declaration.

COMPENSATION REPORT

The compensation report of Fresenius Medical Care AG & Co. KGaA summarizes the main elements of the compensation system for the Members of the Management Board of Fresenius Medical Care Management AG as general partner of Fresenius Medical AG & Co. KGaA and in this regard notably explains the amounts and structure of the compensation paid to the Management Board. Furthermore, the principles and the amount of the remuneration of the Supervisory Board are described. The compensation report is part of the management report of the annual financial statements and the annual consolidated group financial statements of Fresenius Medical Care AG & Co. KGaA as of December 31, 2012. 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 (HGB).

Compensation of the Management Board

The entire Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation of the Management Board. The Supervisory Board is assisted in this task by a personnel committee, the Human Resources Committee. In the year under review, the Human Resources Committee was composed of Dr. Ulf M. Schneider (Chairman), Dr. Gerd Krick (Vice Chairman), William P. Johnston and Dr. Walter L. Weisman.

I. Structure and amount of compensation

The current Management Board compensation system was last approved by resolution of the General Meeting of Fresenius Medical Care AG & Co. KGaA on May 12, 2011, with a majority of 99.71% of the votes cast. Furthermore, this Management Board compensation system was reviewed by an independent external compensation expert at the beginning of the year under review.

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 success 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 fiscal year 2012:

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

The individual components are designed on the basis of the following criteria:

In fiscal year 2012, the non-performance-based compensation was paid in monthly installments, or with respect to several US resident Members of the Management Board in bi-weekly installments as base salary. Moreover, the Members of the Management Board

received additional benefits consisting mainly of payment for insurance premiums, the private use of company cars, special payments such as foreign supplements, rent supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges and additional contributions to pension and health insurance.

Performance-based compensation will also be awarded for the fiscal year 2012 as a short-term cash component (annual bonus) and a longer-term share-based compensation component (stock options, share-based compensation with cash settlement). The amount of the performance-based compensation component in each case depends on the achievement of individual and common targets:

The targets used to determine bonus awards for the Members of the Management Board are measured by growth of consolidated after-tax earnings (EAT growth), the development of free cash flow (cash flow before acquisitions) and operating profit margin. All values are derived from the comparison of target amounts and actual results. Furthermore, targets are divided into Group level (consolidated) targets and those to be achieved in individual regions. Lastly, the various target parameters are weighted differently by their relative share in the aggregate amount of variable compensation depending on the respective (regional) areas of responsibility assumed by the Members of the Management Board.

Variable compensation was based upon EAT growth of at least 6% in the year under review, with the maximum bonus payable upon achievement of EAT growth of 15% (cap). Furthermore, the Members of the Management Board assuming Group functions and the Members of the Management Board with regional responsibilities were also evaluated by reference to the development of free cash flow within the Group or in the relevant regions, respectively, during the period under review, with the targets being within a range of rates between 3 and 6% of the respective free cash flow related to the turnover. For Board members with regional responsibilities, variable compensation was also based on growth of regional operating margins within the year under review, with targets ranging between 13 and 18.5%.

As a rule, for Members of the Management Board with Group functions – these are Dr. Ben J. Lipps (until December 31, 2012), Mr. Michael Brosnan and Dr. Rainer Runte – EAT growth accounts for 80% of variable compensation and is thus weighted higher than for Board Members having responsibility for regional earnings (these are Mr. Roberto Fusté, Dr. Emanuele Gatti and Mr. Rice Powell) or in the Global Manufacturing Operations division (Mr. Kent Wanzek), where EAT growth accounts for 60%. Twenty percent of variable compensation for all Members of the Management Board is based upon achievement of the target for free cash flow; likewise, 20% of variable compensation is based upon achievement of target operating profit margins in the regions.

In the year under review, the bonus components to be paid via cash payment in principle consisted of a short-term annual cash bonus and – subject to the separate phantom stock component in accordance with the terms of the Company's Phantom Stock Plan 2011 which will be described hereinafter – a further share-based compensation component (long-term), to be paid by way of cash settlement based on the performance of the stock exchange price of the ordinary shares of Fresenius Medical Care AG & Co. KGaA. If the annual targets are achieved, the cash is paid after the end of the respective fiscal year in which the target is achieved. The share-based portion of the variable bonus to be granted yearly in case of achievement of the yearly targets is subject to a three- or four-year vesting period, although a shorter period may apply in special cases (e.g. professional incapacity, entry into retirement, non-renewal by the company of expired service agreements). The amount of the cash payment of this share-based compensation is based on the share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the three- or four-year vesting period. Therefore, the share-based portion of the variable bonus is included in long-term incentive compensation. The annual targets of the aforementioned and respectively applicable key data are valued at a maximum of 120% and subject to a fixed multiplier, thereby limiting the variable compensation.

In determining the variable compensation, the long-term compensation components (including the stock option and phantom stock components described below) are granted in amounts which constitute at least 50% of the total variable components. Should this turn out not to be the case mathematically, the Management Board members' contracts provide that the portion of variable compensation payable as short-term annual bonus shall be reduced and the portion payable as long-term share-based cash components be correspondingly increased, in order to meet this requirement. Total performance-based compensation payable for each of the Members of the Management Board is also capped. The share-based compensation components also contain a limitation for cases of extraordinary developments. The Supervisory Board may also grant a discretionary bonus for extraordinary performance.

In addition, a special bonus component applied in some cases for fiscal years 2006, 2007 and 2008 which was linked to the achievement of targets measured only over this three-year period but whose payment was also subject, in part, to a vesting period of several years through 2012. This bonus component also included special components linked to the achievement of extraordinary financial targets related to special integration measures (e.g. in connection with the acquisition of Renal Care Group in the U.S.) and thus required the achievement of an extraordinary increase in earnings. The present report also reflects those payments based on this earlier bonus component but exercised and paid only in the year under review (see table 2.13.7 "Expenses for long-term incentive components" *on page 146*).

For fiscal years 2012 and 2011 the amount of cash compensation payments to Members of the General Partner's Management Board without long-term incentive components are shown in table 2.13.4.

In addition to the aforementioned payment of a portion of the variable bonus payable to Members of the Management Board in the form of a share-based compensation component with cash settlement, stock options under the Company's Stock Option Plan 2011 and phantom stock awards under the Phantom Stock Plan 2011 were granted as additional components with long-term incentive effects in fiscal year 2012. The Stock Option Plan 2011, together with the Phantom Stock Plan 2011, forms the Long Term Incentive Plan 2011 (LTIP 2011).

Members of the Management Boards of affiliated companies, managerial staff members of the Company and of certain affiliated companies, and the Members of the Management Board of the General Partner are entitled to participate in LTIP 2011. Under LTIP 2011 a combination of stock options and phantom

T. 2.13.4 *Amount of cash payments*
in € THOUS

	Non-performance related compensation				*Performance related compensation*		*Cash compensation (without long-term incentive components)*	
	Salary		*Other*[1]		*Bonus*			
	2012	*2011*	***2012***	*2011*	***2012***	*2011*	***2012***	*2011*
Dr. Ben J. Lipps	973	862	302	182	1,438	1,078	2,713	2,122
Michael Brosnan	525	467	247	183	776	584	1,548	1,234
Roberto Fusté	550	500	251	188	692	552	1,493	1,240
Dr. Emanuele Gatti	700	675	115	121	937	734	1,752	1,530
Rice Powell	771	682	31	27	1,235	978	2,037	1,687
Dr. Rainer Runte	440	425	41	42	650	531	1,131	998
Kent Wanzek	405	359	29	17	649	515	1,083	891
▸ *Total*	**4,364**	**3,970**	**1,016**	**760**	**6,377**	**4,972**	**11,757**	**9,702**

[1] *Includes insurance premiums, private use of company cars, rent supplements, contributions to pension and health insurance and other benefits.*

stock awards are granted to the participants. Stock options and phantom stock awards will be granted on specified grant days during a period of five years. The number of stock options and phantom stock awards to be granted to the Members of the General Partner's Management Board is determined by the General Partner's Supervisory Board in its discretion. In principle all Members of the Management Board are entitled to receive the same quantity, with the exception of the Chairman of the Management Board, who is entitled to receive double the number of stock options and phantom stock awards granted to the Management Board Members, and the Vice Chairman of the Management Board who is entitled to receive one and a half times such number. At the time of the grant participants can choose a ratio based on the value of the stock options vs. the value of phantom stock awards in a range between 75:25 and 50:50. The exercise of stock options and phantom stock awards is subject to several conditions, including the expiration of a four year waiting period, the consideration of black-out periods, the achievement of a defined success target and the existence of a service or employment relationship. Stock options may be exercised within four years and phantom stock awards within one year after the expiration of the waiting period. For Management Board Members who are U.S. tax payers specific conditions apply with respect to the exercise period of phantom stock awards. The success target is achieved in each case if, after the grant to participants, either the adjusted basic income per ordinary share increases by at least eight per cent per annum in comparison to the previous year in each case or – if this is not the case – the compounded annual growth rate of the adjusted basic income per ordinary share during the four years of the waiting period reflects an increase of at least eight per cent per annum. If with regard to any year or more than one of the four years within the waiting period neither the adjusted basic income per ordinary share increases by at least eight per cent per annum in comparison to the previous year nor the compounded annual growth rate of the adjusted basic income per ordinary share during the four years of the waiting period reflects an increase of at least eight per cent per annum, the stock options and phantom stock awards subject to such waiting period are cancelled in the proportion of 25% for each year in which the target is not achieved within the waiting period, up to 100%. For the purposes of this compensation report phantom stock awards are included in the share-based compensation component with cash settlement and therefore in the long-term incentive components and disclosed accordingly hereunder.

Additional information regarding the terms of Stock Option Plan 2011 and of the two other employee participation programs in place at January 1, 2012 and secured by conditional capital, which entitled their

T. 2.13.5 *Long-term incentive effect*

	Stock options				Share-based compensation with cash settlement[1]		Total	
	Number		Value in € THOUS		Value in € THOUS		Value in € THOUS	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Ben J. Lipps	74,700	74,700	947	1,004	768	684	1,715	1,688
Michael Brosnan	37,350	37,350	474	502	403	357	877	859
Roberto Fusté	37,350	37,350	474	502	375	346	849	848
Dr. Emanuele Gatti	29,880	29,880	379	402	558	505	937	907
Rice Powell	56,025	56,025	710	753	628	570	1,338	1,323
Dr. Rainer Runte	37,350	34,860	474	469	361	372	835	841
Kent Wanzek	37,350	37,350	474	502	361	334	835	836
▸ *Total*	**310,005**	**307,515**	**3,932**	**4,134**	**3,454**	**3,168**	**7,386**	**7,302**

[1] *This includes Phantom Stocks granted to Board Members during the fiscal year. The share-based compensation amounts are based on the grant date fair value.*

participants to convertible bonds or stock options (from which, however, in fiscal year 2012 no further options could be issued), are described in more detail in the notes of the annual financial statements / annual consolidated group financial statements in the section on conditional capital and in the "Financial report" *starting on page 9*.

Under Stock Option Plan 2011 in the year under review 2,166,035 stock options were granted in total (in 2011: 1,947,231), with 310,005 stock options (in 2011: 307,515) granted to the Management Board Members. Moreover, in fiscal year 2012 178,729 (in 2011: 215,638) phantom stock awards were granted under the Phantom Stock Plan 2011, 23,407 awards (in 2011: 29,313) granted to Management Board Members.

For fiscal years 2012 and 2011 the number and value of stock options issued to Members of the Management Board and the value of other share-based compensation with cash settlement paid to them is shown individually in table 2.13.5 *on page 145*.

T. 2.13.6 — *Total compensation*

in € THOUS

	Cash compensation (without long-term incentive components)		*Components with long-term incentive effect*		*Total compensation (including long-term incentive components)*	
	2012	2011	**2012**	2011	**2012**	2011
Dr. Ben J. Lipps	2,713	2,122	1,715	1,688	4,428	3,810
Michael Brosnan	1,548	1,234	877	859	2,425	2,093
Roberto Fusté	1,493	1,240	849	848	2,342	2,088
Dr. Emanuele Gatti	1,752	1,530	937	907	2,689	2,437
Rice Powell	2,037	1,687	1,338	1,323	3,375	3,010
Dr. Rainer Runte	1,131	998	835	841	1,966	1,839
Kent Wanzek	1,083	891	835	836	1,918	1,727
▸ *Total*	**11,757**	**9,702**	**7,386**	**7,302**	**19,143**	**17,004**

T. 2.13.7 — *Expenses for long-term incentive components*

in € THOUS

	Stock options		*Share-based compensation with cash settlement*		*Share-based compensation*	
	2012	2011	**2012**	2011	**2012**	2011
Dr. Ben J. Lipps	2,136	1,098	1,681	780	3,817	1,878
Michael Brosnan	309	186	186	95	495	281
Roberto Fusté	383	408	221	125	604	533
Dr. Emanuele Gatti	348	398	469	405	817	803
Rice Powell	537	501	439	439	976	940
Dr. Rainer Runte	374	404	188	299	562	703
Kent Wanzek	309	186	164	80	473	266
▸ *Total*	**4,396**	**3,181**	**3,348**	**2,223**	**7,744**	**5,404**

The stated values of the stock options granted to the Members of the Management Board in fiscal year 2012 correspond to their fair value at the time of grant, namely a value of €12.68 (2011: €13.44) per stock option. The exercise price for the stock options granted in 2012 is €57.30 (2011: €52.48).

At the end of fiscal year 2012, the Members of the Management Board held a total of 2,201,205 stock options and convertible bonds, which are collectively referred to as stock options (2011: 2,354,875 stock options).

T. 2.13.8 *Development and status of the stock options*

	Options outstanding January 1, 2012		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	572,700	37.20	74,700	57.30
Michael Brosnan	306,948	33.56	37,350	57.30
Roberto Fusté	377,336	32.11	37,350	57.30
Dr. Emanuele Gatti	375,287	31.40	29,880	57.30
Rice Powell	280,125	39.90	56,025	57.30
Dr. Rainer Runte	319,329	34.98	37,350	57.30
Kent Wanzek	123,150	43.04	37,350	57.30
▸ *Total*	**2,354,875**	**35.31**	**310,005**	**57.30**

	Options exercised during the fiscal year		
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*
Dr. Ben J. Lipps	298,800	33.30	53.62
Michael Brosnan	3,420	12.88	53.71
Roberto Fusté	55,517	13.40	52.07
Dr. Emanuele Gatti	70,469	17.91	51.97
Rice Powell	–	–	–
Dr. Rainer Runte	35,469	18.33	53.00
Kent Wanzek	–	–	–
▸ *Total*	**463,675**	**27.28**	**53.14**

	Options outstanding December 31, 2012				*Options exercisable December 31, 2012*	
	Number	*Weighted average exercise price in €*	*Weighted average remaining contractual life in years*	*Range of exercise prices in €*	*Number*	*Weighted average exercise price in €*
Dr. Ben J. Lipps	348,600[1]	44.85	5.36	30.49 – 57.30	99,600[1]	31.97
Michael Brosnan	340,878	36.37	3.51	11.42 – 57.30	216,378	28.53
Roberto Fusté	359,169	37.62	3.41	11.42 – 57.30	234,669	31.04
Dr. Emanuele Gatti	334,698	36.55	3.33	11.42 – 57.30	225,138	30.32
Rice Powell	336,150	42.80	4.52	31.97 – 57.30	149,400	33.79
Dr. Rainer Runte	321,210	39.42	3.59	14.47 – 57.30	199,200	32.97
Kent Wanzek	160,500	46.36	5.40	31.97 – 57.30	36,000	33.73
▸ *Total*	**2,201,205**	**40.10**	**4.06**	**11.42 – 57.30**	**1,160,385**	**31.28**

[1] *Due to the leaving on age grounds of Dr. Ben J. Lipps as of December 31, 2012, his stock options remain unaffected by the ending of his service agreement according to the plan terms.*

The development and status of stock options of the Members of the Management Board in fiscal year 2012 are shown in more detail in table 2.13.8 *on page 147*.

Based on the targets achieved in fiscal year 2012, performance-based bonuses payable in the form of share-based compensation with cash settlement totalling €2,141 THOUS (2011: €1,657 THOUS) were earned by Members of the Management Board. On the basis of that value of the share-based compensation, determination of the specific number of shares will not be made by the Supervisory Board until March 2013, based on the then current price of the ordinary shares of Fresenius Medical Care AG & Co. KGaA. This number will then serve as a multiplier for the share price and as a base for calculation of the payment after the three-year vesting period.

Phantom stock awards with a total value of €1,313 THOUS (in 2011: €1,511 THOUS) were granted to the Management Board Members under the Company's Phantom Stock Plan 2011 in July 2012 as further share-based compensation component with cash settlement.

The amount of the total compensation of the General Partner's Management Board for fiscal years 2012 and 2011 is shown in table 2.13.6 *on page 146*.

Long term incentive compensation components, i.e. stock options and share-based compensation components with cash settlement, can be exercised only after the expiration of the specified vesting period. Their value is recognized over the vesting period as expense in the respective fiscal year of the vesting period. Compensation expenses for long-term incentive compensation attributable to fiscal years 2012 and 2011 are shown in table 2.13.7 *on page 146*.

The amount of the base salary and the amount of the total compensation of the Members of the Management Board in accordance with the requirements of the compensation system have been and will be measured taking into account relevant reference values of other DAX-listed companies and of similar companies with comparable size and performance in the relevant industry sector.

II. Commitments to Members of the Management Board for the Event of the Termination of their Appointment

There are individual contractual pension commitments for the Management Board Members Roberto Fusté, Dr. Emanuele Gatti and Dr. Rainer Runte. In fiscal year 2012 further individual pension commitments have been made for the Management Board Members Michael Brosnan, Rice Powell and Kent Wanzek. Under all of these commitments, Fresenius Medical Care as of December 31, 2012 has aggregate pension obligations of €14,775 THOUS (as of December 31, 2011: €6,776 THOUS).

Each of the pension commitments provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 at the earliest (at age 60 at the earliest with respect to Dr. Emanuele Gatti) or upon occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), however, calculated by reference to the amount of the recipient's most recent base salary.

The retirement pension will pay of 30% from the last base salary and will increase for each complete year of service by 1.5 percentage points up to a maximum of 45%. Current pensions increase according to legal requirements (Sec. 16 of the German Law to improve company pension plans, "BetrAVG"). Thirty percent of the gross amount of any post-retirement income from an activity of the Management Board member is offset against the pension obligation. Any amounts to which the Management Board Members or their surviving dependents, respectively, are entitled from other company pension rights of the Management Board member, even from service agreements with other companies are to be set off. If a Management Board member dies, the surviving spouse receives a pension amounting to 60% of the resulting pension claim at that time. Furthermore, the deceased Management Board member's own legitimate children (leibliche eheliche Kinder) receive an orphan's pension amounting to 20% of the resulting pension claim at that time, until the completion of their education or they reach 25 years of age, at the latest. All orphans' pensions and the spousal pension together reach a maximum of 90% of the Management Board member's pension, however. If a Management Board member leaves the Management

Board of Fresenius Medical Care Management AG before he reaches 65 or (in the case of Dr. Gatti) 60, except in the event of a disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid is reduced in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching 65 or (in the case of Dr. Gatti) 60 years of age.

With Dr. Ben J. Lipps, the Chairman of the Management Board until December 31, 2012, there is an individual agreement instead of a pension provision, to the effect that, upon termination of his employment contract/service agreement with Fresenius Medical Care Management AG, he will be retained to render consulting services to the Company for a period of 10 years. Accordingly Fresenius Medical Care Management AG and Dr. Ben J. Lipps entered into a consulting agreement for the period January 1, 2013 to December 31, 2022. By this consulting agreement Dr. Ben J. 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-linked compensation components paid to him in fiscal year 2012 (including reimbursement of expenses, temporary reimbursement of expenses for property leases, 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-linked compensation components paid to him in fiscal year 2012. The present value of this agreement amounted to €3,987 THOUS as of December 31, 2012.

Management Board Members Rice Powell, Michael Brosnan and Kent Wanzek participated in the U.S.-based 401(k) savings plan in the year under review. This plan generally allows employees in the U.S. to invest a portion of their gross salaries in retirement pension programs. The company supports this investment, for full-time employees with at least one year of service, with a contribution of 50% of the investment made, up to a limit of 6% of income – whereupon the allowance paid by the Company is limited to 3% of the income – or a maximum of $17,000 ($22,500 for employees 50 years of age or older). The aforementioned Management Board Members were each contractually enabled to participate in this plan; in the past fiscal year the company paid out $9,239.50 (in the previous year: $9,310.00) respectively in this regard.

Furthermore, the Management Board Members Dr. Ben J. Lipps, Rice Powell and Michael Brosnan have acquired non-forfeitable benefits from participation in employee pension plan 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.

T. 2.13.9 *Development and status of pension commitments*
in € THOUS

	As of January 1, 2012	*Increase*	*As of December 31, 2012*
Dr. Ben J. Lipps	648	79	727
Michael Brosnan	69	1,251	1,320
Roberto Fusté	2,132	883	3,015
Dr. Emanuele Gatti	3,770	1,230	5,000
Rice Powell	131	3,695	3,826
Dr. Rainer Runte	874	393	1,267
Kent Wanzek	–	578	578
▸ *Total*	**7,624**	**8,109**	**15,733**

Additions to pension obligations in fiscal year 2012 amounted to €8,109 THOUS (2011: €1,013 THOUS) The pension commitments are shown in table 2.13.9 *on page 149*.

A post-employment non-competition covenant was agreed upon with all Management Board Members. If such covenant becomes applicable, the Management Board Members receive compensation amounting to half their annual base salaries for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board Members contain no express provisions that are triggered by a change of control of the Company.

All Members of the Management Board have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of 12 months, although after six months of sick leave, insurance benefits may be set off against such payments. If a Management Board member dies, the surviving dependents will be paid three more monthly installments after the month of death, not to exceed, however, the amount due between the time of death and the scheduled expiration of the agreement.

III. Miscellaneous

In fiscal year 2012, no loans or advance payments of future compensation components were made to Members of the Management Board of Fresenius Medical Care Management AG.

The payments to United States Management Board Members Dr. Ben J. Lipps, Michael Brosnan and Kent Wanzek were paid in part in the U.S. in U.S. dollar and in part in Germany in Euro. For the part paid in Germany, the Company has agreed that due to varying tax rates in both countries, the increased tax burden to such Management Board Members arising from German tax rates in comparison to U.S. tax rates will be balanced (net compensation). Pursuant to a modified net compensation agreement, these Management Board Members will be treated as if they were taxed in their home country, the United States, only. Therefore the gross amounts may be retroactively changed. Since the actual tax burden can only be calculated subsequently in connection with preparation of the Board Members' tax returns, subsequent adjustments may have to be made, which will then be retroactively covered in future compensation reports.

To the extent permitted by law, Fresenius Medical Care Management AG 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 has obtained Directors & Officers liability 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 termination of membership on the Management Board in each case.

Former Members of the Management Board did not receive any compensation in fiscal year 2012 other than that mentioned above under "Commitments to Members of the Management Board for the Event of the Termination of their Appointment". As of December 31, 2012 pension obligations to former Board Members exist in an amount of €646 THOUS (2011: €499 THOUS).

Compensation of the Fresenius Medical Care AG & Co. KGaA Supervisory Board

The compensation of the Fresenius Medical Care AG & Co. KGaA Supervisory Board is set out in clause 13 of the Articles of Association.

In accordance with this provision, the Members of the Supervisory Board are to be reimbursed for the expenses incurred in the exercise of their offices, which also include the applicable VAT.

As compensation, each Supervisory Board member receives in the first instance a fixed salary of $80,000 per respective complete fiscal year, payable in four equal instalments at the end of a calendar quarter. Should the General Meeting resolve on a higher compensation, with a majority of three-fourths of the votes cast and taking the annual results into account, such compensation shall apply.

The chairman of the Supervisory Board receives additional compensation of $80,000 and his deputy additional compensation of $40,000 per respective complete fiscal year. In addition, each member of the Supervisory Board receives a variable performance related compensation as an additional remuneration which is based upon the respective average growth of earnings per share of the Company (EPS) during the period of the last three fiscal years prior to the payment date (3-year average EPS growth). The amount of the variable remuneration component is $60,000 in case of achieving a 3-year average EPS growth corridor from 8.00 to 8.99%, $70,000 in the corridor from 9.00 to 9.99% and $80,000 in case of a growth of 10.00% or more. If the aforementioned targets are reached, the respective variable remuneration amounts are earned to their full extent, i.e. within these margins there is no pro rata remuneration. In any case, this variable component is limited to a maximum of $80,000 per annum. Reciprocally, the Members of the Supervisory Board are only entitled to the variable remuneration component if the 3 year average EPS growth of at least 8.00% is reached. The variable remuneration component, based on the target achievement, is in principle disbursed on a yearly basis, namely following approval of the Company's annual financial statements, this for the fiscal year 2012 based on the 3-year average EPS growth for the fiscal years 2010, 2011 and 2012.

As a member of a committee, a Supervisory Board member of Fresenius Medical Care AG & Co. KGaA additionally annually receives $40,000, or, as chairman or vice chairman of a committee, $60,000 or $50,000, respectively payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee and in the Joint Committee as well as in the capacity of their respective chairmen and deputy chairmen, no separate remuneration shall be granted.

Should a member of the Fresenius Medical Care AG & Co. KGaA Supervisory Board be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG at the same time, and receive compensation for his work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a Fresenius Medical Care AG & Co. KGaA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the chairman of the Fresenius Medical Care AG & Co. KGaA Supervisory Board and his deputy, to the extent that they are at the same time chairman and deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy chairman of the Fresenius Medical Care AG & Co. KGaA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as deputy chairman of the Fresenius Medical Care AG & Co. KGaA Supervisory Board to this extent.

The compensation for the Supervisory Board of Fresenius Medical Care Management AG and the compensation for its committees were charged to Fresenius Medical Care AG & Co. KGaA in accordance with section 7 para. 3 of the Articles of Association of Fresenius Medical Care AG & Co. KGaA.

The total compensation of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA including the amount charged by Fresenius Medical Care Management AG to Fresenius Medical Care AG & Co. KGaA, is listed in the tables 2.13.10 and 2.13.11 *on page 152*, with the table 2.13.10 fixed compensation, whilst the table 2.13.11 sets out the performance related compensation.

T. 2.13.10 **Fixed compensation of the Supervisory Board**

in € THOUS [1]

	Fixed compensation for Supervisory Board at FMC Management AG		Fixed compensation for Supervisory Board at FMC AG & Co. KGaA		Compensation for committee services at FMC Management AG		Compensation for committee services at FMC AG & Co. KGaA		Non-Performance Related Compensation	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Gerd Krick	31	29	93	86	47	43	31	29	202	187
Dr. Dieter Schenk	47	43	47	43	39	36	–	–	133	122
Dr. Ulf M. Schneider [2]	125	115	–	–	54	50	–	–	179	165
Dr. Walter L. Weisman	31	29	31	29	39	36	47	43	148	137
John Gerhard Kringel [3]	–	14	–	11	–	22	–	–	–	47
William P. Johnston	31	29	31	29	93	86	31	29	186	173
Prof. Dr. Bernd Fahrholz [4]	–	–	62	57	–	–	39	32	101	89
Rolf A. Classon [5]	31	14	31	22	47	22	–	–	109	58
▸ *Total*	**296**	**273**	**295**	**277**	**319**	**295**	**148**	**133**	**1,058**	**978**

[1] Shown without VAT and withholding tax; translation of $ amounts at respective average exchange rates for the respective year.
[2] Chairman of the Supervisory Board of FMC Management AG, but not Member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[3] Member of the Supervisory Board of FMC AG & Co. KGaA until May 12, 2011, Member of the Supervisory Board and Member of committee of FMC Management AG until July 7, 2011.
[4] Member of the Supervisory Board of FMC AG & Co. KGaA, but not Member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA.
[5] Member of the Supervisory Board of FMC AG & Co. KGaA as of May 12, 2011, Member of the Supervisory Board of FMC Management AG as of July 7, 2011.

T. 2.13.11 **Performance related compensation of the Supervisory Board**

in € THOUS [1]

	Performance related compensation in FMC Management AG		Performance related compensation in FMC AG & Co. KGaA		Performance related compensation		Total compensation	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
Dr. Gerd Krick	27	22	27	22	54	44	256	231
Dr. Dieter Schenk	27	22	27	22	54	44	187	166
Dr. Ulf M. Schneider [2]	54	43	–	–	54	43	233	208
Dr. Walter L. Weisman	27	22	27	22	54	44	202	181
John Gerhard Kringel [3, 4]	–	14	–	8	–	22	–	69
William P. Johnston	27	22	27	22	54	44	240	217
Prof. Dr. Bernd Fahrholz [5]	–	–	54	43	54	43	155	132
Rolf A. Classon [6, 7]	27	11	27	17	54	28	163	86
▸ *Total*	**189**	**156**	**189**	**156**	**378**	**312**	**1,436**	**1,290**

[1] Shown without VAT and withholding tax; translation of $ amounts at respective average exchange rates for the respective year.
[2] Chairman of the Supervisory Board of FMC Management AG, but not Member of the Supervisory Board of FMC AG & Co. KGaA.
[3] Member of the Supervisory Board of FMC AG & Co. KGaA until May 12, 2011 and of FMC Management AG until July 7, 2011.
[4] Amount for the year 2011 reflects the factual payment made in the reporting year, including a surplus payment (compared to the last annual report), which results from the non simultaneous retirement from both Supervisory Boards.
[5] Member of the Supervisory Board of FMC AG & Co. KGaA, but not Member of the Supervisory Board of FMC Management AG.
[6] Member of the Supervisory Board of FMC AG & Co. KGaA as of May 12, 2011 and of FMC Management AG as of July 7, 2011.
[7] Amount for the year 2011 reflects the factual payment made in the reporting year, including a surplus payment (compaired to the last annual report), which results from the non simultaneous appointment to both Supervisory Boards.

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Directorships

Fresenius Medical Care AG&Co. KGaA

SUPERVISORY BOARD

Dr. Gerd Krick
Chairman
Königstein, Germany

Supervisory Board
Fresenius Management SE (Chairman)
Fresenius SE & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

Dr. Dieter Schenk
Vice Chairman
Attorney and Tax Advisor
Munich, Germany

Supervisory Board
Fresenius Management SE (Vice Chairman)
Fresenius Medical Care Management AG (Vice Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Vice Chairman)
TOPTICA Photonics AG (Chairman)

Advisory Board
Else Kröner-Fresenius-Stiftung (Chairman)

Dr. Walter L. Weisman
Former President and Chief Executive Officer of American Medical International, Inc., Los Angeles, California, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
Occidental Petroleum Corporation, U.S. (until May 4, 2012)

Board of Trustees
California Institute of Technology, U.S. (Senior Trustee)
Los Angeles County Museum of Art, U.S. (Life Trustee)
Sundance Institute, U.S. (Chairman)

William P. Johnston
Former Chairman of the Board of Directors of Renal Care Group, Inc., Nashville, Tennessee, U.S.

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
The Hartford Mutual Funds, Inc., U.S.
LifeCare Holdings, Inc., U.S.
Georgia O'Keeffe Museum, U.S. (until July 1, 2012)
HCR-Manor Care, Inc., U.S.

