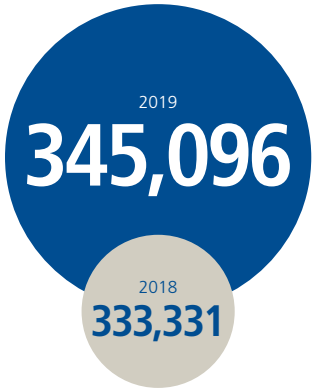
ANNUAL REPORT

2019

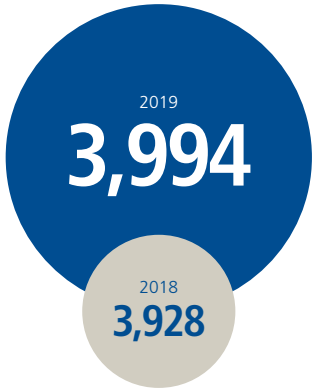
FRESENIUS
MEDICAL CARE

EMPLOYEES [1]

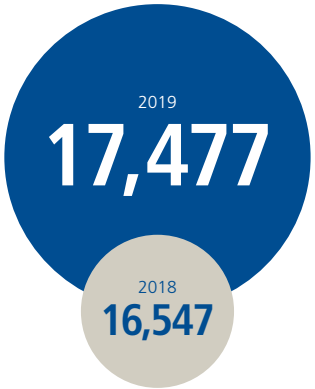
PATIENTS



DIALYSIS CENTERS



REVENUE
IN € M



NET INCOME [2]
IN € M

DIVIDEND PER SHARE [3]
IN €

Fresenius Medical Care is the world's leading provider of dialysis products and services. We care for people with chronic kidney failure, of whom around 3.5 million worldwide depend on dialysis treatment.

Thanks to our decades of experience in dialysis, our innovative research and our value-based care approach, we help them to enjoy the very best quality of life.

SELECTED KEY FIGURES

	2019	2018	Change
Revenue in € M	17,477	16,547	2 % cc
Revenue adjusted in € M [4]	17,329	16,026	5 % cc
Net income in € M [2]	1,200	1,982	(42 %) cc
Net income adjusted in € M [2, 5]	1,369	1,341	(2 %) cc
Operating income in € M	2,270	3,038	(28 %) cc
Operating income adjusted in € M [5]	2,296	2,292	(4 %) cc
Basic earnings per share in €	3.96	6.47	(41 %) cc
Basic earnings per share adjusted in € [5]	4.52	4.37	(1 %) cc
Net cash provided by (used in) operating activities in € M	2,567	2,062	24 %
Free cash flow in € M [6]	1,454	1,059	37 %
Capital expenditures, net in € M	(1,113)	(1,003)	11 %
Aquisitions and investments (excluding investments in debt securities), net in € M	(2,178)	1,088	
Operating income margin adjusted in % [5]	13.2	14.3	
Return on invested capital (ROIC) in % [7, 8]	6.8	12.4	
Net leverage ratio [7, 8]	2.5	1.8	
Equity ratio (equity/total assets) in % [8, 9]	47.0	49.2	

cc = constant currency

[1] Full-time equivalents.

[2] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.

[3] 2019: Proposal to be approved by the Annual General Meeting on May 19, 2020.

[4] 2019 adjusted for the effect of the IFRS 16 implementation and the contribution of NxStage Medical, Inc.; 2018 adjusted for the contribution of Sound Physicians, Inc. in the first half of 2018.

[5] 2019 adjusted for the effect of the IFRS 16 implementation, the effects of the NxStage acquisition, expenses for the cost optimization program and the gain related to divestitures of Care Coordination activities; 2018 adjusted for the contribution of Sound Physicians in the first half of 2018, the gain related to divestitures of Care Coordination activities and the FCPA related charge.

[6] Net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments.

[7] See calculation in the Group Management Report, chapter "Overview of the Group", section "Performance management system" starting on PAGE 24.

[8] 2019 adjusted for the effect of the IFRS 16 implementation.

[9] As of December 31 of the respective year.

For *our* Patients

The 2019 Annual Report puts one year of our commitment to patients worldwide into facts and figures. But that one year can only be a small reflection of our ongoing dedication to our work. Regardless of the time-frame, we always put our patients first. We develop high-quality dialysis products and services for one single purpose: to continuously improve treatment for people with kidney disease and enhance their quality of life.

