FRESENIUS MEDICAL CARE

SECOND QUARTER 2014

FRESENIUS MEDICAL CARE

2014

SECOND QUARTER

Overview

T. 1 **Summary second quarter 2014**

Net revenue	$3,835 M	+6%
Operating income (EBIT)	$556 M	+2%
Net income[1]	$234 M	−11%
Net income adjusted[2]	$252 M	−4%
Basic earnings per share	$0.77	−10%
Adjusted earnings per share[2]	$0.83	−3%

[1] *attributable to shareholders of Fresenius Medical Care AG & Co. KGaA*
[2] *adjusted for an unfavorable tax impact of $18 M in the second quarter of 2014*

T. 2 **Summary first half 2014**

Net revenue	$7,398 M	+5%
Operating income (EBIT)	$1,001 M	−4%
Net income[1]	$439 M	−10%
Net income adjusted[2]	$457 M	−6%
Basic earnings per share	$1.46	−9%
Adjusted earnings per share[2]	$1.52	−5%

[1] *attributable to shareholders of Fresenius Medical Care AG & Co. KGaA*
[2] *adjusted for an unfavorable tax impact of $18 M in the second quarter of 2014*

Second Quarter 2014

REVENUE

Net revenue for the second quarter of 2014 increased by 6% to $3,835 M (+7% at constant currency) compared to the second quarter of 2013. Organic revenue growth worldwide was 5%. Dialysis services revenue grew by 7% to $2,949 M (+8% at constant currency) and dialysis product revenue increased by 2% to $886 M (+1% at constant currency) compared to the second quarter of 2013.

North America revenue for the second quarter of 2014 increased by 6% to $2,521 M. Organic revenue growth was 4%. Dialysis services revenue grew by 7% to $2,316 M with a same store treatment growth of 3.3%. Dialysis product revenue decreased by 6% to $205 M.

International revenue increased by 6% to $1,297 M (+7% at constant currency). Organic revenue growth was 5%. Dialysis services revenue increased by 8% to $633 M (+12% at constant currency). Dialysis product revenue increased by 3% to $664 M (+3% at constant currency).

EARNINGS

Operating income (EBIT) for the second quarter of 2014 increased by 2% to $556 M compared to $544 M in the second quarter of 2013. Operating income for North America increased by 3% in the second quarter of 2014 to $401 M compared to $391 M in the second quarter of 2013. In the International segment, operating income for the second quarter of 2014 increased by 11% to $243 M compared to $218 M in the second quarter of 2013.

Net interest expense for the second quarter of 2014 was $98 M, compared to $103 M in the second quarter of 2013.

Income tax expense was $177 M for the second quarter of 2014 which translates into an effective tax rate of 38.7%. This compares to income tax expense of $144 M and a tax rate of 32.6% for the second quarter of 2013. The tax rate in the second quarter of 2014 was influenced by a special tax impact which resulted in an expense of $18 M in the second quarter of 2014. On an adjusted basis the tax rate for the second quarter of 2014 was 34.8%. For the full year, the Company expects a tax rate of around 34%.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA for the second quarter of 2014 was $234 M, a decrease of 11% compared to the corresponding number of $263 M for the second quarter of 2013. On an adjusted basis net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA for the second quarter of 2014 was $252 M.

Basic earnings per share (EPS) for the second quarter of 2014 was $0.77, a decrease of 10% compared to the corresponding number for the second quarter of 2013. On an adjusted basis EPS for the second quarter of 2014 was $0.83. The weighted average number of shares outstanding for the second quarter of 2014 was approximately 301.8 M shares, compared to 306.3 M shares for the second quarter of 2013. The decrease in shares outstanding resulted from last year`s share buy-back program, partially offset by stock option exercises in the past twelve months.

CASH FLOW

In the second quarter of 2014, the Company generated $449 M in **net cash provided by operating activities**, a decrease of 14% compared to the corresponding figure of last year and representing 12% of revenue.

A total of $218 M was spent for **capital expenditures**, net of disposals. **Free cash flow** was $231 M compared to $352 M in the second quarter of 2013.

A total of $297 M in cash was spent for **acquisitions and investments, net of divestitures. Free cash flow after investing activities** was −$66 M, compared to $339 M in the second quarter of 2013.

First Half 2014

REVENUE AND EARNINGS

Net revenue for the first half of 2014 increased by 5% to $7,398 M (+6% at constant currency) compared to the first half of 2013. Organic revenue growth worldwide was 4%.

Operating income (EBIT) for the first half of 2014 decreased by 4% to $1,001 M compared to $1,038 M in the first half of 2013.

Net interest expense for the first half of 2014 was $195 M compared to $207 M in the first half of 2013.

Income tax expense for the first half of 2014 was $278 M which translates into an effective tax rate of 34.5%. This compares to income tax expense of $273 M and a tax rate of 32.8% for the first half of 2013. On an adjusted basis the tax rate for the first half of 2014 was 32.3%. For the full year, the Company expects a tax rate of around 34%.

For the first half of 2014, **net income** attributable to shareholders of Fresenius Medical Care AG & Co. KGaA was $439 M, down by 10% from the corresponding number of $488 M for the first half of 2013. On an adjusted basis net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA for the first half of 2014 was $457 M.

In the first half of 2014 **basic earnings per share (EPS)** was $1.46, a decrease of 9% compared to the corresponding number for the first half of 2013. On an adjusted basis EPS for the first half of 2014 was $1.52. The weighted average number of shares outstanding during the first half of 2014 was approximately 301.6 M shares.

CASH FLOW

In the first half of 2014, the Company generated $562 M in **net cash provided by operating activities** compared to $841 M for the same period in 2013, representing 8% of revenue.

A total of $415 M was spent for **capital expenditures**, net of disposals. **Free cash flow** for the first half of 2014 was $147 M compared to $522 M in the first half of 2013.

A total of $432 M in cash was spent for **acquisitions and investments, net of divestitures. Free cash flow after investing activities** was −$285 M, compared to $438 M in the first half of 2013.

EMPLOYEES

As of June 30, 2014, Fresenius Medical Care had 94,401 employees (full-time equivalents) worldwide, compared to 87,944 employees at the end of June 2013. This increase of more than 6,400 employees was attributable to our continued organic growth as well as to acquisitions.

BALANCE SHEET STRUCTURE

The Company´s total assets were $24,145 M (Dec. 31, 2013: $23,120 M), an increase of 4%. Current assets increased by 8% to $6,805 M (Dec. 31, 2013: $6,287 M). Non-current assets were $17,340 M (Dec. 31, 2013: $16,833 M), an increase of 3%. Total equity increased by 2% to $9,650 M (Dec. 31, 2013: $9,485 M). The equity ratio was 40% as compared to 41% at the end of 2013. Total debt was $9,139 M (Dec. 31, 2013: $8,417 M. As of June 30, 2014, the debt/EBITDA ratio was 3.1 (Dec. 31, 2013: 2.8).

STRATEGIC INVESTMENTS IN CARE COORDINATION

Fresenius Medical Care has entered into an agreement to invest approximately $600 M in Sound Inpatient Physicians Inc. to become majority shareholder in a network of more than 1,000 physician partners providing care in over 100 hospitals and post-acute care centers across the United States. The transaction of Sound Inpatient Physicians Inc. has been closed in July 2014.

Fresenius Medical Care also acquired MedSpring Urgent Care Centers, with operations in Illinois and Texas. MedSpring's 14 urgent care centers provide high-quality primary care and customer service.

Thereby the Company executes on the strategy disclosed earlier this year to invest in care coordination around dialysis. The investment clearly advances the commitment to address the full spectrum of care for chronically ill patients.

OUTLOOK

The Company expects **revenue** to be at around $15.2 BN in 2014, translating into a growth rate of around 4%. This outlook excludes revenue of about $500 M from acquisitions.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to be unchanged between $1.0 BN and $1.05 BN in 2014. The Company initiated a global efficiency program designed to enhance the Company's performance over a multi-year period. Potential cost savings before income taxes of up to $60 M generated from this program are not included in the outlook for 2014.

For 2014, the Company expects to spend around $900 M on **capital expenditures**. Reflecting mainly the latest acquisitions the Company now expects an acquisition spending of around $1.0 BN for fiscal year 2014 (previously $400 M). As a consequence the **debt/EBITDA ratio** is expected to be around 3.0 by the end of 2014.

Financial Information

MANAGEMENT'S DISCUSSION AND ANALYSIS

Forward-looking statements

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this report, the words "outlook", "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated, and future events and actual results, financial and otherwise, could differ materially from those set forth in or contemplated by the forward-looking statements contained elsewhere in this report. We have based these forward-looking statements on current estimates and assumptions made to the best of our knowledge. By their nature, such forward-looking statements involve risks, uncertainties, assumptions and other factors which could cause actual results, including our financial condition and profitability, to differ materially and be more negative than the results expressly or implicitly described in or suggested by these statements. Moreover, forward-looking estimates or predictions derived from third parties' studies or information may prove to be inaccurate. Consequently, we cannot give any assurance regarding the future accuracy of the opinions set forth in this report or the actual occurrence of the developments described herein. In addition, even if our future results meet the expectations expressed here, those results may not be indicative of our performance in future periods.

These risks, uncertainties, assumptions, and other factors that could cause actual results to differ from our projected results include, among others, the following:

- changes in governmental and commercial insurer reimbursement for our complete products and services portfolio, including the expanded United States (U.S.) Medicare reimbursement system for dialysis services;
- changes in utilization patterns for pharmaceuticals and in our costs of purchasing pharmaceuticals;
- the outcome of ongoing government and internal investigations;
- risks relating to compliance with the myriad government regulations applicable to our business including, in the U.S., the Anti-Kickback Statute, the False Claims Act, the Stark Law and the Foreign Corrupt Practices Act, the Food, Drug and Cosmetic Act and comparable regulatory regimes in many of the 120 countries in which we supply dialysis services and/or products;
- the influence of private insurers and managed care organizations;
- the impact of recently enacted and possible future health care reforms;
- product liability risks;
- the outcome of ongoing potentially material litigation;
- risks relating to the integration of acquisitions and our dependence on additional acquisitions;
- the impact of currency fluctuations;
- introduction of generic or new pharmaceuticals that compete with our pharmaceutical products;
- changes in raw material and energy costs or the ability to procure raw materials; as well as
- the financial stability and liquidity of our governmental and commercial payors.

Important factors that could contribute to such differences are noted in the "Overview" section below, in note 11 as well as in chapter 2.10 "Risk and opportunities report" in our annual report 2013.

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.

Our reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis of our financial statements. The actual accounting policies, the judgments made in the selection 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 our financial

statements and the discussion under "Results of Operations" below. There have been no significant changes during the six months ended June 30, 2014 to the items disclosed within the critical accounting policies and estimates in chapter 3.1 "Operating and financial review and prospects – Critical accounting policies" in our annual report 2013.

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion and analysis of the results of operations of Fresenius Medical Care AG & Co. KGaA (FMC AG & CO. KGAA, or the Company) and its subsidiaries in conjunction with our unaudited consolidated financial statements and related notes contained elsewhere in this report and our disclosures and discussions in our annual report 2013. The results within this discussion and analysis are unaudited. In this report, "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 our North America operating segment and the term "International segment" refers to the combination of our "EMEALA" (Europe, Middle East, Africa, and Latin America) operating segment and our Asia-Pacific operating segment. The term "Constant Currency" or at "Constant Exchange Rates" 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.

Overview

We operate in both the field of dialysis care and the field of dialysis products for the treatment of end-stage renal disease (ESRD). Our dialysis care business, in addition to providing dialysis treatments to patients with ESRD, includes pharmacy services, vascular access surgery services, laboratory testing services, physician services, health plan services and urgent care laboratory services (together Care Coordination). Our dialysis products business includes manufacturing and distributing products for the treatment of ESRD. In the U.S., the Company also provides inpatient dialysis services as well as other services under contract to hospitals. We estimate that providing dialysis services and distributing dialysis products represents a worldwide market of approximately $75 BN with expected annual worldwide market growth of approximately 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 of kidney disease and better treatment of and survival of patients with diabetes and hypertension, which frequently precede the onset of chronic kidney disease; 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. The majority of treatments are paid for by governmental institutions such as the Centers for Medicare & Medicaid Services (CMS) in the United States. As a consequence of the pressure to decrease health care costs, government reimbursement rate increases have been historically and are expected in the future to be limited. While we have generally experienced stable reimbursement globally, including the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries, the stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD prospective payment system (ESRD PPS) in the U.S. in January 2011, (ii) the U.S. federal government across the board spending cuts in payments to Medicare providers commonly referred to as U.S. Sequestration (as defined below), (iii) commencing on January 1, 2014, the reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis (see discussion of the American Taxpayer Relief Act of 2012 (ATRA) below) and (iv) the enactment of the Protecting Access to Medicare Act of 2014 (PAMA) (see discussion of PAMA below). In the future we expect to experience generally stable reimbursements for dialysis services globally.

With the enactment in the U.S. of the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), Congress created the ESRD PPS pursuant to which CMS reimburses dialysis facilities with a single payment for each dialysis treatment, inclusive of (i) all items and services included in the pre-2011 ESRD composite rate, (ii) oral vitamin D analogues, oral levocarnitine (an amino acid derivative) and all erythropoietin stimulating agents (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. 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 payment amount is also subject to annual adjustment based on increases in the costs of a "market basket" of certain healthcare items and services less a productivity adjustment.