Others
The Carlyle Group, U.S. (Senior Advisor)

Prof. Dr. Bernd Fahrholz
Attorney
Berlin, Germany

Supervisory Board
SMARTRAC N.V., The Netherlands (Chairman)

Rolf A. Classon
Chairman of the Board of Directors of Hill-Rom Holdings, Inc., Martinsville, New Jersey, USA

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
Auxilium Pharmaceuticals, Inc., U.S. (Chairman)
Tecan Group Ltd., U.S. (Chairman)

Dr. Ben J. Lipps
Honorary Chairman (since January 1, 2013)

SUPERVISORY BOARD COMMITTEES

Audit and Corporate Governance Committee
Dr. Walter L. Weisman (Chairman)
Prof. Dr. Bernd Fahrholz (Vice Chairman)
William P. Johnston
Dr. Gerd Krick

Nomination Committee
Dr. Gerd Krick (Chairman)
Dr. Dieter Schenk
Dr. Walter L. Weisman

Fresenius Medical Care Management AG
General Partner of Fresenius Medical Care AG & Co. KGaA

SUPERVISORY BOARD

Dr. Ulf M. Schneider
Chairman
Frankfurt am Main, Germany

Management Board
Fresenius Management SE,
General Partner of Fresenius SE & Co. KGaA (Chairman)

Supervisory Board
Fresenius Kabi AG (Chairman)
HELIOS Kliniken GmbH (Chairman)
Fresenius Kabi España S.A.U., Spain
Fresenius Medical Care Group France S.A.S., France (Chairman)
Fresenius HemoCare Netherlands B.V., the Netherlands
FPS Beteiligungs AG
(Chairman since April 25, 2012)

Board of Directors
FHC (Holdings), Ltd., Great Britain
Fresenius Kabi USA, Inc., USA
(former APP Pharmaceuticals, Inc., U.S.)

Dr. Dieter Schenk
Vice Chairman
Munich, Germany

Dr. Gerd Krick
Königstein, Germany

Dr. Walter L. Weisman
Los Angeles, California, U.S.

William P. Johnston
Nashville, Tennessee, U.S.

Rolf A. Classon
Martinsville, New Jersey, U.S.

Dr. Ben J. Lipps
Honorary Chairman
(since January 1, 2013)

MANAGEMENT BOARD

Dr. Ben J. Lipps
Chairman and Chief Executive Officer (until December 31, 2012)
Boston, Massachusetts, U.S.

Management Board
Fresenius Management SE,
General Partner of Fresenius SE & Co. KGaA
(until December 31, 2012)

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S. (Chairman until December 31, 2012)

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Rice Powell
Vice Chairman and Member of the Management Board responsible for the region North America (until December 31, 2012)
Chairman and Chief Executive Officer (since January 1, 2013)
Boston, Massachusetts, U.S.

Management Board
Fresenius Management SE,
General Partner of Fresenius SE & Co. KGaA
(since January 1, 2013)

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S. (Chairman since January 1, 2013)

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland
(Deputy Chairman)

Michael Brosnan
Chief Financial Officer
Bad Homburg v.d.H., Germany

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Roberto Fusté
Chief Executive Officer for Asia-Pacific
Hong Kong, China

Dr. Emanuele Gatti
Chief Executive Officer for Europe, Latin America, Middle East and Africa, Global Chief Strategist
Bad Homburg v.d.H., Germany

Management Board
Fresenius Medical Care España S.A., Spain (Chairman)
National Medical Care of Spain S.A., Spain

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France (Vice Chairman)

Others
Italian Chamber of Commerce for Germany
(President, since May 11, 2012)

Ronald Kuerbitz
Chief Executive Officer for North America (since January 1, 2013)
Boston, Massachusetts, U.S.

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.
Kidney Care Partners, Inc., U.S. (Chairman)
SCSG EA Acquisition Co., Inc., U.S.

Dr. Rainer Runte
Chief Administrative Officer for Global Law, Compliance and Intellectual Property, Corporate Business Development and Labor Relations Director for Germany
Bad Homburg v.d.H., Germany

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

Supervisory Board
Fresenius Medical Care Groupe France S.A.S., France
Fresenius Medical Care SGPS, S.A., Portugal
Fresenius Medical Care Japan, K.K., Japan
Fresenius-Kawasumi Co., Ltd., Japan

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Kent Wanzek
Chief Executive Officer for Global Manufacturing Operations
Boston, Massachusetts, U.S.

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

SUPERVISORY BOARD COMMITTEES

Human Resources Committee
Dr. Ulf M. Schneider (Chairman)
Dr. Gerd Krick (Vice Chairman)
Dr. Walter L. Weisman
William P. Johnston

Regulatory and Reimbursement Assessment Committee
William P. Johnston (Chairman)
Rolf A. Classon (Vice Chairman)
Dr. Dieter Schenk

NOMINATION COMMITTEE

Dr. Ulf M. Schneider
Dr. Gerd Krick
Dr. Walter L. Weisman

Glossary

A

ALBUMIN

A protein that has two important functions. On the one hand, it contributes through its relatively large amount to the fact that the liquid contained in the blood remains in the bloodstream and does not penetrate the arterial walls in the surrounding tissue. On the other hand, it is an important transport protein for various substances. Among others, many drugs, but also free fatty acids and hormones are bound to albumin and are transported in the blood throughout the body. The level of this protein provides information on the general nutritional condition of a patient.

ANEMIA

Reduced oxygen transport capacity of the blood, measured as decreased hemoglobin content in the blood.

ANTICOAGULANT

An agent (e.C. heparin) that prevents *blood coagulation*.

ARTERIOVENOUS (AV) FISTULA (SHUNT)

A direct surgically created connection between an *artery* and a *vein* in a patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for hemodialysis. Adequate vascular access is a prerequisite for *hemodialysis*.

ARTERY

A blood vessel that carries blood from the heart to the body.

AUTOMATED PERITONEAL DIALYSIS (APD)

Machine-supported version of peritoneal dialysis treatment usually performed at night.

B

BCM – BODY COMPOSITION MONITOR

This device can be used to precisely measure the composition of the human body and its fluid status and to quantify the level of overhydration in dialysis patients.

BIBAG

Dry bicarbonate concentrate for online production of liquid bicarbonate concentrate used in bicarbonate hemodialysis with our hemodialysis machines of the 4008 and 5008 series *ONLINEplus System*.

BIOFINE

Environmentally friendly material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

BLOOD

Fluid circulating in the body composed of plasma and cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps fight off contaminants as part of the immune system.

BLOOD CELLS, RED (ERYTHROCYTES)

Cells responsible for transporting oxygen. They are created with the help of erythropoietin, a hormone produced in the kidneys.

BLOOD CELLS, WHITE (LEUKOCYTES)

Cells that defend the human body against infection. They are involved in allergic reactions and destroy damaged, old and dead cells in the body.

BLOOD COAGULATION
A complex process during which blood forms solid clots. It is an important part of hemostasis whereby a damaged blood vessel wall is covered by a fibrin clot that stops hemorrhaging and helps repair the damaged vessel. Disorders in coagulation can lead to increased hemorrhaging and/or thrombosis and embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants such as heparin.

BLOODLINE SYSTEM
System of tubes connecting a patient's blood circulation with a dialyzer during extracorporeal dialysis treatment.

C

CALCIMIMETICS
An expansion of the therapy options to more effectively influence the bone and mineral change in patients with chronic kidney disease. Calcimimetics are administered when the thyroid gland is hyperactive, as is often the case with dialysis patients. Calcimimetics also have a positive effect on the calcium level in the bones.

CATHETER
A flexible tube inserted by surgery through the skin into a blood vessel or cavity to draw out body fluid or infuse fluid. In *peritoneal dialysis*, a catheter is used to infuse dialysis solution into the abdominal cavity and drain it out again. 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.

COMPOSITE RATE
Medicare/Medicaid basic reimbursement rate for dialysis treatment.

CONTINUOUS AMBULATORY PERITONEAL DIALYSIS (CAPD)
A treatment method where the dialysis solution is exchanged manually, generally four times a day.

D

DIABETES
A condition characterized by raised blood glucose (sugar) resulting from the body's inability to use glucose efficiently. As the main regulatory hormone in sugar metabolism, insulin is normally used to control this condition.

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 SOLUTION (DIALYSATE)
Fluid used in the process of dialysis in order to remove the filtered-out substances and excess water from the blood.

DIALYZER
Special filter used in hemodialysis for removing toxic substances, waste products of metabolic processes and excess water from the blood. The dialyzer is sometimes referred to as the "artificial kidney".

DIALYZER MEMBRANE
Semipermeable barrier in the dialyzer to separate the blood from the dialysis solution.

DIFFUSION
An exchange in the chemical concentration of two fluids that are divided by a semipermeable membrane. The molecules move from one fluid to the other, with metabolic toxins being transferred through the membrane into the dialysis solution.

E

ERYTHROPOESIS-STIMULATING AGENTS (ESA)

Recombinant human EPO that is commonly prescribed to patients on dialysis who suffer from anemia.

ERYTHROPOIETIN (EPO)

Hormone that stimulates red blood cell production.

EUCLID

European Clinical Database for ensuring the quality of dialysis treatment. The database records the treatment data of dialysis patients and allows an efficient comparison of treatment quality among individual dialysis clinics.

F

FDA

U.S. Food and Drug Administration.

G

GLOMERULAR FILTRATION RATE (GFR)

The GFR indicates the volume of liquid that the kidneys filter from the blood per minute (primary urine). This ranges from more than 90 ml/min in healthy kidneys (stage 1) to less than 15 ml/min (stage 5) when dialysis or a kidney transplant is needed. Persons with stage 4 chronic kidney disease (CKD) have advanced kidney damage (GFR of 15 to 29 ml/min); it is highly likely that these patients will need dialysis or a kidney transplant in the near future.

Stages of chronic kidney disease according to the U.S. National Kidney Foundation

Stage 1 – Kidney damage with normal or increased GFR
≥ 90 GFR (ml/min/1.73 m)

Stage 2 – Slightly decreased GFR
60 – 89 GFR (ml/min/1.73 m)

Stage 3 – Moderately decreased GFR
30 – 59 GFR (ml/min/1.73 m)

Stage 4 – Severely decreased GFR
15 – 29 GFR (ml/min/1.73 m)

Stage 5 – Kidney failure
< 15 (or dialysis) GFR (ml/min/1.73 m)

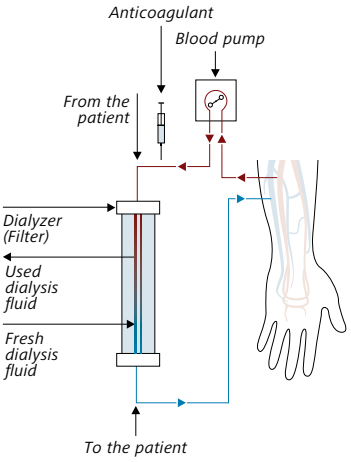
H

HEMODIAFILTRATION (HDF)

Hemodiafiltration is a process that combines hemodialysis and hemofiltration. The theoretical starting point for combining these two processes is the fact that low-molecular substances such as urea and creatinine are predominantly removed through diffusive transportation such as hemodialysis, whereas the larger molecules are to be predominantly removed through convective transportation as in hemofiltration. In hemodiafiltration (HDF), the total amount of removed toxins is greater than in the individual processes, as convection and diffusion do not complement each other, but run in parallel and affect each other. The more permeable synthetic membranes ("high-flux dialyzers") with superior ultrafiltration performance are used for hemodiafiltration. As in hemofiltration, the ultrafiltrate is replaced by a sterile solution (substitution solution) in hemodiafiltration.

HEMODIALYSIS (HD)

Treatment method for dialysis patients where the patient's blood flows outside the body through disposable bloodlines into a special filter, the dialyzer. The dialysis solution carries away waste products and excess water, and the cleaned blood is returned to the patient. The process is controlled by a hemodialysis machine that pumps blood, adds anticoagulants, regulates the purification process, and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.



HEMOFILTRATION (HF)

A type of treatment for chronic kidney failure that does not use dialysis solution. The solutes are removed using convective forces to filter plasma water through a semipermeable membrane. Substitution solution is used to replace the volume removed by filtration.

HEMOGLOBIN

Substance in red blood cells that carries oxygen around the body.

HEPARIN

Universal anticoagulant substance that is administered during hemodialysis to inhibit blood coagulation during hemodialysis.

I

IRON COMPOUND

Iron product used to treat anemia in dialysis patients resulting from iron deficiency. An example is the product Venofer.

ISO

International Organization for Standardization.

K

KIDNEYS

The kidneys are located at the rear of the abdominal cavity, one each on the right and left side of the spinal column. These vital organs are approximately 12 cm long and weigh only around 160 grams each. The kidneys ensure a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,500 liters of blood normally pass through the kidneys every 24 hours.

KIDNEY FAILURE, ACUTE

Acute loss of renal function. Depending on the severity of renal function loss, intermittent dialysis treatment may be necessary. In contrast to chronic kidney failure, dialysis can help completely restore kidney function in many patients.

KIDNEY FAILURE, CHRONIC (END-STAGE RENAL DISEASE, ESRD)

Permanent failure of the *kidney* (terminal kidney failure) resulting from slow and progressive loss of kidney function over several years. Since the renal function cannot be recovered, the patient has to be treated with renal replacement therapy, i.e. *kidney transplantation or dialysis*. Chronic kidney failure is accompanied by long-term complications such as renal anemia, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

KIDNEY FAILURE, TERMINAL

Terminal renal failure occurs when the kidneys no longer detoxify the body, have lost this function finally and thus kidney substitute therapies become necessary.

KIDNEY TRANSPLANTATION

A surgical procedure to implant a kidney from a donor.

KT/V

Indicator to evaluate treatment quality. It is calculated by dividing the product of urea clearance (K) and the length of treatment (dialysis time, t) by the filtration rate of certain toxins (the urea distribution volume in the patient, V).

L

LEAN SIX SIGMA

Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of quality improvement.

LIBERTY CYCLER

Innovative device with *PIN technology* for *automated peritoneal dialysis* marketed exclusively in the U.S. The Liberty Cycler automatically regulates the exchange of used and fresh dialysis solution. It is equipped with a state-of-the-art pumping mechanism, is easy to set-up and also has integrated patient data management software.

M

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 (end-stage renal disease, ESRD) or the disabled.

O

ONLINEPLUS SYSTEM

A system for our 4008 and 5008 series hemodialysis machines to perform online hemodiafiltration and online hemofiltration. Online means that the dialysis machine automatically produces the infusion solution for treatment. The online method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

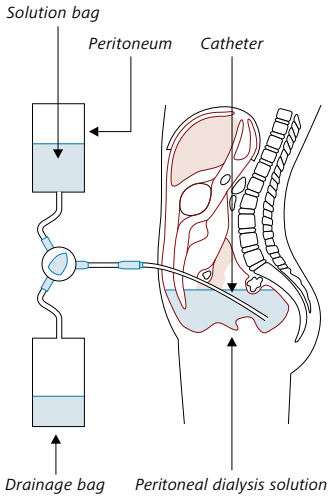
OSMOSIS

Passage of water from the blood through a semipermeable filter membrane. In osmosis, as opposed to diffusion, molecules move only in one direction.

P

PERITONEAL DIALYSIS (PD)

Dialysis treatment method using the patient's peritoneum, i.e. the tissue that covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for blood purification. A sterile dialysis solution is introduced and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and excess water. Most treatments are supported by a machine, the cycler, and are administered by the patients in their home or workplace several times a day or during the night.



PHOSPHATE BINDER

Phosphate binders bind excess phosphate that is consumed with food within the intestines. Excess phosphate is normally discharged by healthy kidneys. This filtering process can only partially be replaced through dialysis for patients with chronic kidney failure. Too much phosphate in the blood can have a number of adverse effects, such as bone disease, thyroid problems and vascular calcification. PhosLo and OsvaRen are examples of phosphate binders for patients with chronic kidney disease.

PIN TECHNOLOGY

Unique automatic inline-closing system that eliminates the risk of contamination during disconnection from *peritoneal dialysis (PD)* systems.

POLYSULFONE

A polymer (plastic) used to produce dialyzer membranes. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

PREVALENCE

Number of all patients who suffer from a specific disease within a defined period.

S

SORBENT SYSTEMS/ SORB TECHNOLOGY

Technology used to treat tap water for *dialysis* so that the *dialysis solution* can be reused. As a result of its water- and space-saving properties, the technology is very suitable for home hemodialysis, and is thus an important step towards a portable artificial kidney. The technology centers on sorbents, specific substances that bind toxins in liquids so that they can be removed.

SUPPLY CHAIN MANAGEMENT

Management of all tasks along the supply chain, ranging from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

T

TRANSPLANTATION

Taking an organ or tissue from the body and grafting it into another area of the same body or into another individual.

V

VEIN

A blood vessel that carries blood to the heart.

The financial glossary is included in the "Financial report", *starting on page 117*.

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Imprint

Subject to change.

This annual report is also available in German and may be obtained from the Company upon request.

Annual reports, interim reports, and further information on the Company are also available on our website: www.fmc-ag.com

Printed reports can be ordered online, by phone or in writing from Investor Relations.

Published by:
Fresenius Medical Care AG & Co. KGaA

Editorial office:
Investor Relations

Editorial deadline:
March 13, 2013

Concept and design:
hw.design gmbh

Photography:
Matthias Ziegler
pages 12 – 15

Andreas Pohlmann
page 16

Copy editing:
Textpertise, Heike Virchow

Produced by:
Eberl Print GmbH, Immenstadt i. Allgäu

This report contains forward-looking statements that are based on plans, projections and estimates and subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors. The risks and uncertainties are detailed in Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this report.

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Fresenius Medical Care AG & Co. KGaA
Registered seat and commercial register:
Hof an der Saale (Germany), HRB 4019

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General partner:
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Dr. Rainer Runte, Dr. Olaf Schermeier,
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Chairman of the Supervisory Board:
Dr. Ulf M. Schneider

The production of and the paper used for the Fresenius Medical Care Annual Report 2012 are certified in accordance with the criteria of the Programme for the Endorsement of Forest Certification (PEFC). Furthermore, the Annual Report 2012 has been produced in a carbon-neutral manner. The CO_2 emissions caused by its production were compensated for by certified climate protection projects.

PEFC/04-31-0805

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print production

FINANCIAL CALENDAR

April 30, 2013
REPORT ON THE FIRST QUARTER 2013

May 16, 2013
ANNUAL GENERAL MEETING
Frankfurt am Main, Germany

May 17, 2013
PAYMENT OF DIVIDEND
subject to the approval of the Annual General Meeting

July 30, 2013
REPORT ON THE SECOND QUARTER 2013

November 5, 2013
REPORT ON THE THIRD QUARTER 2013

IMPORTANT FAIRS

May 18 – 21, 2013
50TH CONGRESS OF THE EUROPEAN RENAL AND THE EUROPEAN DIALYSIS AND TRANSPLANTATION ASSOCIATION (ERA-EDTA)
Istanbul, Turkey

August 30 – September 3, 2013
16TH CONGRESS OF THE PEDIATRIC NEPHROLOGY ASSOCIATION (IPNA)
Shanghai, China

August 31 – September 3, 2013
42ND INTERNATIONAL CONFERENCE OF THE EUROPEAN DIALYSIS & TRANSPLANT NURSES ASSOCIATION AND EUROPEAN RENAL CARE ASSOCIATION (EDTNA/ERCA)
Malmö, Sweden

September 11 – 14, 2013
6TH CONGRESS OF THE INTERNATIONAL SOCIETY FOR HEMODIALYSIS (ISHD)
Buenos Aires, Argentina

October 11 – 14, 2013
11TH EUROPEAN PERITONEAL DIALYSIS MEETING (EUROPD)
Maastricht, Netherlands

November 5 – 10, 2013
ASN KIDNEY WEEK 2013 THE AMERICAN SOCIETY OF NEPHROLOGY
Atlanta, U.S.

FRESENIUS MEDICAL CARE
Else-Kröner-Str. 1
61352 Bad Homburg v.d.H., Germany
www.fmc-ag.com

2012

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FRESENIUS
MEDICAL CARE

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Financial Calendar and Important Fairs 2013
at the end of the Financial Report

2012

CONTINUITY

Financial Report

CORPORATE VALUES ENSURE CONTINUITY.

SINCE FRESENIUS MEDICAL CARE WAS FOUNDED IN 1996, ONLY THREE CEOS HAVE STOOD AT THE COMPANY'S HELM, A SIGN OF REAL CONTINUITY. THEY WERE ALL COMMITTED TO UPHOLDING THE COMPANY'S VALUES.

OPERATING DATA

— *2011* — *2012*

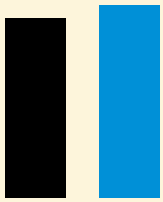
Net revenue
in $M

+10%

12,571 **13,800**

Earnings before interest and taxes, depreciation and amortization (EBITDA)
in $M

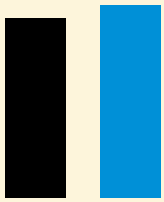
+7%



2,632 **2,821**

Earnings before interest and taxes (EBIT)
in $M

+7%



2,075 **2,219**

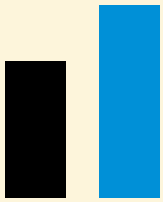
Net income[1]
in $M

+11%

1,071 **1,187**

Net cash provided by operating activities
in $M

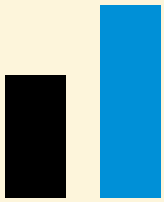
+41%



1,446 **2,039**

Free cash flow[2]
in $M

+57%



876 **1,373**

Capital expenditures, net
in $M

+17%

570 **666**

Acquisitions, investments and purchases of intangible assets (net)
in $M

–9%

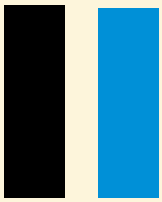
1,775 **1,615**

Earnings per ordinary share
in $

+10%

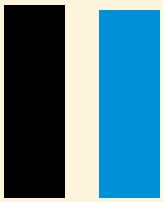
3.54 **3.89**

Equity to assets
in %



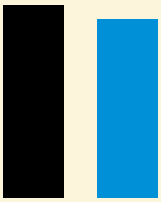
41.3 **41.2**

EBIT margin
in %



16.5 **16.1**

Return on invested capital (ROIC)[3]
in %



8.7 **8.1**

Dividend per ordinary share[4]
in €

+9%

0.69 **0.75**

Employees
full-time equivalents

+9%

79,159 **86,153**

Patients

+11%

233,156 **257,916**

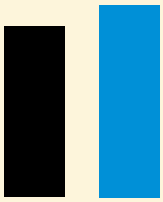
Clinics

+9%

2,898 **3,160**

Treatments
in M

+12%



34.4 **38.6**

[1] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.
[2] Before acquisitions and dividends.
[3] Pro forma numbers including Liberty Dialysis Holdings, Inc., after FTC mandated divestitures and excluding the charge of $110 M incurred in connection with the amendment to the agreement regarding Venofer and a charitable donation to the American Society of Nephrology.
[4] 2012: Proposal to be approved by the Annual General Meeting on May 16, 2013.

All figures in this report are stated in $ and in conformity with U.S. GAAP, if not indicated otherwise. Unless specified, all charts refer to fiscal year 2012. For more details please look to the Five-year summary starting on page 122.

Fresenius Medical Care filed an annual report under Form 20-F with the Securities and Exchange Commission (SEC) with additional information on the Company. Fresenius Medical Care's annual report on Form 20-F may be obtained from the Company.

The audited financial statements of the Group's holding company, Fresenius Medical Care AG & Co. KGaA, will be submitted electronically to the electronic German Federal Gazette (Bundesanzeiger) who files these financial statements with the Company Register. These financial statements can be obtained from the Company.

The audited consolidated financial statements in accordance with § 315a Commercial Code (HGB) will be submitted electronically to the electronic German Federal Gazette (Bundesanzeiger) who files these consolidated financial statements with the Company Register. These financial statements can be obtained from the Company.

The publications can be also accessed on www.fmc-ag.com.

CHAPTER 1

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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Operating and Financial Review and Prospects

You should read the following discussion and analysis of the results of operations of Fresenius Medical Care AG & Co. KGaA and its subsidiaries in conjunction with our historical consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competitive and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the management of the Company's General Partner concerning future events which may affect us, but we cannot assure that such events will occur or that the results will be as anticipated. Because such statements involve risks and uncertainties, actual results may differ materially from the results which the forward-looking statements express or imply. Such statements include the matters and are subject to the uncertainties that we described in "Outlook" and "Risk Report" in the corporate report.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Critical Accounting Policies

The Company's reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis for our financial statements. The critical accounting policies, the judgments made in the creation and application of these policies, and the sensitivities of reported results to changes in accounting policies, assumptions and estimates are factors to be considered along with the Company's financial statements, and the discussion below in "Results of Operations."

RECOVERABILITY OF GOODWILL AND INTANGIBLE ASSETS

The growth of our business through acquisitions has created a significant amount of intangible assets, including goodwill and other non-amortizable intangible assets such as trade names and management contracts. At December 31, 2012, the carrying amount of goodwill amounted to $11,422 M and non-amortizable intangible assets amounted to $218 M representing in total approximately 52 % of our total assets.

In accordance with current accounting standards, we perform an impairment test of goodwill and non-amortizable intangible assets at least once a year for each reporting unit, or if we become aware of events that occur or if circumstances change that would indicate the carrying value might be impaired *see also note 1 e.*

To comply with the provisions of the accounting standards for the impairment testing, the fair value of the reporting unit is compared to the reporting unit's carrying amount. We did not adopt ASU 2011-08, Intangibles – Goodwill and Other as we are subject to the International Financial Reporting Standards requirements, which utilizes the two-step approach and therefore, we do not benefit from the introduced simplification in the impairment testing requirements. We estimate the fair value of each reporting unit using estimated future cash flows for the unit discounted by a weighted average cost of capital (WACC) specific to that reporting unit. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, treatments and sales volumes and costs. In determining cash flows, the Company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a representative growth

rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which results from the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The Company's weighted average cost of capital 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 flows from recent material acquisitions until they are appropriately integrated within each reporting unit.

If the fair value of the reporting unit is less than its carrying value, a second step is performed which compares the fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than its carrying value, the difference is recorded as an impairment.

A prolonged downturn in the healthcare industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing healthcare services and for procuring and selling products could adversely affect our estimated future cash flows. Future adverse changes in a reporting unit's economic environment could affect the country-specific rate and therefore the discount rate. An increase in interest rates could impact the basic rate and accordingly our weighted average cost of capital. These changes could result in impairment charges to goodwill and other intangible assets which could materially and adversely affect our future financial position and operating results.

LEGAL CONTINGENCIES

We are party to litigation and subject to investigations relating to a number of matters as described *in note 19.* The outcome of these matters may have a material effect on our financial position, results of operations or cash flows.

We regularly analyze current information including, as applicable, our defenses and we provide accruals for probable contingent losses including the estimated legal expenses to resolve the matters. We use the resources of our internal legal department as well as external lawyers for the assessment. In making the decision regarding the need for loss accrual, we consider the degree of probability of an unfavorable outcome and our ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not automatically indicate that accrual of a loss may be appropriate.

ACCOUNTS RECEIVABLE AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are a substantial asset of ours and the allowance for doubtful accounts is based upon a significant estimate made by management. Trade accounts receivable were $3,019 M and $2,798 M at December 31, 2012 and 2011, respectively, net of allowances for doubtful accounts of $329 M and $300 M, respectively.

We sell dialysis products directly or through distributors in more than 120 countries and we provide dialysis services in approximately 40 countries through clinics we own or manage. Most payors are government institutions or government-sponsored programs with significant variations between the countries and even between payors within one country in local payment and collection practices.

Dialysis care revenues are recognized and billed at amounts estimated to be receivable under government reimbursement programs and reimbursement arrangements with third party payors. U.S. Medicare and Medicaid government programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Revenues for non-governmental payors where we have contracts or letters of agreement in place are recognized at the prevailing contract rates. The remaining non-governmental payors are billed at our standard rates for services and, in our North America Segment, a contractual adjustment is recorded to recognize revenues based on historic reimbursement experience with those payors for which contracted rates are not predetermined. The contractual adjustment and the allowance for doubtful accounts are reviewed quarterly for their adequacy. No material changes in estimates were recorded for the contractual allowance in the periods presented. The collectability of accounts receivable is reviewed locally on a regular basis, generally monthly.

In our U.S. operations, the collection process is usually initiated 30 days after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

Public health institutions in a number of countries outside the U.S. require a significant amount of time until payment is made because a substantial number of payors are government entities whose payments are often determined by local laws and regulations and budget constraints. Depending on local facts and circumstances, the period of time to collect can be quite lengthy. In those instances where there are commercial payors, the same type of collection process is initiated as in the U.S.

Due to the number of our subsidiaries and different countries that we operate in, our policy of determining when a valuation allowance is required considers the appropriate individual local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low to moderate credit risks. It is our policy to determine when receivables should be classified as bad debt on a local basis taking into account local payment practices and local collection experience. A valuation allowance is calculated locally if specific circumstances indicate that amounts will not be collectible.

In our International Segment and North America product division, for receivables overdue by more than one year, an additional valuation allowance is recorded based on an individual country risk, since we believe that the length of time to collect does indicate an increased credit risk.

When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

In the Consolidated Statement of Income, expenses from our allowance for doubtful accounts is presented either as a deduction from revenue or as operating expense depending on the source of the receivable. For our dialysis care business, we determine an allowance for patient services provided where all or a portion of the amounts billed or billable cannot be determined to be collectible at the time services are performed, e.g., providing treatment to a patient when such treatment is not covered by an insurance program or a reimbursement arrangement regardless of the patient's ability to pay. This allowance is shown as a reduction to our Dialysis Care revenue. All of our other receivables are evaluated with the changes in the allowance for doubtful accounts recorded as an operating expense.

Write offs are taken on a claim-by-claim basis when the collection efforts are exhausted. Due to the fact that a large portion of our reimbursement is provided by public healthcare organizations and private insurers, we expect that most of our accounts receivables will be collectable, albeit potentially more slowly in the

International Segment in the immediate future, particularly in countries which continue to be severely affected by the global financial crisis. *See chapter 1.4 "Liquidity and capital resources – operations"*, for a discussion of days sales outstanding developments in 2012. A significant change in our collection experience, deterioration in the aging of receivables and collection difficulties could require that we increase our estimate of the allowance for doubtful accounts. Any such additional bad debt charges could materially and adversely affect our future operating results.

If, in addition to our existing allowances, 1% of the gross amount of our trade accounts receivable as of December 31, 2012 were uncollectible through either a change in our estimated contractual adjustment or as bad debt, our operating income for 2012 would have been reduced by approximately 1.5%.

The following tables show the portion and aging of trade accounts receivable of major debtors or debtor groups at December 31, 2012 and 2011. No single debtor other than U.S. Medicaid and Medicare accounted for more than 5% of total trade accounts receivable in either year. Amounts pending approval from third party payors represent less than 2% at December 31, 2012.

T. 1.1.1 *Aging of net trade accounts receivable by major payor groups 2012*
in $ M, as of December 31

	current	*overdue by up to 3 months*	*overdue more than 3 months up to 6 months*	*overdue more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. Medicare and Medicaid Programs	473	89	47	36	27	672	22
U.S. Commercial Payors	292	175	42	35	21	565	19
U.S. Hospitals	107	33	4	3	2	149	5
Self-Pay of U.S. patients	1	11	6	2	2	22	1
Other North America	7	2	–	–	–	9	–
International product customers and dialysis payors	901	279	124	113	185	1,602	53
▸ *Total*	**1,781**	**589**	**223**	**189**	**237**	**3,019**	**100**

T. 1.1.2 *Aging of net trade accounts receivable by major payor groups 2011*
in $ M, as of December 31

	current	*overdue by up to 3 months*	*overdue more than 3 months up to 6 months*	*overdue more than 6 months up to 1 year*	*overdue by more than 1 year*	*Total*	*% of net trade A/R*
U.S. Medicare and Medicaid Programs	379	92	51	44	29	595	21
U.S. Commercial Payors	250	142	37	33	21	483	17
U.S. Hospitals	101	25	5	2	1	133	5
Self-Pay of U.S. patients	–	4	4	1	1	11	–
Other North America	8	3	1	–	–	12	1
International product customers and dialysis payors	772	289	144	140	219	1,564	56
▸ *Total*	**1,510**	**555**	**242**	**220**	**271**	**2,798**	**100**

SELF-INSURANCE PROGRAMS

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, Fresenius Medical Care Holdings, Inc. (FMCH), our largest subsidiary, is partially self-insured for professional liability claims. For all other coverages we assume 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.