An important prerequisite for this is listening. Because we want to be able to give considered responses to all the important questions our patients ask us. Together we focus on **WHAT REALLY MATTERS.**

Find out more in our Corporate Magazine:
www.freseniusmedicalcare.com/en/magazine

TO OUR SHARE-HOLDERS

GROUP MANAGEMENT REPORT

NON-FINANCIAL GROUP REPORT

CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

TO OUR SHAREHOLDERS

INTERVIEW WITH RICE POWELL

In this interview, CEO Rice Powell talks about fiscal year 2019, his plans for 2020 and beyond, and why Fresenius Medical Care is ideally equipped for the future.

Mr. Powell, how was fiscal year 2019, in your opinion?

2019 was a productive year for Fresenius Medical Care. In the past twelve months, which we announced would be a year of investment, we expanded our home dialysis infrastructure. We did some restructuring and became more efficient. And despite our challenges, we achieved our goals for 2019. We are on track. We generated revenue of 17.48 billion euros in 2019. Adjusted revenue was up by five percent on 2018 in constant currency.

As a result of our extensive investment activities, adjusted net income decreased slightly by two percent in constant currency. This development is in line with our forecast and means that we met our targets for both revenue growth and net income.

RICE POWELL
Chief Executive Officer and Chairman of the Management Board

How was this reflected in the share price performance?

Performance on the stock exchange was strong: Our share price increased by approximately 16 percent. I believe this is a most impressive result. We have cemented our investors' confidence in our continued growth. Our shareholders share in our success: We will be proposing a rise in our dividend of three percent to 1.20 euros to the Annual General Meeting on May 19, 2020, our 23rd consecutive dividend increase.

This all sounds as if you are very pleased with the results.

I am really pleased, especially given the challenges that we overcame together. I would like to take this opportunity to thank our 120,659 employees worldwide who contribute their outstanding expertise and motivation to working for our patients' welfare on a daily basis.

23rd

consecutive
dividend increase

"WE HAVE CEMENTED OUR INVESTORS' CONFIDENCE IN OUR CONTINUED GROWTH."

How did the number of employees develop last year?

Positively. We grew by seven percent worldwide. The acquisition of NxStage accounted for almost half of our employee growth.

The NxStage acquisition was certainly one of the highlights of 2019. How has the integration gone?

We successfully completed the acquisition of NxStage, the leading manufacturer of home hemodialysis machines, at the beginning of the year. Completing this step helps us to convey the benefits of home dialysis therapies to patients and physicians and supply them with high-quality products and services. In the first seven months after the acquisition, we posted record growth in home dialysis in North America, where we now treat more than 25,000 patients at home.

Do you still see further growth potential in home dialysis?

Definitely. Home dialysis will become increasingly attractive to patients and health care systems alike. The benefits for home dialysis patients include greater flexibility and a better quality of life. It is why we invested in the necessary preconditions such as training facilities, educational materials, and expanding our distribution and logistics infrastructure in 2019. In the U.S., the number of dialysis treatments at home grew nine times as fast as treatments in dialysis clinics from March to September 2019. We will continue to drive this development in the future.

Even so, what are the factors in favor of treatment at a dialysis clinic?

Home dialysis is not the ideal solution for all dialysis patients. The decision depends on many factors, such as their physical condition or living situation. The vast majority of patients worldwide are treated in a dialysis clinic – around 88 percent in 2019. Many patients who regularly undergo treatment at one of our 3,994 clinics worldwide appreciate the high-quality care and the personal assistance. A recent accolade for Fresenius Medical Care North America from the Centers for Medicare and Medicaid Services (CMS) demonstrates

that our care meets the highest quality requirements. On average, the Fresenius Medical Care dialysis clinics included in the inspection achieved record-breaking levels of clinical quality.

The new Global Medical Office has also been working on the topic of treatment quality since 2019. Could you tell us more about this?

We established the Global Medical Office in March in order to dovetail scientific research and clinical practice even more closely. The promotion of Franklin W. Maddux, MD, to the Management Board as Global Chief Medical Officer at the beginning of this year also shows that we recognize the importance of clinical science in ensuring not only treatment quality, but naturally also the well-being of our patients.

There were other developments on the Management Board in 2019.