In addition to creating the ESRD PPS, MIPPA also created the ESRD quality incentive program (QIP) which began affecting payments starting January 1, 2012. Dialysis facilities that fail to achieve quality standards established by CMS could have payments reduced by up to 2%. Performance on specified measures in a fiscal year affects payments two fiscal years later. For instance, the payments we receive during 2014 will be affected by our performance measures from 2012. Based on our performance from 2010 through 2012, the QIP's impact on our results through 2014 is immaterial. The initial QIP measures for 2010 and 2011 focused on anemia management (measured by hemoglobin level) and dialysis adequacy (measured by Urea Reduction Ratio or URR). For payment year 2014, CMS adopted four additional measures: prevalence of catheter and A/V fistula use, reporting of infections to the Centers for Disease Control and Prevention, administration of patient satisfaction surveys and monthly monitoring of phosphorus and calcium levels. For payment year 2015, CMS will continue all of the 2014 QIP measures except URR dialysis adequacy, expand the scope of infection reporting and mineral metabolism reporting, and add four new measures. Payment year 2015 added measures consist of three new clinical measures (hemodialysis adequacy for adult patients, hemodialysis adequacy for pediatric patients and peritoneal dialysis adequacy for adult patients), and one new reporting measure (anemia management reporting). For payment year 2016, CMS will continue all of the 2015 QIP measures and add two new clinical measures (proportion of patients with hypercalcemia and dialysis-related infections reported to the Center for Disease Control and Prevention's National Health Safety Network by ESRD facilities treating patients on an in-center basis). For payment year 2017, CMS proposes to continue ten of the eleven 2016 QIP measures (a total of 7 clinical measures and 3 reporting measures), remove the anemia management clinical measure (hemoglobin greater than 12 g/dL), revise the patient satisfaction survey reporting measure, and adopt one new clinical measure that addresses care coordination (measured by Standardized Readmission Ratio or SRR). For payment year 2018, CMS proposes to continue all of the measures proposed for payment year 2017 (with the exception of changing the patient satisfaction survey to a clinical measure), and to add five new measures consisting of two clinical measures (evaluating transfusions in the ESRD population and pediatric peritoneal dialysis adequacy) and three reporting measures (pain assessment, clinical depression screening, and healthcare personnel influenza vaccinations).

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (collectively 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 a one percentage point reduction in the market basket rate of increase.

On August 2, 2011, the Budget Control Act (BCA) was enacted, raising the U.S. debt ceiling and putting into effect a series of actions for deficit reduction. Pursuant to the BCA, automatic across-the-board spending cuts over nine fiscal years (2013 – 2021), projected to total $1.2 TN for all U.S. Federal government programs required under the BCA became effective as of March 1, 2013 and were implemented on April 1, 2013 for CMS reimbursement to providers. The Bipartisan Budget Act of 2013 extended the cuts to mandatory spending programs such as Medicare for an additional two years. The reduction in Medicare payments to providers and suppliers is limited to one adjustment of no more than 2% through 2022 (the U.S. Sequestration), rising to 2.9% for the first half of FY 2023 and dropping to 1.11% for the second half of FY 2023. Pursuant to PAMA, the reductions pursuant to U.S. Sequestration for the first six months of 2024 will be 4%, and there will be no reductions for the second six months of 2024. The Medicare sequestration reimbursement reduction is independent of annual inflation update mechanisms, such as the market basket update pursuant to the ESRD PPS.

The impact of the U.S. Sequestration on our dialysis care revenues from Medicare resulted in a decrease of approximately $18 M in operating income for the six months ended June 30, 2014 compared to the year to date operating income in the second quarter of our prior year. The impact of the U.S. Sequestration for the last twelve months has resulted in an aggregate reduction to our operating income of $74 M.

ATRA 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. On November 22, 2013, CMS issued the final rule regarding the 2014 ESRD PPS rate. The base rate per treatment was reduced from $240.36 to $239.02 for 2014. This change reflected (a) a bundled market basket increase of 3.2%, reduced by an estimated multifactor productivity adjustment of 0.4%; (b) the application of a wage index budget neutrality factor and a home dialysis training add-on budget neutrality factor; and (c) the application of a portion of an overall reduction in the base rate ($8.16 per treatment) to account for a decrease in the historical utilization of certain ESRD-related drugs and biologicals from 2007 to 2012. As set forth in the November 2013 final rule, CMS will phase in the drug utilization adjustment mandated by ATRA, which CMS estimates will total $29.93 per treatment, over three to four years. CMS intended that the portion of the reduction that will be applied in 2014 and 2015 will largely offset the net market basket increases in average payments to ESRD facilities as a whole resulting in essentially unchanged reimbursement rates from 2013 to 2015. CMS stated that it would consider in 2015 whether to apply the remainder of the $29.93 reduction in 2016 alone or spread it out over 2016 and 2017.

On April 1, 2014, PAMA was signed into law. This law modifies ATRA such that dialysis reimbursement for 2015 is intended to equal that for 2014. In addition, the reimbursement reductions mandated by ATRA for 2016 and 2017 have been eliminated. Instead, the market basket updates net of the productivity adjustment for each of 2016 and 2017 have been reinstated, though they will be reduced by 1.25% each year. For 2018, the market basket update net of the productivity adjustment will be reduced by 1%. In addition, the law mandates that ESRD-related drugs with only an oral form, including our phosphate binder PhosLo®, are excluded from the ESRD PPS and separately reimbursed until 2024. Finally, under the law, the reductions pursuant to U.S. Sequestration for the first six months of 2024 will be 4%, and there will be no reductions for the second six months of 2024.

On July 2, 2014, CMS issued a proposed rule that would update Medicare payment policies and rates under the ESRD PPS for dialysis services provided on or after January 1, 2015. For calendar year 2015, CMS proposes an ESRD PPS base rate of $239.33. Following the requirements of PAMA, this amount reflects elimination of the drug utilization adjustment, the application of a 0.0% market basket update net of the productivity adjustment, and the application of the proposed wage index budget-neutrality adjustment factor.

Any significant decreases in Medicare reimbursement rates could have material adverse effects on our provider business and, because the demand for dialysis 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.

On February 4, 2013, CMS announced plans to test a new Comprehensive ESRD Care Program and issued a solicitation for applications. CMS stated that it sought to work with up to 15 healthcare provider groups comprised of dialysis clinics and nephrologists, also 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 potentially 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. In August 2013, we submitted an application to participate in the program as an ESCO. Following submission of our application, CMS announced that it would suspend review of all applications and reopen its request for application in the winter of 2014 to solicit additional participation.

Following receipt of stakeholder feedback, CMS issued revised specifications for the Comprehensive ESRD Care Program in March of 2014. Under the revised specifications, large dialysis organizations were required to submit non-binding applications on or before June 23, 2014, while small dialysis organizations have until September 2014 to apply. We submitted non-binding applications for several different markets across the United States which CMS is currently reviewing. CMS is expected to make a determination on applications from large dialysis organizations in the coming months. Once an ESCO application is approved, CMS and the prospective ESCO will share data and enter into negotiations on the final terms of the shared savings arrangement. Should an agreement be executed, CMS intends that the ESCO will go into effect in January 2015.

We have identified three operating segments, North America segment, EMEALA, and Asia-Pacific, which were determined based upon how we manage our businesses. All segments are primarily engaged in providing dialysis care services and distributing products and equipment for the treatment of ESRD. For reporting purposes, we have aggregated the EMEALA 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, the same type of 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 using accounting principles generally accepted in the United States of America (U.S. GAAP).

Our management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, our management believes that the most appropriate U.S. GAAP measures are revenue, operating income and operating income margin. We do not include income taxes as we believe this is outside the segments' control. Financing is a corporate function which our segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. Similarly, we do not allocate certain costs which relate primarily to certain headquarters overhead charges, including accounting and finance, etc. (Corporate), because we believe that these costs are also not within the control of the individual segments. Production of products, production asset management, quality management and procurement are centrally managed at Corporate by Global Manufacturing Operations. The Company´s global research and development is also centrally managed at Corporate. 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 14. 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 accounted for as Corporate. Accordingly, all of these items are excluded from our analysis of segment results and are discussed below in 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 revenue 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. 3 — **Segment Data**
in $ M, unaudited

	Three months ended June 30,		*Six months ended June 30,*	
	2014	*2013*	***2014***	*2013*
Total revenue				
North America	2,523	2,377	4,918	4,665
International	1,297	1,228	2,458	2,397
Corporate	17	10	26	17
▶ **Total**	**3,837**	**3,615**	**7,402**	**7,079**
Inter-segment revenue				
North America	2	2	4	3
International	–	–	–	–
▶ **Total**	**2**	**2**	**4**	**3**
Total net revenue				
North America	2,521	2,375	4,914	4,662
International	1,297	1,228	2,458	2,397
Corporate	17	10	26	17
▶ **Total**	**3,835**	**3,613**	**7,398**	**7,076**
Operating income				
North America	401	391	736	757
International	243	218	423	410
Corporate	(88)	(65)	(158)	(129)
▶ **Total**	**556**	**544**	**1,001**	**1,038**
Interest income	13	7	28	17
Interest expense	(111)	(110)	(223)	(224)
Income tax expense	(177)	(144)	(278)	(273)
Net income	281	297	528	558
Less: Net income attributable to noncontrolling interests	(47)	(34)	(89)	(70)
▶ **Net income attributable to shareholders of FMC AG & Co. KGaA**	**234**	**263**	**439**	**488**

Three months ended June 30, 2014 compared to three months ended June 30, 2013.

Consolidated financials

T. 4 — Key indicators for consolidated financial statements

	Three months ended June 30,		*Change*	
	2014	*2013*	*as reported*	*at constant exchange rates*[1]
Revenue *in $ M*	3,835	3,613	6%	7%
Number of treatments	10,527,719	10,066,397	5%	–
Same market treatment growth *in %*	3.7	3.9	–	–
Gross profit *in % of revenue*	31.6	32.1	–	–
Selling, general and administrative costs *in % of revenue*	16.4	16.5	–	–
Operating income *in $ M*	556	544	2%	–
Operating income margin *in %*	14.5	15.1	–	–
Net income attributable to shareholders of FMC AG & CO. KGAA *in $ M*	234	263	–11%	–
Basic earnings per share *in $*	0.77	0.86	–10%	–

[1] *For further information on constant cxchange rates, see "Non-U.S. GAAP measures – constant currency" below.*

Net dialysis care revenue increased by 7% to $2,949 M (8% increase at constant exchange rates) for the three months ended June 30, 2014 from $2,743 M in the same period of 2013, mainly due to growth in same market treatments (4%), contributions from acquisitions (2%) and increases in organic revenue per treatment (2%), partially offset by the negative impact of exchange rate fluctuations (1%). Included in our net dialysis care revenue is Care Coordination revenue in the U.S. of $208 M and $138 M for the three months ended June 30, 2014 and 2013, respectively.

Treatments increased by 5% for the three months ended June 30, 2014 as compared to the same period in 2013. The increase is due to same market treatment growth (4%) and acquisitions (2%), partially offset by the effect of closed or sold clinics (1%).

At June 30, 2014, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 3,335 clinics compared to 3,212 clinics at June 30, 2013. During the three months ended June 30, 2014, we acquired 71 clinics, opened 16 clinics and combined or closed 15 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 6% to 280,942 at June 30, 2014 from 264,290 at June 30, 2013.

Dialysis product revenue increased by 2% (1% increase at constant exchange rates) to $886 M as compared to $870 M in the same period of 2013. The increase at constant exchange rates was driven by increased sales of dialyzers, bloodlines, products for acute care treatments and devices manufactured under a five-year contract with a Fresenius SE company, partially offset by lower sales of machines.

The decrease in gross profit margin to 31.6% from 32.1% reflects decreases in the North America segment and the International segment. The decrease in the North America segment was due to the impact from ATRA reductions on the ESRD PPS payment rate, higher personnel expense, growth in the lower margin pharmacy services business and higher costs as a result of FDA remediation, partially offset by a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors. The decrease in the International segment was due to unfavorable foreign currency exchange effects and price pressure on products, partially offset by favorable business growth in Asia-Pacific.

SG&A expenses increased to $631 M in the three months ended June 30, 2014 from $595 M in the same period of 2013. SG&A expenses as a percentage of sales decreased to 16.4% for the three months of 2014 in comparison with 16.5% in the same period of 2013 due to decreases in the North America segment and the International segment and an increase in Corporate. The decrease in the International segment was mainly driven by favorable foreign currency exchange effects and business growth in Asia-Pacific. The decrease in the North America segment was due to a favorable impact from commercial payors and growth in the lower margin pharmacy services business, partially offset by higher personnel expense. The increase at Corporate was mainly driven by higher legal and consulting expenses.

Research and development (R&D) expenses remained flat at $31 M as compared to the same period of 2013.

For the three months ended June 30, 2014, we had slight gains from the sale of dialysis clinics as compared to an $8 M gain from the sale of FMC AG&CO. KGAA dialysis clinics for the three months ended June 30, 2013.

Income from equity method investees increased to $7 M for the three months ended June 30, 2014 from $4 M for the same period of 2013 due to increased income from the Vifor Fresenius Medial Care Renal Pharma Ltd. (VFMCRP) renal pharmaceuticals joint venture.

Operating income increased to $556 M for the three months ended June 30, 2014 from $544 M for the same period in 2013. Operating income margin decreased to 14.5% for the three months ended June 30, 2014 as compared to 15.1% for the same period in 2013 as a result of a decrease in gross profit margin and absence of a substantial gain from the sale of dialysis clinics, partially offset by slightly lower SG&A as a percentage of revenue, as discussed above.