CHAPTER 1.2

Financial Condition and Results of Operations

OVERVIEW

We are engaged primarily in providing dialysis services and manufacturing and distributing products and equipment for the treatment of ESRD. We estimate that providing dialysis services and distributing dialysis products and equipment represents a worldwide market of approximately $75 BN with expected annual worldwide market growth of around 4%, adjusted for currency. Patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants; increasing incidence and better treatment of and survival of patients with diabetes and hypertension, which frequently precede the onset of ESRD; improvements in treatment quality, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. Key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. For that reason, we believe the number of treatments performed each year is a strong indicator of continued revenue growth and success. In addition, the reimbursement and ancillary services utilization environment significantly influences our business. With the exception of the implementation of the ESRD PPS in the U.S., and possible adjustments to this payment system for changes in the utilization and costs of certain drugs and biologicals included in the ESRD PPS, we experienced and also expect in the future, generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. The majority of treatments are paid for by governmental institutions such as Medicare in the United States. As a consequence of the pressure to decrease healthcare costs, reimbursement rate increases have historically been limited. Our ability to influence the pricing of our services is limited.

With the enactment of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), Congress mandated the development of an expanded ESRD bundled payment system for services furnished on or after January 1, 2011. On July 26, 2010, CMS published a final rule implementing the ESRD PPS for ESRD dialysis facilities in accordance with MIPPA. Under the ESRD PPS, the Centers for Medicare and Medicard Services (CMS) reimburses dialysis facilities with a single payment for each dialysis treatment, inclusive of (i) all items and services included in the former composite rate, (ii) oral vitamin D analogues, oral levocarnitine (an amino acid derivative) and all ESAs and other pharmaceuticals (other than vaccines and certain other oral drugs) furnished to ESRD patients that were previously reimbursed separately under Part B of the Medicare program, (iii) most diagnostic laboratory tests and (iv) certain other items and services furnished to individuals for the treatment of ESRD. ESRD-related drugs with only an oral form, including PhosLo, are expected to be reimbursed under the ESRD PPS starting in January 2016 with an adjusted payment amount to be determined by the Secretary of Health and Human Services to reflect the additional cost to dialysis facilities of providing these medications. The base ESRD PPS payment is subject to case mix adjustments that take into account individual patient characteristics (e.g., age, body surface area, body mass, time on dialysis) and certain co-morbidities. The base payment is also adjusted for (i) certain high cost patient outliers due to unusual variations in medically necessary care, (ii) disparately high costs incurred by low volume facilities relative to other facilities, (iii) provision of home dialysis training and (iv) wage-related costs in the geographic area in which the provider is located.

The ESRD PPS is being phased in over four years with full implementation for all dialysis facilities on January 1, 2014. As part of the base payment for 2011, CMS included a negative 3.1% adjustment for each facility in order to ensure a budget-neutral transition, the "Transition Adjuster", based on its estimation that only 43% of dialysis facilities would elect to participate fully in the ESRD PPS in 2011. In April 2011, however, CMS reduced the Transition Adjuster to 0% for the remainder of 2011, based on the actual number of facilities that elected to fully participate in the ESRD PPS. CMS specified Transition Adjusters of 0% for 2012 and 0.1% in 2013.

The ESRD PPS payment amount is subject to annual adjustment based on increases in the costs of a "market basket" of certain healthcare items and services less a productivity adjustment. On November 9, 2012, CMS published a final rule finalizing the 2013 ESRD PPS rates. In the rule, CMS established the 2013 productivity adjusted market basket update at 2.3%, which was based on a market basket update of 2.9% less a productivity adjustment of 0.6%. Additionally, CMS set the 2013 wage index budget-neutrality adjusted base rate of $240.36 per treatment.

The ESRD PPS's QIP, initially focusing on anemia management and dialysis adequacy, began affecting payments starting January 1, 2012. Dialysis facilities that fail to achieve the established quality standards have payments reduced by up to 2%. Performance on specified measures in 2010 affected payment in 2012, and 2013 payments will be affected by performance with respect to measures in 2011. Initially measures focused on anemia management and dialysis adequacy. For the payment year 2014, CMS has adopted four additional measures (i) prevalence of catheter and A/V fistula use; (ii) reporting of infections to the Centers for Disease Control and Prevention; (iii) administration of patient satisfaction surveys; and (iv) monthly monitoring of phosphorus and calcium levels. For payment year 2015 and subsequent years, CMS has continued certain of the existing QIP measures, expanded the scope of certain existing measures, and added new measures. The payment year 2015 clinical measures include anemia management, hypercalemia, vascular access type, hemodialysis adequacy (adult and pedatric patients) and peritoneal dialysis adequacy. The 2015 reporting measures include patient satisfaction surveys, mineral metabolism reporting, anemia management reporting and infection reporting. For a discussion of the impact of ESRD PPS and the above implementation plan on our business, *see chapter 1.3 "Results of operations – North America".*

The Patient Protection and Affordable Care Act was enacted in the United States on March 23, 2010 and subsequently amended by the Health Care and Educational Affordability Reconciliation Act (as amended, ACA). ACA implements broad healthcare system reforms, including (i) provisions to facilitate access to affordable health insurance for all Americans, (ii) expansion of the Medicaid program, (iii) an industry fee on pharmaceutical companies that began in 2011 based on sales of brand name pharmaceuticals to government healthcare programs, (iv) a 2.3% excise tax on manufacturers' medical device sales starting in 2013, (v) increases in Medicaid prescription drug rebates effective January 1, 2010, (vi) commercial insurance market reforms that protect consumers, such as bans on lifetime and annual limits, coverage of pre-existing conditions, limits on administrative costs, and limits on waiting periods, (vii) provisions encouraging integrated care, efficiency and coordination among providers and (viii) provisions for reduction of healthcare program waste and fraud. ACA does not modify the dialysis reimbursement provisions of MIPPA, except to change the annual update provision by substituting a productivity adjustment to the market basket rate of increase for

a MIPPA provision that specified for a one percentage point reduction in the market basket rate of increase. ACA's medical device excise tax, Medicaid drug rebate increases and annual pharmaceutical industry fees will adversely impact our product business earnings and cash flows. We expect modest favorable impact from ACA's integrated care and commercial insurance consumer protection provisions.

On August 2, 2011, the Budget Control Act was enacted, raising the U.S.'s debt ceiling and putting into effect a series of actions for deficit reduction. Automatic across-the-board spending cuts over nine fiscal years (2013 – 2021), projected to total $1.2 TN for all Federal government programs, were scheduled to go into effect on January 2, 2013. Pursuant to the American Taxpayer Relief Act, which was enacted on January 3, 2013, these reductions are now 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% through 2021. The Medicare reimbursement reduction would be independent of annual inflation update mechanisms, such as the market basket update pursuant to the ESRD PPS. In addition to delaying the Budget Control Act's automatic spending reductions, the American Taxpayer Relief Act also directed CMS to reduce the ESRD PPS payment rate, effective January 1, 2014, to account for changes in the utilization of certain drugs and biologicals that are included in the ESRD PPS. In making such 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.

The ESRD PPS resulted in a lower reimbursement rate on average as a result of the above measures by CMS, at nearly all of our U.S. dialysis facilities that elected to be fully subject to the ESRD PPS starting on January 1, 2011. We mitigated the impact of the ESRD PPS and the other legislative initiatives referenced above with two broad measures. First, we worked with medical directors and treating physicians to make clinical protocol changes used in treating patients consistent with the QIP, and we negotiated pharmaceutical acquisition cost savings. In addition, we achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in our clinics.

On February 4, 2013, CMS announced plans to test a new Comprehensive End-Stage Renal Disease (ESRD) Care Model and issued a solicitation for applications. As currently proposed, CMS will work with up to 15 healthcare provider groups, known as ESRD Seamless Care Organizations (ESCOs), to test a new system of payment and care delivery that seeks to deliver better health outcomes for ESRD patients while lowering CMS's costs. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS's cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and reimburse CMS a share of any such increases. Organizations must apply and be approved by CMS to participate in the program. Applications are due by May 1, 2013. We are reviewing the details of the proposed program to determine whether to participate in this program.

Any significant decreases in Medicare reimbursement rates could have material adverse effects on our provider business and, because the demand for products is affected by Medicare reimbursement, on our products business. To the extent that increases in operating costs that are affected by inflation, such as labor and supply costs, are not fully reflected in a compensating increase in reimbursement rates, our business and results of operations may be adversely affected.

We have identified three operating segments, the North America Segment, the International operating segment, and the Asia-Pacific operating segment, which were determined based upon how we manage our businesses. All segments are primarily engaged in providing dialysis care services and the distribution of products and equipment for the treatment of ESRD. For reporting purposes, we have aggregated the International and Asia-Pacific operating segments as the "International Segment." We aggregated these operating segments due to their similar economic characteristics. These characteristics include same services provided and same products sold, same type patient population, similar methods of distribution of products and services and similar economic environments. Our General Partner's management board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the segments are the same as those we apply in preparing our consolidated financial statements under accounting principles generally accepted in the U.S. (U.S. GAAP).

Our management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. With respect to the performance of our business operations, our management believes the most appropriate measure in this regard is operating income which measures our source of earnings. We do not include the investment gain resulting from the acquisition of Liberty Dialysis Holdings, Inc., (Liberty Acquisition) nor income taxes as we believe these items to be outside the segments' control. Financing is a corporate function which segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. Similarly, we do not allocate "corporate costs," which relate primarily to certain headquarters overhead charges, including accounting and finance, professional services, etc. because we believe that these costs are also not within the control of the individual segments. As of January 1, 2011, production of products, production asset management, quality management and procurement are centrally managed in Corporate by Global Manufacturing Operations. These corporate activities do not fulfill the definition of a segment. Products are transferred to the segments at cost; therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as corporate activities *see note 23*. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as "Corporate." Accordingly, all of these items are excluded from our analysis of segment results and are discussed below in the discussion of our consolidated results of operations.

Results of Operations

The following tables summarize our financial performance and certain operating results by principal reporting segment and Corporate for the periods indicated. Inter-segment sales primarily reflect sales of medical equipment and supplies. We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance.

T. 1.3.1 *Segment data*
in $ M

	2012	2011
Total revenue		
North America	9,041	7,935
International	4,740	4,628
Corporate	29	17
▸ *Total*	**13,810**	**12,580**
Inter-segment revenue		
North America	10	9
International	–	–
▸ *Total*	**10**	**9**
Total net revenue		
North America	9,031	7,926
International	4,740	4,628
Corporate	29	17
▸ *Total*	**13,800**	**12,571**
Amortization and depreciation		
North America	310	269
International	176	174
Corporate	116	114
▸ *Total*	**602**	**557**
Operating income		
North America	1,615	1,435
International	809	807
Corporate	(205)	(167)
▸ *Total*	**2,219**	**2,075**
Investment gain	140	–
Interest income	44	60
Interest expense	(470)	(357)
Income tax expense	(605)	(601)
Net income	1,328	1,177
Less: net income attributable to noncontrolling interests	(141)	(106)
▸ *Net income attributable to shareholders of FMC AG & Co. KGaA*	**1,187**	**1,071**

HIGHLIGHTS

Revenues increased by 10% to $13,800 M (12% at constant exchange rates) mainly due to contributions from acquisitions of 8% and organic growth of 5%, partially offset by the effect of closed or sold clinics (1%).

Operating income (EBIT) increased 7%. Net Income attributable to shareholders of FMC AG & CO. KGAA increased by 11%.

In 2012, we also successfully completed the Liberty Acquisition, renegotiated one of our credit facilities and issued senior notes.

CONSOLIDATED FINANCIALS

T. 1.3.2 *Key indicators for Consolidated Financial Statements*

	2012	2011	Change as reported	Change at constant exchange rates[1]
Number of treatments	38,588,184	34,388,422	12%	–
Same market treatment growth *in %*	3.8	3.9	–	–
Revenue *in $M*	13,800	12,571	10%	12%
Gross profit *as a % of revenue*	33.3	33.0	–	–
Selling, general and administrative costs *as a % of revenue*	16.1	15.9	–	–
Net income attributable to shareholders of FMC AG & Co. KGaA *in $M*	1,187	1,071	11%	–

[1] *For further information on "at constant exchange rates," see "Non-U.S. GAAP Measures – Constant currency" below.*

Treatments increased by 12% for the twelve months ended December 31, 2012 as compared to the same period in 2011. The increase is due to acquisitions (9%), including the effect of the Liberty Acquisition (6%) and same market treatment growth (4%), partially offset by the effect of closed or sold clinics (1%).

At December 31, 2012, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 3,160 clinics compared to 2,898 clinics at December 31, 2011. During 2012, we acquired 276 clinics, opened 65 clinics and combined or closed 79 clinics. The number of patients treated in clinics that we own, operate or manage (excluding patients of clinics managed but not consolidated in the U.S.) increased by 11% to 257,916 at December 31, 2012 from 233,156 at December 31, 2011. Including 32 clinics managed but not consolidated in the U.S., the total number of patients was 260,282.

Net revenue increased by 10% (12% at constant exchange rates) for the twelve months ended December 31, 2012 over the comparable period in 2011 due to growth in dialysis care revenues.

Net dialysis care revenue increased by 13% to $10,492 M (15% at constant exchange rates) for the year ended December 31, 2012 from $9,283 M in the same period of 2011, mainly due to contributions from acquisitions (12%), growth in same market treatments (4%), partially offset by the negative effect of exchange rate fluctuations (2%) and the effect of closed or sold clinics (1%).

Dialysis product revenue increased by 1% (5% increase at constant exchange rates) to $3,308 M compared to $3,288 M in the same period of 2011. The increase at constant currency was driven by increased sales of hemodialysis products, especially of machines, bloodlines and dialyzers as well as peritoneal dialysis products, partially offset by lower sales of renal pharmaceuticals.

The increase in gross profit margin mostly reflects an increase in gross profit margin in North America, partially offset by a decrease in the International Segment. The increase in North America was due to higher revenue rate associated with Medicare, special collection efforts for services performed in prior years and the impact of the acquisition of LD Holdings, which contributed higher gross margins, partially offset by higher personnel expenses. The decrease in International was mainly due to lower margin sales in the dialysis care business.

Selling, general and administrative (SG & A) expenses increased to $2,224 M for the year ended December 31, 2012 from $2,002 M in the same period of 2011. SG & A expenses as a percentage of sales increased to 16.1% for the year ended December 31, 2012 from 15.9% in the same period of 2011 as a result of an increase in North America and in Corporate. The increase in North America was a result of higher personnel expense, and one-time costs related to the Liberty Acquisition, partially offset by the impact of the acquisition of LD Holdings, which has lower SG & A expenses as a percentage of revenue. The increase in Corporate was mainly driven by a $10 M charitable donation to the American Society of Nephrology to establish a research fellowship program and increased legal costs.

In the year ended December 31, 2012, we had a $36 M gain from the sale of dialysis clinics, including $33 M from the sale of 24 FMC AG & CO. KGAA clinics, in connection with regulatory clearance of the Liberty Acquisition, which occurred in the first quarter of 2012 *see note 2*.

Research and development (R & D) expenses increased slightly to $112 M for the year ended December 31, 2012 as compared to $111 M in the same period in 2011.

Income from equity method investees decreased to $17 M for the twelve months ended December 31, 2012 from $31 M for the same period of 2011 due to reduced income from the VFMCRP renal pharmaceuticals joint venture.

Other operating expense was $100 M due to charges incurred in connection with the amendment of our agreement with Luitpold Pharmaceuticals and American Regent, Inc. regarding Venofer *see note 4.*

Operating income increased to $2,219 M for the year ended December 31, 2012 from $2,075 M for the same period in 2011. Operating income margin decreased to 16.1% for the year ended December 31, 2012 as compared to 16.5% for the same period in 2011 as a result of the charge incurred for the amendment to the agreement regarding Venofer and higher SG & A as a percentage of revenue, partially offset by the increase in gross profit margin and the gain on the sale of FMC AG & CO. KGAA clinics, all as discussed above.

We recognized a non-taxable investment gain of $140 M related to our acquisition of LD Holdings for the twelve months ended December 31, 2012 as a result of a fair valuation of our investment in Renal Advantage Partners, LLC at the time of the Liberty Acquisition.

Interest expense increased by 32% to $470 M for the twelve months ended December 31, 2012 from $357 M for the same period in 2011 mainly as a result of increased debt incurred to finance the Liberty Acquisition. Interest income decreased to $44 M for the twelve months ended December 31, 2012 from $60 M for the same period in 2011.

Income tax expense increased to $605 M for the year ended December 31, 2012 from $601 M for the same period in 2011. The effective tax rate decreased to 31.3% from 33.8% for the same period of 2011, as a result of the nontaxable investment gain noted above.

Net income attributable to FMC AG & CO. KGAA for the twelve months ended December 31, 2012 increased to $1,187 M from $1,071 M for the same period in 2011 as a result of the combined effects of the items discussed above.

We employed 86,153 people (full-time equivalents) as of December 31, 2012 compared to 79,159 as of December 31, 2011, an increase of 8.8%, primarily due to overall growth in our business and acquisitions.

The following discussions pertain to the North America Segment and the International Segment and the measures we use to manage these segments.

NORTH AMERICA SEGMENT

T. 1.3.3 *Key indicators for North America Segment*

	2012	*2011*	*Change*
Number of treatments	24,412,416	21,608,620	13%
Same market treatment growth *in %*	3.6	3.2	–
Revenue *in $M*	9,031	7,926	14%
Depreciation and amortization *in $M*	310	269	15%
Operating income *in $M*	1,615	1,435	13%
Operating income margin *in %*	17.9	18.1	–

Revenue

Treatments increased by 13% for the twelve months ended December 31, 2012 as compared to the same period in 2011 mostly due to the Liberty Acquisition, net of divestitures (7%) same market growth (4%) and contributions from other acquisitions (3%), partially offset by the effect of closed or sold clinics (1%). At December 31, 2012, 164,554 patients (a 16% increase over December 31, 2011) were being treated in the 2,082 clinics that we own or operate in the North America Segment, compared to 142,319 patients treated in 1,838 clinics at December 31, 2011. Average North America revenue per treatment, which includes Canada and Mexico, before bad debt expense, was $348 for the twelve months ended December 31, 2012 and $340 in the same period in 2011. In the U.S., the average revenue per treatment was $355 for the twelve months ended December 31, 2012 and $348 for the same period in 2011. The increase was mainly attributable to further development of our expanded service offerings, a modest increase in commercial rates, the impact

of the increase in Medicare reimbursement from the updated Medicare reimbursement rate and removal of the Transition Adjuster which occurred in the first quarter of 2011 as well as increased revenue due to the special collection efforts for services performed in prior years. This improvement was partially offset by reduced pharmaceutical utilization in non-bundled commercial treatments.

Net revenue for the North America Segment for year ended December 31, 2012 increased as a result of an increase in dialysis care revenue by 16% to $8,230 M from $7,113 M in the same period of 2011 partially offset by a decrease in dialysis product revenue to $801 M from $813 M in the year ended December 31, 2011.

The dialysis care revenue increase was driven by contributions from acquisitions (13%), same market treatment growth (4%) and the impact of the special collection efforts (1%), partially offset by the effect of closed or sold clinics (1%) and higher bad debt expense (1%).

The dialysis product revenue decrease was driven by lower sales of renal pharmaceuticals, machines and dialyzers, partially offset by higher sales of bloodlines and other hemodialysis products. The decrease in machines and dialyzers was mainly caused by the Liberty Acquisition, which resulted in the conversion of third party sales into internal sales.

Operating income

Operating income increased to $1,615 M for the year ended December 31, 2012 from $1,435 M for the same period in 2011. Operating income margin decreased to 17.9% for the year ended December 31, 2012 from 18.1% for the same period in 2011, primarily due to higher personnel expenses, the $100 M impact from the amendment of the agreement regarding Venofer, costs related to the Liberty Acquisition, partially offset by higher revenue per treatment rate associated with Medicare, the positive impact from the Liberty Acquisition, including divestiture gains and special collection efforts for services performed in prior years. Cost per treatment for North America increased to $278 for the year ended December 31, 2012 from $276 in 2011. Cost per treatment in the U.S. increased to $283 for the year ended December 31, 2012 from $282 in the same period of 2011.

INTERNATIONAL SEGMENT

T. 1.3.4 *Key indicators for International Segment*

	2012	2011	Change as reported	Change at constant exchange rates[1]
Number of treatments	14,175,768	12,779,802	11%	–
Same market treatment growth *in %*	4.0	5.4	–	–
Revenue *in $M*	4,740	4,628	2%	9%
Depreciation and amortization *in $M*	176	174	1%	–
Operating income *in $M*	809	807	0%	–
Operating income margin *in %*	17.1	17.4	–	–

[1] *For further information on "at constant exchange rates," see "Non-U.S. GAAP Measures – Constant currency" below.*

Revenue

Treatments increased by 11% in the twelve months ended December 31, 2012 over the same period in 2011 mainly due to contributions from acquisitions (8%) and same market growth (4%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2012, we had 93,362 patients (a 3% increase over December 31, 2011) being treated at the 1,078 clinics that we own, operate or manage in the International Segment compared to 90,837 patients treated at 1,060 clinics at December 31, 2011. Average revenue per treatment for the twelve months ended December 31, 2012 decreased to $160 in comparison with $170 for the same period of 2011 due to the weakening of local currencies against the U.S. dollar ($11), partially offset by slightly increased reimbursement rates and changes in country mix ($1).

Net revenues for the International Segment for the year ended December 31, 2012 increased by 2% (9% at constant exchange rates) as compared to the same period in 2011 mainly as a result of an increase in dialysis care and a slight dialysis product increase. Organic growth during the period was 6% and acquisitions during the period contributed 3%, partially offset by the negative effect of exchange rate fluctuations (7%).

Including the effects of acquisitions, European region revenue decreased 2% (6% increase at constant exchange rates), Latin America region revenue increased 15% (24% at constant exchange rates), and Asia-Pacific region revenue increased 6% (7% at constant exchange rates).

Total dialysis care revenue for the International Segment increased for the year ended December 31, 2012 by 4% (11% increase at constant exchange rates) to $2,262 M from $2,170 M in the same period of 2011. This increase is a result of contributions from acquisitions (7%), same market treatment growth (4%), increases in organic revenue per treatment (2%), partially offset by the negative effect of exchange rate fluctuations (7%) and the effect of closed or sold clinics (2%).

Total dialysis product revenue for the year ended December 31, 2012 increased by 1% (7% increase at constant exchange rates) at $2,478 M compared to $2,458 M in the same period of 2011. The 7% increase in product revenue at constant currency was driven by increased sales of hemodialysis products, especially of machines, dialyzers, bloodlines and products for acute care as well as peritoneal dialysis products.

Operating income

Operating income remained fairly flat at $809 M compared to $807 M for the same period in 2011. Operating income margin decreased to 17.1% for the twelve months ended December 31, 2012 from 17.4% for the same period in 2011 mainly due to lower margin sales in our dialysis care business, partially offset by favorable foreign currency exchange effects and business growth in Asia, mainly China.

Liquidity and Capital Resources

Our primary sources of liquidity are typically cash from operations, cash from borrowings from third parties and related parties, as well as cash from issuance of debt and equity securities. We require this capital primarily to finance working capital needs, to fund acquisitions and joint ventures, to develop free-standing renal dialysis centers, to purchase equipment for existing or new renal dialysis centers and production sites, to repay debt and to pay dividends.

At December 31, 2012, we had cash and cash equivalents of $688 M. For information regarding utilization and availability under our principal credit facility (the "2012 Credit Agreement"), *see note 10*. Effective October 30, 2012, our Amended 2006 Senior Credit Agreement was replaced by a new credit facility.

OPERATIONS

In 2012 and 2011 we generated net cash from operations of $2,039 M and $1,446 M, respectively. Cash from operations is impacted by the profitability of our business, the development of our working capital, principally receivables, and cash outflows that occur due to a number of specific items as discussed below. The increase 2012 versus 2011 was mainly a result of a 4 day decrease in days sales outstanding (DSO) as compared to a 4 day increase in the same period of 2011, higher earnings and positive effects from other working capital items, including a lower increase in inventory level, partially offset by higher tax payments.

The profitability of our business depends significantly on reimbursement rates. Approximately 76% of our revenues are generated by providing dialysis services, a major portion of which is reimbursed by either public health care organizations or private insurers. For the twelve months ended December 31, 2012, approximately 32% of our consolidated revenues were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow. With the exception of the implementation of the ESRD PPS in the U.S., and possible adjustments to this payment system for changes in the utilization and costs of certain drugs and biologicals included in the ESRD PPS, we experienced and also expect in the future, generally stable reimbursements for dialysis services. This includes the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries.

Our working capital, which is defined as current assets less current liabilities, was $2,957 M at December 31, 2012 which increased from $1,432 M at December 31, 2011. The change is primarily the result of the presentation of the obligations under the 2012 Credit Agreement as long-term as compared to portions classified as short-term under the prior credit agreement. At December 31, 2012, the obligations under the 2012 Credit Agreement represented $2.659 BN of our total debt. *See section "Financing," and also note 10.* Our ratio of current assets to current liabilities was 1.9 at December 31, 2012.

We intend to continue to address our current cash and financing requirements by the generation of cash from operations, our existing and future credit agreements, and the issuance of debt securities. In addition, when funds are required for acquisitions or to meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of senior notes, *see section "Financing"*. We aim to preserve financial resources with a minimum of $300 M to $500 M of committed and unutilized credit facilities.

Cash from operations depends on the collection of accounts receivable. Customers and governments generally have different payment cycles. A lengthening of their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems and due to the economic conditions in some countries. Accounts receivable balances at December 31, 2012 and December 31, 2011, net of valuation allowances, represented DSO of approximately 76 and 80, respectively.

DSO by segment is calculated by dividing the segment's accounts receivable, converted to U.S. Dollars using the average exchange rate for the period presented, less any value added tax included in the receivables, by the average daily sales of the last twelve months for that segment, converted to U.S. dollars using the average exchange rate for the period. Receivables and sales are adjusted for amounts related to significant acquisitions made during the periods presented. The development of DSO by reporting segment is shown in the table below:

T. 1.4.1 *Development of days sales outstanding*
in days, December 31

	2012	*2011*
North America	55	55
International	115	121
▸ *Total*	**76**	**80**

DSO remained flat for the North American Segment and decreased for the International Segment between December 31, 2011 and December 31, 2012. The International Segment's DSO decrease reflects significant cash collections from Spain, mostly offset by slight payment delays, particularly in countries with budget deficits and in China. Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivable will be collectible, albeit slightly more slowly in the International Segment in the immediate future.

There are a number of tax and other items we have identified that will or could impact our cash flows from operations in the future as follows:

In the U.S., we filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, we received a partial refund in September 2008 of $37 M, inclusive of interest and preserved our right to pursue claims in the United States Courts for refunds of all other disallowed

deductions, which totaled approximately $126 M. On December 22, 2008, we 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 $95 M. 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.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. We have received notices of unfavorable adjustments and disallowances in connection with certain of the audits, including those described above. We are contesting, including appealing, certain of these unfavorable determinations. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments, including payments to state tax authorities reflecting the adjustments made in our federal tax returns in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, we do not anticipate that an unfavorable ruling could have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments.

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. The settlement agreement with the asbestos creditors committees on behalf of the W.R. Grace & Co. bankruptcy estate, *see note 19*, provides for payment by us of $115 M upon approval of the settlement agreement by the U.S. District Court, which has occurred, and confirmation by the U.S. District Court of a W.R. Grace & Co. bankruptcy reorganization plan that includes the settlement. In January and February 2011, the U.S. Bankruptcy Court entered orders confirming the plan of reorganization. These 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. The $115 M obligation was included in the special charge we recorded in 2001 to address 1996 merger-related legal matters, *see note 19.* The payment obligation is not interest-bearing.

INVESTING

We used net cash of $2,281 M and $2,346 M in investing activities in 2012 and 2011, respectively.

Capital expenditures for property, plant and equipment, net of disposals were $666 M and $570 M in 2012 and 2011, respectively. In 2012, capital expenditures were $298 M in the North America Segment, $195 M for the International Segment and $173 M at Corporate. Capital expenditures in 2011 were $237 M in the North America Segment, $175 M for the International Segment and $158 M at Corporate. The majority of our capital expenditures was used for maintaining existing clinics, equipping new clinics, maintenance and expansion of production facilities, primarily in Germany, North America, France and China and capitalization of machines provided to our customers, primarily in the International Segment. Capital expenditures were approximately 5% of total revenue in 2012 and 2011.

We invested approximately $1,879 M cash in 2012, $1,849 M in the North America Segment, primarily through the $1,697 M ($1,466 M net of divestitures) acquisition of Liberty *see note 2*, $28 M in the International Segment and $2 M at Corporate. In 2011, we invested approximately $1,785 M cash, primarily for the acquisitions of International Dialysis Centers, the dialysis service business of Euromedic International, and American Access Care Holdings, LLC, which operates vascular access centers, loans provided to, as well as the purchase of a 49% ownership of, Renal Advantage Partners LLC, the parent company of Renal Advantage, Inc., a provider of dialysis services, and payments for the extension of the activities of VFMCRP ($818 M in the North America Segment, $960 M in the International Segment, and $7 M at Corporate). We received $264 M and $10 M in conjunction with divestitures in 2012 and 2011, respectively.

We anticipate capital expenditures of approximately $0.7 BN and expect to make acquisitions of approximately $0.3 BN in 2013.

FINANCING

Net cash provided by financing was $468 M in 2012 compared to net cash provided by financing of $793 M in 2011.

In 2012, cash was provided by the issuance of senior notes, refinancing of the Amended 2006 Senior Credit Agreement by the 2012 Credit Agreement, exercises of stock options, proceeds from short-term borrowings and short term borrowings from related parties as well as contributions from noncontrolling interests, partially offset by the repayment of long-term debt, reduction of the amount outstanding under our accounts receivable securitization program, the payment of dividends, distributions to noncontrolling interests as well as the repayment of short-term borrowings and short-term borrowings from related parties. For further information on the issuance of senior notes in 2012, see below. In 2011, cash was provided by the issuance of $1,062 M in senior notes in February 2011, short-term borrowings and short-term borrowings from related parties, partially offset by repayment of long-term debt, the repayment of the Trust Preferred Securities, the repayment of short-term borrowings and short-term borrowings from related parties as well as the payment of dividends.

On May 11, 2012, we paid a dividend with respect to 2011 of €0.69 per ordinary share (for 2010 paid in 2011: €0.65) and €0.71 per preference share (for 2010 paid in 2011: €0.67). The total dividend payment was €210 M ($272 M) and €197 M ($281 M) in 2012 and 2011, respectively.