That's right. Helen Giza became our new CFO on November 1, 2019. We stand to benefit from her international financial expertise as well as her experience with acquisitions and their successful integration in the health care sector.

Quite a few things are happening in the dialysis sector: The U.S. government passed a new Executive Order on advancing kidney health in 2019. What does this mean for Fresenius Medical Care?

The Executive Order is hugely relevant to us, as the U.S. is our biggest market. We feel that this move vindicates our strategy. For some time now, we have been working on various initiatives to advance home dialysis and improve access to transplants, and on new, value-based care models for chronic kidney diseases. We are continuously investing in innovations, and will continue to do so with a view to enhancing health care systems. It is crucial that the new incentives and reimbursement

> "WE FIRMLY BELIEVE IN THE POTENTIAL OF VALUE-BASED CARE MODELS."

models provide a suitable – and above all reliable – framework that encourages not only innovation, but also a care structure that is geared towards patients' needs.

Our involvement since 2015 in the ESCO program, a governmental value-based care model in the U.S., shows that we have been focusing our efforts on value-based care for quite some time now. The fact that the CMS changed its approach to assessing the results part-way through had an adverse effect on us. Even so, we have achieved savings in dialysis care overall since the start of the program. The payors stand to benefit from this. However, the model also delivers a clear advantage for patients: better treatment outcomes. We firmly believe in the potential of value-based care models, and feel that the global trend towards models of this kind in health care systems proves us right.

What is the situation in countries that have not yet come this far?

There are regions in the world where people with chronic kidney disease still do not have direct access to dialysis. We aim to change this. One major milestone last year was the launch of the 4008A dialysis machine in China, one of our biggest growth markets. We also invested in expanding our production capacity there. In addition to sustained strong organic revenue growth in all regions, Asia-Pacific had the strongest growth in 2019. That's why we aim to focus part of our product range on the needs of emerging economies in the next few years.

What are your plans for 2020?

Around 3.5 million people worldwide rely on dialysis treatment, and the figure is constantly rising. That's why we plan to further expand our global network of dialysis clinics and production sites in 2020 and beyond. For 2020, we expect revenue and net income to grow at a medium to high single-digit rate. We have created a sound foundation for this: We have invested around 90 million euros to sustainably improve the cost base of our services business. The effect is expected to be accretive to net income from 2020 onwards. Our cost optimization initiatives are on track and are helping to make us more competitive. To sum up, it can be said that we are continuing our success story, and will achieve further growth in 2020.

Where do you see further growth potential beyond 2020?

Our goal is to ensure that our more than 345,000 patients throughout the world always have access to the most advanced care on the market. We are investing in future technologies and using artificial intelligence and data-based forecasting methods to allow us to care for patients even more effectively. Regenerative medicine is a promising field of research. It enables innovative therapies for chronic kidney patients and will become increasingly important to our industry. Our strategic partnership with the biotech firm Humacyte gives us insight into revolutionary research, such as the cultivation of vascular access in a bioreactor. We are leading innovators in the field of regenerative stem-cell therapies for kidney patients, which enables us to use innovative technologies at an early stage for the good of our patients.

You are optimistic about the future.

Yes, I am. If we look at how our opportunities will change, at the potential generated by combining medicine with innovative technology – we will probably be able to treat patients in the future in ways that we could never imagine. We will continue to grow in the years ahead by broadening our horizons. That is something I firmly believe.

Mr. Powell, thank you for your time.

“WE ARE CONTINUING OUR SUCCESS STORY AND WILL ACHIEVE FURTHER GROWTH IN 2020.”

MANAGEMENT BOARD

RICE POWELL
CEO and Chairman (since January 2013)

HELEN GIZA
Finance (since November 2019)

FRANKLIN W. MADDUX, MD
Global Chief Medical Officer (since January 2020)

DR. KATARZYNA MAZUR-HOFSÄSS
Europe, Middle East and Africa (since September 2018)

DR. OLAF SCHERMEIER
Global Research and Development (since March 2013)

MICHAEL BROSNAN
Finance (from January 2010 until October 2019)

KENT WANZEK
Global Manufacturing, Quality and Supply (since January 2010)

HARRY DE WIT
Asia-Pacific (since April 2016)

WILLIAM VALLE
North America (since February 2017)

CAPITAL MARKETS AND SHARES

In 2019, Fresenius Medical Care's shares made a strong recovery after declining in the previous year. They ended the year at €65.96, up by around 16 % on the end of 2018.