Interest expense increased by 1% to $111 M for the three months ended June 30, 2014 from $110 M for the same period in 2013 due to an increase in the average debt level during the year, partially offset by a higher portion of debt with lower interest rates. Interest income increased to $13 M for the three months ended June 30, 2014 from $7 M for the same period in 2013 mainly as a result of interest income from high interest-bearing notes receivables.

Income tax expense increased to $177 M for the three months ended June 30, 2014 from $144 M for the same period in 2013. The effective tax rate increased to 38.7% from 32.6% for the same period of 2013. The tax rate in the second quarter of 2014 was influenced by a tax court decision against another company on a similar transaction for a tax position we took on a prior year's transaction. Based on this decision we reversed our former tax position which resulted in $18 M of additional expense in the current period.

Net income attributable to noncontrolling interests for the three months ended June 30, 2014 increased to $47 M from $34 M for the same period of 2013 primarily driven by the creation of new joint ventures in the North America segment in the second half of 2013.

Net income attributable to shareholders of FMC AG&CO. KGAA for the three months ended June 30, 2014 decreased by 11% to $234 M from $263 M for the same period in 2013 as a result of the combined effects of the items discussed above.

Basic earnings per share decreased by 10% for the three months ended June 30, 2014 to $0.77 as compared with $0.86 in 2013 due to the decrease in net income attributable to shareholders of FMC AG&CO. KGAA above. The average weighted number of shares outstanding for the period was approximately 301.8 M in 2014 (306.3 M in 2013). The decrease in the number of shares outstanding was the result the share buy-back program completed during the second quarter of 2013, partially offset by stock options exercised.

We employed 94,401 people (full-time equivalents) as of June 30, 2014 compared to 87,944 as of June 30, 2013, an increase of 7%, 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. 5 **Key indicators for North America segment**

	Three months ended June 30,		
	2014	*2013*	*Change*
Revenue *in $ M*	2,521	2,375	6%
Number of treatments	6,617,339	6,383,556	4%
Same market treatment growth *in %*	3.3	3.8	–
Operating income *in $ M*	401	391	3%
Operating income margin *in %*	15.9	16.4	–

Revenue

Net dialysis care revenue increased for the three months ended June 30, 2014 by 7% to $2,316 million from $2,157 M in the same period of 2013. This increase was driven by same market treatment growth (3%), contributions from acquisitions (2%) and increases in organic revenue per treatment (2%).

Treatments increased by 4% for the three months ended June 30, 2014 as compared to the same period in 2013 mostly due to same market treatment growth (3%) and acquisitions (1%). At June 30, 2014, 173,557 patients (a 3% increase over June 30, 2013) were being treated in the 2,159 clinics that we own or operate in the North America segment, compared to 168,160 patients treated in 2,104 clinics at June 30, 2013. Average North America segment revenue per treatment, which includes Canada and Mexico, before bad debt expense, was $357 for the three months ended June 30, 2014 and $347 in the same period in 2013. In the U.S., the average revenue per treatment was $365 for the three months ended June 30, 2014 and $355 for the same period in 2013. The increase in the U.S. was mainly attributable to increased revenue related to Care Coordination, a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors, partially offset by impact from ATRA reductions on the ESRD PPS payment rate and decreased revenue for renal pharmaceuticals.

Dialysis product revenue decreased for the three months ended June 30, 2014 by (6%) to $205 M from $218 M in the first three months of 2013. This decrease was driven by lower sales of machines, renal pharmaceuticals and peritoneal dialysis products, partially offset by higher sales of dialyzers.

Operating income

Operating income increased to $401 M for the three months ended June 30, 2014 from $391 M for the same period in 2013. Operating income margin decreased to 15.9% for the three months ended June 30, 2014 from 16.4% for the same period in 2013, due to the impact from ATRA reductions on the ESRD PPS payment rate, higher personnel expense, the impact of the 2013 gain on the sale of the last clinic in connection with the Liberty Acquisition, higher consulting expense, growth in the lower margin pharmacy service business and higher costs as a result of FDA remediation, partially offset by favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors. Cost per treatment for the North America segment increased to $294 for the three months ended June 30, 2014 as compared to $286 for the same period of 2013. Cost per treatment in the U.S. increased to $300 for the three months ended June 20, 2014 from $291 in the same period of 2013.

International segment

T. 6 **Key indicators for International segment**

	Three months ended June 30,		*Change*	
	2014	*2013*	*as reported*	*at constant exchange rates*[1]
Revenue *in $ M*	1,297	1,228	6%	7%
Number of treatments	3,910,380	3,682,841	6%	–
Same market treatment growth *in %*	4.3	4.0	–	–
Operating income *in $ M*	243	218	11%	–
Operating income margin *in %*	18.7	17.8	–	–

[1] *For further information on constant exchange rates, see "Non-U.S. GAAP measures – constant currency" below.*

Revenue

Including the effects of acquisitions, European region revenue increased 5% (2% increase at constant exchange rates) to $790 M, Latin America region revenue decreased 6% (10% increase at constant exchange rates) to $198 M, and Asia-Pacific region revenue increased 18% (20% increase at constant exchange rates due to acquisitions of approximately 11%, net of divested clinics, and organic growth of approximately 9%) to $309 M.

Net dialysis care revenue for the International segment increased during the three months ended June 30, 2014 by 8% (12% at constant exchange rates) to $633 M from $586 M in the same period of 2013. This increase is a result of contributions from acquisitions (6%), same market treatment growth (4%), increases in organic revenue per treatment (4%), partially offset by the negative effect of exchange rate fluctuations (4%) and the effect of closed or sold clinics (2%).

Treatments increased by 6% for the three months ended June 30, 2014 over the same period in 2013 mainly due to same market treatment growth (4%) and contributions from acquisitions (3%), partially offset by the effect of closed or sold clinics (1%). As of June 30, 2014, we had 107,385 patients (a 12% increase over June 30, 2013) being treated at the 1,176 clinics that we own, operate or manage in the International segment compared to 96,130 patients treated at 1,108 clinics at June 30, 2013. Average revenue per treatment for the three months ended June 30, 2014 increased to $162 from $159 in comparison with the same period of 2013 due to increased reimbursement rates and changes in country mix ($10), partially offset by the weakening of local currencies against the U.S. dollar ($7).

Dialysis product revenue for the three months ended June 30, 2014 increased by 3% (3% increase at constant exchange rates) to $664 M compared to $642 M in the same period of 2013. The increase was driven by increased sales of dialyzers, bloodlines, products for acute care treatments as well as hemodialysis solutions and concentrates, partially offset by lower sales of machines.

Operating income

Operating income increased to $243 M for the three months ended June 30, 2014 as compared to $218 M for the same period in 2013. Operating income margin increased to 18.7% for the three months ended June 30, 2014 from 17.8% for the same period in 2013 mainly due to a favorable impact from business growth in Asia-Pacific and favorable foreign currency exchange effects, partially offset by price pressure on products.

Six months ended June 30, 2014 compared to six months ended June 30, 2013.

Consolidated financials

T. 7 Key indicators for consolidated financial statements

	Six months ended June 30,		*Change*	
	2014	*2013*	*as reported*	*at constant exchange rates*[1]
Revenue *in $ M*	7,398	7,076	5%	6%
Number of treatments	20,632,860	19,747,907	4%	–
Same market treatment growth *in %*	3.7	3.6	–	–
Gross profit *in % of revenue*	31.0	32.0	–	–
Selling, general and administrative costs *in % of revenue*	16.9	16.8	–	–
Operating income *in $ M*	1,001	1,038	–4%	–
Operating income margin *in %*	13.5	14.7	–	–
Net income attributable to shareholders of FMC AG & CO. KGAA *in $ M*	439	488	–10%	–
Basic earnings per share *in $*	1.46	1.59	–9%	–

[1] *For further information on constant cxchange rates, see "Non-U.S. GAAP measures – constant currency" below.*

Net dialysis care revenue increased by 6% to $5,731 M (7% increase at constant exchange rates) for the six months ended June 30, 2014 from $5,422 M in the same period of 2013, mainly due to growth in same market treatments (4%), contributions from acquisitions (2%) and increases in organic revenue per treatment (1%), partially offset by the negative impact of exchange rate fluctuations (1%). Included in our net dialysis care revenue is Care Coordination revenue in the U.S. of $373 M and $266 M for the six months ended June 30, 2014 and 2013, respectively.

Treatments increased by 4% for the six months ended June 30, 2014 as compared to the same period in 2013. The increase is due to same market treatment growth (4%) and acquisitions (1%), partially offset by the effect of closed or sold clinics (1%).

Dialysis product revenue increased by 1% (1% increase at constant exchange rates) to $1,667 M as compared to $1,654 M in the same period of 2013. The increase was driven by increased sales of bloodlines, dialyzers, products for acute care treatments and devices manufactured under a five-year contract with a Fresenius SE company, partially offset by lower sales of machines.

The decrease in gross profit margin to 31.0% from 32.0% reflects a decrease in the North America segment, partially offset by an increase in the International segment. The decrease in the North America segment was due to higher personnel expense, the impact from ATRA reductions on the ESRD PPS payment rate, an unfavorable impact from the U.S. Sequestration, higher costs as a result of FDA remediation and higher costs for freight and distribution, partially offset by a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors. The increase in the International segment was due to business growth in Asia-Pacific and a favorable impact from manufacturing driven by higher volumes, partially offset by unfavorable foreign currency exchange effects.

SG & A expenses increased to $1,250 M in the six months ended June 30, 2014 from $1,187 M in the same period of 2013. SG & A expenses as a percentage of sales increased to 16.9% for the six months of 2014 in comparison with 16.8% in the same period of 2013 due to an increase in the International segment and in Corporate and a decrease in the North America segment. The increase in the International segment was mainly driven by an accrual related to the compliance investigation we are conducting (see note 11) and cost increases such as

personnel expense, partially offset by favorable foreign currency exchange effects, including the 2013 impact from the devaluation of the Venezuelan Bolivar. The increase at Corporate was mainly driven by higher costs related to the changes in the Management Board, higher legal and consulting expense and higher acquisition related costs. The decrease in the North America segment was due to impacts on the revenue rate discussed above and a favorable impact from growth in the lower margin pharmacy services business.

Research and development (R&D) expenses remained flat at $61 M as compared to the same period of 2013.

Income from equity method investees increased to $18 M for the six months ended June 30, 2014 from $9 M for the same period of 2013 due to increased income from the VFMCRP renal pharmaceuticals joint venture.

Operating income decreased to $1,001 M for the six months ended June 30, 2014 from $1,038 M for the same period in 2013. Operating income margin decreased to 13.5% for the six months ended June 30, 2014 as compared to 14.7% for the same period in 2013 as a result of a decrease in gross profit margin and higher SG&A as a percentage of revenue, as discussed above.

Interest expense was virtually flat with $223 M for the six months ended June 30, 2014 as compared to $224 M for the same period in 2013 due to a higher portion of debt with lower interest rates, partially offset by an increase in the average debt level during the year. Interest income increased to $28 M for the six months ended June 30, 2014 from $17 M for the same period in 2013 mainly as a result of interest income from high interest-bearing notes receivables.

Income tax expense increased to $278 M for the six months ended June 30, 2014 from $273 M for the same period in 2013. The effective tax rate increased to 34.5% from 32.8% for the same period of 2013. The tax rate for the six months ended June 30, 2014 was influenced by a tax court decision against another company on a similar transaction for a tax position we took on a prior year's transaction. Based on this decision we reversed our former tax position which resulted in $18 M of additional expense in the current period.

Net income attributable to noncontrolling interests for the six months ended June 30, 2014 increased to $89 M from $70 M for the same period of 2013 primarily driven by the creation of new joint ventures in the North America segment in the second half of 2013.

Net income attributable to shareholders of FMC AG&CO. KGAA for the six months ended June 30, 2014 decreased by 10% to $439 M from $488 M for the same period in 2013 as a result of the combined effects of the items discussed above.

Basic earnings per share decreased by 9% for the six months ended June 30, 2014 to $1.46 as compared with $1.59 in 2013 due to the decrease in net income attributable to shareholders of FMC AG&CO. KGAA above. The average weighted number of shares outstanding for the period was approximately 301.6 M in 2014 (306.5 M in 2013). The decrease in the number of shares outstanding was the result of the share buyback program completed during the second quarter of 2013, partially offset by stock options exercised.

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. 8 — Key indicators for North America segment

	Six months ended June 30,		
	2014	2013	Change
Revenue *in $ M*	4,914	4,662	5%
Number of treatments	12,992,537	12,532,406	4%
Same market treatment growth *in %*	3.3	3.7	–
Operating income *in $ M*	736	757	–3%
Operating income margin *in %*	15.0	16.2	–

Revenue

Net dialysis care revenue increased for the six months ended June 30, 2014 by 6% to $4,517 M from $4,261 M in the same period of 2013. This increase was driven by same market treatment growth (3%), contributions from acquisitions (2%) and increases in organic revenue per treatment (1%).

Treatments increased by 4% for the six months ended June 30, 2014 as compared to the same period in 2013 mostly due to same market treatment growth (3%) and acquisitions (1%). Average North America segment revenue per treatment, which includes Canada and Mexico, before bad debt expense, was $356 for the six months ended June 30, 2014 and $349 in the same period in 2013. In the U.S., the average revenue per treatment was $364 for the six months ended June 30, 2014 and $357 for the same period in 2013. The increase in the U.S. was mainly attributable to increased revenue related to Care Coordination, a favorable impact from the ESRD PPS market basket update and a favorable impact from commercial payors, partially offset by impact from ATRA reductions on the ESRD PPS payment rate, the impact from the U.S. Sequestration and decreased revenue for renal pharmaceuticals.