On January 26, 2012, Fresenius Medical Care U.S. Finance II, Inc. (U.S. Finance II), a wholly-owned subsidiary, issued $800 M aggregate principal amount of senior unsecured notes with a coupon of 5 5/8% (the 5 5/8% Senior Notes) at par and $700 M aggregate principal amount of senior unsecured notes with a coupon of 5 7/8% (the 5 7/8% Senior Notes) at par (together, the Dollar-denominated Senior Notes). In addition, FMC Finance VIII S.A. (Finance VIII), a wholly-owned subsidiary, issued €250 M aggregate principal amount ($329 M at date of issuance) of senior unsecured notes with a coupon of 5.25% (the Euro-denominated Senior Notes) at par. Both the 5 5/8% Senior Notes and the Euro-denominated Senior Notes are due July 31, 2019 while the 5 7/8% Senior Notes are due January 31, 2022. U.S. Finance II may redeem each issue of the Dollar-denominated Senior Notes, Finance VIII may redeem the Euro-denominated Senior Notes, in each case, at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the applicable indenture. The holders of the Dollar-denominated Senior Notes and the Euro-denominated Senior Notes have a right to request that

the respective issuers of the notes repurchase the applicable issue of notes at 101% of principal plus accrued interest upon the occurrence of a change in control of FMC AG & CO. KGAA followed by a decline in the rating of the respective notes. We used the net proceeds of approximately $1,807 M for acquisitions, including the acquisition of Liberty Dialysis Holdings, Inc., which closed on February 28, 2012, to refinance indebtedness and for general corporate purposes. The Dollar-denominated Senior Notes and the Euro-denominated Senior Notes are guaranteed on a senior basis jointly and severally by us, Fresenius Medical Care Holdings, Inc. (FMCH) and Fresenius Medical Care Deutschland GmbH (D-GmbH) (together, the Guarantor Subsidiaries).

The Company entered into a new $3.85 BN syndicated credit facility, the 2012 Credit Agreement, with a large group of banks and institutional investors (collectively, the Lenders) on October 30, 2012 which replaced the Amended 2006 Senior Credit Agreement.

The new credit facility consists of:

- a 5-year revolving credit facility of approximately $1.25 BN comprising a $400 M multicurrency revolving facility, a $200 M revolving facility and a €500 M revolving facility which will be due and payable on October 30, 2017.

- a 5-year term loan facility of $2.6 BN, also scheduled to mature on October 30, 2017. The 2012 Credit Agreement requires 17 quarterly payments of $50 M 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 the Company'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 2012 Credit Agreement plus an applicable margin. As of December 31, 2012, the tranches outstanding under the 2012 Credit Agreement had a weighted average interest rate of 2.35%.

The applicable margin is variable and depends on the Company's Consolidated Leverage Ratio which is a ratio of its Consolidated Funded Debt less cash and cash equivalents held by the Consolidated Group to Consolidated EBITDA (as these terms are defined in the 2012 Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the 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 2012 Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The 2012 Credit Agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Company and investments by the Company, and require the Company to maintain certain financial ratios defined in the agreement. Additionally, the 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €300 M ($396 M based upon the December 31, 2012 spot rate) for dividends to be paid in 2013, and increases in subsequent years. In default, the outstanding balance under the 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

The following table summarizes the Company's available sources of liquidity at December 31, 2012:

T. 1.4.2 *Available sources of liquidity*
in $ M

		Expiration per period of			
	Total	*less than 1 year*	*1–3 years*	*3–5 years*	*over 5 years*
Accounts receivable facility[1]	638	–	–	638	–
Revolving Credit Facility of the Credit Agreement 2012[2]	1,123	–	–	1,123	–
Other unused lines of credit	262	262	–	–	–
▸ ***Total***	**2,023**	**262**	**–**	**1,761**	**–**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria. The Accounts Receivable facility was extended and renewed on January 17, 2013 and will now mature on January 15, 2016.*
[2] *At December 31, 2012, the Company had letter of credit outstanding in the amount of $77 M which reduces the availability under the Revolving Credits Facility to the amount shown in this table.*

The amount of guarantees and other commercial commitments at December 31, 2012 is not significant.

At December 31, 2012, we have short-term borrowings, excluding the current portion of long-term debt, other financial liabilities and short-term borrowings from related parties, in the total amount of $122 M.

The following table summarizes, as of December 31, 2012, our obligations and commitments to make future payments under our long-term debt and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit.

T. 1.4.3 *Contractual cash obligations and commitments*
in $ M

		Payments due by period of			
	Total	*less than 1 year*	*1–3 years*	*3–5 years*	*over 5 years*
Long-term debt[1, 2]	10,369	680	1,378	3,917	4,394
Capital lease obligations	17	3	5	2	7
Operating leases	3,288	566	950	727	1,045
Unconditional purchase obligations[3]	465	317	128	19	1
Other long-term obligations	122	100	22	–	–
Letters of credit	77	–	–	77	–
▸ ***Total***	**14,338**	**1,666**	**2,483**	**4,742**	**5,447**

[1] *Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Prime), the applicable margins, and the effects of related interest rate swaps.*
[2] *Includes $162 M of outstanding borrowings as of December 31, 2012 related to our accounts receivable facility that we refinanced on January 17, 2013. The accounts receivables facility will now mature on January 15, 2016.*
[3] *The unconditional purchase obligation was significantly reduced for 2012 and thereafter as a result of the amended of the Venofer Agreement. See note 4.*

1.4
LIQUIDITY AND CAPITAL RESOURCES

Our 2012 Credit Agreement, EIB agreements, Euro Notes and Senior Notes include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our 2012 Credit Agreement, we are obligated to maintain a minimum consolidated interest expense coverage ratio (ratio of EBITDA to net interest expense) and a maximum consolidated leverage ratio (ratio of consolidated funded debt to consolidated EBITDA as these terms are defined in the 2012 Credit Agreement). Other covenants in one or more of each of these agreements restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends and make other restricted payments, create liens or engage in sale-lease backs.

The breach of any of the covenants in any of the instruments or agreements governing our long-term debt – 2012 Credit Agreement, the EIB agreements, the Euro Notes or the Senior Notes – could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the 2012 Credit Agreement becomes due at the option of the lenders under that agreement, and the "cross default" provisions in our other long-term debt permit the lenders to accelerate the maturity of the debt upon such a default as well. As of December 31, 2012, we are in compliance with all covenants under the 2012 Credit Agreement and our other financing agreements. For information regarding our 2012 Credit Agreement, EIB agreements, Euro Notes and Senior Notes, *see note 10.*

Although we are not immune from the global financial crisis, we believe that we are well positioned to continue to grow our business while meeting our financial obligations as they come due. Due to the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services, our business is generally not cyclical. A substantial portion of our accounts receivable are generated by governmental payers. While payment and collection practices vary significantly between countries and even between agencies within one country, government payors usually represent low to moderate, credit risks. However, limited or expensive access to capital could make it more difficult for our customers to do business with us, or to do business generally, which could adversely affect our business by causing our customers to reduce or delay their purchases of our dialysis products. If the current conditions in the credit and equity markets continue, or worsen, they could also increase our financing costs and limit our financial flexibility.

Following our earnings-driven dividend policy, our General Partner's Management Board will propose to the shareholders at the Annual General meeting on May 16, 2013, a dividend with respect to 2012 and payable in 2013, of €0.75 per ordinary share (for 2011 paid in 2012: €0.69) and €0.77 per preference share (for 2011 paid in 2012: €0.71). The total expected dividend payment is approximately €230 M (approximately $304 M based upon the December 31, 2012 spot rate) compared to dividends of €210 M ($272 M) paid in 2012 with respect to 2011. The 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €300 M ($396 M based upon the December 31, 2012 spot rate) for dividends to be paid in 2013, and increases in subsequent years.

Our 2013 principal financing needs are the payment for our EIB loans coming due in 2013. These payments as well as our dividend payment of approximately $304 in May 2013 and the anticipated dividend payment in 2014 are expected to be covered by our cash flows and by using existing credit facilities. We currently have sufficient flexibility under our debt covenants to meet our financing needs in the near future. Generally, we believe that we will have sufficient financing to achieve our goals in the future and to continue to promote our growth.

NON-U.S. GAAP MEASURES

Constant currency

Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure "at constant exchange rates" in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. dollar) currency are translated into U.S. dollars at the average exchange rate for the period presented. When we use the term "constant currency," it means that we have translated local currency revenues for the current reporting period into U.S. dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. dollars that we used to translate local currency revenues for the comparable reporting period of the prior year. We then calculate the change, as a percentage, of the current period revenues using the prior period exchange rates versus the prior period revenues. This resulting percentage is a non-GAAP measure referring to a change as a percentage "at constant exchange rates."

We believe that revenue growth is a key indication of how a company is progressing from period to period and that the non-GAAP financial measure constant currency is useful to investors, lenders, and other creditors because such information enables them to gauge the impact of currency fluctuations on its revenue from period to period. However, we also believe that data on constant currency period-over-period changes have limitations, particularly as the currency effects that are eliminated could constitute a significant element of our revenue and could significantly impact our performance. We therefore limit our use of constant currency period-over-period changes to a measure for the impact of currency fluctuations on the translation of local currency revenue into U.S. dollars. We do not evaluate our results and performance without considering both constant currency period-over-period changes in non-U.S. GAAP revenue on the one hand and changes in revenue prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering data on constant currency period-over-period changes only in addition to, and not as a substitute for or superior to, changes in revenue prepared in accordance with U.S. GAAP. We present the fluctuation derived from U.S. GAAP revenue next to the fluctuation derived from non-GAAP revenue. Because the reconciliation is inherent in the disclosure, we believe that a separate reconciliation would not provide any additional benefit.

Debt covenant disclosure – EBITDA

EBITDA (earnings before interest, tax, depreciation and amortization expenses) was approximately $2,821 M, 20.4% of revenues for 2012 and $2,632 M, 20.9% of revenues for 2011. EBITDA is the basis for determining compliance with certain covenants contained in our 2012 Credit Agreement, Euro Notes, EIB agreements, and the indentures relating to our Senior Notes. You should not consider EBITDA to be an alternative to net earnings determined in accordance with U.S. GAAP or to cash flow from operations, investing activities or financing activities. In addition, not all funds depicted by EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements for debt service, to fund necessary capital expenditures and to meet other commitments from time to time as described in more detail elsewhere in this report. EBITDA, as calculated, may not be comparable to similarly titled measures reported by other companies. A reconciliation of EBITDA to cash flow provided by operating activities, which we believe to be the most directly comparable U.S. GAAP financial measure, is calculated as follows:

T. 1.4.4 *Reconciliation of measures for consolidated totals*
in $ M

	2012	2011
Total EBITDA	2,821	2,632
Interest expense (net of interest income)	(426)	(297)
Income tax expense, net	(605)	(601)
Change in deferred taxes, net	70	147
Changes in operating assets and liabilities	174	(366)
Stock compensation expense	26	29
Other items, net	(21)	(98)
▸ *Net cash provided by operating activities*	**2,039**	**1,446**

CHAPTER 1.5

Quantitative and Qualitative Disclosures about Market Risk

MARKET RISK

Our businesses operate in highly competitive markets and are subject to changes in business, economic and competitive conditions. Our business is subject to:

- changes in reimbursement rates;
- intense competition;
- foreign exchange rate and interest rate fluctuations;
- varying degrees of acceptance of new product introductions;
- technological developments in our industry;
- uncertainties in litigation or investigative proceedings and regulatory developments in the healthcare sector; and
- the availability of financing.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Reimbursement rates

We obtained approximately 32% of our worldwide revenue for 2012 from sources subject to regulations under U.S. government healthcare programs. In the past, U.S. budget deficit reduction and healthcare reform measures have changed the reimbursement rates under these programs, including the Medicare composite rate, the reimbursement rate for EPO, and the reimbursement rates for other dialysis and non-dialysis related services and products, as well as other material aspects of these programs, and they may change in the future. Effective January 1, 2011, the Medicare reimbursement rate for dialysis services is determined on the basis of a case-mix adjusted "blended" prospective payment system for ESRD dialysis facilities.

We also obtain a significant portion of our net revenues from reimbursement by non-government payors. Historically, these payors' reimbursement rates generally have been higher than government program rates in their respective countries. However, non-governmental payors are imposing cost containment measures that are creating significant downward pressure on reimbursement levels that we receive for our services and products.

Inflation

The effects of inflation during the periods covered by the consolidated financial statements have not been significant to our results of operations. However, a major portion of our net revenues from dialysis care are subject to reimbursement rates regulated by governmental authorities, and a significant portion of other revenues, especially revenues from the U.S., is received from customers whose revenues are subject to these regulated reimbursement rates. Non-governmental payors are also exerting downward pressure on reimbursement rates. Increased operation costs that are subject to inflation, such as labor and supply costs, may not be recoverable through price increases in the absence of a compensating increase in reimbursement rates payable to us and our customers, and could materially adversely affect our business, financial condition and results of operations.

Management of foreign exchange and interest rate risks

We are primarily exposed to market risk from changes in foreign exchange rates and changes in interest rates. In order to manage the risks from these foreign exchange rate and interest rate fluctuations, we enter into various hedging transactions, as authorized by the Management Board of the general partner, with banks which generally have ratings in the "A" Category or better. We do not use financial instruments for trading or other speculative purposes.

Fresenius SE, as provided for under a service agreement, conducts financial instrument activity for us and its other subsidiaries under the control of a single centralized department. Fresenius SE has established guidelines, that we have agreed to, for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk

We conduct our business on a global basis in various currencies, although our operations are located principally in the United States and Germany. For financial reporting purposes, we have chosen the U.S. dollar as our reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of our international operations are maintained, affect our results of operations and financial position as reported in our consolidated financial statements. We have consolidated the balance sheets of our non-U.S. dollar denominated operations into U.S. dollars at the exchange rates prevailing at the balance sheet date. Revenues and expenses are translated at the average exchange rates for the period.

Our exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. We have significant amounts of sales of products invoiced in euro from our European manufacturing facilities to our other international operations. This exposes our subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures we enter into foreign exchange forward contracts and, on a small scale, foreign exchange options. Our policy, which has been consistently followed, is that foreign exchange rate derivatives be used only for purposes of hedging foreign currency exposures. We have not used such instruments for purposes other than hedging.

In connection with intercompany loans in foreign currency, we normally use foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans.

The Company is exposed to potential losses in the event of non-performance by counterparties to financial instruments. We do not expect any counterparty to fail to meet its obligations. The current credit exposure of foreign exchange derivatives is represented by the fair value of those contracts with a positive fair value at the reporting date. The table below provides information about our foreign exchange forward contracts at December 31, 2012. The information is provided in U.S. dollar equivalent amounts. The table presents the notional amounts by year of maturity, the fair values of the contracts, which show the unrealized net gain (loss) on existing contracts as of December 31, 2012, and the credit risk inherent to those contracts with positive market values as of December 31, 2012. All contracts expire within 35 months after the reporting date.

T. 1.5.1 *Foreign currency risk management*
in $ M, December 31

	Nominal amount						Fair value	Credit risk
	2013	2014	2015	2016	2017	Total		
Purchase of € against $	316	9	–	–	–	325	5	7
Sale of € against $	553	–	–	–	–	553	(9)	–
Purchase of € against others	846	61	29	–	–	936	11	23
Sale of € against others	268	31	29	–	–	328	(1)	1
Others	41	3	–	–	–	44	(1)	1
▸ *Total*	**2,024**	**104**	**58**	–	–	**2,186**	**5**	**32**

A summary of the high and low exchange rates for the euro to U.S. dollars and the average exchange rates for the last five years is set forth below. The European Central Bank (ECB) determines such rates (Reference Rates) based on the regular daily averaging of rates between central banks within and outside the European banking system. The ECB normally publishes the Reference Rates daily at 2:15 p.m. (CET). In preparing our consolidated financial statements and in converting certain U.S. dollar amounts in this report, we have used the Year's Average Reference Rate of $1.2848 or Year's Close Reference Rate of $1.3194 per €1.00.

T. 1.5.2 *Exchange rates*
$ per €

	Year's high	Year's low	Year's average	Year's close
2012	**1.3454**	**1.2089**	**1.2848**	**1.3194**
2011	1.4882	1.2889	1.3920	1.2939
2010	1.4563	1.1942	1.3259	1.3362
2009	1.5120	1.2555	1.3948	1.4406
2008	1.5990	1.2460	1.4713	1.3917

The Reference Rate on February 19, 2013 was $1.3349 per €1.00.

Cash-Flow-at-Risk model

We use a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify transaction risks from foreign currencies. The basis for the analysis of the currency risk is 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 Company's cash flow at risk amounts to $39.7 M; this means the potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months has a 95% probability of not being higher than $39.7 M.

Interest rate risk

We are exposed to changes in interest rates that affect our variable-rate borrowings. We enter into debt obligations including accounts receivable securitizations to support our general corporate purposes such as capital expenditures and working capital needs. Consequently, we enter into derivatives, particularly interest rate swaps to protect interest rate exposures arising from borrowings at floating rates by effectively swapping them into fixed rates.

These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed rate. The euro-denominated interest rate swaps expire in 2016 and have an interest rate of 1.73%.

As of December 31, 2012, the notional amount of euro-denominated interest rate swaps in place was €100 M ($132 M). Interest payable and interest receivable under the swap agreements are accrued and recorded as an adjustment to interest expense at each reporting date. At December 31, 2012, the negative fair value of our interest rate agreements is $6 M.

Interest rate sensitivity analysis

For purposes of analyzing the impact of changes in the relevant reference interest rates on the Company's results of operations, the Company calculates the portion of financial debt which bears variable interest 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 Company assumes an increase in the reference rates of 0.5% compared to the actual rates as of reporting date. The corresponding additional annual interest expense is then compared to the Company's net income. This analysis shows that an increase of 0.5% in the relevant reference rates would have an effect of approximately 1% on the consolidated net income of the Company.

The table below presents principal amounts and related weighted average interest rates by year of maturity for interest rate swaps and for our significant debt obligations.

T. 1.5.3 *Interest rate exposure*
in $ M

	2013	2014	2015	2016	2017	Thereafter	Total	Fair Value Dec. 31, 2012
Floating rate $ debt								
Principal payments on Senior Credit Agreement Variable interest rate = 2.35%	100	200	200	200	1,959	–	2,659	2,653
Accounts receivable securitization programs Variable interest rate = 0.75%	–	–	–	162 [1]	–	–	162	162
EIB loans Variable interest rate = 0.438%	140	–	–	–	–	–	140	140
Floating rate € debt								
Euro Notes 2009/2014 Variable interest rate = 5.898%	5	30	–	–	–	–	35	36
EIB loan Variable interest rate = 0.97%	–	185	–	–	–	–	185	185
Senior Notes 2011/2016 Variable interest rate = 3.71%	–	–	–	132	–	–	132	136
Fixed rate $ debt								
Senior Notes 2007/2017 fixed interest rate = 6.875%	–	–	–	–	496	–	496	572
Senior Notes 2011/2018 fixed interest rate = 6.50%	–	–	–	–	–	396	396	452
Senior Notes 2011/2021 fixed interest rate = 5.75%	–	–	–	–	–	645	645	705
Senior Notes 2012/2019 fixed interest rate = 5.625%	–	–	–	–	–	800	800	870
Senior Notes 2012/2022 fixed interest rate = 5.875%	–	–	–	–	–	700	700	765
Fixed rate € debt								
Euro Notes 2009/2014 Fixed interest rate = 8.3835%	3	14	–	–	–	–	17	19
Senior Notes 2010/2016 Fixed interest rate = 5.50%	–	–	–	327	–	–	327	369
Senior Notes 2011/2018 Fixed interest rate = 6.50%	–	–	–	–	–	522	522	617
Senior Notes 2011/2021 Fixed interest rate = 5.25%	–	–	–	–	–	396	396	442
Senior Notes 2012/2019 Fixed interest rate = 5.25%	–	–	–	–	–	330	330	368
Interest rate derivatives								
€ Payer swaps notional amount	–	–	–	132	–	–	132	(6)
Average fixed pay rate = 1.73%	–	–	–	1.73%	–	–	–	–
Receive rate = 3-month EURIBOR	–	–	–	–	–	–	–	–

[1] *On January 17, 2013 the A/R Facility was renewed and extended until January 15, 2016.*

All variable interest rates depicted above are as of December 31, 2012.

CHAPTER 2

CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Income

T. 2.1.1 *Consolidated Statements of Income*

in $ THOUS, except share data

	Note	2012	2011
Net revenue			
Dialysis care		10,772,124	9,507,173
Less: patient service bad debt provision		280,365	224,545
Net dialysis care		10,491,759	9,282,628
Dialysis products		3,308,523	3,287,887
▸ *Total*	23	**13,800,282**	**12,570,515**
Costs of revenue			
Dialysis care		7,649,514	6,861,197
Dialysis products		1,549,515	1,557,277
▸ *Total*		**9,199,029**	**8,418,474**
Gross profit		4,601,253	4,152,041
Operating (income) expenses			
Selling, general and administrative		2,224,715	2,001,825
Gain on sale of dialysis clinics	2	(36,224)	(4,551)
Research and development		111,631	110,834
Income from equity method investees	23	(17,442)	(30,959)
Other operating expenses	4	100,000	–
▸ *Operating income*		**2,218,573**	2,074,892
Other (income) expense			
Investment gain	2	(139,600)	–
Interest income		(44,474)	(59,825)
Interest expense		470,534	356,358
Income before income taxes		1,932,113	1,778,359
Income tax expense	17	605,136	601,097
Net income		1,326,977	1,177,262
Less: net income attributable to noncontrolling interests		140,168	106,108
▸ *Net income attributable to shareholders of FMC AG & Co. KGaA*		**1,186,809**	**1,071,154**
▸ *Basic income per ordinary share*	15	**3.89**	**3.54**
▸ *Fully diluted income per ordinary share*	15	**3.87**	**3.51**

See accompanying notes to consolidated financial statements.

CHAPTER 2.2

Consolidated Statements of Comprehensive Income

T. 2.2.1 *Consolidated Statements of Comprehensive Income*
in $ THOUS

	Note	2012	2011
▸ ***Net income***		**1,326,977**	**1,177,262**
Gain (loss) related to cash flow hedges	20, 21	24,019	(102,446)
Actuarial gains (losses) on defined benefit pension plans	21	(103,178)	(81,906)
Gain (loss) related to foreign currency translation	21	63,803	(181,234)
Income tax (expense) benefit related to components of other comprehensive income	20, 21	8,831	72,617
▸ ***Other comprehensive income (loss), net of tax***	21	**(6,525)**	**(292,969)**
▸ ***Total comprehensive income***		**1,320,452**	**884,293**
Comprehensive income attributable to noncontrolling interests		139,989	104,861
▸ ***Comprehensive income attributable to shareholders of FMC AG & Co. KGaA***		**1,180,463**	**779,432**

See accompanying notes to consolidated financial statements.

CHAPTER 2.3

Consolidated Balance Sheets

T. 2.3.1 *Consolidated Balance Sheets*
in $ THOUS, except share data, December 31

Assets	Note	2012	2011
Current assets			
Cash and cash equivalents		688,040	457,292
Trade accounts receivable less allowance for doubtful accounts of $328,893 in 2012 and $299,751 in 2011		3,019,424	2,798,318
Accounts receivable from related parties	3	137,809	111,008
Inventories	4	1,036,809	967,496
Prepaid expenses and other current assets	5	937,761	1,035,366
Deferred taxes	17	307,613	325,539
▸ ***Total current assets***		**6,127,456**	**5,695,019**
Property, plant and equipment, net	6	2,940,603	2,629,701
Intangible assets	7	710,116	686,652
Goodwill	7	11,421,889	9,186,650
Deferred taxes	17	133,753	88,159
Investment in equity method investees	23	637,373	692,025
Other assets and notes receivables		354,808	554,644
▸ ***Total assets***		**22,325,998**	**19,532,850**

See accompanying notes to consolidated financial statements.

T. 2.3.1 *Consolidated Balance Sheets*

in $ THOUS, except share data, December 31

Liabilities and shareholders' equity	Note	2012	2011
Current liabilities			
Accounts payable		622,294	541,423
Accounts payable to related parties	3	123,350	111,226
Accrued expenses and other current liabilities	8	1,787,471	1,704,273
Short-term borrowings and other financial liabilities	9	117,850	98,801
Short-term borrowings from related parties	9	3,973	28,013
Current portion of long-term debt and capital lease obligations	10	334,747	1,589,776
Income tax payable		150,003	162,354
Deferred taxes	17	30,303	26,745
▸ *Total current liabilities*		**3,169,991**	**4,262,611**
Long-term debt and capital lease obligations, less current portion	10	7,841,914	5,494,810
Other liabilities		294,569	236,628
Pension liabilities	11	423,361	290,493
Income tax payable		201,642	189,000
Deferred taxes	17	664,001	587,800
▸ *Total liabilities*		**12,595,478**	**11,061,342**
Noncontrolling interests subject to put provisions	12	523,260	410,491
Shareholders' equity			
Preference shares, no par value, €1.00 nominal value, 7,066,522 shares authorized, 3,973,333 issued and outstanding	13	4,462	4,452
Ordinary shares, no par value, €1.00 nominal value, 385,396,450 shares authorized, 302,739,758 issued and outstanding	13	374,915	371,649
Additional paid-in capital	13	3,491,581	3,362,633
Retained earnings	13	5,563,661	4,648,585
Accumulated other comprehensive (loss) income	21	(492,113)	(485,767)
▸ *Total FMC AG & Co. KGaA shareholders' equity*		**8,942,506**	**7,901,552**
Noncontrolling interests not subject to put provisions		264,754	159,465
▸ *Total equity*		**9,207,260**	**8,061,017**
▸ *Total liabilities and equity*		**22,325,998**	**19,532,850**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

T. 2.4.1 *Consolidated Statements of Cash Flows*
in $ THOUS

	Note	2012	2011
Operating activities			
Net income		1,326,977	1,177,262
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	6, 7, 23	602,896	557,283
Change in deferred taxes, net		70,462	147,454
(Gain) loss on sale of investments		(36,224)	(7,679)
(Gain) loss on sale of fixed assets		6,700	(1,306)
Investment (gain)	2	(139,600)	–
Compensation expense related to stock options	16	26,476	29,071
Cash inflow (outflow) from hedging		(13,947)	(58,113)
Investments in equity method investees, net		22,512	(30,959)
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(43,344)	(252,794)
Inventories		(48,279)	(151,890)
Prepaid expenses, other current and non-current assets		93,121	(119,131)
Accounts receivable from related parties		(25,859)	(11,669)
Accounts payable to related parties		10,064	(4,495)
Accounts payable, accrued expenses and other current and non-current liabilities		225,586	132,406
Income tax payable		(38,478)	41,042
▸ *Net cash provided by (used in) operating activities*		**2,039,063**	**1,446,482**

See accompany notes to consolidated financial statements.

2.4
CONSOLIDATED STATEMENTS OF CASH FLOWS

T. 2.4.1 *Consolidated Statements of Cash Flows*
in $ THOUS

	Note	2012	2011
Investing activities			
Purchases of property, plant and equipment	23	(675,310)	(597,855)
Proceeds from sale of property, plant and equipment		9,667	27,325
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	2,23	(1,878,908)	(1,785,329)
Proceeds from divestitures		263,306	9,990
▸ *Net cash provided by (used in) investing activities*		**(2,281,245)**	**(2,345,869)**
Financing activities			
Proceeds from short-term borrowings and other financial liabilities		174,391	189,987
Repayments of short-term borrowings and other financial liabilities		(163,059)	(248,821)
Proceeds from short-term borrowings from related parties		39,829	146,872
Repayments of short-term borrowings from related parties		(64,112)	(127,015)
Proceeds from long-term debt and capital lease obligations (net of debt issuance costs and other hedging costs of $178,593 in 2012, $127,854 in 2011)		4,750,730	2,706,105
Repayments of long-term debt and capital lease obligations		(3,589,013)	(957,235)
Redemption of trust preferred securities		–	(653,760)
Increase (decrease) of accounts receivable securitization program		(372,500)	24,500
Proceeds from exercise of stock options		121,126	94,893
Dividends paid	13	(271,733)	(280,649)
Distributions to noncontrolling interests		(195,023)	(129,542)
Contributions from noncontrolling interests		37,704	27,824
▸ *Net cash provided by (used in) financing activities*		**468,340**	**793,159**
▸ *Effect of exchange rate changes on cash and cash equivalents*		**4,590**	**40,650**
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents		230,748	(65,578)
Cash and cash equivalents at beginning of period		457,292	522,870
▸ *Cash and cash equivalents at end of period*		**688,040**	**457,292**

See accompanying notes to consolidated financial statements.

Consolidated Statement of Shareholders' Equity

T. 2.5.1 — *Consolidated Statement of Shareholders' Equity*

in $ THOUS, except share data

	Note	Preference shares		Ordinary shares	
		Number of shares	No par value	Number of shares	No par value
▸ *Balance at December 31, 2010*		**3,957,168**	**4,440**	**298,279,001**	**369,002**
Proceeds from exercise of options and related tax effects	16	8,523	12	1,885,921	2,647
Compensation expense related to stock options	16	–	–	–	–
Dividends paid	13	–	–	–	–
Purchase/sale of noncontrolling interests	13	–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	12	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	21	–	–	–	–
Comprehensive income		–	–	–	–
▸ *Balance at December 31, 2011*		**3,965,691**	**4,452**	**300,164,922**	**371,649**
Proceeds from exercise of options and related tax effects	16	7,642	10	2,574,836	3,266
Compensation expense related to stock options	16	–	–	–	–
Dividends paid	13	–	–	–	–
Purchase/sale of noncontrolling interests	13	–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	12	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	21	–	–	–	–
Comprehensive income		–	–	–	–
▸ *Balance at December 31, 2012*		**3,973,333**	**4,462**	**302,739,758**	**374,915**

See accompanying notes to consolidated financial statements.

2.5 CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

T. 2.5.1 *Consolidated Statement of Shareholders' Equity*

in $ THOUS, except share data

	Note	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total FMC AG & Co. KGaA shareholders' equity	Noncontrolling interests not subject to put provisions	Total Equity
▸ ***Balance at December 31, 2010***		**3,339,781**	**3,858,080**	**(194,045)**	**7,377,258**	**146,653**	**7,523,911**
Proceeds from exercise of options and related tax effects	16	85,887	–	–	88,546	–	88,546
Compensation expense related to stock options	16	29,071	–	–	29,071	–	29,071
Dividends paid	13	–	(280,649)	–	(280,649)	–	(280,649)
Purchase/sale of noncontrolling interests	13	(5,873)	–	–	(5,873)	9,662	3,789
Contributions from/to noncontrolling interests		–	–	–	–	(59,066)	(59,066)
Changes in fair value of noncontrolling interests subject to put provisions	12	(86,233)	–	–	(86,233)	–	(86,233)
Net income		–	1,071,154	–	1,071,154	63,251	1,134,405
Other comprehensive income (loss)	21	–	–	(291,722)	(291,722)	(1,035)	(292,757)
Comprehensive income		–	–	–	779,432	62,216	841,648
▸ ***Balance at December 31, 2011***		**3,362,633**	**4,648,585**	**(485,767)**	**7,901,552**	**159,465**	**8,061,017**
Proceeds from exercise of options and related tax effects	16	110,510	–	–	113,786	–	113,786
Compensation expense related to stock options	16	26,476	–	–	26,476	–	26,476
Dividends paid	13	–	(271,733)	–	(271,733)	–	(271,733)
Purchase/sale of noncontrolling interests	13	(26,918)	–	–	(26,918)	86,705	59,787
Contributions from/to noncontrolling interests		–	–	–	–	(26,428)	(26,428)
Changes in fair value of noncontrolling interests subject to put provisions	12	18,880	–	–	18,880	–	18,880
Net income		–	1,186,809	–	1,186,809	45,450	1,232,259
Other comprehensive income (loss)	21	–	–	(6,346)	(6,346)	(438)	(6,784)
Comprehensive income		–	–	–	1,180,463	45,012	1,225,475
▸ ***Balance at December 31, 2012***		**3,491,581**	**5,563,661**	**(492,113)**	**8,942,506**	**264,754**	**9,207,260**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Unless otherwise noted, numbers are stated in thousands, except share data.

1. THE COMPANY AND BASIS OF PRESENTATION

The Company

Fresenius Medical Care AG & Co. KGaA ("FMC AG & CO. KGAA" or the "Company"), a German partnership limited by shares (Kommanditgesellschaft auf Aktien), is the world's largest kidney dialysis company, operating in both the field of dialysis care and the field of dialysis products for the treatment of end-stage renal disease (ESRD). The Company's dialysis business is vertically integrated, providing dialysis treatment at dialysis clinics it owns or operates and supplying these clinics with a broad range of products. In addition, the Company sells dialysis products to other dialysis service providers.

In these Notes, "FMC AG & CO. KGAA," or the "Company," "we," "us" or "our" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires. The term "North America Segment" refers to the North America operating segment. The term "International Segment" refers to the combined International and Asia-Pacific operating segments.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

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 and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Certain items in the prior years' comparative consolidated financial statements have been reclassified to conform to the current years' presentation. Revenues have been restated to reflect the retrospective adoption of Accounting Standards Update 2011-07, Health Care Entities. Specifically, bad debt expense in the amount of $224,545 and $209,296 was reclassified from selling general and administrative (SG & A) as a reduction of revenue for 2011 and 2010, respectively. In addition, freight expense in the amount of $144,115 and $100,363 was reclassified from SG & A to cost of revenue to harmonize the presentation for all segments for 2011 and 2010, respectively.

Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the earnings of all companies in which the Company has legal or effective control. In addition, the Company consolidates variable interest entities (VIEs) for which it is deemed the primary beneficiary. In accordance with current accounting principles, the Company also consolidates certain clinics that it manages and financially controls. The equity method of accounting is used for investments in associated companies over which the Company has significant exercisable influence, even when the Company holds 50% or less of the common stock of the company. Noncontrolling interests represent the proportionate equity interests of owners in the Company's consolidated entities that are not wholly owned. Noncontrolling interests of recently acquired entities are valuated at fair value. All significant intercompany transactions and balances have been eliminated.

The Company 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, the Company has agreed to fund their operations through loans. The compensation for the funding can carry interest, exclusive product supply agreements, or entitle the Company to a pro rata share of

profits, if any. The Company 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 the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. In the North America Segment, the Company has consolidated four new VIEs as a result of the acquisition of Liberty Dialysis Holdings, LLC (LD Holdings) in 2012. In the International Segment, one entity has ceased to be a VIE due to a change in the ownership structure. They generated approximately $194,278 and $195,296 in revenue in 2012 and 2011, respectively. The Company provided funding to these VIEs through loans and accounts receivable of $146,500 and $147,900 in 2012 and 2011, respectively.

The table below shows the carrying amounts of the assets and liabilities of these VIEs at December 31, 2012 and 2011:

T. 2.6.1 *Carrying amounts VIEs*
in $ THOUS

	2012	2011
Trade accounts receivable, net	85,458	73,172
Other current assets	58,329	65,576
Property, plant and equipment, intangible assets & other non-current assets	24,298	25,978
Goodwill	31,678	52,251
Accounts payable, accrued expenses and other liabilities	120,753	148,924
Non-current loans to related parties	12,998	13,000
Equity	66,013	55,053

b) 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.

c) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or market value *see note 4*. Costs included in inventories are based on invoiced costs and/or production costs or the marked to market valuation, as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

d) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation *see note 6*. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. 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 43 years for buildings and improvements with a weighted average life of 12 years and 3 to 15 years for machinery and equipment with a weighted average life of 10 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment. The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2012 and 2011 was $3,952 and $3,784, respectively.

e) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution rights, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses, trade names, management contracts, application software, acute care agreements, lease agreements, and licenses acquired in a business combination are recognized and reported apart from goodwill *see note 7*.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified trade names and certain qualified management contracts as 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 Company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes non-compete agreements over their useful life which in average is 8 years. Technology is amortized over its useful life of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which in average is 10 years. All other intangible assets are amortized over their weighted average useful lives of 6 years. The weighted average useful life of all amortizable intangible assets is 9 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identified its reporting units and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. One reporting unit was identified in the North America Segment. The International operating segment is divided into two reporting units (Europe and Latin America), while only one reporting unit exists in the operating segment Asia-Pacific. For the purpose of goodwill impairment testing, all corporate assets are allocated to the reporting units.

In a first step, the Company compares the fair value of a reporting unit to its carrying amount. Fair value is determined using estimated future cash flows for the unit discounted by an after-tax weighted average cost of capital (WACC) specific to that reporting unit. Estimating the 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 Company utilizes for every reporting unit, its three-year budget, projections for years 4 to 10 and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, results from the non-discretionary nature of the healthcare services we provide, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The reporting

units' respective expected growth rates for the period beyond ten years are: North America 1%, Europe 0%, Latin America 4%, and Asia-Pacific 4%. The discount factor is determined by the WACC of the respective reporting unit. The Company's WACC consists of a basic rate of 5.79% for 2012. The basic rate is then adjusted by a country-specific risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions, until they are appropriately integrated, within each reporting unit. In 2012, WACCs for the reporting units ranged from 6.35% to 13.51%.

In the case that the fair value of the reporting unit is less than its carrying value, a second step would be performed which compares the fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the carrying value, the difference is recorded as an impairment.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

f) Derivative financial instruments

Derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet *see note 20*. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlyings are recognized periodically in earnings, while the effective portion of changes in fair value of cash flow hedges is recognized in accumulated other comprehensive income (loss) in shareholders' equity. The ineffective portion is recognized in current net earnings. The change in fair value of derivatives that do not qualify for hedge accounting are recorded in the income statement and usually offset the changes in value recorded in the income statement for the underlying asset or liability.

g) Foreign currency translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the parent company and all non-U.S. subsidiaries are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for 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 reported in accumulated other comprehensive income (loss).

h) Revenue recognition and allowance for doubtful accounts

Revenue recognition

Dialysis care revenues are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for dialysis care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. In the U.S., these arrangements are generally with third party payors, like Medicare, Medicaid or commercial insurers. Outside the U.S., the reimbursement is usually made through national or local government programs with reimbursement rates established by statute or regulation.

Dialysis product revenues are recognized upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

For both Dialysis Care and Dialysis Products, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

As of January 1, 2012, the Company adopted ASU 2011-07, Health Care Entities-Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts and as a result, services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed, the difference between the receivable recorded and the amount estimated to be collectible must be recorded as a provision and the expense is presented as a reduction of Dialysis Care revenues. The provision includes such items as amounts due from patients without adequate insurance coverage, and patient co-payment and deductible amounts due from patients with health care coverage. The Company bases the provision mainly on past collection history and reports it as "Patient service bad debt provision" on the Consolidated Statements of Income.

A minor portion of International Segment product revenues is generated from arrangements which give the customer, typically a healthcare provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. In this type of contract, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables. In certain sales type leases, the contract is structured whereby ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for sales type leases.

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

Allowance for doubtful accounts

In North America for receivables generated from Dialysis Care, the accounting for the allowance for doubtful accounts is based on an analysis of collection experience and recognizing the differences between payors. The Company also performs an aging of accounts receivable which enables the review of each customer and their payment pattern. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

The allowance for doubtful accounts in the International Segment and the North America products business 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. The changes in the allowance for these receivables are recorded in Selling, general and administrative as an expense.

i) Research and development expenses

Research and development expenses are expensed as incurred.

j) Income taxes

Current taxes are calculated based on the profit (loss) 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. Benefits from income tax positions have been recognized only when it was more likely than not that the Company would be entitled to the economic benefits of the tax positions. The more likely than not threshold has been determined based on the technical merits that the position will sustain upon examination. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits are recognized.

The Company recognizes deferred tax assets and liabilities for future consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as on consolidation procedures affecting net income, tax credits and tax loss carryforwards which are more likely than not to be utilized. Deferred tax assets and liabilities are measured using the respective countries enacted tax rates to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. In addition, the recognition of deferred tax assets considers the budget planning of the Company and implemented tax strategies. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets unless it is more likely than not that such assets will be realized *see note 17*.

It is the Company's policy to recognize interest and penalties related to its tax positions as income tax expense.

k) Impairment

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company 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 value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

For the Company's policy related to goodwill impairment, *see 1e above*.

l) Debt issuance costs

Certain costs related to the issuance of debt are amortized over the term of the related obligation *see note 10.*

m) Self-insurance programs

Under the insurance programs for professional, product and general liability, auto liability and worker's compensation claims, the Company's largest subsidiary is partially self-insured for professional liability claims. For all other coverages, the Company 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.

n) Concentration of risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to healthcare providers throughout the world, and in providing kidney dialysis treatment, clinical laboratory testing, and other medical ancillary services. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Approximately 32% and 30% of the Company's worldwide revenues were earned and subject to regulations under Medicare and Medicaid, governmental healthcare programs administered by the United States government in 2012 and 2011, respectively.

No single debtor other than U.S. Medicaid and Medicare accounted for more than 5% of total trade accounts receivable in any of these years. Trade accounts receivable in the International Segment are for a large part due from government or government-sponsored organizations that are established in the various countries within which we operate. Amounts pending approval from third party payors represent less than 2% at December 31, 2012.

o) Legal contingencies

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business *see note 19*. The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company 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 assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

p) Earnings per ordinary share

Basic earnings per ordinary share for all years presented has been calculated using the two-class method based upon the weighted average number of ordinary and preference shares outstanding. Basic earnings per share is computed by dividing net income less preference amounts by the weighted average number of ordinary shares and preference shares outstanding during the year. Diluted earnings per ordinary share include the effect of all potentially dilutive instruments on ordinary shares and preference shares that would have been outstanding during the year.

The equity-settled awards granted under the Company's stock incentive plans *see note 16*, are potentially dilutive equity instruments.

q) Employee benefit plans

The Company recognizes the underfunded status of its defined benefit plans, measured as the difference between the fair value of the plan assets and the present value of the benefit obligation, as a liability. Changes in the funded status of a plan resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost are recognized through accumulated other comprehensive income, net of tax, 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. The Company uses December 31 as the measurement date when measuring the funded status of all plans.

In the case of the Company's funded plan, the defined benefit obligation is offset against the fair value of plan assets. A pension liability is recognized in the balance sheet if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under other assets in the balance sheet) if the fair value of plan assets exceeds the defined benefit obligation and if the Company has a right of reimbursement against the fund or a right to reduce future payments to the fund.

r) Recent pronouncements

Recently implemented accounting pronouncements

In July 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 2011-07 (ASU 2011-07), Health Care Entities (Topic 954): 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 healthcare entity's net patient service revenue and the related allowance for doubtful accounts. The standard requires healthcare 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 we presented as an operating expense before 2012 has been reclassified to a deduction from patient service revenue. Additionally, these healthcare entities are required to provide enhanced disclosures about their policies for recognizing revenue and assessing bad debts. The update also requires disclosures of patient service revenue (net of contractual allowances and discounts) as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

The amendments to the presentation of the provision for bad debts related to patient service revenue in the statement of operations has been applied retrospectively to all prior periods presented. The Company adopted the provisions of ASU 2011-07 as of January 1, 2012 and has restated the financial results of 2011 and 2010, accordingly.

In June 2011, the FASB issued Accounting Standard Update 2011-05 (ASU 2011-05), Comprehensive Income (Topic 220): Presentation of Comprehensive Income. In December 2011 the FASB issued Accounting Standard Update 2011-12 (ASU 2011-12), Comprehensive Income (Topic 220): 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. FASB additionally issued Accounting Standard Update 2013-02 (ASU 2013-02) Comprehensive Income (Topic 220): 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 obliges that all components of comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but continuous statements. FASB's ASU 2013-02 will require the adjustments to the components of accumulated other comprehensive income and their related tax effects to be presented on the face of the statement in which the components of other comprehensive income are presented or in the notes to the financial statements remains for year-end disclosure.

The Company presents two separate but continuous statements of net income and comprehensive income and as such we are in compliance with presentation of Comprehensive Income (Topic 220): Presentation of Comprehensive Income and Presentation of Items Reclassified Out of Accumulated Other Comprehensive Income. Additionally, the Company has early adopted ASU 2013-02 for the adjustments to the components and their tax effects *see note 21*.

Recent accounting pronouncements not yet adopted

On January 31, 2013, FASB issued Accounting Standards Update 2013-01 (ASU 2013-01) an update to Balance Sheet (Topic 210), 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 Accounting Standard Update 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (ASU 2011-11) 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 is effective for periods beginning on or after January 1, 2013. The Company is currently evaluating the impact of ASU 2011-11 on its consolidated financial statements.

2. ACQUISITION OF LIBERTY DIALYSIS HOLDINGS, INC.

On February 28, 2012, the Company acquired 100% of the equity of LD Holdings, the owner of Liberty Dialysis and owner of a 51% stake in Renal Advantage Partners, LLC (the "Liberty Acquisition"). The Company accounted for this transaction 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"). Part of the Company's stated strategy is to expand and complement its existing business through acquisitions. Generally, these acquisitions do not change the Company's business model and are easy to integrate without disruption to its existing business, requiring little or no realignment of its structures. The Liberty Acquisition is consistent in this regard as it involves the acquisition of dialysis clinics, a business in which the Company is already engaged and, therefore, merely supplements its existing business.

Total consideration for the Liberty Acquisition was $2,181,358, consisting of $1,696,659 cash, net of cash acquired and $484,699 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, the Company had a 49% equity investment in Renal Advantage Partners, LLC, the fair value of which, $201,915, is included as non-cash consideration. The Company has determined the estimated fair value based on the discounted cash flow method, utilizing an approximately 13% discount rate. In addition to the Company's investment, it also had a loan receivable from Renal Advantage Partners, LLC of $279,793, at a fair value of $282,784, which was retired as part of the transaction.

The following table summarizes the estimated fair values as of the date of 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:

T. 2.6.2 *Estimated fair values of assets acquired and liabilities assumed – preliminary*

in $ THOUS

Assets held for sale	164,068
Trade accounts receivable	156,443
Other current assets	20,488
Deferred tax assets	14,932
Property, plant and equipment	167,360
Intangible assets and other assets	84,056
Goodwill	1,999,862
Accounts payable, accrued expenses and other current liabilities	(116,153)
Income tax payable and deferred taxes	(42,697)
Short-term borrowings, other financial liabilities, long-term debt and capital lease obligations	(72,101)
Other liabilities	(29,800)
Noncontrolling interests (subject and not subject to put provisions)	(165,100)
▸ *Total acquisition cost*	**2,181,358**
Less non-cash contributions at fair value:	
Investment at acquisition date	(201,915)
Long-term notes receivable	(282,784)
▸ *Total non-cash items*	**(484,699)**
▸ *Net cash paid*	**1,696,659**

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 $1,999,862 was acquired as part of the Liberty Acquisition and is allocated to the North America Segment. 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 franchise. Of the goodwill recognized in this acquisition, approximately $436,000 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 the Company's overall experience and contractual multiples typical for such arrangements.

LD Holdings' results have been included in the Company's Consolidated Statements of Income since February 29, 2012. Specifically, LD Holdings has contributed revenue and operating income in the amount of $713,774 and $182,188, respectively, to the Company's 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 Company's results include those of divested FMC AG & CO. KGAA clinics prior to their divestiture.

The fair valuation of the Company's 49% equity investment in Renal Advantage Partners, LLC at the time of the Liberty Acquisition resulted in a non-taxable gain of $139,600 and is presented in the separate line item "Investment Gain" in the Consolidated Statements of Income. The retirement of the loan receivable resulted in a gain of $8,501 which was recognized in interest income.

Divestitures

In connection with the Federal Trade Commission's consent order relating to the Liberty Acquisition, the Company agreed to divest a total of 62 renal dialysis centers. During the year ended December 31, 2012, 24 of the 61 clinics sold were FMC AG & CO. KGAA clinics, which resulted in a $33,455 gain.

For the year ended December 31, 2012, the income tax expense related to the sale of these clinics of approximately $20,804 has been recorded in the line item "Income tax expense," resulting in a net gain of approximately $12,651. The after-tax gain was offset by the after-tax effects of the costs associated with the Liberty Acquisition.

Pro forma financial information

The following financial information, on a pro forma basis, reflects the consolidated results of operations as if the Liberty Acquisition and the divestitures described above had been consummated on January 1, 2011. The pro forma information includes adjustments primarily for elimination of the investment gain and the gain from the retirement of debt. 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, 2011.

T. 2.6.3 *Pro forma financial information*
in $ THOUS, except share data

	2012	*2011*
Net revenue	13,900,540	13,215,111
Net income attributable to the shareholders of FMC AG & Co. KGaA	1,054,872	1,077,218
Income per ordinary share:		
Basic	3.46	3.56
Fully diluted	3.44	3.53

3. RELATED PARTY TRANSACTIONS

The Company's parent, Fresenius SE & Co. KGaA, is a German partnership limited by shares resulting from the change of legal form effective January 28, 2011, of Fresenius SE, a European Company (Societas Europaea), and which, prior to July 13, 2007, was called Fresenius AG, a German stock corporation. In these Consolidated Financial Statements, Fresenius SE refers to that company as a partnership limited by shares, effective on and after January 28, 2011, as well as both before and after the conversion of Fresenius AG from a stock corporation into a European Company. Fresenius SE owns 100% of the share capital of Fresenius Medical Care Management AG, the Company's general partner (General Partner). From November 16, 2011 until February 29, 2012, Fresenius SE purchased 3.5 M ordinary shares of FMC AG & CO. KGAA in market transactions. Fresenius SE, the Company's largest shareholder, owns approximately 31.2% of the Company's voting shares as of December 31, 2012.

a) Service and lease agreements

The Company is party to service agreements with Fresenius SE and certain of its affiliates (collectively the "Fresenius SE Companies") to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. During 2012 and 2011, amounts charged by Fresenius SE to the Company under the terms of these agreements were $80,778 and $75,969, respectively. The Company also provides certain services to the Fresenius SE Companies, including research and development, central purchasing and warehousing. The Company charged $5,810 and $6,555 for services rendered to the Fresenius SE Companies during 2012 and 2011, respectively.

Under real estate operating lease agreements entered into with the Fresenius SE Companies, which are leases for the corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany, the Company paid the Fresenius SE Companies $25,179 and $25,833 during 2012 and 2011, respectively. The majority of the leases expire in 2016 and contain renewal options.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the General Partner's management board. The aggregate amount reimbursed to the General Partner was $18,995 and $13,511, respectively, for its management services during 2012 and 2011 and included $94 and $84, respectively, as compensation for their exposure to risk as general partner. The Company's Articles of Association set the annual compensation for assuming unlimited liability at 4% of the amount of the General Partner's share capital, which increased by €1,500 to €3,000 on October 10, 2012.

b) Products

During 2012 and 2011 the Company sold products to the Fresenius SE Companies for $22,098 and $20,220, respectively. During the same periods, the Company made purchases from the Fresenius SE Companies in the amount of $46,072 and $52,587, respectively.

In addition to the purchases noted above, the Company currently purchases heparin supplied by Fresenius Kabi USA, Inc. (Kabi USA), through an independent group purchasing organization (GPO). Kabi USA is wholly-owned by Fresenius Kabi AG, a wholly-owned subsidiary of Fresenius SE. The Company has no direct supply

agreement with Kabi USA and does not submit purchase orders directly to Kabi USA. During 2012 and 2011, Fresenius Medical Care Holdings, Inc. (FMCH) acquired approximately $14,136 and $24,106, respectively, of heparin from Kabi USA through the GPO contract, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

c) Financing provided by and to Fresenius SE and the General Partner

As of December 31, 2012, the Company provided a loan to Fresenius SE of €20,900 ($27,575 as of December 31, 2012) at an interest rate of 1.484%, due and paid on January 11, 2013.

As of December 31, 2012, the Company had loans of CNY 362,425 ($58,168 as of December 31, 2012) outstanding with a subsidiary of Fresenius SE at a weighted average interest rate of 6.115%, with the majority of the loans due on May 23, 2014.

The Company, at December 31, 2012, had a receivable from Fresenius SE in the amount of €4,721 ($6,227 as of December 31, 2012) resulting from being a party to a German trade tax group agreement with Fresenius SE for the fiscal years 1997-2001.

On August 19, 2009, the Company borrowed €1,500 ($1,979 as of December 31, 2012) from the General Partner at 1.335%. The loan repayment has been extended periodically and is currently due August 20, 2013 at an interest rate of 2.132%.

d) Other

The Company performs clinical studies for certain of its joint ventures for which services the Company received approximately $7,432 and $9,355 in 2012 and 2011, respectively.

The Chairman of the Company's Supervisory Board is also the Chairman of the Supervisory Board of Fresenius SE and of the general partner of Fresenius SE. He is also a member of the Supervisory Board of the Company's General Partner.

The Vice Chairman of the Company's Supervisory Board is a member of the Supervisory Board of the general partner of Fresenius SE and Vice Chairman of the Supervisory Board of the Company's General Partner. He is also Chairman of the Advisory Board of a charitable foundation that is the sole shareholder of the general partner of Fresenius SE. He is also a partner in a law firm which provided services to the Company and certain of its subsidiaries. During 2012, the Company and its subsidiaries paid or processed for payment, approximately $1,797 for services performed during the period October 1, 2011 through September 30, 2012. During 2011, the Company and its subsidiaries paid approximately $1,930 for services performed during the period October 1, 2010 through September 30, 2011. Five of the six members of the Company's Supervisory Board, including the Chairman and Vice Chairman, are also members of the Supervisory Board of the Company's General Partner.

The Chairman of the Supervisory Board of the Company's general partner is also the Chairman of the Management Board of the general partner of Fresenius SE, and the Chairman and Chief Executive Officer of the Management Board of the Company's general partner is a member of the Management Board of the general partner of Fresenius SE.

4. INVENTORIES

As of December 31, 2012 and December 31, 2011, inventories consisted of the following:

T. 2.6.4 *Inventories*
in $ THOUS

	2012	2011
Finished goods	627,338	610,569
Raw materials and purchased components	171,373	163,030
Health care supplies	154,840	133,769
Work in process	83,258	60,128
▸ *Total*	**1,036,809**	**967,496**

Under the terms of certain unconditional purchase agreements, including the Venofer license, distribution, manufacturing and supply agreement (the "Venofer Agreement") with Luitpold Pharmaceuticals, Inc. and American Regent, Inc., the Company is obligated to purchase approximately $465,348 of materials, of which $316,954 is committed at December 31, 2012 for 2013. The terms of these agreements run 1 to 9 years. In the fourth quarter of 2012, the Company amended the Venofer Agreement which resulted in a decrease of the 2013 purchase commitment of $91,764 and in 2014 and thereafter, the Company is required to determine their minimum purchase requirements for the subsequent year on a yearly basis. The Company incurred an other operating expense of $100,000 related to this contract amendment.

Healthcare supplies inventories as of December 31, 2012 and 2011 include $29,704 and $47,654, respectively, of Erythropoietin (EPO). On January 1, 2012, the Company entered into a three-year sourcing and supply agreement with its EPO supplier.

5. PREPAID EXPENSES AND OTHER CURRENT ASSETS

As of December 31, 2012 and 2011, prepaid expenses and other current assets consisted of the following:

T. 2.6.5 *Prepaid expenses and other current assets*
in $ THOUS

	2012	2011
Taxes Refundable	149,536	180,721
Receivables for supplier rebates	61,248	185,152
Prepaid licence fees	47,137	45,184
Leases receivable	46,198	38,175
Prepaid rent	44,894	39,468
Payments on account	35,660	40,476
Derivatives	31,235	60,877
Prepaid insurance	24,803	14,163
Deposit/Guarantee/Security	20,903	16,538
Other	476,147	414,612
▸ *Total prepaid expenses and other current assets*	**937,761**	**1,035,366**

The other item in the table above includes other current receivables from Medicare and Medicaid, amounts due from managed locations and other deferred charges.

6. PROPERTY, PLANT AND EQUIPMENT

As of December 31, 2012 and 2011, property, plant and equipment consisted of the following:

T. 2.6.6 *Acquisition or manufacturing costs*
in $ THOUS

	Jan. 1, 2012	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2012
Land and improvements	53,147	(805)	132	516	2,280	(495)	54,775
Buildings and improvements	1,975,839	9,532	87,310	29,806	176,025	(21,510)	2,257,002
Machinery and equipment	3,060,132	28,648	85,645	387,290	89,285	(180,028)	3,470,972
Machinery, equipment and rental equipment under capitalized leases	36,450	(301)	–	1,424	593	(1,850)	36,316
Construction in progress	275,006	3,440	1,886	241,594	(256,366)	(9,159)	256,401
▸ *Property, plant and equipment*	**5,400,574**	**40,514**	**174,973**	**660,630**	**11,817**	**(213,042)**	**6,075,466**

T. 2.6.7 **Depreciation**
in $ THOUS

	Jan. 1, 2012	Currency change	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2012
Land and improvements	284	(62)	–	–	801	412	1,435
Buildings and improvements	976,082	3,289	327	169,654	6,674	(20,388)	1,135,638
Machinery and equipment	1,777,544	17,652	(2,666)	342,632	5,158	(161,574)	1,978,746
Machinery, equipment and rental equipment under capitalized leases	16,947	(357)	–	3,169	881	(1,613)	19,027
Construction in progress	16	1	–	–	–	–	17
▸ *Property, plant and equipment*	**2,770,873**	**20,523**	**(2,339)**	**515,455**	**13,514**	**(183,163)**	**3,134,863**

T. 2.6.8 **Net book value**
in $ THOUS, December 31

	2012	2011
Land and improvements	53,340	52,863
Buildings and improvements	1,121,364	999,757
Machinery and equipment	1,492,226	1,282,588
Machinery, equipment and rental equipment under capitalized leases	17,289	19,503
Construction in progress	256,384	274,990
▸ *Property, plant and equipment*	**2,940,603**	**2,629,701**

Depreciation expense for property, plant and equipment amounted to $515,455 and $479,438 for the years ended December 31, 2012 and 2011, respectively.

Included in machinery and equipment as of December 31, 2012 and 2011 were $532,088 and $451,299, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

Accumulated depreciation related to machinery, equipment and rental equipment under capital leases was $19,027 and $16,947 at December 31, 2012 and 2011, respectively.

7. INTANGIBLE ASSETS AND GOODWILL

As of December 31, 2012 and 2011, the carrying value and accumulated amortization of intangible assets other than goodwill consisted of the following:

T. 2.6.9 — *Acquisition costs* — *in $ THOUS*

	Jan. 1, 2012	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2012***
Amortizable intangible assets							
Non-compete agreements	257,466	423	58,872	319	–	–	317,080
Technology	110,866	–	–	–	(3,170)	–	107,696
Licences and distribution agreements	223,828	4,595	–	386	–	(3,416)	225,393
Construction in progress	58,661	345	–	17,662	(18,991)	–	57,677
Self-developed software	55,600	78	1,308	1,810	20,010	(6,478)	72,328
Other	317,579	4,581	13,384	8,891	3,929	(4,497)	343,867
▸ *Total*	**1,024,000**	**10,022**	**73,564**	**29,068**	**1,778**	**(14,391)**	**1,124,041**
Non-amortizable intangible assets							
Tradename	240,942	77	–	–	–	–	241,019
Management contracts	8,342	152	–	–	–	(151)	8,343
▸ *Total*	**249,284**	**229**	**–**	**–**	**–**	**(151)**	**249,362**
▸ *Intangible assets*	**1,273,284**	**10,251**	**73,564**	**29,068**	**1,778**	**(14,542)**	**1,373,403**
▸ *Goodwill*	**9,632,655**	**42,368**	**2,192,066**	**1,210**	**1,000**	**–**	**11,869,299**

T. 2.6.10 *Amortization*
in $ THOUS

	Jan. 1, 2012	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2012***
Amortizable intangible assets							
Non-compete agreements	186,659	180	(1,268)	28,096	–	(28)	213,639
Technology	32,582	–	–	7,705	562	–	40,849
Licences and distribution agreements	80,622	1,822	–	19,630	99	(3,416)	98,757
Construction in progress	–	–	–	–	–	–	–
Self-developed software	28,193	(42)	–	10,947	(138)	(6,464)	32,496
Other	227,274	1,866	(46)	21,063	(442)	(3,476)	246,239
▸ *Total*	**555,330**	**3,826**	**(1,314)**	**87,441**	**81**	**(13,384)**	**631,980**
Non-amortizable intangible assets							
Tradename	31,302	5	–	–	–	–	31,307
Management contracts	–	–	–	–	–	–	–
▸ *Total*	**31,302**	**5**	**–**	**–**	**–**	**–**	**31,307**
▸ *Intangible assets*	**586,632**	**3,831**	**(1,314)**	**87,441**	**81**	**(13,384)**	**663,287**
▸ *Goodwill*	**446,005**	**416**	**(11)**	**–**	**1,000**	**–**	**447,410**

T. 2.6.11 *Net book value*
in $ THOUS, December 31

	2012	2011
Amortizable intangible assets		
Non-compete agreements	103,441	70,807
Technology	66,847	78,284
Licences and distribution agreements	126,636	143,206
Construction in progress	57,677	58,661
Self-developed software	39,832	27,407
Other	97,628	90,305
▸ *Total*	**492,061**	**468,670**
Non-amortizable intangible assets		
Tradename	209,712	209,640
Management contracts	8,343	8,342
▸ *Total*	**218,055**	**217,982**
▸ *Intangible assets*	**710,116**	**686,652**
▸ *Goodwill*	**11,421,889**	**9,186,650**

The amortization on intangible assets amounted to $87,441 and $77,845 for the years 2012 and 2011, respectively. The table shows the estimated amortization expense of these assets for the following five years:

T. 2.6.12 *Estimated amortization expense*
in $ THOUS

	2013	2014	2015	2016	2017
Estimated amortization expense	83,685	79,719	77,507	75,567	71,060

Goodwill

In 2012 and 2011, goodwill related to general manufacturing operations was reclassified from the North America and International Segments to Corporate *see note 23*. For the purpose of goodwill impairment testing, all corporate assets are allocated to the reporting units *see note 1 f*.

Changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. During 2012 and 2011, the Company's acquisitions consisted primarily of the 2012 acquisition of LD Holdings as well as the acquisition of clinics in the normal course of operations. The segment detail is as follows:

T. 2.6.13 — *Goodwill*
in $ THOUS

	North America	*International*	*Segment Total*	*Corporate*	*Total*
▸ *Balance as of January 1, 2011*	**7,024,745**	**955,774**	**7,980,519**	**159,949**	**8,140,468**
Goodwill acquired, net of divestitures	517,213	626,863	1,144,076	–	1,144,076
Reclassifications	(226,900)	(20,449)	(247,349)	247,480	131
Foreign currency translation adjustment	(436)	(98,099)	(98,535)	510	(98,025)
▸ *Balance as of December 31, 2011*	**7,314,622**	**1,464,089**	**8,778,711**	**407,939**	**9,186,650**
Goodwill acquired, net of divestitures	2,172,181	21,106	2,193,287	–	2,193,287
Reclassifications	–	(5,188)	(5,188)	5,188	–
Foreign currency translation adjustment	210	41,352	41,562	390	41,952
▸ *Balance as of December 31, 2012*	**9,487,013**	**1,521,359**	**11,008,372**	**413,517**	**11,421,889**

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

At December 31, 2012 and 2011, accrued expenses and other current liabilities consisted of the following:

T. 2.6.14 — *Accrued expenses and other current liablilities*
in $ THOUS

	2012	*2011*
Accrued salaries, wages and incentive plan compensations	481,920	420,613
Unapplied cash and receivable credits	198,834	158,006
Accrued insurance	187,254	162,149
Special charge for legal matters	115,000	115,000
Accrued interest	111,532	74,821
Withholding tax and VAT	96,157	79,764
Accrued operating expenses	91,529	71,324
Derivative financial instruments	26,578	192,729
Other	478,667	429,867
▸ *Total*	**1,787,471**	**1,704,273**

In 2001, the Company recorded a $258,159 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 SE (the "Merger"), estimated liabilities and legal expenses arising in connection with the W.R. Grace & Co. Chapter 11 proceedings (the "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 the Company, the committees representing the asbestos creditors and W.R. Grace & Co. Under the settlement agreement, the Company will pay $115,000, without interest, upon plan confirmation *see note 19*. With the exception of the proposed $115,000 payment under the Settlement Agreement, all other matters included in the special charge have been resolved.