Dialysis product revenue decreased for the six months ended June 30, 2014 by (1%) to $397 M from $401 M in the same period of 2013. This decrease was driven by lower sales of machines and peritoneal dialysis products, partially offset by higher sales of dialyzers and renal pharmaceuticals.

Operating income

Operating income decreased to $736 M for the six months ended June 30, 2014 from $757 M for the same period in 2013. Operating income margin decreased to 15.0% for the six months ended June 30, 2014 from 16.2% for the same period in 2013, due to higher personnel expense, the impact from ATRA reductions on the ESRD PPS payment rate, an unfavorable impact from the U.S. Sequestration, higher costs as a result of FDA remediation, higher costs for freight and distribution and a lower gain on the sale of legacy dialysis clinics, partially offset by a favorable impact from the ESRD PPS market basket update and higher income from equity method investees. Cost per treatment for the North America segment increased to $297 for the six months ended June 30, 2014 as compared to $287 for the same period of 2013. Cost per treatment in the U.S. increased to $303 for the six months ended June 30, 2014 from $293 in the same period of 2013.

International segment

T. 9 **Key indicators for International segment**

	Six months ended June 30,		Change	
	2014	2013	as reported	at constant exchange rates[1]
Revenue *in $ M*	2,458	2,397	3%	5%
Number of treatments	7,640,323	7,215,501	6%	–
Same market treatment growth *in %*	4.4	3.5	–	–
Operating income *in $ M*	423	410	3%	–
Operating income margin *in %*	17.2	17.1	–	–

[1] *For further information on constant exchange rates, see "Non-U.S. GAAP measures – constant currency" below.*

Revenue

Including the effects of acquisitions, European region revenue increased 3% (2% increase at Constant Exchange Rates) to $1,522 M, Latin America region revenue decreased 7% (12% increase at Constant Exchange Rates) to $384 M, and Asia-Pacific region revenue increased 7% (11% increase at Constant Exchange Rates) to $552 M.

Net dialysis care revenue for the International segment increased during the six months ended June 30, 2014 by 5% (10% at Constant Exchange Rates) to $1,214 M from $1,161 M in the same period of 2013. This increase is a result of same market treatment growth (4%), contributions from acquisitions (4%) and increases in organic revenue per treatment (3%), partially offset by the negative effect of exchange rate fluctuations (5%) and the effect of closed or sold clinics (1%).

Treatments increased by 6% for the six months ended June 30, 2014 over the same period in 2013 mainly due to same market treatment growth (4%) and contributions from acquisitions (3%), partially offset by the effect of closed or sold clinics (1%). Average revenue per treatment for the six months ended June 30, 2014 decreased to $159 from $161 in comparison with the same period of 2013 due to weakening of local currencies against the U.S. dollar ($9) partially offset by increased reimbursement rates and changes in country mix ($7).

Dialysis product revenue for the six months ended June 30, 2014 increased by 1% (1% increase at Constant Exchange Rates) to $1,244 M compared to $1,236 M in the same period of 2013. The increase at Constant Exchange Rates was driven by increased sales of bloodlines, products for acute care treatments, peritoneal dialysis products and hemodialysis solutions and concentrates, partially offset by decreased sales of machines.

Operating income

Operating income increased to $423 M for the six months ended June 30, 2014 as compared to $410 M for the same period in 2013. Operating income margin increased slightly to 17.2% for the six months ended June 30, 2014 from 17.1% for the same period in 2013 mainly due to business growth in Asia-Pacific and a favorable impact from manufacturing which was driven by higher volume production. This was nearly offset by an accrued provision related to the compliance investigation (see note 11), we are conducting.

LIQUIDITY AND CAPITAL RESOURCES

Six months ended June 30, 2014 compared to six months ended June 30, 2013

Liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term borrowings from third parties and related parties, as well as proceeds from the issuance of long-term debt and equity securities. We require this capital primarily to finance working capital needs, fund acquisitions and joint ventures, develop free-standing renal dialysis centers, purchase equipment for existing or new renal dialysis centers and production sites, repay debt, pay dividends and repurchase shares see "Net cash provided by (used in) investing activities" and "Net cash provided by (used in) financing activities" below.

At June 30, 2014, we had cash and cash equivalents of $645 M. For information regarding utilization and availability of cash under our principal credit facility (the 2012 Credit Agreement), see note 6.

Net cash provided by (used in) operating activities

In the first six months of 2014 and 2013, we generated net cash provided by operating activities of $562 M and $841 M, respectively. Cash provided by operating activities is impacted by the profitability of our business, the development of our working capital, principally inventories, receivables and cash outflows that occur due to a number of specific items as discussed below. The decrease in 2014 versus 2013 was mainly a result of the payment for the W. R. Grace bankruptcy settlement (see note 11), increased inventory and higher tax payments.

The profitability of our business depends significantly on reimbursement rates. Approximately 77% 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 six months ended June 30, 2014, 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 (i) the implementation of the ESRD PPS in the U.S. in January 2011, (ii) the U.S. federal government Sequestration cuts and (iii) the reductions to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis, we have experienced and also expect in the future to experience generally stable reimbursements worldwide 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 $3,118 M at June 30, 2014 which increased from $2,733 M at December 31, 2013. The change is primarily the result of the repayment of the European Investment Bank (EIB) Agreements in February of 2014, payment for the W. R. Grace bankruptcy settlement, an increase in prepaid and other current assets as a result of investments in available for sale securities; an increase in our finished goods inventories due to pharmaceuticals we ordered and paid for in 2013 arriving in 2014, delayed sales, and growth in our business; and an increase in our trade accounts receivable as a result of an acquisition and growth in our business, partially offset by an increase in short-term borrowings and short-term borrowings from related parties and an increase in our accrued expenses. Our ratio of current assets to current liabilities was 1.85 at June 30, 2014.

We intend to continue to address our current cash and financing requirements using cash provided by operating activities, 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 "Net cash provided by (used in) financing activities" below. We aim to preserve financial resources with a minimum of $300 to $500 M of committed and unutilized credit facilities.

Cash provided by operating activities depends on the collection of accounts receivable. Commercial 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, net of valuation allowances, represented days sales outstanding (DSO) remained constant at approximately 73 at June 30, 2014 as compared to December 31, 2013.

DSO by segment is calculated by dividing the segment's accounts receivable, as 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 for the last twelve months of that segment, as 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. 10 — **Development of days sales outstanding**
in days

	June 30, 2014	*December 31, 2013*
North America	54	53
International	107	110
▸ **FMC AG & CO. KGAA (average days sales outstanding)**	**73**	**73**

DSO remained constant. The increase in North America to a large extent was driven by payment delays due to changes in ownership of certain U.S. clinics resulting from the creation of joint ventures in 2013 and payment delays in Mexico. The International segment's DSO decrease reflects cash collections in Spain as well as an Asia-Pacific acquisition contributing much lower DSO than the average for the region. 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.

As a result of a tax audit in Germany for fiscal years 2002 through 2005, we expect tax payments in the amount of approximately $120 M in the second half of 2014. We previously had established a provision for this tax payment.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. As a result of a tax audit in the U.S., we identified a tax item relating to civil settlement payment deductions taken by FMCH in prior year tax returns that will or could impact our financial results in the future (see note 11). We have also 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.

Net cash provided by (used in) investing activities

We used net cash of $846 M and $403 M in investing activities in the six months ended June 30, 2014 and 2013, respectively.

Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment were $415 M and $319 M in the first six months of 2014 and 2013, respectively. In the first six months of 2014, capital expenditures were $199 M in the North America segment, $119 M at Corporate, $97 M for the International segment. Capital expenditures in the first six months of 2013 were $174 M in the North America segment, $80 M for the International segment and $65 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, the North America segment, France and Serbia and capitalization of machines provided to our customers, primarily in the International segment. Capital expenditures were approximately 6% of total revenue in the first six months of 2014 as compared to 5% for the same period in 2013.

In addition to the capital expenditures discussed above, we invested approximately $435 M cash in the first six months of 2014, $289 M in the North America segment, $145 M in the International segment and $1 M at Corporate. The investment in the North American segment was mainly for available-for-sale securities, deferred acquisition payments related to an equity method investee, notes receivables related to an equity method investee and other acquisitions. The investment in the International segment largely relates to acquisitions of clinics and deferred acquisition payments related to an equity method investee. In the first six months of 2013, we invested approximately $102 M cash, $45 M in the North America segment and $57 M in the International segment.

In July 2014, in the North America segment, we invested approximately $550 M net in a physician services organization (see note 16).

Net cash provided by (used in) financing activities

Net cash provided by financing activities was $247 M in the first six months of 2014 compared to net cash used in financing activities of $524 M in the first six months of 2013, respectively.

In the six-month period ended June 30, 2014, cash was mainly provided by proceeds from long-term and short-term borrowings including drawing under the revolving credit facility as well as the Accounts Receivable facility, partially offset by the repayment for the EIB Agreements, repayment of portions of long-term debt and short term borrowings, payment of dividends as well as distributions to noncontrolling interests. In the first six months of 2013, cash was used in the payment of dividends, the purchase of our shares through the share buyback program, distributions to noncontrolling interests as well as the repayment of portions of long-term debt and short-term borrowings, partially offset by proceeds from long-term and short-term borrowings as well as drawings on the accounts receivable facility.

On May 16, 2014, we paid a dividend with respect to 2013 of €0.77 per ordinary share (for 2012 paid in 2013 €0.75). The total dividend payment was €232 M ($318 M) as compared with €230 M ($296 M) in the prior year.

Non-U.S. GAAP measures for presentation

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 or constant currency 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. Once we translate the local currency revenues for the constant currency, 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 currency.

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 a company's revenue from period to period. However, we also believe that the usefulness of data on constant currency period-over-period changes is subject to limitations, particularly if the currency effects that are eliminated constitute a significant element of our revenue and 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.

Non-U.S. GAAP measures

EBITDA

EBITDA (earnings before interest, tax, depreciation and amortization expenses) was approximately $1,337 M, 18.1% of revenues for the six-month period ended June 30, 2014, and $1,353 M, 19.1% of revenues for the same period of 2013. EBITDA is the basis for determining compliance with certain covenants contained in our 2012 Credit Agreement, euro-denominated notes 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 (used in) operating activities, which we believe to be the most directly comparable U.S. GAAP financial measure, is calculated as follows:

T. 11 — **Reconciliation of measures for consolidated totals**
in $ M

	Six months ended June 30,	
	2014	*2013*
▸ **EBITDA**	**1,337**	**1,353**
Interest expense (net of interest income)	(195)	(207)
Income tax expense, net	(278)	(273)
Change in deferred taxes, net	1	(1)
Changes in operating assets and liabilities	(333)	(49)
Stock compensation expense	(1)	13
Other items, net	31	5
▸ **Net cash provided by (used in) operating activities**	**562**	**841**

Cash flow measures

Our consolidated statement of cash flows indicates how we generated and used cash and cash equivalents. When used in conjunction with the other primary financial statements, it provides information that helps us evaluate the changes in our net assets and our financial structure (including our liquidity and solvency). The net cash provided by (used in) operating activities is used to assess whether our business can generate the

cash required to make replacement and expansion investments. Net cash provided by (used in) operating activities is impacted by the profitability of our business and development of working capital, principally receivables. The financial key performance indicator of net cash provided by (used in) operating activities in percentage of revenue shows the percentage of our revenue that is available in terms of financial resources.

Free cash flow is the cash flow provided by (used in) operating activities after capital expenditures for property, plant and equipment but before acquisitions and investments. The key performance indicator used by management is free cash flow in percentage of revenue. This represents the percentage of revenue that is available for acquisitions, dividends to shareholders, or the reduction of debt financing.

The following table shows the significant cash flow key performance indicators for the six months ended June 30, 2014 and 2013:

T. 12 — **Significant cash flow key performance indicators**
in $M

	Six months ended June 30,	
	2014	*2013*
Revenue	7,398	7,076
Net cash provided by (used in) operating activities	562	841
Capital expenditures	(419)	(334)
Proceeds from sale of property, plant and equipment	4	15
Capital expenditures, net	(415)	(319)
Free cash flow	147	522
Net cash provided by (used in) operating activities *in % of revenue*	7.6	11.9
Free cash flow *in % of revenue*	2.0	7.4

BALANCE SHEET STRUCTURE

Total assets as of June 30, 2014 increased to $24.1 BN from $23.1 BN as compared to December 31, 2013. Current assets as a percent of total assets increased to 28% at June 30, 2014 as compared to 27% at December 31, 2013. The equity ratio, the ratio of our equity divided by total liabilities and shareholders' equity, decreased to 40% at June 30, 2014 as compared to 41% at December 31, 2013.

RISK AND OPPORTUNITIES REPORT

Risk report

For information regarding our risks please refer to note 11 and 12 and the chapter "Financial condition and results of operations", specifically the forward-looking statements and overview sections in this report. For additional information please see chapter 2.10 "Risk and opportunities report" on pages 106 – 115 of the annual report 2013.

Opportunities report

In comparison to the information contained within the annual report 2013, there have been no material changes for the second quarter of 2014. Please refer to chapter 2.10 "Risk and opportunities report" on pages 115 – 119 of the annual report 2013.