The other item in the table 2.6.14 includes accruals for legal and compliance costs, physician compensation, commissions, short-term portion of pension liabilities, bonuses and rebates, and accrued rents.

9. SHORT-TERM BORROWINGS, OTHER FINANCIAL LIABILITIES AND SHORT-TERM BORROWINGS FROM RELATED PARTIES

As of December 31, 2012 and December 31, 2011, short-term borrowings, other financial liabilities and short-term borrowings from related parties consisted of the following:

T. 2.6.15 *Short-term borrowings*
in $ THOUS

	2012	*2011*
Borrowings under lines of credit	117,850	91,899
Other financial liabilities	–	6,902
▸ ***Short-term borrowings and other financial liabilities***	**117,850**	**98,801**
Short-term borrowings from related parties *see note 3c*	3,973	28,013
▸ ***Short-term borrowings, other financial liabilities and short-term borrowings from related parties***	**121,823**	**126,814**

Short-term borrowings under lines of credit

Short-term borrowings of $117,850 and $91,899 at December 31, 2012 and 2011, respectively, represented amounts borrowed by the Company's subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2012 and 2011 were 4.93% and 4.88%, respectively.

Excluding amounts available under the 2012 Credit Agreement *see note 10*, at December 31, 2012 and 2011, the Company had $261,825 and $234,005 available under other commercial bank agreements. In some instances, lines of credit are secured by assets of the Company's subsidiary that is party to the agreement or may require the Company's guarantee. In certain circumstances, the subsidiary may be required to meet certain covenants.

Other financial liabilities

At December 31, 2012 and 2011, the Company had $0 and $6,902 of other financial liabilities which were mainly related the signing of a 2008 licensing and distribution agreement.

Short-term borrowings from related parties

From time to time during each of the years presented, the Company received advances under the existing loan agreements with Fresenius SE for those years. During the year ended December 31, 2012, the Company received advances ranging from €8,300 to €196,400 with interest rates ranging from 1.365% to 1.838%. During the year ended December 31, 2011, the Company received advances ranging from €17,900 to €181,900 with interest rates ranging from 1.832% to 2.683%. For further information on short-term borrowings from related party outstanding as of December 31, 2012 and 2011, *see note 3c*. Annual interest expense on these borrowings during the years presented was $1,458 and $2,362 for the years 2012 and 2011, respectively.

10. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, 2012 and December 31, 2011, long-term debt and capital lease obligations consisted of the following:

T. 2.6.16 *Long-term debt and capital lease obligations*
in $ THOUS

	2012	*2011*
2012 Credit Agreement and Amended 2006 Senior Credit Agreement	2,659,340	2,795,589
Senior Notes	4,743,442	2,883,009
Euro Notes	51,951	258,780
European Investment Bank Agreements	324,334	345,764
Accounts receivable facility	162,000	534,500
Capital lease obligations	15,618	17,993
Other[1]	219,976	248,951
	8,176,661	**7,084,586**
Less current maturities	(334,747)	(1,589,776)
▸ *Total*	**7,841,914**	**5,494,810**

[1] *As of December 31, 2012 this amount includes the non-current portion of a loan from a Fresenius SE subsidiary of $56,174 which is due on May 23, 2014.*

On October 30, 2012, $2,109,166 was reclassified from Current portion of long-term debt to Long-term debt as a result of entering into the new 2012 Credit Agreement.

The Company's long-term debt consists mainly of borrowings related to its 2012 Credit Agreement, its Senior Notes, its Euro Notes, borrowings under its European Investment Bank Agreements, borrowings under its accounts receivable facility (A/R Facility) and certain other borrowings as follows:

2012 Credit Agreement

The Company entered into a new $3,850,000 syndicated credit facility (the 2012 Credit Agreement) with a large group of banks and institutional investors (collectively, the Lenders) on October 30, 2012 which replaced its Amended 2006 Senior Credit Agreement.

The new credit facility consists of:

▸ a 5-year revolving credit facility of approximately $1,250,000 comprising a $400,000 multicurrency revolving facility, a $200,000 revolving facility and a €500,000 revolving facility which will be due and payable on October 30, 2017.

▸ a 5-year term loan facility of $2,600,000, also scheduled to mature on October 30, 2017. The 2012 Credit Agreement requires 17 quarterly payments of $50,000 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 the Company'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 2012 Credit Agreement plus an applicable margin. As of December 31, 2012, the tranches outstanding under the 2012 Credit Agreement had a weighted average interest rate of 2.35%.

The applicable margin is variable and depends on the Company's Consolidated Leverage Ratio which is a ratio of its Consolidated Funded Debt less cash and cash equivalents held by the Consolidated Group to Consolidated EBITDA (as these terms are defined in the 2012 Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the 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 2012 Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

The 2012 Credit Agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries and other payment restrictions. Certain of the covenants limit indebtedness of the Company and investments by the Company, and require the Company to maintain certain financial ratios defined in the agreement. Additionally, the 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €300,000 ($395,820 based upon the December 31, 2012 spot rate) for dividends to be paid in 2013, and increases in subsequent years. In default, the outstanding balance under the 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders. The Company was in compliance with all covenants at December 31, 2012.

The Company incurred fees of approximately $27,193 in conjunction with the 2012 Credit Agreement. Certain fees related to the Amended 2006 Senior Credit Agreement of approximately $4,482 are also applicable to the 2012 Credit Agreement. These fees and the $22,361 of newly incurred fees will be amortized over the life of the 2012 Credit Agreement.

The following table shows the available and outstanding amounts under the 2012 Credit Agreement at December 31, 2012 and the Amended 2006 Senior Credit Agreement at December 31, 2011:

T. 2.6.17 — *2012 Credit Agreement and Amended 2006 Senior Credit Agreement*

in THOUS

	Maximum amount		*Balance outstanding*	
2012 Credit Agreement	***2012*** [1]		***2012*** [1]	
Revolving credit U.S.-Dollar	$600,000	$600,000	$59,340	$59,340
Revolving credit Euro	€500,000	$659,700	–	–
Term Loan A	$2,600,000	$2,600,000	$2,600,000	$2,600,000
▸ *Total*		**$3,859,700**		**$2,659,340**

	Maximum amount		*Balance outstanding*	
Amended 2006 Senior Credit Agreement	*2011*		*2011*	
Revolving credit		$1,200,000		$58,970
Term Loan A		$1,215,000		$1,215,000
Term Loan B		$1,521,619		$1,521,619
▸ *Total*		**$3,936,619**		**$2,795,589**

[1] *These amounts represent the maximum amount available under the 2012 Credit Agreement, which replaced the Amended 2006 Senior Credit Agreement on October 30, 2012. The 2012 Credit Agreement utilizes different tranches than the previous agreement and, as such, the tables are presented separately for increased clarity.*

In addition, at December 31, 2012 and December 31, 2011, the Company had letters of credit outstanding in the amount of $77,188 and $180,766, respectively, which are not included above as part of the balance outstanding at those dates but which reduce available borrowings under the respective revolving credit facility.

Senior Notes

As of December 31, 2012, the Company's Senior Notes consisted of the following:

T. 2.6.18 — *Senior Notes*

in THOUS, except nominal amounts, in $

Issuer/Transaction		*Notional amount*	*Maturity*	*Coupon*	*Book value*
FMC Finance VI S.A. 2010/2016	€	250,000	July 15, 2016	5.50%	327,420
FMC Finance VIII S.A. 2011/2016[1]	€	100,000	October 15, 2016	3.71%	131,940
FMC US Finance, Inc. 2007/2017	$	500,000	July 15, 2017	6 ⅞ %	496,006
FMC Finance VIII S.A. 2011/2018	€	400,000	September 15, 2018	6.50%	521,834
FMC US Finance II, Inc. 2011/2018	$	400,000	September 15, 2018	6.50%	395,511
FMC US Finance II, Inc. 2012/2019	$	800,000	July 31, 2019	5.625%	800,000
FMC Finance VIII S.A. 2012/2019	€	250,000	July 31, 2019	5.25%	329,850
FMC US Finance, Inc. 2011/2021	$	650,000	February 15, 2021	5.75%	645,061
FMC Finance VII S.A. 2011/2021	€	300,000	February 15, 2021	5.25%	395,820
FMC US Finance II, Inc. 2012/2022	$	700,000	January 31, 2022	5.875%	700,000
▸ *Total*					**4,743,442**

[1] *This note carries a variable interest rate which was 3.71% at December 31, 2012.*

In January 2012, $800,000 and $700,000 of dollar-denominated senior notes and €250,000 ($328,625 at date of issuance) of euro-denominated notes were issued at par. Both the $800,000 Senior Notes and the Euro-denominated Senior Notes are due July 31, 2019 while the $700,000 Senior Notes are due January 31, 2022. The proceeds were used for acquisitions and for general corporate purposes.

In October 2011, €100,000 ($137,760 at date of issuance) of floating rate senior notes were issued at par. These floating rate senior notes are due October 15, 2016. Proceeds were used for acquisitions, to refinance indebtedness outstanding under the Amended 2006 Senior Credit Agreement and for general corporate purposes.

In September 2011, $400,000 of dollar-denominated senior notes and €400,000 ($549,160 at date of issuance) of euro-denominated senior notes were issued at an issue price of 98.623%. Both the dollar- and euro-denominated senior notes have a coupon of 6.50% and a yield to maturity of 6.75% and mature on September 15, 2018. Proceeds were used for acquisitions, to refinance indebtedness outstanding under the revolving credit facility of the Amended 2006 Senior Credit Agreement and under the A/R Facility, and for general corporate purposes.

In June 2011, Fresenius Medical Care US Finance, Inc. acquired substantially all of the assets of FMC Finance III S.A. (FMC Finance III) and assumed the obligations of FMC Finance III under its $500,000 6 7/8% Senior Notes due 2017 (the 6 7/8% Senior Notes) and the related indenture. The guarantees of the Company and its subsidiaries, FMCH and Fresenius Medical Care Deutschland GmbH (D-GmbH), (together, the Guarantor Subsidiaries) for the 6 7/8% Senior Notes have not been amended and remain in full force and effect. The 6 7/8% Notes were issued in July 2007 with a coupon of 6 7/8% at a discount, resulting in an effective interest rate of 7 1/8%.

In February 2011, $650,000 of dollar-denominated senior notes and €300,000 ($412,350 at date of issuance) of euro-denominated senior notes were issued with coupons of 5.75% and 5.25%, respectively, at an issue price of 99.060% and par, respectively. The dollar-denominated senior notes had a yield to maturity of 5.875%. Both the dollar- and euro-denominated senior notes mature on February 15, 2021. Proceeds were used to repay indebtedness outstanding under the A/R Facility and the revolving credit facility of the Amended 2006 Senior Credit Agreement, for acquisitions and for general corporate purposes to support the Company's renal dialysis products and services businesses.

In January 2010, €250,000 ($353,300 at date of issuance) of senior notes was issued with a coupon of 5.50% at an issue price of 98.6636%. These senior notes had a yield to maturity of 5.75% and are due July 15, 2016. Proceeds were used to repay short-term indebtedness and for general corporate purposes.

All Senior Notes are unsecured and guaranteed on a senior basis jointly and severally by the Company and the Guarantor Subsidiaries. The issuers may redeem the Senior Notes (except for the Floating Rate Senior Notes) at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. 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 ratings of the respective Senior Notes.

The Company has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of the Company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. As of December 31, 2012, the Company was in compliance with all of its covenants under the Senior Notes.

Euro Notes

In April 2009, the Company issued euro-denominated notes (Euro Notes) totaling €200,000, which are senior, unsecured and guaranteed by FMCH and D-GmbH, which originally consisted of 4 tranches having terms of 3.5 and 5.5 years with floating and fixed interest rate tranches. As of December 31, 2012, the Company was in compliance with all of its covenants under the Euro Notes. As of December 31, 2012, the Euro Notes had an outstanding balance of €39,375 ($51,951).

European Investment Bank agreements

The Company entered into various credit agreements with the European Investment Bank (EIB) in 2005, 2006 and 2009. The EIB is a not-for-profit long-term lending institution of the European Union and lends funds at favourable rates for the purpose of capital investment and R&D projects, normally for up to half of the funds required for such projects.

Borrowings under the four EIB credit facilities available at December 31, 2012 and 2011 are shown below:

T. 2.6.19 *EIB credit facilities*
in $ THOUS

		Balance outstanding	
	Maturity	***2012***	*2011*
Revolving credit	2013	90,812	115,812
Loan 2005	2013	48,806	48,806
Loan 2006	2014	118,746	116,451
Loan 2009	2014	65,970	64,695
▸ *Total*		**324,334**	**345,764**

While the EIB agreements were granted in euro, advances under the Revolving Credit, Loan 2005 and Loan 2006 could be denominated in certain foreign currencies, including U.S. dollars. As a result, the borrowings under the Revolving Credit and Loan 2005 have been drawn down in U.S. dollars, while the borrowings under Loan 2006 and Loan 2009 have been drawn down in euro. As of December 31, 2012, all credit facilities are fully utilized.

In 2013, both the Revolving Credit and Loan 2005 will mature. The outstanding balances have been reclassified to Current portion of long-term debt and capital lease obligations.

All agreements with the EIB have variable interest rates that change quarterly. The Company's U.S. dollar borrowings had an interest rate of 0.438% and the euro borrowings had interest rates of 0.171% and 2.40% at December 31, 2012 and the dollar borrowings had an interest rate of 0.676% and the euro borrowings had interest rates of 1.565% and 3.666% at December 31, 2011.

Borrowings under the 2005 and 2006 agreements are secured by bank guarantees while the 2009 agreement is guaranteed by FMCH and D-GmbH. All EIB agreements have customary covenants. As of December 31, 2012, the Company was in compliance with the respective covenants.

Accounts Receivable Facility

The Company refinanced the A/R Facility on January 17, 2013 for a term expiring on January 15, 2016 with the available borrowings at $800,000. At December 31, 2012 there are outstanding borrowings under the A/R Facility of $162,000.

Under the A/R Facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly-owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the A/R 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 Company's Consolidated Balance Sheet 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 1.697%. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other

At December 31, 2012 and 2011, in conjunction with certain acquisitions and investments, the Company had pending payments of the purchase considerations totaling approximately $142,229 and $228,398, respectively, of which $75,266 and $103,828, respectively, was classified as the current portion of long-term debt.

Annual payments

Aggregate annual payments applicable to the 2012 Credit Agreement, Senior Notes, Euro Notes, EIB agreements, capital leases, the A/R Facility and other borrowings for the five years subsequent to December 31, 2012 are:

T. 2.6.20 *Annual payments*
in $ THOUS

	2013	*2014*	*2015*	*2016*[1]	*2017*	*Thereafter*	*Total*
Annual payments	334,747	529,065	232,378	828,523	2,461,714	3,812,012	**8,198,439**

[1] *The Company refinanced the A/R facility, which was set to mature on July 31, 2014, on January 17, 2013. The payments related to this facility will mature on January 15, 2016.*

11. EMPLOYEE BENEFIT PLANS

General

FMC AG & CO. KGAA recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Company. The Company's pension plans are structured differently according to the legal, economic and fiscal circumstances in each country. The Company 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 Company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Company has two major defined benefit plans, one funded plan in North America and an unfunded plan in Germany.

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 the Company'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 benefits obligations and the return on plan assets for that year. The company's pension liability is impacted by these actuarial gains or losses.

Under defined contribution plans, the Company 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 Company to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Company paid contributions upon leaving the Company. The Company has a defined contribution plan in North America.

Defined benefit pension plans

During the first quarter of 2002, FMCH, the Company's North America subsidiary, curtailed its defined benefit and supplemental executive retirement 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.

The Company 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 $6,200. In addition to the compulsory contributions, the Company voluntarily provided $4,604 to the defined benefit plan. Expected funding for 2013 is $10,307.

The benefit obligation for all defined benefit plans at December 31, 2012, is $655,447 (2011: $512,745) which consists of the gross benefit obligation of $423,509 (2011: $352,296) for the North America plan, which is funded by plan assets, and the benefit obligation of $231,938 (2011: $160,449) for the German unfunded plan.

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 the Company's funded benefit plan.

T. 2.6.21 *Funded status of employee benefit plans*
in $ THOUS

	2012	2011
Change in benefit obligation		
Benefit obligation at beginning of year	512,745	425,472
Foreign currency translation	4,955	(6,207)
Service cost	10,704	10,625
Interest cost	26,194	24,822
Transfer of plan participants	(68)	61
Actuarial (gain) loss	122,800	69,769
Benefits paid	(21,883)	(11,797)
▸ *Benefit obligation at end of year*	**655,447**	**512,745**
Change in plan assets		
Fair value of plan assets at beginning of year	218,990	232,325
Actual return on plan assets	18,356	(4,174)
Employer contributions	10,804	556
Benefits paid	(19,757)	(9,717)
▸ *Fair value of plan assets at end of year*	**228,393**	**218,990**
▸ *Funded status at end of year*	**427,054**	**293,755**

The Company had a pension liability of $427,054 and $293,755 at December 31, 2012 and 2011, respectively. The pension liability consists of a current portion of $3,693 (2011: $3,262) which is recognized as a current liability in the line item "accrued expenses and other current liabilities" in the balance sheet. The non-current portion of $423,361 (2011: $290,493) is recorded as non-current pension liability in the balance sheet. Approximately 83% of the beneficiaries are located in North America with the majority of the remaining 17% located in Germany.

The accumulated benefit obligation for all defined benefit pension plans was $616,572 and $486,143 at December 31, 2012 and 2011, respectively. The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $616,572 and $486,143 at December 31, 2012 and 2011, respectively; the related plan assets had a fair value of $228,393 and $218,990 at December 31, 2012 and 2011, respectively.

The table below reflects pre-tax effects of actuarial losses (gains) in other comprehensive income relating to pension liabilities. As of December 31, 2012, there are no cumulative effects of prior service costs included in other comprehensive income.

T. 2.6.22 *Other comprehensive income (loss) related to pension liabilities*
in $ THOUS

	Actuarial losses (gains)
▸ ***Adjustments related to pensions at January 1, 2011***	**102,872**
Actuarial (gain) loss for the year	91,693
Amortization of unrealized losses	(8,737)
Foreign currency translation adjustment	(1,050)
▸ ***Adjustments related to pensions at December 31, 2011***	**184,778**
Actuarial (gain) loss for the year	119,685
Amortization of unrealized losses	(18,334)
Foreign currency translation adjustment	1,827
▸ ***Adjustments related to pensions at December 31, 2012***	**287,956**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $25,646.

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. The Company's discount rate is the weighted average of these plans based upon their benefit obligations at December 31, 2012. The following weighted-average assumptions were utilized in determining benefit obligations as of December 31:

T. 2.6.23 *Weighted-average assumptions for benefit obligations*
in %

	2012	*2011*
Discount rate	4.14	5.10
Rate of compensation increase	3.32	3.69

The defined benefit pension plans' net periodic benefit costs are comprised of the following components for each of the years ended December 31:

T. 2.6.24 *Components of net periodic benefit cost*
in $ THOUS

	2012	2011
Service cost	10,704	10,625
Interest cost	26,194	24,822
Expected return on plan assets	(15,241)	(17,750)
Amortization of unrealized losses	18,334	8,737
▸ *Net periodic benefit costs*	**39,991**	**26,434**

Net periodic benefit cost is allocated as personnel expense within costs of revenues, selling, general and administrative expense or research and development expense. This is depending 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:

T. 2.6.25 *Weighted-average assumptions for net periodic benefit costs*
in %

	2012	2011
Discount rate	5.10	5.70
Expected return of plan assets	7.00	7.50
Rate of compensation increase	3.69	4.00

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

T. 2.6.26 *Expected benefit payments*
in $ THOUS

	2013	2014	2015	2016	2017	2018–2022
Expected benefit payments	15,817	17,320	18,909	20,723	22,690	143,456

Plan assets

The following table presents the fair values of the Company´s pension plan assets at December 31, 2012 and 2011:

T. 2.6.27 — *Plan assets*
in $ THOUS

Asset category	Total	Fair value measurements at Dec. 31, 2012: Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Equity investments			
Index funds[1]	58,511	–	58,511
Fixed income investments			
Government securities[2]	9,859	8,504	1,355
Corporate bonds[3]	152,332	–	152,332
Other bonds[4]	457	–	457
U.S. Treasury Money Market Funds[5]	2,975	2,975	–
Other types of investments			
Cash, Money Market and Mutual Funds[6]	4,259	4,259	–
▸ *Total*	**228,393**	**15,738**	**212,655**

Asset category	Total	Fair value measurements at Dec. 31, 2011: Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)
Equity investments			
Index funds[1]	55,538	–	55,538
Fixed income investments			
Government securities[2]	6,612	5,025	1,587
Corporate bonds[3]	143,782	–	143,782
Other bonds[4]	483	–	483
U.S. Treasury Money Market Funds[5]	6,600	6,600	–
Other types of investments			
Cash, Money Market and Mutual Funds[6]	5,975	5,975	–
▸ *Total*	**218,990**	**17,600**	**201,390**

[1] *This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.*
[2] *This Category 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 comprises privat placement bonds as well as collateralized mortgage obligations.*
[5] *This Category represents funds that invest in treasury obligations directly or in treasury backed obligations.*
[6] *This Category 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:

- Common stocks are valued at their market prices as of the balance sheet date.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes as of the balance sheet date.
- 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 price.

Plan investment policy and strategy

For the North America funded plan, the Company periodically reviews the assumption 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 Company's expected rate of return on pension plan assets was 7.00% for 2012.

The Company´s overall investment strategy 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 investment policy, utilizing a revised target investment allocation of 35% equity and 65% long-term U.S. bonds, considers that there will be a time horizon for invested funds of more than 5 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 the Company 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 US Treasury Strip Index.

Defined contribution plans

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $16.5 if under 50 years old ($22 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2012 and 2011, was $38,582 and $33,741, respectively.

12. NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

The Company 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 Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate and the implicit multiple of earnings at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

As of December 31, 2012 and December 31, 2011 the Company's potential obligations under these put options were $523,260 and $410,491, respectively, of which, at December 31, 2012, $228,408 were exercisable. In the last three fiscal years ending December 31, 2012, two such put provisions have been exercised for a total consideration of $3,185.

Following is a roll forward of noncontrolling interests subject to put provisions for the years ended December 31, 2012 and 2011:

T. 2.6.28 *Noncontrolling interests subject to put provisions*
in $ THOUS

	2012	*2011*
▸ *Beginning balance as of January 1*	**410,491**	**279,709**
Contributions to noncontrolling interests	(114,536)	(43,104)
Purchase/sale of noncontrolling interests	134,643	37,786
Contributions from noncontrolling interests	16,565	7,222
Changes in fair value of noncontrolling interests	(18,880)	86,233
Net income	94,718	42,857
Other comprehensive income (loss)	259	(212)
▸ *Ending balance as of December 31*	**523,260**	**410,491**

13. SHAREHOLDERS' EQUITY

Capital stock

The General Partner has no equity interest in the Company and, therefore, does not participate in either the assets or the profits and losses of the Company. However, the General Partner is compensated for all outlays in connection with conducting the Company's business, including the remuneration of members of the management board and the supervisory board *see note 3*.

The general meeting of a partnership limited by shares may approve Authorized Capital (genehmigtes Kapital). The resolution creating Authorized Capital requires the affirmative vote of a majority of three quarters of the capital represented at the vote and may authorize the management board to issue shares up to a stated amount for a period of up to five years. The nominal value of the Authorized Capital may not exceed half of the issued capital stock at the time of the authorization.

In addition, the general meeting of a partnership limited by shares may create Conditional Capital (bedingtes Kapital) for the purpose of issuing (i) shares to holders of convertible bonds or other securities which grant a right to shares, (ii) shares as the consideration in a merger with another company, or (iii) shares offered to management or employees. In each case, the authorizing resolution requires the affirmative vote of a majority of three quarters of the capital represented at the vote. The nominal value of the Conditional Capital may not exceed half or, in the case of Conditional Capital created for the purpose of issuing shares to management and employees, 10% of the Company's issued capital at the time of the resolution.

All resolutions increasing the capital of a partnership limited by shares also require the consent of the General Partner for their effectiveness.

Authorized capital

By resolution of the Annual General Meeting (AGM) of shareholders on May 11, 2010, the General Partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the Company's share capital until May 10, 2015 up to a total of €35,000 through issue of new bearer ordinary shares for cash contributions, "Authorized Capital 2010/I". Additionally, the newly issued shares may be taken up by financial institutions nominated by the General Partner with the obligation to offer them to the shareholders of the Company (indirect pre-emption rights). The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such an exclusion of pre-emption rights will be permissible for fractional amounts. No Authorized Capital 2010/I has been issued as of December 31, 2012.

In addition, by resolution of the AGM of shareholders on May 11, 2010, the General Partner was authorized, with the approval of the supervisory board, to increase, on one or more occasions, the share capital of the Company until May 10, 2015 up to a total of €25,000 through the issue of new bearer ordinary shares for cash contributions or contributions in kind, "Authorized Capital 2010/II". The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such exclusion of pre-emption rights will be permissible only if (i) in case of a capital increase against cash contributions, the nominal value of the issued shares does not exceed 10% of the nominal share value of the Company's share capital and the issue price for the new shares is at the time of the determination by the General Partner not significantly lower than the stock price in Germany of the existing listed shares of the same class and with the same rights or, (ii) in case of a capital increase against contributions in kind, the purpose of such increase is to acquire an enterprise, parts of an enterprise or an interest in an enterprise. No Authorized Capital 2010/II has been issued as of December 31, 2012.

Authorized Capital 2010/I and Authorized Capital 2010/II became effective upon registration with the commercial register of the local court in Hof an der Saale on May 25, 2010.

Conditional capital

By resolution of the Company's AGM on May 12, 2011, the Company's share capital was conditionally increased with regards to the 2011 Stock Option Plan (2011 SOP) by up to €12,000 subject to the issue of up to 12 M non-par value bearer ordinary shares with a nominal value of €1.00 each. For further information, *see note 16*.

By resolution of the Company's AGM on May 9, 2006, as amended by the AGM on May 15, 2007, resolving a three-for-one share split, the Company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a nominal value of €1.00. This Conditional Capital increase can only be effected by the exercise of stock options under the Company's Stock Option Plan 2006 with each stock option awarded exercisable for one ordinary share *see note 16*. The Company has the right to deliver ordinary shares that it owns or purchases in the market in place of increasing capital by issuing new shares.

Through the Company's other employee participation programs, the Company has issued convertible bonds and stock option/subscription rights (Bezugsrechte) to employees and the members of the Management Board of the General Partner and employees and members of management of affiliated companies that entitle these persons to receive preference shares or, following the conversion offer in 2005, ordinary shares. At December 31, 2012, 37,656 convertible bonds or options for preference shares remained outstanding with a remaining average term of 1.89 years and 11,146,766 convertible bonds or options for ordinary shares remained outstanding with a remaining average term of 4.65 years under these programs. For the year ending December 31, 2012, 7,642 options for preference shares and 2,574,836 options for ordinary shares had been exercised under these employee participation plans *see note 16*.

As the result of the Company's three-for-one stock split for both preference and ordinary shares on June 15, 2007, and with the approval of the shareholders at the AGM on May 15, 2007, the Company's Conditional Capital was increased by $6,557 (€4,454). Conditional Capital available for all programs at December 31, 2012 is $33,974 (€25,750) which includes $15,833 (€12,000) for the 2011 SOP, $12,568 (€9,525) for the 2006 Plan and $5,574 (€4,225) for the 2001 Plan.

Dividends

Under German law, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius Medical Care AG & Co. KGaA as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch).

If no dividends on the Company's preference shares are declared for two consecutive years after the year for which the preference shares are entitled to dividends, then the holders of such preference shares would be entitled to the same voting rights as holders of ordinary shares until all arrearages are paid. In addition, the payment of dividends by FMC AG & CO. KGAA is subject to limitations under the 2012 Credit Agreement *see note 10*.

Cash dividends of $271,733 for 2011 in the amount of €0.71 per preference share and €0.69 per ordinary share were paid on May 11, 2012.

Cash dividends of $280,649 for 2010 in the amount of €0.67 per preference share and €0.65 per ordinary share were paid on May 13, 2011.

14. SOURCES OF REVENUE

Below is a table showing the sources of our U.S. patient service revenue (net of contractual allowance and discounts but before patient service bad debt provision), included in the Company's dialysis care revenue, for the years ended December 31, 2012 and 2011. Outside of the U.S., the Company does not recognize patient service revenue at the time the services are rendered without assessing the patient's ability to pay. Accordingly, the additional disclosure requirements introduced with ASU 2011-07 only apply to the U.S. patient service revenue.

T. 2.6.29 *U.S. patient service revenue*
in $ THOUS

	2012	2011
Medicare ESRD program	4,029,773	3,391,339
Private/alternative payors	3,605,081	3,139,468
Medicaid and other government sources	474,520	429,010
Hospitals	400,791	377,316
▸ *Total patient service revenue*	**8,510,165**	**7,337,133**

15. EARNINGS PER ORDINARY SHARE

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per ordinary share computations for 2012 and 2011:

T. 2.6.30 *Reconciliation of basic and diluted earnings per share*
in $ THOUS, except per share data

	2012	2011
Numerators		
Net income attributable to shareholders of FMC AG & Co. KGaA	1,186,809	1,071,154
Less: dividend preference on preference shares	102	110
▸ *Income available to all classes of shares*	**1,186,707**	**1,071,044**
Denominators		
Weighted average number of:		
Ordinary shares outstanding	301,139,652	299,012,744
Preference shares outstanding	3,969,307	3,961,617
Total weighted average shares outstanding	305,108,959	302,974,361
Potentially dilutive ordinary shares	1,761,064	1,795,743
Potentially dilutive preference shares	16,851	20,184
Total weighted average ordinary shares outstanding assuming dilution	302,900,716	300,808,487
Total weighted average preference shares outstanding assuming dilution	3,986,158	3,981,801
Basic income per ordinary share	3.89	3.54
Fully diluted income per ordinary share	3.87	3.51

16. STOCK OPTIONS

In connection with its equity-settled stock option programs, the Company incurred compensation expense of $26,476 and $29,071 for the years ending December 31, 2012 and 2011, respectively. There were no capitalized compensation costs in any of the two years presented. The Company also recorded a related deferred income tax of $6,854 and $8,195 for the years ending December 31, 2012 and 2011, respectively.

Stock options and other share-based plans

At December 31, 2012, the Company has awards outstanding under various stock-based compensation 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 the Company's AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and Supervisory Boards, forms the Company'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 the Company'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 €12,000 subject to the issue of up to 12 M 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 the General Partner, members of the management boards of the Company's affiliated companies and the managerial staff members of the Company and of certain affiliated companies are entitled to participate in the 2011 Incentive Program. With respect to participants who are members of the General Partner's Management Board, the General Partner'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). The General Partner 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 the Company'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 US 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 the Company 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 the Company's ordinary shares on the exercise date. Phantom stock 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.

During 2012, under the Long Term Incentive Program 2011, the Company awarded 2,166,035 stock options, including 310,005 stock options granted to members of the Management Board of Fresenius Medical Care Management AG (Management Board), the Company's general partner, at an average exercise price of $75.41 (€57.15), an average fair value of $15.48 each and a total fair value of $33,538 which will be amortized over the four-year vesting period. The Company also awarded 178,729 shares of phantom stock, including 23,407 shares of phantom stock granted to members of the Management Board at a measurement date average fair value of $64.58 (€48.95) each and a total fair value of $11,543, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

During 2011, the Company awarded 1,947,231 stock options under the 2011 Incentive Program, including 307,515 stock options granted to members of the Management Board of FMC Management AG, the Company's general partner, at an average exercise price of $67.87 (€52.45), an average fair value of $19.27 each and a total fair value of $37,525, which will be amortized over the four-year vesting period. The Company awarded 215,638 phantom shares, including 29,313 phantom shares granted to members of the Management Board of FMC Management AG, the Company's general partner, at a measurement date average fair value of $63.71 (€49.24) each and a total fair value of $13,739 which will be revalued if the fair value changes, and amortized over the four year vesting period.

Incentive plan

In 2012, Management Board members were eligible for performance-related compensation that depended upon achievement of targets. The targets are measured by reference to operating profit margin, growth of group-wide after-tax earnings (EAT growth) as well as the development of free cash flow (cash flow before acquisitions), and are derived from the comparison of targeted and actually achieved current year figures. Targets are divided into Group level targets and those to be achieved in individual regions.

The bonus for fiscal year 2012 will consist proportionately of a cash component and a share-based component which will be paid in cash. Upon meeting the annual targets, the cash component will be paid after the end of 2012. The share-based component is subject to a three-year vesting period, although a shorter period may apply in special cases. The amount of cash payment relating to the share-based component shall be based on the closing share price of Fresenius Medical Care AG & Co. KGaA ordinary shares upon exercise after the three-year vesting period. The amount of the achievable bonus for each of the members of the Management Board is capped.

Share-based compensation incurred under this plan for years 2012 and 2011 was $2,751 and $2,306, respectively.

Fresenius Medical Care AG & Co. KGaA stock option plan 2006

During 2010, the Company awarded 2,817,879 options under the Amended 2006 Plan, including 423,300 options granted to members of the Management Board of FMC Management AG, the Company's general partner, at a weighted average exercise price of $57.07 (€42.71), a weighted average fair value of $10.47 each and a total fair value of $29,515 which will be amortized over the three year vesting period. After December 2010, no further grants were issued under the Amended 2006 Plan.

Options granted under the Amended 2006 Plan to US 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.

Fresenius Medical Care 2001 International stock option plan

Under the Fresenius Medical Care 2001 International Stock Incentive Plan (the 2001 Plan), options in the form of convertible bonds with a principal of up to €10,240 were issued to the members of the Management Board and other employees of the Company representing grants for up to 4 M 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.

Additional stock option plans information

At December 31, 2012, the Management Board members of the General Partner held 2,201,205 stock options for ordinary shares and employees of the Company 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 the Company.

At December 31, 2012, the Management Board members of the General Partner held 52,720 phantom shares and employees of the Company held 334,265 phantom shares under the 2011 Incentive Plan.

The table below provides reconciliations for stock options outstanding at December 31, 2012, as compared to December 31, 2011:

T. 2.6.31 *Reconciliation of options outstanding*

	Options	Weighted average exercise	
	in THOUS	in €	in $
Stock options for ordinary shares			
▸ *Balance at December 31, 2011*	**12,025**	**37.24**	**49.13**
Granted	2,166	57.15	75.41
Exercised	2,575	30.62	40.40
Forfeited	469	36.66	48.37
▸ *Balance at December 31, 2012*	**11,147**	**42.66**	**56.29**
Stock options for preference shares			
▸ *Balance at December 31, 2011*	**49**	**18.64**	**24.59**
Exercised	8	15.57	20.54
Forfeited	3	18.64	24.59
▸ *Balance at December 31, 2012*	**38**	**19.26**	**25.41**

The following table provides a summary of fully vested options outstanding and exercisable for both preference and ordinary shares at December 31, 2012:

T. 2.6.32 *Fully vested outstanding and exercisable options*

	Number of options	Weighted average remaining contractual life	Weighted average exercise price		Aggregate intrinsic value	
	in THOUS	in years	in €	in $	in €	in $
Options						
for preference shares	38	1.89	19.26	25.41	865	1,141
for ordinary shares	4,389	2.42	31.26	41.25	92,368	121,870

At December 31, 2012, there was $52,744 of total unrecognized compensation costs related to non-vested options granted under all plans. These costs are expected to be recognized over a weighted-average period of 2.0 years.

During the years ended December 31, 2012 and 2011, the Company received cash of $100,118 and $81,883, respectively, from the exercise of stock options *see note 13*. The intrinsic value of options exercised for the twelve-month periods ending December 31, 2012 and 2011 was $83,690 and $50,687, respectively. The Company recorded a related tax benefit of $21,008 and $13,010 for the years ending December 31, 2012 and 2011, respectively.

In connection with cash-settled share based payment transactions under the 2011 Incentive Program the Company recognized expense of $5,144 and $1,859 for the years ending December 31, 2012 and 2011, respectively.

Fair value information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the 2006 Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. 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 155% of the exercise price. The Company'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 assumptions used to determine the fair value of the 2012 and 2011 grants are as follows:

T. 2.6.33 *Assumptions*

	2012	2011
Expected dividend yield *in %*	1.61	1.62
Risk-free interest rate *in %*	1.09	2.55
Expected volatility *in %*	22.20	22.22
Expected life of options *in years*	8	8
Weighted average exercise price *in €*	57.15	52.45
Weighted average exercise price *in $*	75.41	67.87

17. INCOME TAXES

Income before income taxes is attributable to the following geographic locations:

T. 2.6.34 *Income before income taxes*
in $ THOUS

	2012	2011
Germany	263,651	344,267
United States	1,356,094	1,122,800
Other	312,368	311,292
▸ *Total*	**1,932,113**	**1,778,359**

Income tax expense (benefit) for the years ended December 31, 2012 and 2011, consisted of the following:

T. 2.6.35 *Expense (benefit) for income taxes*
in $ THOUS

	2012	2011
Current		
Germany	52,862	67,484
United States	342,250	278,634
Other	139,136	106,087
▸ *Total current*	**534,248**	**452,205**
Deferred		
Germany	10,478	14,565
United States	98,200	139,282
Other	(37,790)	(4,955)
▸ *Total deferred*	**70,888**	**148,892**
▸ *Total*	**605,136**	**601,097**

In 2012 and 2011, the Company is 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 and a trade tax rate of 12.88% and 12.64% for the fiscal years ended December 31, 2012 and 2011, respectively.

A reconciliation between the expected and actual income tax expense is shown below. 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 rates are 28.71% and 28.46% for the fiscal years ended December 31, 2012 and 2011, respectively.

T. 2.6.36 *Reconciliation of income taxes*
in $ THOUS

	2012	2011
Expected corporate income tax expense	554,613	506,121
Tax free income	(90,943)	(38,926)
Income from at equity investments	(2,133)	(6,883)
Tax rate differentials	137,527	140,079
Non-deductible expenses	19,961	4,536
Taxes for prior years	22,420	144
Change in valuation allowance	(19,680)	5,544
Noncontrolling partnership interests	(49,081)	(31,300)
Other	32,452	21,782
▸ *Actual income tax expense*	**605,136**	**601,097**
▸ *Effective tax rate*	**31.3%**	**33.8%**

The tax effects of the temporary differences that give rise to deferred tax assets and liabilities at December 31, 2012 and 2011, are presented below:

T. 2.6.37 *Deferred income tax assets and liabilities*
in $ THOUS

	2012	2011
Deferred tax assets		
Accounts receivable	5,847	5,943
Inventory	45,771	42,824
Property, plant and equipment, intangible and other non current assets	65,370	70,652
Accrued expenses and other liabilities	329,967	265,624
Pensions	123,363	87,248
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	107,595	91,402
Derivatives	4,856	60,056
Stock-based compensation	24,758	24,191
Other	13,136	12,586
▸ *Total deferred tax assets*	**720,663**	**660,526**
Less: valuation allowance	(44,191)	(80,418)
▸ *Net deferred tax assets*	**676,472**	**580,108**
Deferred tax liabilities		
Accounts receivable	17,036	25,937
Inventory	11,847	10,899
Property, plant and equipment, intangible and other non current assets	748,271	616,430
Accrued expenses and other liabilities	21,651	24,582
Derivatives	2,202	–
Other	128,403	103,107
▸ *Total deferred tax liabilities*	**929,410**	**780,955**
▸ *Net deferred tax assets (liabilities)*	**(252,938)**	**(200,847)**

The valuation allowance decreased by $36,227 in 2012 and increased by $8,619 in 2011.

The expiration of net operating losses is as follows:

T. 2.6.38 *Net operating loss carryforwards*
in $ THOUS

2013	2014	2015	2016	2017	2018	2019	2020	2021	2022 and thereafter	Without expiration date	Total
18,821	20,649	13,540	23,794	43,723	16,754	18,313	14,061	8,052	3,128	96,446	**277,281**

In assessing the realizability of deferred taxes, management considers whether it is more-likely-than-not that some portion or all of a deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more-likely-than-not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2012.

The Company provides for income taxes and foreign withholding taxes on the cumulative earnings of foreign subsidiaries that will not be reinvested. At December 31, 2012, the Company provided for $15,562 of deferred tax liabilities associated with earnings that are likely to be distributed in 2013 and the following years. Provision has not been made for additional taxes on $5,354,484 undistributed earnings of foreign subsidiaries as these earnings are considered permanently reinvested. The earnings could become subject to additional tax if remitted or deemed remitted as dividends; however calculation of such additional tax is not practical. These taxes would predominantly comprise foreign withholding tax on dividends of foreign subsidiaries, and German income tax of approx 1.4% on all dividends and capital gains.

FMC AG & CO. KGAA companies are subject to tax audits in Germany and the U.S. on a regular basis and ongoing tax audits in other jurisdictions.

In Germany, the tax years 2002 until 2009 are currently under audit by the tax authorities. The Company recognized and recorded the current proposed adjustments of this audit period in the financial statements. All proposed adjustments are deemed immaterial. Fiscal years 2010, 2011 and 2012 are open to audit.

In the U.S., the Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, inclusive of interest and preserved the right to pursue claims in the United States Courts for refunds of all other disallowed deductions, which totaled approximately $126,000. On December 22, 2008, the Company 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 $95,000. 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 U.S., 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 financial statements.

Subsidiaries of FMC AG & CO. KGAA in a number of countries outside of Germany and the U.S. are also subject to tax audits. The Company estimates that the effects of such tax audits are not material to these consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

T. 2.6.39 *Reconciliation of unrecognized tax benefits (net of interest)*
in $ THOUS

	2012	2011
▸ *Balance at January 1*	**184,829**	**375,900**
Increases in unrecognized tax benefits prior periods	13,232	24,046
Decreases in unrecognized tax benefits prior periods	(5,913)	(24,897)
Increases in unrecognized tax benefits current period	17,903	16,157
Changes related to settlements with tax authorities	(16,763)	(217,484)
Reductions as a result of a lapse of the statute of limitations	–	(3,100)
Foreign currency translation	(9,090)	14,207
▸ *Balance at December 31*	**184,198**	**184,829**

Included in the balance at December 31, 2012 are $160,780 of unrecognized tax benefits which would affect the effective tax rate if recognized. The Company is currently not in a position to forecast the timing and magnitude of changes in other unrecognized tax benefits.

During the year ended December 31, 2012 the Company recognized a benefit of $24,718 in interest and penalties. The Company had a total accrual of $33,749 of tax related interest and penalties at December 31, 2012.

18. OPERATING LEASES

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2039. Rental expense recorded for operating leases for the years ended December 31, 2012 and 2011 was $617,195 and $601,070, respectively. For information regarding intercompany operating leases, *see note 3a*.

Future minimum rental payments under noncancelable operating leases for the five years succeeding December 31, 2012 and thereafter are:

T. 2.6.40 *Future minimum rental payments*
in $ THOUS

	2013	2014	2015	2016	2017	Thereafter	Total
Future minimum rental payments	566,320	506,512	443,472	375,843	351,646	1,044,570	**3,288,363**

19. LEGAL PROCEEDINGS

The Company 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 healthcare services and products. Legal matters that the Company currently deems to be material are described below. For the matters described below in which the Company 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 Company 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 the Company's view of the merits can occur. The Company 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

The Company 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 the Company, 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, the Company 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 the Company that arise out of the bankruptcy of W.R. Grace & Co. Under the terms of the settlement agreement as amended (the Settlement Agreement), fraudulent conveyance and other claims raised on behalf of asbestos claimants will be dismissed with prejudice and the Company 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, the Company will pay a total of $115,000 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.). The Company is engaged in litigation with Sealed Air to confirm its entitlement to indemnification from Sealed Air for all losses and expenses incurred by the Company 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 the Company's payment obligation, this litigation will be dismissed with prejudice.

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 $140,000 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 $14,300. 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. The Company appealed the court's rulings to the United States Court of Appeals for the Federal Circuit (Federal Circuit). In October 2008, the Company 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 $70,000 were contributed to the escrow fund. Upon remand, the district court reduced the post verdict damages award to $10,000 and

$61,000 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 $20,000 of damages awarded to it by the District Court before the Federal Circuit affirmed the USPTO ruling constitutes a final judgment that may be collected. The Company is opposing this appeal.

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 the Company's Liberty™ cycler infringes certain U.S. patents that were issued to Baxter between October 2010 and June 2012. The Company believes it has valid defenses to these claims, and will defend this litigation vigorously.

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.

Other litigation and potential exposures

Renal Care Group, Inc. (RCG), which the Company 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 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.

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 the Company 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.

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 ESRD. 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. The Company has cooperated in the investigation.

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 the Company'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. The Company has assumed responsibility for responding to the subpoenas and is cooperating fully with the United States Attorneys.

The Company has received communications alleging certain conduct in certain countries outside the U.S. 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 the Company's Supervisory Board is conducting an internal review with the assistance of independent counsel retained for such purpose. The Company voluntarily advised the U.S. Securities and Exchange Commission and the U.S. Department of Justice that allegations have been made and of the Company's internal review. The Company has also directed its independent counsel, in conjunction with the Company's Compliance Department, to review the Company's compliance program including internal controls related to compliance with international anti-bribery laws and implement appropriate enhancements. The Company is fully committed to FCPA compliance. It cannot predict the final outcome of its review.

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.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's civil settlement payment deductions taken by FMCH in prior year tax returns. As a result of a settlement agreement with the IRS, the Company received a partial refund in September 2008 of $37,000, 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 $126,000. On December 22, 2008, the Company 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 $95,000. 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.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare 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 Company 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 the Company'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, the Company'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 the Company's compliance with applicable laws and regulations. The Company 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 Company 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 Company 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 Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company 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 healthcare 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 Company 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 Company 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 Company 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 the Company's reputation and business.

The Company 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 Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company 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 the Company's reputation and business.

Accrued special charge for legal matters

At December 31, 2001, the Company recorded a pre-tax special charge of $258,159 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 $115,000 payment under the Settlement Agreement in the Grace Chapter 11 Proceedings, all other matters included in the special charge have been resolved. While the Company 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.

20. FINANCIAL INSTRUMENTS

As a global supplier of dialysis services and products in more than 120 countries throughout the world, the Company is faced with a concentration of credit risks due to the nature of the reimbursement systems which are often provided by the governments of the countries in which the Company operates. Changes in reimbursement rates or the scope of coverage could have a material adverse effect on the Company's business, financial condition and results of operations and thus on its capacity to generate cash flow.

Non-derivative financial instruments

The following table presents the carrying amounts and fair values of the Company's non-derivative financial instruments at December 31, 2012, and December 31, 2011.

T. 2.6.41 *Carrying amount and fair value of non-derivative financial instruments*
in $ THOUS

		2012		2011	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	1	688,040	688,040	457,292	457,292
Accounts receivable	2	3,157,233	3,157,233	2,909,326	2,909,326
Long-term notes receivable[1]	3	–	–	234,490	233,514
Liabilities					
Accounts payable	2	745,644	745,644	652,649	652,649
Short-term borrowings	2	117,850	117,850	98,801	98,801
Short-term borrowings from related parties	2	3,973	3,973	28,013	28,013
Long-term debt, excluding 2012 Credit Agreement and Amended 2006 Senior Credit Agreement, Euro Notes and Senior Notes[2]	2	721,928	721,928	1,147,208	1,147,208
2012 Credit Agreement and Amended 2006 Senior Credit Agreement	2	2,659,340	2,652,840	2,795,589	2,774,951
Senior Notes	2	4,743,442	5,296,325	2,883,009	2,989,307
Euro Notes	2	51,951	54,574	258,780	265,655
Noncontrolling interests subject to put provisions	3	523,260	523,260	410,491	410,491

[1] *As of February 28, 2012, the loan to Renal Advantage Partners LLC and Liberty Dialysis, Inc. has been retired.*
[2] *This amount includes the non-current portion of a loan from a Fresenius SE subsidiary of $56,174 which is due on May 23, 2014 (see note 3c).*

The carrying amounts in the table are included in the consolidated balance sheet under the indicated captions or in the case of long-term debt, in the captions shown *in note 10*.

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as accounts receivable, accounts payable and short-term borrowings are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The valuation of long-term notes receivable was determined using significant unobservable inputs. They were valued using a constructed index based upon similar instruments with comparable credit ratings, terms, tenor, interest rates and that are within the Company's industry. The Company tracked the prices of the constructed index from the note issuance date to the reporting date to determine fair value.

The fair values of major long-term financial liabilities are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term financial liabilities are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

The valuation of noncontrolling interests subject to put provisions is determined using significant unobservable inputs. *See note 12* for a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the Company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

Derivative financial instruments

The Company is exposed to market risk from changes in foreign exchange rates and interest rates. In order to manage the risk of currency exchange rate and interest rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions as authorized by the Company's General Partner. On a quarterly basis, the Company performs an assessment of its counterparty credit risk. The Company currently considers this risk to be low. The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

Foreign exchange risk management

The Company conducts business on a global basis in various currencies, though a majority of its operations are in Germany and the United States. For financial reporting purposes, the Company has chosen the U.S. dollar as its reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of the Company's international operations are maintained affect its results of operations and financial position as reported in its consolidated financial statements.

The Company's exposure to market risk for changes in foreign exchange rates relates to transactions such as sales and purchases. The Company has significant amounts of sales of products invoiced in euro from its European manufacturing facilities to its other international operations and, to a lesser extent, sales of products invoiced in other non-functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the euro and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures the Company enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. As of December 31, 2012 the Company had no foreign exchange options.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in accumulated other comprehensive income (loss) (AOCI). Additionally, in connection with intercompany loans in foreign currency, the Company uses foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. These amounts recorded in AOCI are subsequently reclassified into earnings as a component of cost of revenues for those contracts that hedge product purchases or as an adjustment of interest income/expense for those contracts that hedge loans, in the same period in which the hedged transaction affects earnings. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totaled $611,488 and $1,278,764 at December 31, 2012 and December 31, 2011, respectively.

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currency that do not qualify for hedge accounting but are utilized for economic hedges as defined above. In these cases, the change in value of the economic hedge is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability. The notional amounts of economic hedges that do not qualify for hedge accounting totaled $1,574,667 and $2,149,440 at December 31, 2012 and December 31, 2011, respectively.

Interest rate risk management

The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options, to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate. The euro-denominated interest rate swaps expire in 2016 and have an interest rate of 1.73%. Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

As of December 31, 2012 and December 31, 2011, the notional amount of the euro-denominated interest rate swaps in place was €100,000 and €200,000 ($131,940 and $258,780 as of December 31, 2012 and December 31, 2011, respectively). As of December 31, 2012 the Company had no U.S. dollar-denominated interest rate swaps and at December 31, 2011 the notional amount was $2,650,000.

Derivative financial instruments valuation

The following table shows the carrying amounts of the Company's derivatives at December 31, 2012 and December 31, 2011:

T. 2.6.42 *Derivative financial instruments valuation*
in $ THOUS, December 31

	2012		2011	
	Assets [2]	Liabilities [2]	Assets [2]	Liabilities [2]
Derivatives in cash flow hedging relationships [1]				
Current				
Foreign exchange contracts	7,839	(7,510)	4,117	(24,908)
Interest rate contracts	–	–	–	(130,579)
Non-current				
Foreign exchange contracts	942	(187)	742	(3,706)
Interest rate contracts	–	(6,221)	–	(1,076)
▸ *Total*	**8,781**	**(13,918)**	**4,859**	**(160,269)**
Derivatives not designated as hedging instruments [1]				
Current				
Foreign exchange contracts	23,396	(19,068)	56,760	(37,242)
Non-current				
Foreign exchange contracts	132	(292)	1,382	(1,459)
▸ *Total*	**23,528**	**(19,360)**	**58,142**	**(38,701)**

[1] *As of December 31, 2012 and December 31, 2011, the valuation of the Company's derivatives was determined using Significant Other Observable Inputs (Level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.*
[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in Prepaid expenses and other current assets in the Consolidated Balance Sheets while the current portion of those indicated as liabilities are included in Accrued expenses and other current liabilities. The non-current portions indicated as assets or liabilities are included in the Consolidated Balance Sheets in Other assets or Other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are 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 balance sheet date. 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 balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency.

The Company includes its own credit risk for financial instruments deemed liabilities and counterparty-credit risks for financial instruments deemed assets when measuring the fair value of derivative financial instruments.

T. 2.6.43 *The effect of derivatives on the consolidated financial statements*
in $ THOUS

	Amount of gain or (loss) recognized in OCI on derivatives (effective portion) for the year ended Dec. 31,		Location of (gain) or loss reclassified from AOCI in income (effective portion)	Amount of (gain) or loss reclassified from AOCI in income (effective portion) for the year ended Dec. 31,	
	2012	2011		**2012**	2011
Derivatives in cash flow hedging relationships					
Interest rate contracts	(16,762)	(80,678)	Interest income/expense	23,779	5,946
Foreign exchange contracts	21,834	(23,452)	Costs of revenue	(5,414)	(4,262)
Foreign exchange contracts			Interest income/expense	582	–
▸ *Total*	**5,072**	**(104,130)**		**18,947**	**1,684**

T. 2.6.44 *The effect of derivatives on the consolidated financial statements*
in $ THOUS

	Location of (gain) or loss recognized in income on derivatives	Amount of (gain) or loss recognized in income on derivatives for the year ended Dec. 31,	
		2012	2011
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expense	(8,804)	(76,496)
Foreign exchange contracts	Interest income/expense	8,033	6,598
▸ *Total*		**(771)**	**(69,898)**

For foreign exchange derivatives, the Company expects to recognize $2,971 of losses deferred in accumulated other comprehensive income at December 31, 2012, in earnings during the next twelve months.

The Company expects to incur additional interest expense of $20,640 over the next twelve months which is currently deferred in accumulated other comprehensive income. This amount reflects the projected amortization of the settlement amount of the terminated swaps and the current fair value of the additional interest payments resulting from the remaining interest rate swap maturing in 2016 at December 31, 2012.

As of December 31, 2012, the Company had foreign exchange derivatives with maturities of up to 35 months and interest rate swaps with maturities of up to 46 months.

21. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2012 and 2011 are as follows:

T. 2.6.45 *Other comprehensive income (loss)*
in $ THOUS

	Pretax	*Tax effect*	*Net, before non-controlling interests*	*Non-controlling interests*	*Other comprehensive income (loss), net of tax*
2012					
Other comprehensive income (loss) relating to cash flow hedges:					
Changes in fair value of cash flow hedges during the period	5,072	(21,171)	(16,099)	–	(16,099)
Reclassification adjustments	18,947	(4,968)	13,979	–	13,979
Total other comprehensive income (loss) relating to cash flow hedges	24,019	(26,139)	(2,120)	–	(2,120)
Foreign-currency translation adjustment	63,982	–	63,982	(179)	63,803
Defined benefit pension plans:					
Actuarial (loss) gain on defined benefit pension plans	(121,512)	42,159	(79,353)	–	(79,353)
Reclassification adjustments	18,334	(7,189)	11,145	–	11,145
Total other comprehensive income (loss) relating to defined benefit pension plans	(103,178)	34,970	(68,208)	–	(68,208)
▸ *Other comprehensive income (loss)*	**(15,177)**	**8,831**	**(6,346)**	**(179)**	**(6,525)**
2011					
Other comprehensive income (loss) relating to cash flow hedges:					
Changes in fair value of cash flow hedges during the period	(104,130)	41,825	(62,305)	–	(62,305)
Reclassification adjustments	1,684	(796)	888	–	888
Total other comprehensive income (loss) relating to cash flow hedges	(102,446)	41,029	(61,417)	–	(61,417)
Foreign-currency translation adjustment	(179,987)	–	(179,987)	(1,247)	(181,234)
Defined benefit pension plans:					
Actuarial (loss) gain on defined benefit pension plans	(90,643)	34,930	(55,713)	–	(55,713)
Reclassification adjustments	8,737	(3,342)	5,395	–	5,395
Total other comprehensive income (loss) relating to defined benefit pension plans	(81,906)	31,588	(50,318)	–	(50,318)
▸ *Other comprehensive income (loss)*	**(364,339)**	**72,617**	**(291,722)**	**(1,247)**	**(292,969)**

Changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2012 and 2011 are as follows:

T. 2.6.46 *Changes in accumulated other comprehensive income (loss) by component*
in $ THOUS

	Gains and (losses) on cash flow hedges	*Pension obligations*	*Foreign-currency translation adjustment*	*Total, before non-controlling interests*	*Non-controlling interests*	*Total*
▸ ***Balance December 31, 2010***	**(74,804)**	**(60,897)**	**(58,344)**	**(194,045)**	**4,295**	**(189,750)**
Other comprehensive income before reclassifications	(62,305)	(55,713)	(179,987)	(298,005)	(1,247)	(299,252)
Amounts reclassified from accumulated other comprehensive income	888	5,395	–	6,283	–	6,283
Net current-period other comprehensive income	(61,417)	(50,318)	(179,987)	(291,722)	(1,247)	(292,969)
▸ ***Balance December 31, 2011***	**(136,221)**	**(111,215)**	**(238,331)**	**(485,767)**	**3,048**	**(482,719)**
Other comprehensive income before reclassifications	(16,099)	(79,353)	63,982	(31,470)	(179)	(31,649)
Amounts reclassified from accumulated other comprehensive income	13,979	11,145	–	25,124	–	25,124
Net current-period other comprehensive income	(2,120)	(68,208)	63,982	(6,346)	(179)	(6,525)
▸ ***Balance December 31, 2012***	**(138,341)**	**(179,423)**	**(174,349)**	**(492,113)**	**2,869**	**(489,244)**

Reclassifications out of accumulated other comprehensive income for the years ended December 31, 2012 and 2011 are as follows:

T. 2.6.47 *Reclassifications out of accumulated other comprehensive income*
in $ THOUS

Details about accumulated other comprehensive income components	*Amount of (gain) or loss reclassified from accumulated other comprehensive income*		*Affected line item in the statement where net income is presented*
	2012	*2011*	
(Gains) and losses on cash flow hedges			
Interest rate contracts	23,779	5,946	Interest income/expense
Foreign exchange contracts	(5,414)	(4,262)	Costs of revenue
Foreign exchange contracts	582	–	Interest income/expense
	18,947	1,684	Total before tax
	(4,968)	(796)	Tax expense or benefit
	13,979	888	Net of tax
Amortization of defined benefit pension items			
Actuarial (gains)/losses	18,334	8,737	[1]
	18,334	8,737	Total before tax
	(7,189)	(3,342)	Tax expense or benefit
	11,145	5,395	Net of tax
Total reclassifications for the period	25,124	6,283	Net of tax

[1] *These accumulated other comprehensive income components are included in the computation of net periodic pension cost (see note 11).*

22. SUPPLEMENTARY CASH FLOW INFORMATION

The following additional information is provided with respect to the consolidated statements of cash flows:

T. 2.6.48 *Supplementary cash flow information*
in $ THOUS

	2012	2011
Supplementary cash flow information		
Cash paid for interest	349,415	259,835
Cash paid for income taxes[1]	552,711	455,805
Cash inflow for income taxes from stock option exercises	21,008	13,010
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(2,519,189)	(1,684,630)
Liabilities assumed	241,342	215,253
Noncontrolling interest subject to put provisions	123,210	26,684
Noncontrolling interest	104,947	20,983
Obligations assumed in connection with acquisition	6,624	20,016
Cash paid	(2,043,066)	(1,401,694)
Less cash acquired	173,278	47,461
▸ *Net cash paid for acquisitions*	**(1,869,788)**	**(1,354,233)**

[1] *Net of tax refund.*

23. SEGMENT INFORMATION

The Company has identified three operating segments, the North America Segment, the International operating segment, and the Asia-Pacific operating segment, which were determined based upon how the Company manages its businesses. All segments are primarily engaged in providing dialysis care services and the distribution of products and equipment for the treatment of ESRD. The Company has aggregated the International and Asia-Pacific operating segments as the "International Segment". The segments are aggregated due to their similar economic characteristics. These characteristics include same services provided and same products sold, the same type patient population, similar methods of distribution of products and services and similar economic environments. The General Partner's management board member responsible for the profitability and cash flow of each segment's various businesses supervises the management of each operating segment. The accounting policies of the segments are the same as those the Company applies in preparing the consolidated financial statements under accounting principles generally accepted in the U.S.

Management evaluates each segment using a measure that reflects all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate measure in this regard is operating income which measures the Company's source of earnings. The Company does not include the investment gain resulting from the Liberty Acquisition nor income taxes

as it believes these items to be outside the segments' control. Financing is a corporate function, which the Company's segments do not control. Therefore, the Company does not include interest expense relating to financing as a segment measurement. Similarly, the Company does not allocate "corporate costs," which relate primarily to certain headquarters overhead charges, including accounting and finance, professional services, etc., because the Company believes that these costs are also not within the control of the individual segments. As of January 1, 2011, production of products, production asset management, quality management and procurement are centrally managed in Corporate by Global Manufacturing Operations. These corporate activities do not fulfill the definition of a segment. Products are transferred to the segments at cost; therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as "Corporate".

Information pertaining to the Company's segments for the twelve-month periods ended December 31, 2012 and 2011 is set forth below.