REPORT ON EXPECTED DEVELOPMENTS

Below is a table showing our growth outlook for 2014:

T. 13 — Outlook 2014

Revenue[1]	~$15.2 BN
Operating income	~$2.2 BN
Operating income margin	~14.5%
Net income[2]	$1.0–$1.05 BN
Net income growth[2]	decrease 5–10%
Basic earnings per share growth[2]	based on development of net income
Capital expenditures	~$0.9 BN
Acquisitions and investments	~$1.0 BN
Net cash provided by (used in) operating activities	>$1.5 BN
Net cash provided by (used in) operating activities *in % of revenue*	>10
Free cash flow *in % of revenue*	>4
Debt/EBITDA ratio	~3.0
Employees[3]	~97,000
Research and development expenses	~$140 M

[1] *This outlook excludes revenue of about $500 M from acquisitions.*
[2] *Net income attributable to shareholders of FMC AG & CO. KGAA*
[3] *Full-time equivalents*

The Company initiated a global efficiency program designed to enhance the Company's performance over a multi-year period which should lead to sustainable savings. Potential cost savings before income taxes of up to $60 M generated from this program are not included in the outlook for 2014.

SUBSEQUENT EVENTS

On July 1, 2014 the Company increased the 2012 Credit Agreement by establishing an incremental term loan tranche of $600 M (Term Loan A-2) to finance an investment in the U.S. into Sound Inpatient Physicians, Inc., which closed in July of 2014, and for general corporate purposes. This investment of approximately $550 M net in Sound Inpatient Physicians, Inc., a physician services organization focused on hospitalist and post-acute care services, furthers the Company's strategic investments in Care Coordination.

Term Loan A-2 has a one year maturity and must be mandatorily prepaid with 100% of the net cash proceeds of US$-denominated bonds or syndicated term loans, to the extent that these proceeds exceed a certain threshold. The interest rate under the Term Loan A-2 is a rate equal to either (i) Libor plus an applicable margin or (ii) the Base Rate as defined in the 2012 Credit Agreement plus an applicable margin. The applicable margin increases after 90 days and 180 days following disbursement.

No further significant activities have taken place since the balance sheet date June 30, 2014 that have a material impact on the key figures and business earnings presented. Currently, there are no other significant changes in the structure, management, legal form of the Company or on its personnel.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On May 28, 2014, the FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), *Revenue from Contracts with Customers, Topic 606*. Simultaneously, the IASB published its equivalent revenue standard, "IFRS 15," *Revenue from Contracts with Customers*. The standards are the result of a convergence project between FASB and the IASB. This update specifies how and when companies reporting under U.S. GAAP will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. ASU 2014-09 supersedes some guidance included in topic 605, Revenue Recognition, some guidance within the scope of Topic 360, Property, Plant, and Equipment, and some guidance within the scope of Topic 350, Intangibles – Goodwill and Other. This ASU applies to nearly all contracts with customers, unless those contracts are within the scope of other standards (for example, lease contracts or insurance contracts). This update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2016. Earlier adoption is not permitted. We are currently evaluating the impact of 2014-09 on our Consolidated Financial Statements.

On June 12, 2014, FASB issued Accounting Standards Update 2014-11 (ASU 2014-11), *Transfers and Servicing (Topic 860): Repurchase-to-Maturity Transactions, Repurchase Financings, and Disclosures*, which aligns the accounting for repurchase-to-maturity transactions and repurchase financing arrangements with the accounting for other typical repurchase agreements, i.e these transactions will be accounted for as secured borrowings. ASU 2014-11 also requires additional disclosures about repurchase agreements and other similar transactions. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2014. We are currently evaluating the impact of ASU 2014-11 on our Consolidated Financial Statements.

On June 19, 2014, FASB issued Accounting Standards Update 2014-12 (ASU 2014-12), *Compensation – Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period*. The amendments in ASU 2014-12 require that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. The update is effective for fiscal years and interim periods within those years beginning on or after December 15, 2015. Early adoption is permitted. We utilized and will continue to utilize the guidance updated by this ASU and as such there is no expected impact on our Consolidated Financial Statements.

Financial Statements

CONSOLIDATED STATEMENTS OF INCOME

T. 14 — Consolidated statements of income

in $ THOUS, except share data, unaudited

	Three months ended June 30,		*Six months ended June 30,*	
	2014	*2013*	***2014***	*2013*
Revenue				
Dialysis care	3,013,544	2,811,244	5,858,968	5,553,179
Less: Patient service bad debt provision	64,715	67,798	127,952	131,547
Net dialysis care	2,948,829	2,743,446	5,731,016	5,421,632
Dialysis products	885,973	869,069	1,667,378	1,654,804
▶ **Total**	**3,834,802**	**3,612,515**	**7,398,394**	**7,076,436**
Costs of revenue				
Dialysis care	2,201,418	2,057,342	4,319,022	4,041,566
Dialysis products	421,966	396,800	785,822	766,979
▶ **Total**	**2,623,384**	**2,454,142**	**5,104,844**	**4,808,545**
Gross profit	1,211,418	1,158,373	2,293,550	2,267,891
Operating (income) expenses				
Selling, general and administrative	630,641	595,356	1,250,374	1,187,070
Gain on sale of dialysis clinics	(228)	(7,727)	(230)	(8,800)
Research and development	30,701	30,921	60,729	61,293
Income from equity method investees	(5,969)	(4,416)	(18,491)	(9,224)
▶ **Operating income**	**556,273**	**544,239**	**1,001,168**	**1,037,552**
Other (income) expense				
Interest income	(12,899)	(6,653)	(28,314)	(17,242)
Interest expense	111,305	109,704	222,981	224,522
Income before income taxes	457,867	441,188	806,501	830,272
Income tax expense	177,291	143,613	278,575	272,614
Net income	280,576	297,575	527,926	557,658
Less: Net income attributable to noncontrolling interests	46,934	35,051	88,822	69,635
▶ **Net income attributable to shareholders of FMC AG & CO. KGAA**	**233,642**	**262,524**	**439,104**	**488,023**
▶ **Basic earnings per share** *in $*	**0.77**	**0.86**	**1.46**	**1.59**
▶ **Fully diluted earnings per share** *in $*	**0.77**	**0.85**	**1.45**	**1.59**

See accompanying notes to unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

T. 15 — Consolidated statements of comprehensive income
in $ THOUS, unaudited

	Three months ended June 30,		*Six months ended June 30,*	
	2014	*2013*	***2014***	*2013*
▶ **Net income**	**280,576**	**297,575**	**527,926**	**557,658**
Gain (loss) related to cash flow hedges	7,071	3,993	14,030	19,890
Actuarial gain (loss) on defined benefit pension plans	4,355	6,390	8,709	12,788
Gain (loss) related to foreign currency translation	(37,770)	(59,178)	(9,286)	(127,370)
Income tax (expense) benefit related to components of other comprehensive income	(3,611)	(3,233)	(7,161)	(9,917)
▶ **Other comprehensive income (loss), net of tax**	**45,585**	**(52,028)**	**6,292**	**(104,609)**
▶ **Total comprehensive income**	**326,161**	**245,547**	**534,218**	**453,049**
Comprehensive income attributable to noncontrolling interests	47,216	34,715	89,071	67,317
▶ **Comprehensive income attributable to shareholders of FMC AG & CO. KGAA**	**278,945**	**210,832**	**445,147**	**385,732**

See accompanying notes to unaudited consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

T. 16 — Consolidated balance sheets

in $ THOUS, except share data

	June 30, 2014	December 31, 2013
	(unaudited)	*(audited)*
Assets		
Current assets		
Cash and cash equivalents	644,538	682,777
Trade accounts receivable less allowance for doubtful accounts of $402,900 in 2014 and $413,165 in 2013	3,176,410	3,037,274
Accounts receivable from related parties	201,784	153,118
Inventories	1,279,427	1,097,104
Prepaid expenses and other current assets	1,248,233	1,037,391
Deferred taxes	254,768	279,052
▶ Total current assets	**6,805,160**	**6,286,716**
Property, plant and equipment, net	3,299,880	3,091,954
Intangible assets	728,093	757,876
Goodwill	11,873,989	11,658,187
Deferred taxes	117,461	104,167
Investment in equity method investees	737,916	664,446
Other assets and notes receivables	582,758	556,560
▶ Total assets	**24,145,257**	**23,119,906**

See accompanying notes to unaudited consolidated financial statements.

T. 16 — Consolidated balance sheets

in $ THOUS, except share data

	June 30, 2014	*December 31, 2013*
	(unaudited)	*(audited)*
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	559,031	542,597
Accounts payable to related parties	164,499	123,929
Accrued expenses and other current liabilities	2,054,683	2,012,533
Short-term borrowings and other financial liabilities	197,804	96,648
Short-term borrowings from related parties	161,984	62,342
Current portion of long-term debt and capital lease obligations	335,416	511,370
Income tax payable	178,032	170,360
Deferred taxes	35,472	34,194
▸ **Total current liabilities**	**3,686,921**	**3,553,973**
Long-term debt and capital lease obligations, less current portion	8,444,284	7,746,920
Other liabilities	337,147	329,561
Pension liabilities	436,711	435,858
Income tax payable	185,476	176,933
Deferred taxes	732,330	743,390
▸ **Total liabilities**	**13,822,869**	**12,986,635**
Noncontrolling interests subject to put provisions	672,234	648,251
Shareholders' equity		
Ordinary shares, no par value, €1.00 nominal value, 392,462,972 shares authorized, 309,852,756 issued and 302,303,805 outstanding	383,586	382,411
Treasury stock, at cost	(505,014)	(505,014)
Additional paid-in capital	3,549,022	3,530,337
Retained earnings	6,498,618	6,377,417
Accumulated other comprehensive (loss) income	(544,544)	(550,587)
▸ **Total FMC AG & CO. KGAA shareholders' equity**	**9,381,668**	**9,234,564**
Noncontrolling interests not subject to put provisions	268,486	250,456
Total equity	9,650,154	9,485,020
▸ **Total liabilities and equity**	**24,145,257**	**23,119,906**

See accompanying notes to unaudited consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

T. 17 — Consolidated statements of cash flows
in $ THOUS, unaudited

	Six months ended June 30,	
	2014	*2013*
Operating activities		
Net income	527,926	557,658
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	336,126	315,154
Change in deferred taxes, net	692	(529)
(Gain) loss on sale of investments	(230)	(8,800)
(Gain) loss on sale of fixed assets	1,774	2,546
Compensation expense related to stock options	(1,403)	12,777
Cash inflow (outflow) from hedging	–	(4,028)
Investments in equity method investees, net	28,737	14,751
Changes in assets and liabilities, net of amounts from businesses acquired:		
Trade accounts receivable, net	(93,529)	(62,574)
Inventories	(180,098)	(34,265)
Prepaid expenses, other current and non-current assets	(66,742)	22,735
Accounts receivable from related parties	(27,465)	(56,774)
Accounts payable to related parties	41,652	78,094
Accounts payable, accrued expenses and other current and non-current liabilities	(7,651)	(9,009)
Income tax payable	1,818	12,801
▸ Net cash provided by (used in) operating activities	**561,607**	**840,537**
Investing activities		
Purchases of property, plant and equipment	(419,259)	(333,642)
Proceeds from sale of property, plant and equipment	4,291	14,796
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	(434,697)	(101,809)
Proceeds from divestitures	3,310	17,824
▸ Net cash provided by (used in) investing activities	**(846,355)**	**(402,831)**

See accompanying notes to unaudited consolidated financial statements.

T. 17 — Consolidated statements of cash flows

in $ THOUS, unaudited

	Six months ended June 30,	
	2014	*2013*
Financing activities		
Proceeds from short-term borrowings	137,213	64,703
Repayments of short-term borrowings	(50,583)	(62,148)
Proceeds from short-term borrowings from related parties	158,407	4,203
Repayments of short-term borrowings from related parties	(56,758)	(5,819)
Proceeds from long-term debt and capital lease obligations	786,242	203,080
Repayments of long-term debt and capital lease obligations	(450,277)	(169,796)
Increase (decrease) of accounts receivable securitization program	72,000	23,000
Proceeds from exercise of stock options	40,753	36,142
Purchase of treasury stock	–	(230,654)
Dividends paid	(317,903)	(296,134)
Distributions to noncontrolling interests	(97,047)	(117,855)
Contributions from noncontrolling interests	25,323	27,157
▸ **Net cash provided by (used in) financing activities**	**247,370**	**(524,121)**
▸ **Effect of exchange rate changes on cash and cash equivalents**	**(861)**	**(15,768)**
Cash and Cash equivalents		
Net increase (decrease) in cash and cash equivalents	(38,239)	(102,183)
Cash and cash equivalents at beginning of period	682,777	688,040
▸ **Cash and cash equivalents at end of period**	**644,538**	**585,857**

See accompanying notes to unaudited consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

T. 18 — Consolidated statement of shareholders' equity

in $ THOUS, except share data

	Preference shares		*Ordinary shares*		*Treasury stock*	
	Number of shares	*No par value*	*Number of shares*	*No par value*	*Number of shares*	*Amount*
▶ **Balance at December 31, 2012 (audited)**	**3,973,333**	**4,462**	**302,739,758**	**374,915**	**–**	**–**
Proceeds from exercise of options and related tax effects	2,200	3	2,280,439	3,031	–	–
Proceeds from conversion of preference shares into ordinary shares	(3,975,533)	(4,465)	3,975,533	4,465	–	–
Compensation expense related to stock options	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	(7,548,951)	(505,014)
Dividends paid	–	–	–	–	–	–
Purchase/sale of noncontrolling interests	–	–	–	–	–	–
Contributions from/to noncontrolling interests	–	–	–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	–	–	–	–	–	–
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	–	–
Comprehensive income	–	–	–	–	–	–
▶ **Balance at December 31, 2013 (audited)**	**–**	**–**	**308,995,730**	**382,411**	**(7,548,951)**	**(505,014)**
Proceeds from exercise of options and related tax effects	–	–	857,026	1,175	–	–
Compensation expense related to stock options	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–
Purchase/sale of noncontrolling interests	–	–	–	–	–	–
Contributions from/to noncontrolling interests	–	–	–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	–	–	–	–	–	–
Net income	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	–	–
Comprehensive income	–	–	–	–	–	–
▶ **Balance at June 30, 2014 (unaudited)**	**–**	**–**	**309,852,756**	**383,586**	**(7,548,951)**	**(505,014)**

See accompanying notes to unaudited consolidated financial statements.