T. 2.6.49 *Segment information*
in $ THOUS

	North America	*International*	*Segment Total*	*Corporate*	*Total*
2012					
Net revenue external customers	9,031,108	4,740,132	13,771,240	29,042	13,800,282
Inter-segment revenue	10,072	–	10,072	(10,072)	–
▸ *Net revenue*	**9,041,180**	**4,740,132**	**13,781,312**	**18,970**	**13,800,282**
Depreciation and amortization	(310,216)	(175,504)	(485,720)	(117,176)	(602,896)
▸ *Operating Income*	**1,615,348**	**809,269**	**2,424,617**	**(206,044)**	**2,218,573**
Income (loss) from equity method investees	23,408	919	24,327	(6,885)	17,442
Segment assets	14,170,453	5,892,477	20,062,930	2,263,068	22,325,998
thereof investments in equity method investees	266,521	378,626	645,147	(7,774)	637,373
Capital expenditures, acquisitions and investments[1]	2,147,522	230,888	2,378,410	175,808	2,554,218
2011					
Net revenue external customers	7,925,472	4,627,950	12,553,422	17,093	12,570,515
Inter-segment revenue	9,196	–	9,196	(9,196)	–
▸ *Revenue*	**7,934,668**	**4,627,950**	**12,562,618**	**7,897**	**12,570,515**
Depreciation and amortization	(269,055)	(173,600)	(442,655)	(114,628)	(557,283)
▸ *Operating Income*	**1,435,450**	**807,437**	**2,242,887**	**(167,995)**	**2,074,892**
Income (loss) from equity method investees	32,387	69	32,456	(1,497)	30,959
Segment assets	11,761,777	5,589,421	17,351,198	2,181,652	19,532,850
thereof investments in equity method investees	322,990	370,447	693,437	(1,412)	692,025
Capital expenditures, acquisitions and investments[2]	1,055,183	1,161,825	2,217,008	166,176	2,383,184

[1] *North America and International acquisitions exclude $484,699 and $6,624, respectively, of non-cash acquisitions and investments for 2012.*
[2] *North America and International acquisitions exclude $6,000 and $225,034, respectively, of non-cash acquisitions and investments for 2011.*

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in the table below:

T. 2.6.50 — *Geographic division*
in $ THOUS

	2012		2011	
	Net revenue	*Long-lived assets*	*Net revenue*	*Long-lived assets*
Germany	424,885	490,493	425,507	417,805
North America	9,031,108	12,421,822	7,925,472	10,318,964
Rest of the world	4,344,289	3,151,401	4,219,536	3,010,780
▸ *Total*	**13,800,282**	**16,063,716**	**12,570,515**	**13,747,549**

CHAPTER 2.7

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2012, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment follows the guidance for management of the evaluation of internal controls over financial reporting released by the Securities and Exchange Commission on May 23, 2007. Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2012.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that the Company's transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Fresenius Medical Care acquired Liberty Dialysis Holdings, Inc. during 2012. Management excluded the business of Liberty Dialysis from the scope of its assessment of the effectiveness of the Company's internal control over financial reporting as of December 31, 2012. Liberty Dialysis is associated with total identifiable assets of approximately $600 M and total revenues of approximately $713 M included in the consolidated financial statements of the Company as of and for the year ended December 31, 2012.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's internal control over financial reporting as of December 31, 2012 has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included *on page 114.*

February 26, 2013

Fresenius Medical Care AG & Co. KGaA, a partnership limited by shares, represented by
Fresenius Medical Care Management AG, its General Partner

RICE POWELL
Chief Executive Officer and Chairman of the Management Board of the General Partner

MICHAEL BROSNAN
Chief Financial Officer and Member of the Management Board of the General Partner

In connection with the Company's annual report on Form 20-F, filed with the U.S. Securities and Exchange Commission on February 26, 2013, KPMG AG Wirtschaftsprüfungsgesellschaft issued the following report of the independent registered public accounting firm on internal control over financial reporting and the report of the independent registered public accounting firm.

Report of Independent Registered Public Accounting Firm on Internal Control over Financial Reporting

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the internal control over financial reporting of Fresenius Medical Care AG & Co. KGaA and subsidiaries ("Fresenius Medical Care" or the "Company") as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Fresenius Medical Care's management is responsible for maintaining effective internal control over financial reporting and its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

2.8
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fresenius Medical Care maintained, in all material respects, effective internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Fresenius Medical Care acquired Liberty Dialysis Holdings, Inc. during 2012. Management excluded the business of Liberty Dialysis from the scope of its assessment of the effectiveness of Fresenius Medical Care's internal control over financial reporting as of December 31, 2012. Liberty Dialysis Holding is associated with total identifiable assets of approximately $600 M and total revenues of approximately $713 M included in the consolidated financial statements of Fresenius Medical Care and subsidiaries as of and for the year ended December 31, 2012. Our audit of internal control over financial reporting of Fresenius Medical Care also excluded an evaluation of the internal control over financial reporting of Liberty Dialysis Holdings, Inc.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresenius Medical Care as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012, and our report dated February 26, 2013 expressed an unqualified opinion on those consolidated financial statements.

February 26, 2013
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

Report of Independent Registered Public Accounting Firm

THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care AG & Co. KGaA and subsidiaries ("Fresenius Medical Care" or the "Company") as of December 31, 2012 and 2011 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2012. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fresenius Medical Care as of December 31, 2012 and 2011, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresenius Medical Care's internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 26, 2013 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

February 26, 2013
Frankfurt am Main, Germany

KPMG AG
Wirtschaftsprüfungsgesellschaft

CHAPTER 3

FURTHER INFORMATION

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Financial Glossary

A

AMERICAN DEPOSITARY RECEIPT (ADR)

Physical certificate proving ownership in one or several American Depositary Shares (ADS). Fresenius Medical Care's ordinary and preference shares are listed on the New York Stock Exchange (NYSE) in the form of ADR.

D

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.

DAX

Acronym for "German stock index" – calculated on the basis of the weighted prices of the 30 largest (by market capitalization and trading volume) German stock corporations.

DEBT/EBITDA RATIO

Important indicator in corporate management. It compares a company's debt to earnings before interest, tax, depreciation and amortization and other non-cash charges.

DIVIDEND

Portion of a company's profits. The profit to be distributed divided by the number of outstanding shares shows the dividend per share. The dividend is paid to shareholders usually once a year in the form of cash, stock or tangible assets.

E

EBIT (EARNINGS BEFORE INTEREST AND TAXES)

This is used to assess the company's porfitability. More precisely, it is the operating result before earnings from financial activities and investments.

EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION)

Corresponds to operative cash flow before taxes.

EBT (EARNINGS BEFORE TAXES)

It is an indicator of a company's earning power.

F

FREE FLOAT

The proportion of a company's listed shares that is freely available for trading. According to the definition of Deutsche Börse, block ownership (as opposed to free float) is considered to be shares held by a shareholder which, cumulatively, make up at least five percent of the registered share capital in one class of share.

K

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.

M

MARKET CAPITALIZATION

Total value of all outstanding shares of a company calculated by the number of shares multiplied by the share price.

O

OPERATING MARGIN

Earnings before interest and taxes (EBIT) divided by revenues.

ORDINARY AND PREFERENCE SHARES

The capital stock of the Company consists of ordinary and preference shares, both of which are bearer shares. Preference shares are non-voting, but are entitled to a dividend exceeding that of ordinary shares. The distribution of the minimum dividend on preference shares takes precedence over the distribution of a dividend on ordinary shares.

R

RATING

The rating is 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.

RETURN ON EQUITY (ROE)

The Return on Equity is an indicator of company profitability related to the shareholders' financing.

RETURN ON INVESTED CAPITAL (ROIC)

The return on a Company's invested capital divided by average invested capital. Invested capital consists of current and noncurrent assets plus accumulated goodwill amortization less cash and cash equivalents, deferred tax assets, accounts payable (including those due to related parties), accrued expenses and other liabilities (including income tax accruals).

RETURN ON OPERATING ASSETS (ROOA)

EBIT divided by average operating assets. Operating assets consist of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses and other current assets, noncurrent assets, less noncurrent deferred tax assets and accounts payable (including those due to related parties).

S

SARBANES-OXLEY ACT (SOX)

A law aimed at corporations and their auditors designed to improve financial accounting. The intention of SOX is to strengthen the confidence of shareholders and other stakeholders by extending regulations which relate to financial reporting and internal monitoring systems. SOX requirements include strict obligations for a company's management regarding the provision of complete and correct information. The new and expanded rules apply for all U.S. exchange-listed companies.

SECURITIES AND EXCHANGE COMMISSION (SEC)

A federal agency that regulates and monitors the U.S. financial markets.

SHARE INDEX

Indicates the development of the stock market as a whole and/or of individual groups of shares (e.g. DAX, DOW JONES, STOXX). Share indices act as a guide for investors to help them identify trends in the stock market. The index calculation is based on a weighted value for the average development of the stock corporations that make up the index. Share indices can be calculated as price indices or performance indices.

U

U.S. GAAP

United States Generally Accepted Accounting Principles.

V

VOLATILITY

This means the price fluctuation of a security or currency. Often this is calculated from the form of standard deviation from the share price history or implicit from a price-setting formula.

W

WORKING CAPITAL

Current assets less current liabilities. The higher the working capital, the more secure a company's liquidity position.

Regional Organization

T. 3.2.1

Europe/Middle East/Africa

Germany	Fresenius Medical Care Deutschland GmbH	Bad Homburg v.d.H.	100 %
France	Fresenius Medical Care France S.A.S.	Fresnes	100 %
Great Britain	Fresenius Medical Care (U.K.) Ltd.	Nottinghamshire	100 %
Serbia	Fresenius Medical Care Srbija d.o.o.	Vrsac	100 %
Italy	Fresenius Medical Care Italia S.p.A.	Cremona	100 %
Spain	National Medical Care of Spain, S.A.	Madrid	100 %
South Africa	Fresenius Medical Care South Africa (PTY) Ltd.	Gauteng	100 %
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	100 %
Belgium	Fresenius Medical Care Belgium N.V.	Antwerp	100 %
Morocco	Fresenius Medical Care Maroc S.A.	Casablanca	100 %
Ireland	Fresenius Medical Care (Ireland) Limited	Dublin	100 %
Poland	Fresenius Medical Care Polska S.A.	Poznan	100 %
Portugal	NephroCare Portugal S.A.	Lisbon	100 %
Romania	Fresenius Medical Care Romania S.r.l.	Bucharest	100 %
Saudi Arabia	Fresenius Medical Care Saudi Arabia Ltd.	Jeddah	100 %
Croatia	Euromedical d.o.o.	Zagreb	100 %
Russia	ZAO Fresenius SP	Moscow	100 %
Slovakia	Fresenius Medical Care – dialyzacne sluzby, s.r.o.	Pieštany	100 %
Slovenia	Fresenius Medical Care Slovenija d.o.o.	Zrece	100 %
Czech Republic	Fresenius Medical Care DS, s.r.o.	Prague	100 %
Hungary	FMC Dializis Center Kft	Budapest	100 %
Sweden	Fresenius Medical Care Sverige AB	Stockholm	100 %
Ukraine	Fresenius Medical Care Ukraine TOV	Kiev	100 %
Finland	Fresenius Medical Care Suomi Oy	Helsinki	100 %
Lebanon	Fresenius Medical Care Lebanon s.a.r.L.	Beirut	99 %
The Netherlands	Fresenius Medical Care Nederland B.V.	Nieuwkuijk	100 %
Austria	Fresenius Medical Care Austria GmbH	Vienna	100 %
Denmark	Fresenius Medical Care Danmark A/S	Albertslund	100 %
Switzerland	Fresenius Medical Care (Schweiz) AG	Oberdorf	100 %
Bosnia & Herzegovina	Fresenius Medical Care BH d.o.o.	Sarajevo	100 %
Estonia	Fresenius Medical Care Estonia OÜ	Tartu	100 %

North America

U.S.	Fresenius Medical Care Holdings Inc.	New York	100 %
	National Medical Care Inc.	Delaware	100 %
	Fresenius U.S.Inc.	Massachusetts	100 %
	Renal Care Group Inc.	Delaware	100 %
Mexico	Fresenius Medical Care Mexico S.A.	Guadalajara	100 %

Latin America

Argentina	Fresenius Medical Care Argentina S.A.	Buenos Aires	100 %
Colombia	Fresenius Medical Care Colombia S.A.	Bogotá	100 %
Brazil	Fresenius Medical Care Ltda.[1]	São Paulo	100 %
Chile	Fresenius Medical Care Chile S.A.	Santiago de Chile	100 %
Venezuela	Fresenius Medical Care de Venezuela C.A.	Caracas	100 %
Peru	Fresenius Medical Care del Peru S.A.	Lima	100 %
Ecuador	Manadialisis S.A.	Quito	100 %

Asia-Pacific

Australia	Fresenius Medical Care Australia PTY Ltd.	Sydney	100 %
Japan	Fresenius-Kawasumi Co. Ltd.	Tokyo	70 %
China	Fresenius Medical Care (Shanghai) Co., Ltd.	Shanghai	100 %
	Fresenius Medical Care Hong Kong Limited	Hong Kong	100 %
Singapore	Fresenius Medical Care Singapore Pte. Ltd.	Singapore	100 %
Taiwan	Fresenius Medical Care Taiwan Co., Ltd.	Taipei	100 %
India	Fresenius Medical Care India Private Limited	New Delhi	100 %
Indonesia	PT Fresenius Medical Care Indonesia	Jakarta	100 %
Malaysia	Fresenius Medical Care Malaysia Sdn. Bhd.	Kuala Lumpur	100 %
Philippines	Fresenius Medical Care Philippines, Inc.	Makati City	100 %
South Korea	Fresenius Medical Care Korea Ltd.	Seoul	100 %
Thailand	Fresenius Medical Care (Thailand) Ltd.	Bangkok	100 %
Pakistan	Fresenius Medical Care Pakistan (Private) Ltd.	Lahore	100 %
Vietnam	Fresenius Medical Care Vietnam LLC.	Ho Chi Minh City	100 %

Production *Selling* *Dialysis services*

[1] *Via franchise centers.*

Simplified chart of Fresenius Medical Care's regional organization. Line of Business in 2012 in respective country.
Some percentage of subsidiaries represent direct and indirect shareholdings.

Major Subsidiaries

T. 3.3.1 **Major Subsidiaries 2012**
in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[3]
Europe/Middle East/Africa						
Germany	FMC Deutschland GmbH, Bad Homburg v.d.H.	100	1,895.1	0.0	1,354.3	3,246
	FMC GmbH, Bad Homburg v.d.H.	100	337.4	0.0	59.7	309
France	FMC France S.A.S., Fresnes	100	136.9	4.3	23.5	198
	FMC SMAD S.A.S., Savigny	100	132.3	7.7	58.4	408
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	96.0	4.7	36.9	189
Italy	FMC Italia S.p.A., Cremona	100	140.9	7.3	69.4	212
	SIS-TER S.p.A., Cremona	100	85.9	3.6	25.9	304
Spain	FMC España, S.A., Madrid	100	123.2	4.9	52.5	190
	National Medical Care of Spain, S.A., Madrid	100	0.6	(0.1)	74.6	1,456
South Africa	FMC South Africa (PTY) Ltd., Gauteng	100	46.6	2.3	18.1	479
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	75.5	1.9	40.7	209
Belgium	FMC Belgium N.V., Antwerp	100	43.2	3.7	13.1	38
Marocco	FMC Maroc S.A., Casablanca	100	15.6	1.1	10.8	64
Serbia	FMC Srbija d.o.o., Vrsac	100	65.8	7.7	49.8	622
Poland	FMC Polska S.A., Poznan	100	60.2	5.4	22.9	74
	Fresenius Nephrocare Polska Sp.z.o.o., Poznan	100	76.4	0.7	19.7	1,111
Portugal	FMC Portugal, S.A., Maia	100	0.0	3.3	17.5	47
	NephroCare Portugal, S.A., Lisbon	100	136.0	8.8	89.4	1,017
Romania	FMC Romania Srl, Bucharest	100	39.2	4.0	18.6	71
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	21.7	2.2	12.6	22
Slovenia	FMC Slovenija d.o.o., Zrece	100	9.5	1.0	1.8	11
	NEFRODIAL d.o.o., Zrece	100	13.0	(0.7)	2.8	89
Czech Republic	FMC CR, s.r.o., Prague	100	52.1	4.8	15.9	64
Hungary	FMC Magyarország Egészségügyi Korlátolt Felelősségű Társaság, Budapest	100	26.1	0.2	23.9	41
	FMC Dializis Center Egészségügyi Kft., Budapest	100	42.2	0.1	0.4	627
Denmark	FMC Danmark A/S, Albertslund	100	15.1	0.6	2.7	24
Finland	FMC Suomi OY, Helsinki	100	18.9	1.4	5.6	25
Lebanon	FMC Lebanon s.a.r.l., Beirut	99	4.5	0.1	1.0	13
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	27.5	1.4	6.4	43
Austria	FMC Austria GmbH, Vienna	100	31.1	1.4	4.2	30
Russia	ZAO Fresenius SP, Moscow	100	118.0	12.2	33.7	137
Sweden	FMC Sverige AB, Stockholm	100	34.5	3.3	9.5	35
Switzerland	FMC (Schweiz) AG, Oberdorf	100	36.6	3.2	12.2	44
Estonia	OÜ FMC Estonia, Tartu	100	2.8	0.2	0.7	22
Ukraine	FMC Ukraine TOV, Kiev	100	5.2	(0.6)	3.1	82

T. 3.3.1 **Major Subsidiaries 2012**
in $ M, except employees

Name and location		Ownership[1] in %	Revenue[2]	Net income/ (-loss)[2]	Equity Dec. 31[2]	Employees Dec. 31[3]
North America						
U.S.	FMC Holdings Inc., New York	100	8,850.9	786.6	6,051.8	49,637
Mexico	FMC de Mexico, S.A., de C.V. Guadalajara, Jalisco[4]	100	162.2	15.6	35.5	1,646
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	226.1	18.2	90.5	2,735
Colombia	FMC Colombia S.A., Bogotá	100	155.7	15.8	146.1	1,303
Brazil	FMC Ltda., São Paulo	100	158.9	10.4	94.5	632
Chile	Pentafarma S.A., Santiago	100	20.5	2.9	12.3	67
Venezuela	FMC de Venezuela, C.A., Caracas	100	41.7	0.5	17.3	631
Peru	FMC del Peru S.A., Lima	100	6.9	0.4	2.0	22
Ecuador	Manadialisis S.A., Quito	100	14.4	0.9	1.8	323
Asia-Pacific						
Australia	FMC Australia PTY Ltd., Sydney	100	143.2	13.0	71.6	364
Japan	FMC Japan K.K., Tokyo	100	81.4	(4.6)	(36.9)	630
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	19.0	0.2	22.9	61
China	FMC (Shanghai) Co., Ltd., Shanghai	100	207.7	10.0	81.3	276
	FMC (Jiangsu) Co. Ltd., Changshu	100	24.6	(1.3)	23.8	526
Hong Kong	FMC Hong Kong Limited, Hong Kong	100	29.4	1.7	46.8	41
	Biocare Technology Company Limited, Hong Kong	100	33.9	(1.6)	15.4	15
	Excelsior Renal Service Co., Limited, Hong Kong	51	31.7	1.5	21.5	870
Singapore	FMC Singapore Pte. Ltd., Singapore	100	7.5	0.6	4.0	60
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	63.2	4.0	30.9	103
	Jiate Excelsior Co., Ltd. , Taipei	51	4.6	(0.1)	7.5	48
India	FMC India Private Limited, New Delhi	100	23.9	0.3	5.4	131
Indonesia	PT FMC Indonesia, Jakarta	100	16.5	3.0	12.6	40
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	24.1	2.0	18.6	195
Philippines	FMC Philippines, Inc., Makati City	100	19.6	2.9	16.8	48
	FMC Renalcare Corp., Makati City	100	1.0	0.7	0.3	37
South Korea	FMC Korea Ltd., Seoul	100	123.1	6.6	64.5	200
	NephroCare Korea Inc., Seoul	100	7.1	1.3	4.0	13
Thailand	FMC (Thailand) Ltd., Bangkok	100	22.4	2.6	11.8	46
	NephroCare (Thailand) Co., Ltd., Bangkok	100	15.3	0.7	2.4	35
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	6.7	0.7	2.7	34
Vietnam	FMC Vietnam LLC., Ho Chi Minh City	100	1.0	(0.1)	0.4	15

[1] *Direct and indirect interest*
[2] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the Consolidated Financial Statements. Shareholders` equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*
[3] *Full-time equivalents*
[4] *Included in U.S.-GAAP-closing of FMC Holdings Inc.*

Five-Year Summary

T. 3.4.1 — *Five-Year Summary*

$ in THOUS, except share data

	2012	2011	2010	2009	2008
Statements of Income					
Net revenue[1]	13,800,282	12,570,515	11,844,194	11,047,489	10,403,182
Costs of revenue[2]	9,199,029	8,418,474	8,009,132	7,504,498	7,068,566
Gross profit[1, 2]	4,601,253	4,152,041	3,835,062	3,542,991	3,334,616
Selling, general and administrative expenses[1, 2]	2,224,715	2,001,825	1,823,674	1,698,119	1,581,945
Gain on sale of dialysis clinics	36,224	4,551	–	–	–
Research and development expenses	111,631	110,834	96,532	93,810	80,239
Income from equity method investees	17,442	30,959	8,949	4,534	–
Other operating expenses	100,000	–	–	–	–
Operating income (EBIT)	2,218,573	2,074,892	1,923,805	1,755,596	1,672,432
Investment gain	139,600	–	–	–	–
Interest expenses, net	426,060	296,533	280,064	299,963	336,742
Income before income taxes	1,932,113	1,778,359	1,643,741	1,455,633	1,335,690
Income tax expense	605,136	601,097	578,345	490,413	475,702
Net income attributable to noncontrolling interests	140,168	106,108	86,879	74,082	42,381
▸ *Net income attributable to shareholders of FMC AG & Co. KGaA*	**1,186,809**	**1,071,154**	**978,517**	**891,138**	**817,607**
Income per ordinary share	3.89	3.54	3.25	2.99	2.75
Income per preference share	3.92	3.56	3.28	3.02	2.78
Earnings before interest and taxes, depreciation and amortization (EBITDA)	2,821,469	2,632,175	2,427,029	2,212,681	2,088,103
Personnel expenses	4,871,606	4,362,315	3,967,732	3,708,951	3,506,423
Depreciation	515,455	479,438	432,930	396,860	368,304
Amortization	87,441	77,845	70,294	60,225	47,367
Excluding special items					
EBITDA[3]	2,931,469	2,632,175	2,427,029	2,212,681	2,088,103
EBIT[3]	2,328,573	2,074,892	1,923,805	1,755,596	1,672,432
Net income attributable to shareholders of FMC AG & Co. KGaA[4]	1,117,525	1,071,154	978,517	891,138	817,607
Earnings per ordinary share[4]	3.66	3.54	3.25	2.99	2.75
Balance Sheet					
Current assets	6,127,456	5,695,019	5,152,594	4,727,800	4,211,997
Non-current assets	16,198,542	13,837,831	11,942,067	11,093,515	10,707,679
▸ *Total assets*	**22,325,998**	**19,532,850**	**17,094,661**	**15,821,315**	**14,919,676**
Short-term debt	456,570	1,716,590	1,569,885	484,418	1,139,599
Other current liabilities	2,713,421	2,546,021	2,219,838	2,125,297	2,004,813
Current liabilities	3,169,991	4,262,611	3,789,723	2,609,715	3,144,412
Long-term debt	7,841,914	5,494,810	4,309,676	5,084,017	4,598,075
Other non-current liabilities	1,583,573	1,303,921	1,191,642	1,097,890	1,054,403
Non-current liabilities	9,425,487	6,798,731	5,501,318	6,181,907	5,652,478
Total liabilities	12,595,478	11,061,342	9,291,041	8,791,622	8,796,890
Noncontrolling interest subject to put provisions[5]	523,260	410,491	279,709	231,303	162,166
Equity[5]	9,207,260	8,061,017	7,523,911	6,798,390	5,960,620
▸ *Total liabilities and equity*	**22,325,998**	**19,532,850**	**17,094,661**	**15,821,315**	**14,919,676**
Total debt	8,298,484	7,211,400	5,879,561	5,568,435	5,737,674
Working capital[6]	3,529,035	3,263,998	3,047,756	2,717,503	2,322,184

[1] *Revenues have been restated to reflect the retrospective adoption of Accounting Standards Update 2011-07, Health Care Entities. Bad debt expense was reclassified from selling, general and administrative expenses as a reduction of revenue (2011: $225 M; 2010: $209 M; 2009: $200 M; 2008: $209 M).*

[2] *Freight expense was reclassified from selling, general and administrative expenses to costs of revenue to harmonize the presentation for all segments (2011: $144 M; 2010: $100 M; 2009: $89 M; 2008: $85 M).*

[3] *2012: Excluding charges of $110 M related to the amendment of the Venofer agreement and a donation to the American Society of Nephrology.*

[4] *2012: Excluding the investment gain of $140 M and charges of $71 M after tax ($110 M before tax), related to the amendment to the Venofer agreement and a donation to the American Society of Nephrology.*

[5] *The Company has reclassified noncontrolling interests, which are subject to put provisions from equity into a mezzanine positon in the Consolidated Balance Sheets in 2010. The Consolidated Statement of Shareholders' Equity has been adjusted till 2008 retrospectively.*

[6] *Current assets less current liabilities (excluding short-term debt and accruals for special charge recorded in accrued expenses and other current liabilities).*

3.4
FIVE-YEAR SUMMARY

T. 3.4.1 *Five-Year Summary*

$ in THOUS, except share data

	2012	2011	2010	2009	2008
Credit Rating					
Standard & Poor's					
Corporate credit rating	BB+	BB	BB	BB	BB
Subordinated debt	BBB–	BBB–	BB	BB	BB
Moody's					
Corporate credit rating	Ba1	Ba1	Ba1	Ba1	Ba1
Subordinated debt	Baa3	Baa3	Ba3	Ba3	Ba3
Fitch					
Corporate credit rating	BB+	BB+	BB	BB	BB
Subordinated debt	BBB	BBB	B+	B+	B+
Cash Flow					
Net cash provided by operating activities	2,039,063	1,446,482	1,368,125	1,338,617	1,016,398
Capital expenditures, net	(665,643)	(570,530)	(507,521)	(561,876)	(673,510)
Free cash flow	1,373,420	875,952	860,604	776,741	342,888
Acquisitions and investments, net of cash acquired and purchases of intangible assets	(1,878,908)	(1,785,329)	(764,338)	(188,113)	(276,473)
Proceeds from divestitures	263,306	9,990	146,835	51,965	58,582
Share data					
Year-end share price Frankfurt, XETRA *in €*					
Ordinary shares	52.31	52.50	43.23	36.94	33.31
Preference shares	42.24	42.95	35.21	33.31	33.50
Year-end (ADR) share price New York *in $*					
Ordinary shares	34.30	33.99	28.85	26.51	23.59
Preference shares	27.60	27.50	24.00	22.80	21.50
Weighted average number of ordinary shares	301,139,652	299,012,744	296,808,978	294,418,795	293,233,477
Weighted average number of preference shares	3,969,307	3,961,617	3,912,348	3,842,586	3,795,248
Total dividend amount *in € THOUS*	230,114	209,929	196,533	182,853	172,767
Dividend per ordinary share[7] *in €*	0.75	0.69	0.65	0.61	0.58
Dividend per preference share[7] *in €*	0.77	0.71	0.67	0.63	0.60
Employees					
Full-time equivalents	86,153	79,159	73,452	67,988	64,666
Operational ratios *in %*					
EBITDA margin[8]	20.4	20.9	20.5	20.0	20.1
EBIT margin[8]	16.1	16.5	16.2	15.9	16.1
EPS growth	10.0	8.7	8.9	8.5	13.5
Organic revenue growth (currency-adjusted)	4.9	2.2	5.6	8.1	7.3
Return on invested capital (ROIC)[3, 9]	8.1	8.7	8.8	8.5	8.6
Return on operating assets (ROOA)[3, 9]	11.4	12.0	12.5	12.2	12.3
Return on equity before taxes[4, 5, 10]	21.3	22.5	22.3	21.8	22.8
Return on equity after taxes[4, 5, 10]	12.5	13.6	13.3	13.3	14.0
Cash flow return on invested capital (CFROIC)[3, 9]	14.2	14.3	14.5	14.4	14.5
Leverage ratio (total debt/EBITDA)[9, 11]	2.8	2.7	2.4	2.5	2.7
Gearing ((total debt – cash)/equity)[5]	0.8	0.8	0.7	0.8	0.9
EBITDA/Interest expenses, net[3]	6.9	8.9	8.7	7.4	6.2
Cash from operating activities in percent of revenue[1]	14.8	11.5	11.6	12.1	9.8
Equity ratio (equity/total assets)[5]	41.2	41.3	44.0	43.0	40.0
Dialysis care data					
Treatments *in M*	38.6	34.4	31.7	29.4	27.9
Patients	257,916	233,156	214,648	195,651	184,086
Clinics	3,160	2,898	2,744	2,553	2,388

[7] *2012: Proposal to be approved by the Annual General Meeting on May 16, 2013.*
[8] *2012: EBITDA margin of 21.2% and EBIT margin of 16.9% excluding the charges related to the amendment of the Venofer agreement and a donation to the American Society of Nephrology.*
[9] *2012: Pro forma numbers including Liberty Dialysis Holdings, Inc., after FTC mandated divestitures.*
[10] *Return on equity has been calculated based on net income attributable to shareholders of FMC AG & Co. KGaA and the total FMC AG & Co. KGaA shareholders' equity.*
[11] *Correction of non-cash charges (2012: $64 M; 2011: $54 M; 2010: $45 M; 2009: $50 M; 2008: $44 M).*

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Imprint

Subject to change.

This annual report is also available in German and may be obtained from the Company upon request.

Annual reports, interim reports, and further information on the Company are also available on our website: www.fmc-ag.com

Printed reports can be ordered online, by phone or in writing from Investor Relations.

Published by:
Fresenius Medical Care AG & Co. KGaA

Editorial office:
Investor Relations

Editorial deadline:
March 13, 2013

Concept and design:
hw.design gmbh

Copy editing:
Textpertise, Heike Virchow

Produced by:
Eberl Print GmbH, Immenstadt i. Allgäu

This report contains forward-looking statements that are based on plans, projections and estimates and subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors. The risks and uncertainties are detailed in Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this report.

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Dr. Ulf M. Schneider

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FINANCIAL CALENDAR

April 30, 2013
REPORT ON THE FIRST QUARTER 2013

May 16, 2013
ANNUAL GENERAL MEETING
Frankfurt am Main, Germany

May 17, 2013
PAYMENT OF DIVIDEND
subject to the approval of the Annual General Meeting

July 30, 2013
REPORT ON THE SECOND QUARTER 2013

November 5, 2013
REPORT ON THE THIRD QUARTER 2013

IMPORTANT FAIRS

May 18 – 21, 2013
50TH CONGRESS OF THE EUROPEAN RENAL AND THE EUROPEAN DIALYSIS AND TRANSPLANTATION ASSOCIATION (ERA-EDTA)
Istanbul, Turkey

August 30 – September 3, 2013
16TH CONGRESS OF THE PEDIATRIC NEPHROLOGY ASSOCIATION (IPNA)
Shanghai, China

August 31 – September 3, 2013
42ND INTERNATIONAL CONFERENCE OF THE EUROPEAN DIALYSIS & TRANSPLANT NURSES ASSOCIATION AND EUROPEAN RENAL CARE ASSOCIATION (EDTNA/ERCA)
Malmö, Sweden

September 11 – 14, 2013
6TH CONGRESS OF THE INTERNATIONAL SOCIETY FOR HEMODIALYSIS (ISHD)
Buenos Aires, Argentina

October 11 – 14, 2013
11TH EUROPEAN PERITONEAL DIALYSIS MEETING (EUROPD)
Maastricht, Netherlands

November 5 – 10, 2013
ASN KIDNEY WEEK 2013 THE AMERICAN SOCIETY OF NEPHROLOGY
Atlanta, U.S.

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