T. 18 **Consolidated statement of shareholders' equity**

in $ THOUS, except share data

	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, 2012 (audited)**	**3,491,581**	**5,563,661**	**(492,113)**	**8,942,506**	**264,754**	**9,207,260**
Proceeds from exercise of options and related tax effects	102,520	–	–	105,554	–	105,554
Proceeds from conversion of preference shares into ordinary shares	34,784	–	–	34,784	–	34,784
Compensation expense related to stock options	13,593	–	–	13,593	–	13,593
Purchase of treasury stock	–	–	–	(505,014)	–	(505,014)
Dividends paid	–	(296,134)	–	(296,134)	–	(296,134)
Purchase/sale of noncontrolling interests	(3,566)	–	–	(3,566)	(11,607)	(15,173)
Contributions from/to noncontrolling interests	–	–	–	–	(32,275)	(32,275)
Changes in fair value of noncontrolling interests subject to put provisions	(108,575)	–	–	(108,575)	–	(108,575)
Net income	–	1,109,890	–	1,109,890	32,577	1,142,467
Other comprehensive income (loss)	–	–	(58,474)	(58,474)	(2,993)	(61,467)
Comprehensive income	–	–	–	1,051,416	29,854	1,081,000
▸ **Balance at December 31, 2013 (audited)**	**3,530,337**	**6,377,417**	**(550,587)**	**9,234,564**	**250,456**	**9,485,020**
Proceeds from exercise of options and related tax effects	39,550	–	–	40,725	–	40,725
Compensation expense related to stock options	(1,403)	–	–	(1,403)	–	(1,403)
Dividends paid	–	(317,903)	–	(317,903)	–	(317,903)
Purchase/sale of noncontrolling interests	(3,053)	–	–	(3,053)	6,945	3,892
Contributions from/to noncontrolling interests	–	–	–	–	(19,660)	(19,660)
Changes in fair value of noncontrolling interests subject to put provisions	(16,409)	–	–	(16,409)	–	(16,409)
Net income	–	439,104	–	439,104	30,326	469,430
Other comprehensive income (loss)	–	–	6,043	6,043	419	6,462
Comprehensive income	–	–	–	445,147	30,745	475,892
▸ **Balance at June 30, 2014 (unaudited)**	**3,549,022**	**6,498,618**	**(544,544)**	**9,381,668**	**268,486**	**9,650,154**

See accompanying notes to unaudited consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unaudited. In thousands, except share and per 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 care business, in addition to providing dialysis treatments to patients with ESRD, includes pharmacy services, vascular access surgery services, laboratory testing services, physician services, health plan services and urgent care services (together Care Coordination). The Company's dialysis products business includes manufacturing and distributing products for the treatment of 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 the United States (U.S.), the Company also provides inpatient dialysis services as well as other services under contract to hospitals.

In these unaudited consolidated financial statements, "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 Company's North America operating segment and the term "International segment" refers to the combination of the Europe, Middle East, Africa and Latin America (EMEALA) operating segment and the Asia-Pacific operating segment. For further discussion of our operating segments see note 14.

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 consolidated financial statements at June 30, 2014 and for the three and six months ended June 30, 2014 and 2013 contained in this report are unaudited and should be read in conjunction with the consolidated financial statements contained in the Company's annual report 2013. 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 periods. Actual results could differ from those estimates. Such financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are of a normal recurring nature.

The accounting policies applied in the accompanying consolidated financial statements are the same as those applied in the consolidated financial statements at and for the year ended December 31, 2013, contained in the Company's annual report 2013.

Certain items, in the net aggregate amount of $6,364 and $11,370 for the three- and six-month periods ending June 30, 2014 and 2013, respectively, relating to research and development, compensation expense, and income from equity method investees have been reclassified in the prior year's comparative consolidated financial statements between the North America segment, the International segment and Corporate, as applicable, to conform to the current year's presentation.

The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results of operations for the year ending December 31, 2014.

2. Related party transactions

The Company's parent, Fresenius SE & Co. KGaA (Fresenius SE), a German partnership limited by shares, owns 100% of the share capital of Fresenius Medical Care Management AG, the Company's general partner (General Partner). Fresenius SE is also the Company's largest shareholder and owns approximately 31.2% of the Company's outstanding shares at June 30, 2014. The Company has entered into certain arrangements for services, leases and products with Fresenius SE or its subsidiaries and with certain of the Company's equity method investess as described in item a) below. The Company's terms related to the receivables or payables for these services, leases and products are generally consistent with the normal terms of the Company's ordinary course of business transactions with unrelated parties. Financing arrangements as described in item b) below have agreed upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction. The relationship between the Company and its related parties that assume the role of key management personnel is described in item c) below. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

a) Service agreements, lease agreements and products

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. The Company also provides certain services to the Fresenius SE companies, including research and development, central purchasing and warehousing. The Company also performs clinical studies and marketing and distribution services for certain of its equity method investees.

The Company entered into real estate operating lease agreements with the Fresenius SE companies, which include leases for the corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany. The majority of the leases expire in 2016 and contain renewal options.

In addition to the above mentioned service and lease agreements, the Company sold products to the Fresenius SE companies and made purchases from the Fresenius SE Companies. In addition, Fresenius Medical Care Holdings, Inc. (FMCH) 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. FMCH acquires 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.

The Company entered into an agreement with a Fresenius SE company for the manufacturing of plasma collection devices. The Company agreed to produce 3,500 units, with an option to produce a total of 4,550 units, over the length of the five year contract.

Below is a summary, including the Company's receivables from and payables to the indicated parties resulting from the above described transactions with related parties.

T. 19 — Service agreements, lease agreements and products

in $ THOUS, except share data

	For the six months ended June 30, 2014		For the six months ended June 30, 2013		June 30, 2014		December 31, 2013	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Accounts Receivables	Accounts Payables	Accounts Receivables	Accounts Payables
Service agreements								
Fresenius SE	184	11,757	208	11,406	1	4,253	245	2,365
Fresenius SE affiliates	4,346	28,025	3,179	45,847	664	2,465	975	1,900
Equity method investees	9,782	–	10,547	–	3,999	–	20,336	–
▶ Total	**14,312**	**39,782**	**13,934**	**57,253**	**4,664**	**6,718**	**21,556**	**4,265**
Lease agreements								
Fresenius SE	–	5,299	–	4,871	–	–	–	–
Fresenius SE affiliates	–	8,957	–	8,446	–	–	–	–
▶ Total	**–**	**14,256**	**–**	**13,317**	**–**	**–**	**–**	**–**
Products								
Fresenius SE	–	–	17	–	–	–	–	–
Fresenius SE affiliates	24,710	23,153	15,581	30,930	20,705	4,546	18,587	7,231
▶ Total	**24,710**	**23,153**	**15,598**	**30,930**	**20,705**	**4,546**	**18,587**	**7,231**

b) Financing

The Company receives short-term financing from and provides short-term financing to Fresenius SE. The Company also utilizes Fresenius SE's cash management system for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties. As of June 30, 2014 and December 31, 2013, the Company had accounts receivables from Fresenius SE related to short-term financing in the amount of $152,851 and $112,568, respectively. As of June 30, 2014 and December 31, 2013, the Company had accounts payables to Fresenius SE related to short-term financing in the amount of $136,095 and $102,731, respectively. The interest rates for these cash management arrangements are set on a daily basis and are based on the then-prevailing overnight reference rate for the respective currencies.

On June 12, 2014, the Company provided a one year unsecured term loan to one of its equity method investees in the amount of $22,500 with an interest rate of 2.5366%. The loan agreement contains automatic one year renewals and requires a six month termination notice.

At June 30, 2014, the Company borrowed from Fresenius SE €115,600 ($157,886 at June 30, 2014) on an unsecured basis at an interest rate of 1.474%. Subsequent to June 30, 2014, the Company received additional advances from Fresenius SE increasing the amount borrowed to €288,900 ($394,580) and is due on July 31, 2014. For further information on this loan agreement see note 5.

On August 19, 2009, the Company borrowed €1,500 ($2,049 at June 30, 2014) from the General Partner on an unsecured basis at 1.335%. The loan repayment has been extended periodically and is currently due August 20, 2014 with an interest rate of 1.796%. On November 28, 2013, the Company borrowed an additional €1,500 ($2,049 at June 30, 2014) from the General Partner at 1.875%. This loan is due on November 28, 2014.

At June 30, 2014 and December 31, 2013, a subsidiary of Fresenius SE held unsecured senior notes issued by the Company in the amount of €11,800 ($16,116 at June 30, 2014 and $16,273 at December 31, 2013), respectively. The senior notes were issued in 2011 and 2012, mature on 2021 and 2019, respectively, and have a coupon rate of 5.25% with interest payable semi-annually.

On May 23, 2014, the maturity date, the Company repaid a Chinese Yuan Renminbi (CNY) loan, with interest, of 360,794 ($57,854) to a subsidiary of Fresenius SE.

c) Key management personnel

Due to the legal form of a German partnership limited by shares, the General Partner holds a key management position within the Company. In addition members of the Management Board and the Supervisory Board as key management personnel, as well as their close relatives, are considered related parties.

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 members of the General Partner's management board. The aggregate amount reimbursed to the General Partner was $12,491 and $9,136, respectively, for its management services during the six months ended June 30, 2014 and 2013. As of June 30, 2014 and December 31, 2013, the Company had accounts receivables from the General Partner in the amount of $1,064 and $407, respectively. As of June 30, 2014 and December 31, 2013, the Company had accounts payables to the General Partner in the amount of $17,140 and $9,702, respectively.

3. Inventories

At June 30, 2014 and December 31, 2013, inventories consisted of the following:

T. 20 — **Inventories**
in $ THOUS

	June 30, 2014	*December 31, 2013*
Finished goods	807,525	640,355
Health care supplies	197,596	195,519
Raw materials and purchased components	195,780	185,146
Work in process	78,526	76,084
▸ **Inventories**	**1,279,427**	**1,097,104**

4. Other assets and notes receivables

On August 12, 2013, FMCH made an investment-type transaction by providing a credit facility to a middle-market dialysis provider (the Payee) in the amount of up to $200,000 to fund general corporate purposes. The transaction is in the form of subordinated notes with a maturity date of July 4, 2020 (unless prepaid) and a payment-in-kind (PIK) feature that will allow interest payments in the form of cash (at 10.75%) or PIK (at 11.75%). The PIK feature, if used, allows for the addition of the accrued interest to the then outstanding principal. The collateral for this loan is 100% of the equity interest in this middle-market dialysis provider. The availability period for drawdowns on this loan is 18 months ending on February 12, 2015 and amounts drawn whether repaid or prepaid cannot be re-borrowed. The Company assesses the recoverability of this investment based on quarterly financial statements and other information obtained, used for an assessment of profitability and business plan objectives, as well as by analyzing general economic and market conditions in which the provider operates. On April 30, 2014, the Payee exercised the PIK feature and converted $10,137 of accrued interest then due to outstanding principal. Consequently, at June 30, 2014, $180,137 is effectively drawn down with $3,679 of interest income accrued. Interest is payable on a semi-annual basis for the length of the loan.

5. Short-term borrowings, other financial liabilities and short-term borrowings from related parties

At June 30, 2014 and December 31, 2013, short-term borrowings, other financial liabilities and short-term borrowings from related parties consisted of the following:

T. 21 — **Short-term borrowings, other financial liabilities and short-term borrowings from related parties**
in $ THOUS

	June 30, 2014	December 31, 2013
Borrowings under lines of credit	197,567	95,690
Other financial liabilities	237	958
Short-term borrowings and other financial liabilities	197,804	96,648
Short-term borrowings from related parties[1]	161,984	62,342
▸ **Short-term borrowings, other financial liabilities and short-term borrowings from related parties**	**359,788**	**158,990**

[1] *see note 2b*

Short-term borrowings from related parties

The Company is party to an unsecured loan agreement with Fresenius SE under which the Company or its subsidiaries may request and receive one or more short-term advances up to an aggregate amount of $400,000 until maturity on October 30, 2017. The interest on the advance(s) will be at a fluctuating rate per annum equal to LIBOR or EURIBOR as applicable plus applicable margin. Advances can be repaid and reborrowed. On June 30, 2014, the Company received an advance of €115,600 at an interest rate of 1.474%. For further information on short-term borrowings from related party outstanding at June 30, 2014, see note 2b.

6. Long-term debt and capital lease obligations

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

T. 22 — **Long-term debt and capital lease obligations**
in $ THOUS

	June 30, 2014	December 31, 2013
2012 Credit Agreement	3,267,812	2,707,145
Senior notes	4,809,561	4,824,753
Euro notes	38,413	46,545
European Investment Bank Agreements[1]	–	193,074
Accounts receivable facility	423,250	351,250
Capital lease obligations	46,861	24,264
Other	193,803	111,259
Long-term debt and capital lease obligations	8,779,700	8,258,290
Less current maturities	(335,416)	(511,370)
▸ **Long-term debt and capital lease obligations, less current portion**	**8,444,284**	**7,746,920**

[1] *The remaining two loans under the European Investment Bank Agreements were repaid on their maturity in February 2014.*

2012 Credit Agreement

The following table shows the available and outstanding amounts under the 2012 Credit Agreement at June 30, 2014 and at December 31, 2013:

T. 23 — Available and outstanding credits
in THOUS

	Maximum amount available		Balance outstanding	
	June 30, 2014		June 30, 2014	
Revolving credit U.S. dollar	$600,000	$600,000	$235,447	$235,447
Revolving credit Euro	€500,000	$682,900	€463,000	$632,365
Term Loan A	$2,400,000	$2,400,000	$2,400,000	$2,400,000
▶ Total		**$3,682,900**		**$3,267,812**

	Maximum amount available		Balance outstanding	
	December 31, 2013		December 31, 2013	
Revolving credit U.S. dollar	$600,000	$600,000	$138,190	$138,190
Revolving credit Euro	€500,000	$689,550	€50,000	68,955
Term Loan A	$2,500,000	$2,500,000	$2,500,000	$2,500,000
▶ Total		**$3,789,550**		**$2,707,145**

At June 30, 2014 and December 31, 2013, the Company had letters of credit outstanding in the amount of $7,143 and $9,444, respectively, under the revolving credit facility, which are not included above as part of the balance outstanding, but reduce the available borrowings under the revolving credit facility.

On July 1, 2014, the Company increased the 2012 Credit Agreement by establishing an incremental term loan tranche of $600,000 see note 16.

Accounts receivable facility

The following table shows the available and outstanding amounts under the account receivable facility at June 30, 2014 and at December 31, 2013:

T. 24 — Accounts receivable facility
in $ THOUS

	Maximum amount available[1]		Balance outstanding	
	June 30, 2014	December 31, 2013	June 30, 2014	December 31, 2013
Accounts receivable facility	800,000	800,000	423,250	351,250

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria.*

The Company also had letters of credit outstanding under the accounts receivable facility in the amount of $66,622 as of June 30, 2014 and $65,622 at December 31, 2013. These letters of credit are not included above as part of the balance outstanding at June 30, 2014 and December 31, 2013; however, they reduce available borrowings under the accounts receivable facility.

7. 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 the three and six months ended June 30, 2014 and 2013:

T. 25 — **Reconciliation of basic and diluted earnings per share**

in $ THOUS, except per share data

	Three months ended June 30,		*Six months ended June 30,*	
	2014	*2013*	***2014***	*2013*
Numerators				
Net income attributable to shareholders of FMC AG & CO. KGAA	233,642	262,524	439,104	488,023
Denominators				
Weighted average number of:				
Ordinary shares outstanding	301,781,895	302,409,369	301,637,274	302,590,288
Preference shares outstanding[1]	–	3,842,900	–	3,907,756
Total weighted average shares outstanding	301,781,895	306,252,269	301,637,274	306,498,044
Potentially dilutive ordinary shares	615,485	1,362,863	673,158	1,247,741
Total weighted average ordinary shares outstanding assuming dilution	302,397,380	303,772,232	302,310,432	303,838,029
Basic earnings per share	0.77	0.86	1.46	1.59
Fully diluted earnings per share	0.77	0.85	1.45	1.59

[1] *As of the preference share conversion on June 28, 2013, the Company no longer has two classes of shares outstanding.*

8. Employee benefit plans

The Company currently has two principal pension plans, one for German employees, the other covering employees in the United States, the latter of which was curtailed in 2002. Plan benefits are generally based on years of service and final salary. As there is no legal requirement in Germany to fund defined benefit plans, the Company's pension obligations in Germany are unfunded. Each year FMCH contributes to the plan covering United States employees at least the minimum required by the Employee Retirement Income Security Act of 1974, as amended.

The following table provides the calculations of net periodic benefit cost for the three months ended June 30, 2014 and 2013, respectively.

T. 26 — **Employee benefit plans**

in $ THOUS

	Three months ended June 30,		*Six months ended June 30,*	
	2014	*2013*	***2014***	*2013*
Components of net periodic benefit cost				
Service cost	4,743	3,879	9,482	7,792
Interest cost	7,408	6,758	14,812	13,542
Expected return on plan assets	(3,925)	(3,400)	(7,850)	(6,800)
Amortization of unrealized losses	4,355	6,390	8,709	12,788
▸ **Net periodic benefit costs**	**12,581**	**13,627**	**25,153**	**27,322**

9. 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.

At June 30, 2014 and December 31, 2013, the Company's potential obligations under these put options were $672,234 and $648,251, respectively, of which, at June 30, 2014, put options with an aggregate purchase obligation of $272,417 were exercisable. No put options were exercised during the first six months of 2014.

The following is a roll forward of noncontrolling interests subject to put provisions for the six months ended June 30, 2014 and the year ended December 31, 2013:

T. 27 — **Noncontrolling interests subject to put provisions**
in $ THOUS

	2014	2013
Beginning balance as of January 1	648,251	523,260
Contributions to noncontrolling interests	(60,761)	(122,179)
Purchase/sale of noncontrolling interests	(945)	6,723
Contributions from noncontrolling interests	10,954	17,767
Changes in fair value of noncontrolling interests	16,409	108,575
Net income	58,496	113,156
Other comprehensive income (loss)	(170)	949
▸ **Ending balance as of June 30, 2014 and December 31, 2013**	**672,234**	**648,251**

10. 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 six months ended June 30, 2014 and 2013. 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. 28 **Patient service revenue**
in $ THOUS

	Six months ended June 30,	
	2014	*2013*
Medicare ESRD program	2,208,586	2,131,095
Private/alternative payors	2,013,357	1,865,556
Medicaid and other government sources	202,892	186,059
Hospitals	220,201	209,517
▶ **Total patient service revenue**	**4,645,036**	**4,392,227**

11. Commitments and contingencies

Legal and regulatory matters

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

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). 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. Upon remand, the district court reduced the post-verdict damages award to $10,000. Separately, 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 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 constituted a final judgment that may be collected. On July 2, 2013, the Federal Circuit denied Baxter's appeal and ordered the District Court to dismiss the case. The court-approved escrow account has been terminated and the escrow funds have been returned to FMCH. On March 5, 2014, Baxter petitioned the United States Supreme Court to review the decisions of the Federal Circuit. On May 19, 2014, the U.S. Supreme Court denied Baxter's petition and let stand the Federal Circuit's order dismissing the case.

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 April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits filed and anticipated to be filed in various federal courts alleging wrongful death and personal injury claims against FMCH and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and Granuflo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts, styled *In Re: Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation*, Case No. 2013-md-02428. The Massachusetts state courts subsequently established a similar consolidated litigation for such cases filed in Massachusetts county courts, styled *In Re: Consolidated Fresenius Cases, Case No. MICV 2013-03400-O* (Massachusetts Superior Court, Middlesex County). These lawsuits allege generally that inadequate labeling and warnings for these products caused harm to patients. In addition, similar cases have been filed in state courts outside Massachusetts, in some of which the judicial authorities have established consolidated proceedings for their disposition. FMCH believes that these lawsuits are without merit, and will defend them vigorously.

Other litigation and potential exposures

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 subpoena 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 subpoena, and will vigorously contest the relator's complaint.

Subpoenas or search warrants have been issued by federal and state law enforcement authorities under the supervision of the United States Attorneys for the Districts of Connecticut, Southern Florida, Eastern Virginia and Rhode Island to American Access Care LLC (AAC), which the Company acquired in October 2011, and to the Company's Fresenius Vascular Access subsidiary which now operates former AAC centers as well as its own original facilities. Subpoenas have also been issued to certain of the Company's outpatient hemodialysis facilities for records relating to vascular access treatment and monitoring. The Company is cooperating fully in these investigations. Communications with certain of the investigating United States Attorney Offices indicate that the inquiry encompasses invoicing and coding for procedures commonly performed in vascular access centers and the documentary support for the medical necessity of such procedures. The AAC acquisition agreement contains customary indemnification obligations with respect to breaches of representations, warranties or covenants and certain other specified matters. As of October 18, 2013, a group of the prior owners of AAC exercised their right pursuant to the terms of the acquisition agreement to assume responsibility for responding to certain of the subpoenas. Pursuant to the AAC acquisition agreement the prior owners are obligated to indemnify the Company for certain liabilities that might arise from those subpoenas.

The Company has received communications alleging conduct in countries outside the U.S. and Germany that may violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Audit and Corporate Governance Committee of the Company's Supervisory Board is conducting an investigation with the assistance of independent counsel. The Company voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). The Company's investigation and dialogue with the SEC and DOJ are ongoing. The Company has received a subpoena from the SEC requesting additional documents and a request from the DOJ for copies of the documents provided to the SEC. The Company is cooperating with the requests.

Conduct has been identified that may result in monetary penalties or other sanctions under the FCPA or other anti-bribery laws. In addition, the Company's ability to conduct business in certain jurisdictions could be negatively impacted. The Company has previously recorded a non-material accrual for an identified matter. Given the current status of the investigations and remediation activities, the Company cannot reasonably estimate the range of possible loss that may result from identified matters or from the final outcome of the investigations or remediation activities.

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

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 broad range of documents. Communications with the investigating United States Attorney Offices indicate that the inquiry relates to products manufactured by FMCH, which encompasses the Granuflo® and Naturalyte® acid concentrate products that are also the subject of personal injury litigation described above, as well as electron-beam sterilization of dialyzers, the Liberty peritoneal dialysis cycler, and 2008 series hemodialysis machines as related to the use of Granuflo® and Naturalyte®. FMCH is cooperating fully in the government's investigation.

On June 13, 2014, the Ministry of Commerce of the People's Republic of China, (MOFCOM) launched an anti-dumping investigation into producers of hemodialysis equipment in the European Union and Japan, which includes certain of the Company's subsidiaries. The Company intends to cooperate in this investigation.

The Company filed claims for refunds contesting the Internal Revenue Service's (IRS) disallowance of FMCH's deductions for civil settlement payments 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. On May 31, 2013, the District Court entered final judgment for FMCH in the refund amount of $50,400. On September 18, 2013, the IRS appealed the District Court's ruling to the United States Court of Appeals for the First Circuit (Boston).

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 marketing and distribution of such products, the operation of manufacturing facilities, laboratories and dialysis clinics, and environmental and occupational health and safety. With respect

to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Company could be subject to significant adverse regulatory actions by the FDA and comparable regulatory authorities outside the U.S. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the Company to expend significant time and resources in order to implement appropriate corrective actions. If the Company does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the U.S., these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of the Company's products and/or criminal prosecution. FMCH is currently engaged in remediation efforts with respect to three pending FDA warning letters. 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 the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from 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. 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, 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.

12. Financial instruments

Non-derivative financial instruments

The following table presents the carrying amounts and fair values of the Company's non-derivative financial instruments at June 30, 2014, and December 31, 2013.

T. 29 — Non-derivatives
in $ THOUS

		June 30, 2014		December 31, 2013	
	Fair value hierarchy	*Carrying amount*	*Fair value*	*Carrying amount*	*Fair value*
Assets					
Cash and cash equivalents	1	644,538	644,538	682,777	682,777
Accounts receivable[1]	2	3,378,194	3,378,194	3,190,392	3,190,392
Notes receivable	3	177,018	192,672	165,807	175,768
Liabilities					
Accounts payable[1]	2	723,530	723,530	666,526	666,526
Short-term borrowings[1]	2	359,788	359,788	158,990	158,990
Long term debt, excluding 2012 Credit Agreement, Euro Notes and Senior Notes	2	663,914	663,914	679,847	679,847
2012 Credit Agreement	2	3,267,812	3,264,812	2,707,145	2,710,270
Senior Notes	2	4,809,561	5,396,239	4,824,753	5,348,679
Euro Notes	2	38,413	39,041	46,545	47,423
Noncontrolling interests subject to put provisions	3	672,234	672,234	648,251	648,251

[1] *Also includes amounts receivable from or payable to related parties.*

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 6.

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 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 9 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.

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

The Company elects not to offset the fair values of derivative financial instruments subject to master netting agreements in its consolidated balance sheets.

At June 30, 2014 and December 31, 2013, the Company had $7,122 and $18,334 of derivative financial assets subject to netting arrangements and $19,456 and $16,371 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of $2,060 and $12,169 as well as net liabilities of $14,394 and $10,207 at June 30, 2014 and December 31, 2013, respectively.

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. At June 30, 2014 and December 31, 2013, 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 (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 $144,173 and $238,983 at June 30, 2014 and December 31, 2013, 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 two 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 $1,562,841 and $1,512,559 at June 30, 2014 and December 31, 2013, 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.

At June 30, 2014 and December 31, 2013, the notional amount of the euro-denominated interest rate swaps in place was €100,000 ($136,580 at June 30, 2014 and $137,910 at December 31, 2013, respectively).

In addition, the Company also enters into interest rate hedges (pre-hedges) in anticipation of future debt issuance to effectively convert the variable interest rate related to the future debt to a fixed interest rate. These pre-hedges are settled at the issuance date of the corresponding debt with the settlement amount recorded in AOCI amortized to interest expense over the life of the pre-hedges. At June 30, 2014 and December 31, 2013, the Company had $107,229 and $118,844, respectively, related to such settlements of pre-hedges deferred in AOCI, net of tax.

Derivative financial instruments valuation

The following table shows the carrying amounts of the Company's derivatives at June 30, 2014 and December 31, 2013:

T. 30 — Derivatives
in $ THOUS

	June 30, 2014		December 31, 2013	
	Assets[2]	Liabilities[2]	Assets[2]	Liabilities[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	2,235	(3,936)	4,985	(2,719)
Non-current				
Foreign exchange contracts	–	–	759	(374)
Interest rate contracts	–	(4,720)	–	(4,392)
▶ Total	**2,235**	**(8,656)**	**5,744**	**(7,485)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	4,579	(12,714)	11,679	(22,982)
Non-current				
Foreign exchange contracts	308	(744)	1,060	(820)
▶ Total	**4,887**	**(13,458)**	**12,739**	**(23,802)**

[1] *At June 30, 2014 and December 31, 2013, 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. 31 — 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 six months ended June 30,		*Location of (gain) or loss re-classified from AOCI in income (effective portion)*	*Amount of (gain) or loss reclassified from AOCI in income (effective portion) for the six months ended June 30,*	
	2014	*2013*		***2014***	*2013*
Derivatives in cash flow hedging relationships					
Interest rate contracts	1,279	3,585	Interest income/ expense	14,680	13,094
Foreign exchange contracts	(4,224)	1,962	Costs of revenue	2,295	514
Foreign exchange contracts	–	–	Interest income/ expense	–	735
▶ **Total**	**(2,945)**	**5,547**		**16,975**	**14,343**

T. 32 — The effect of derivatives on the consolidated financial statements

in $ THOUS

	Location of (gain) or loss recognized in income on derivative	*Amount of (gain) or loss recognized in income on derivatives for the six months ended June 30,*	
		2014	*2013*
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative	5,410	(42,134)
Foreign exchange contracts	Interest income/expense	4,219	3,397
▶ **Total**		**9,629**	**(38,737)**

For foreign exchange derivatives, the Company expects to recognize $867 of losses deferred in AOCI at June 30, 2014, in earnings during the next twelve months.

The Company expects to incur additional interest expense of $23,589 over the next twelve months which is currently deferred in AOCI. At June 30, 2014, 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 June 30, 2014, the Company had foreign exchange derivatives with maturities of up to 18 months and interest rate swaps with maturities of up to 28 months.

13. Other comprehensive income (loss), net of tax

Changes in AOCI, net of tax, by component for the six months ended June 30, 2014 and 2013 are as follows:

T. 33 — Changes in accumulated other comprehensive income (loss) by component

in $ THOUS

	Gain (loss) related to cash flow hedges	*Actuarial gain (loss) on defined benefit pension plans*	*Gain (loss) related to foreign-currency translation*	*Total, before non-controlling interests*	*Non-controlling interests*	*Total*
▸ **Balance at December 31, 2012**	**(138,341)**	**(179,423)**	**(174,349)**	**(492,113)**	**2,869**	**(489,244)**
Other comprehensive income (loss) before reclassifications	4,902	–	(125,052)	(120,150)	(2,318)	(122,468)
Amounts reclassified from AOCI	9,974	7,885	–	17,859	–	17,859
Other comprehensive income (loss) after reclassifications	14,876	7,885	(125,052)	(102,291)	(2,318)	(104,609)
▸ **Balance at June 30, 2013**	**(123,465)**	**(171,538)**	**(299,401)**	**(594,404)**	**551**	**(593,853)**
▸ **Balance at December 31, 2013**	**(121,856)**	**(141,987)**	**(286,744)**	**(550,587)**	**825**	**(549,762)**
Other comprehensive income (loss) before reclassifications	(2,057)	–	(9,535)	(11,592)	249	(11,343)
Amounts reclassified from AOCI	12,146	5,489	–	17,635	–	17,635
Other comprehensive income (loss) after reclassifications	10,089	5,489	(9,535)	6,043	249	6,292
▸ **Balance at June 30, 2014**	**(111,767)**	**(136,498)**	**(296,279)**	**(544,544)**	**1,074**	**(543,470)**

Reclassifications out of AOCI for the six months ended June 30, 2014 and 2013 are as follows:

T. 34 — Reclassifications out of accumulated other comprehensive income (loss)

in $ THOUS

	Amount of (gain) loss reclassified from AOCI in income		*Location of (gain) loss reclassified from AOCI in income*
	Three months ended June 30,		
Details about accumulated other comprehensive income (loss) (AOCI) components	***2014***	*2013*	
(Gain) loss related to cash flow hedges			
Interest rate contracts	14,680	13,094	Interest income/expense
Foreign exchange contracts	2,295	514	Costs of revenue
Foreign exchange contracts	–	735	Interest income/expense
	16,975	**14,343**	**Total before tax**
	(4,829)	(4,369)	Tax expense or benefit
	12,146	**9,974**	**Net of tax**
Actuarial (gain) loss on defined benefit pension plans			
Amortization of unrealized (gain) loss	8,709	12,788	[1]
	8,709	**12,788**	**Total before tax**
	(3,220)	(4,903)	Tax expense or benefit
	5,489	**7,885**	**Net of tax**
▸ **Total reclassifications for the period**	**17,635**	**17,859**	**Net of tax**

[1] *Included in the computation of net periodic pension cost (see note 8 for additional details).*

14. Segment and corporate information

The Company has identified three operating segments, North America segment, EMEALA and Asia-Pacific, 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. For reporting purposes, the Company has aggregated the EMEALA 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 of 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 U.S. GAAP.

Management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate U.S. GAAP measures are revenue, operating income and operating income margin. The Company does not include income taxes as it believes this is 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 certain costs, which relate primarily to certain headquarters overhead charges, including accounting and finance, etc. (Corporate), because the Company believes that these costs are also not within the control of the individual segments. Production of products, production asset management, quality management and procurement are centrally managed at Corporate by Global Manufacturing Operations. The Company's global research and development is also centrally managed at Corporate. 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 accounted for as Corporate.

Information pertaining to the Company's segment and Corporate activities for the three- and six-months periods ended June 30, 2014 and 2013 is set forth below.

T. 35 — Segment and corporate information
in $ THOUS

	North America segment	*International segment*	*Segment Total*	*Corporate*	*Total*
Three months ended June 30, 2014					
Net revenue external customers	2,520,988	1,296,620	3,817,608	17,194	3,834,802
Inter-segment revenue	2,269	–	2,269	(2,269)	–
▸ Net revenue	**2,523,257**	**1,296,620**	**3,819,877**	**14,925**	**3,834,802**
Depreciation and amortization	(87,173)	(46,312)	(133,485)	(35,474)	(168,959)
▸ Operating income	**400,714**	**243,009**	**643,723**	**(87,450)**	**556,273**
Income (loss) from equity method investees	3,818	2,151	5,969	–	5,969
Capital expenditures, acquisitions and investments	283,350	180,734	464,084	53,084	517,168
Three months ended June 30, 2013					
Net revenue external customers	2,375,247	1,228,322	3,603,569	8,946	3,612,515
Inter-segment revenue	1,771	–	1,771	(1,771)	–
▸ Net revenue	**2,377,018**	**1,228,322**	**3,605,340**	**7,175**	**3,612,515**
Depreciation and amortization[1]	(81,466)	(46,432)	(127,898)	(30,903)	(158,801)
▸ Operating income[2]	**390,655**	**218,479**	**609,134**	**(64,895)**	**544,239**
Income (loss) from equity method investees[3]	2,871	1,545	4,416	–	4,416
Capital expenditures, acquisitions and investments	107,948	66,175	174,123	41,757	215,880
Six months ended June 30, 2014					
Net revenue external customers	4,913,894	2,457,517	7,371,411	26,983	7,398,394
Inter-segment revenue	3,549	–	3,549	(3,549)	–
▸ Net revenue	**4,917,443**	**2,457,517**	**7,374,960**	**23,434**	**7,398,394**
Depreciation and amortization	(174,822)	(91,333)	(266,155)	(69,971)	(336,126)
▸ Operating income	**736,276**	**423,455**	**1,159,731**	**(158,563)**	**1,001,168**
Income (loss) from equity method investees	14,368	4,123	18,491	–	18,491
Segment assets	15,060,591	6,761,277	21,821,868	2,323,389	24,145,257
thereof investments in equity method investees	306,313	431,603	737,916	–	737,916
Capital expenditures, acquisitions and investments[4]	488,249	245,371	733,620	120,336	853,956
Six months ended June 30, 2013					
Net revenue external customers	4,662,497	2,396,974	7,059,471	16,965	7,076,436
Inter-segment revenue	2,846	–	2,846	(2,846)	–
▸ Net revenue	**4,665,343**	**2,396,974**	**7,062,317**	**14,119**	**7,076,436**
Depreciation and amortization[1]	(161,873)	(92,332)	(254,205)	(60,949)	(315,154)
▸ Operating income[2]	**756,703**	**410,096**	**1,166,799**	**(129,247)**	**1,037,552**
Income (loss) from equity method investees[3]	5,989	3,235	9,224	–	9,224
Segment assets	14,094,573	5,971,984	20,066,557	2,261,790	22,328,347
thereof investments in equity method investees	247,277	370,153	617,430	–	617,430
Capital expenditures, acquisitions and investments[4]	220,280	148,877	369,157	66,294	435,451

[1] *Depreciation in the amount of $988 and $1,884 for the three and six months ended June 30, 2013, respectively, relating to research and development has been reclassified between the North America segment, the International segment and Corporate to conform to the current year's presentation.*
[2] *Certain items, in the net aggregate amount of $6,364 and $11,370 for the three and six months ended June 30, 2013, respectively, relating to research and development, compensation expense and income from equity method investees have been reclassified between the North America segment, the International segment and Corporate to conform to the current year's presentation as applicable*
[3] *Income (loss) from equity method investees in the amount of $717 and $321 for the three and six months ended June 30, 2013, respectively, has been reclassified between the North America segment, the International segment and Corporate to conform to the current year's presentation.*
[4] *International acquisitions exclude $167,905 and $11,684 of non-cash acquisitions for 2014 and 2013, respectively.*

15. Supplementary cash flow information

The following additional information is provided with respect to the consolidated statements of cash flows:

T. 36 — Supplementary cash flow information
in $ THOUS

	Six months ended June 30,	
	2014	*2013*
Supplementary cash flow information		
Cash paid for interest	189,038	191,259
Cash paid for income taxes[1]	304,785	225,740
Cash inflow for income taxes from stock option exercises	3,153	3,933
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(523,912)	(130,864)
Liabilities assumed	241,132	17,173
Noncontrolling interest subject to put provisions	3,110	15,320
Noncontrolling interest	6,191	5,570
Pending payments for purchase considerations	9,156	11,683
▸ **Cash paid**	**(264,323)**	**(81,118)**
Less cash acquired	84,694	5,139
▸ **Net cash paid for acquisitions**	**(179,629)**	**(75,979)**
Cash paid for investments	(249,156)	(22,894)
Cash paid for intangible assets	(5,912)	(2,936)
▸ **Total cash paid for acquisitions and investments, net of cash acquired, and purchases of intangible assets**	**(434,697)**	**(101,809)**

[1] *Net of tax refund.*

16. Subsequent events

On July 1, 2014 the Company increased the 2012 Credit Agreement by establishing an incremental term loan tranche of $600,000 (Term Loan A-2) to finance an investment in the U.S. into Sound Inpatient Physicians, Inc., which closed in July of 2014, and for general corporate purposes. This investment of approximately $550,000 net in Sound Inpatient Physicians, Inc., a physician services organization focused on hospitalist and post-acute care services, furthers the Company's strategic investments in Care Coordination.

Term Loan A-2 has a one year maturity and must be mandatorily prepaid with 100% of the net cash proceeds of US$-denominated bonds or syndicated term loans, to the extent that these proceeds exceed a certain threshold. The interest rate under the Term Loan A-2 is a rate equal to either (i) Libor plus an applicable margin or (ii) the Base Rate as defined in the 2012 Credit Agreement plus an applicable margin. The applicable margin increases after 90 days and 180 days following disbursement.

No further significant activities have taken place since the balance sheet date June 30, 2014 that have a material impact on the key figures and business earnings presented. Currently, there are no other significant changes in the structure, management, legal form of the Company or on its personnel.

Corporate Governance

The personally liable shareholder, represented by the managing board of Fresenius Medical Care Management AG, and the Supervisory Board of FMC AG & CO. KGAA have issued a compliance declaration pursuant to 161 of the German Stock Corporation Act (AktG). The Company has frequently made this declaration available to the public by pushing it on its website: www.fmc-ag.com.

Responsibility Statement

"To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Fresenius Medical Care-Group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the group for the remaining months of the financial year."

Hof an der Saale, July 28, 2014
Fresenius Medical Care AG & Co. KGaA

Represented by the General Partner
Fresenius Medical Care Management AG

Rice Powell	Michael Brosnan	Roberto Fusté	Ron Kuerbitz
Dr. Olaf Schermeier	Kent Wanzek	Dominik Wehner	

CALENDAR 2014

November 4, 2014
Report on the third quarter 2014

CALENDAR 2015

February 25, 2015
Report on full year 2014

May 5, 2015
Report on first quarter 2015

May 19, 2015
Annual General Meeting 2015

May 20, 2015
Dividend payment subject to the approval of the Annual General Meeting

July 30, 2015
Report on second quarter 2015

November 3, 2015
Report on third quarter 2015

Please notice that these dates might be subject to change.

CONTACT

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This interim report is also available in German.

Annual reports, interim reports and further information on the Company is also available on our website. Please visit us at www.fmc-ag.com

For printed material, please contact Investor Relations.

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