PRICE DEVELOPMENT OF FRESENIUS MEDICAL CARE SHARES

In 2019, the stock markets in Europe and the U.S. bounced back from the sharp price declines of the previous year. The DAX's high for the year in December was just short of the record set in early 2018. U.S. benchmark indices reached an all-time high in 2019. Bolstered by the interest-rate policy of the European Central Bank and the U.S. Federal Reserve, share prices therefore defied the simmering trade dispute between the U.S. and China, gloomy economic forecasts, and increasingly negative economic news.

At the end of 2018, Fresenius Medical Care already announced that investments in expanding home dialysis, building up production capacity in China, and in the ongoing cost optimization program would be key themes in fiscal year 2019. Consequently, the first few months of the year were dominated by positive news such as the completion of the NxStage acquisition. As a result, Fresenius Medical Care shares made a strong recovery, achieving a high for the year of €76.32 at the beginning of May.

The shares' performance became more volatile in subsequent months. This was partly due to the unexpected negative impact on revenue and earnings from the ESCO program, a pilot program of the U.S. administration with the aim of providing care for patients with chronic kidney disease. From the second quarter of the year under review, we had to adapt the savings rates previously assumed for the first three years of the program. This was done predominantly retroactively and concurrently. In addition, market rumors in the summer that the U.S. government was planning a reform of reimbursement in the dialysis sector drove the share price down sharply. However, the share price quickly recovered on publication of the U.S. government's actual plans, which are largely in line with Fresenius Medical Care's strategy.

Fresenius Medical Care shares ended the year at €65.96 in 2019, an increase of around 16 %. Further information on the share price and index performance can be found in TABLES 1.1 AND 1.9 AS WELL AS CHARTS 1.2, 1.3, AND 1.4 STARTING ON PAGE 11.

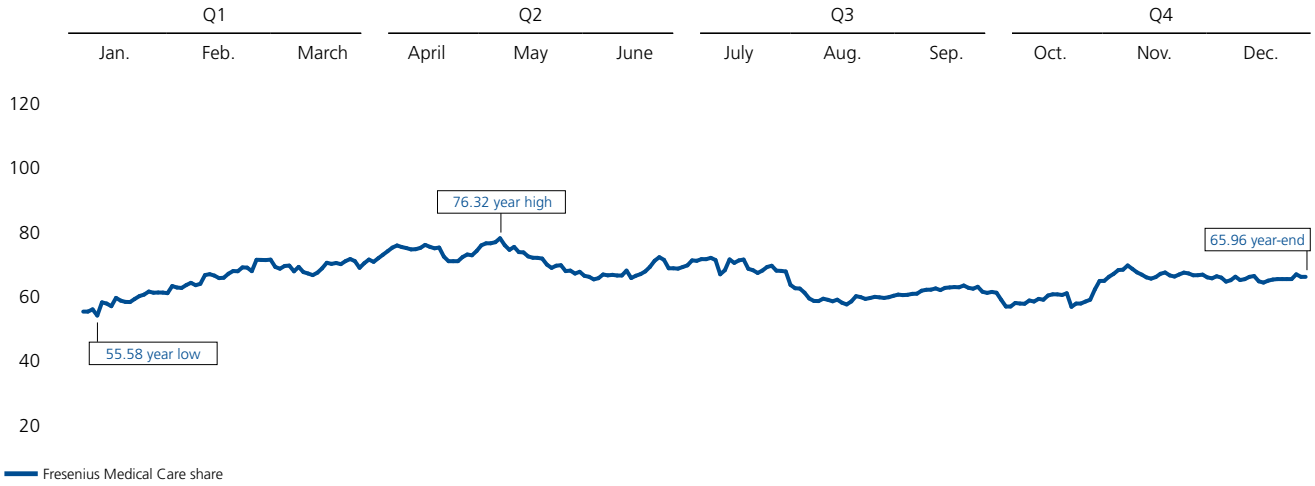
A long-term comparison highlights the strength and stability of Fresenius Medical Care shares: Over the past ten years, the share price has almost doubled. With dividends reinvested, this corresponds to value growth of more than 7 % per year. Fresenius Medical Care's market capitalization amounted to €20.1 BN at the end of the year under review.

T 1.1 **STOCK INDICES / SHARES**

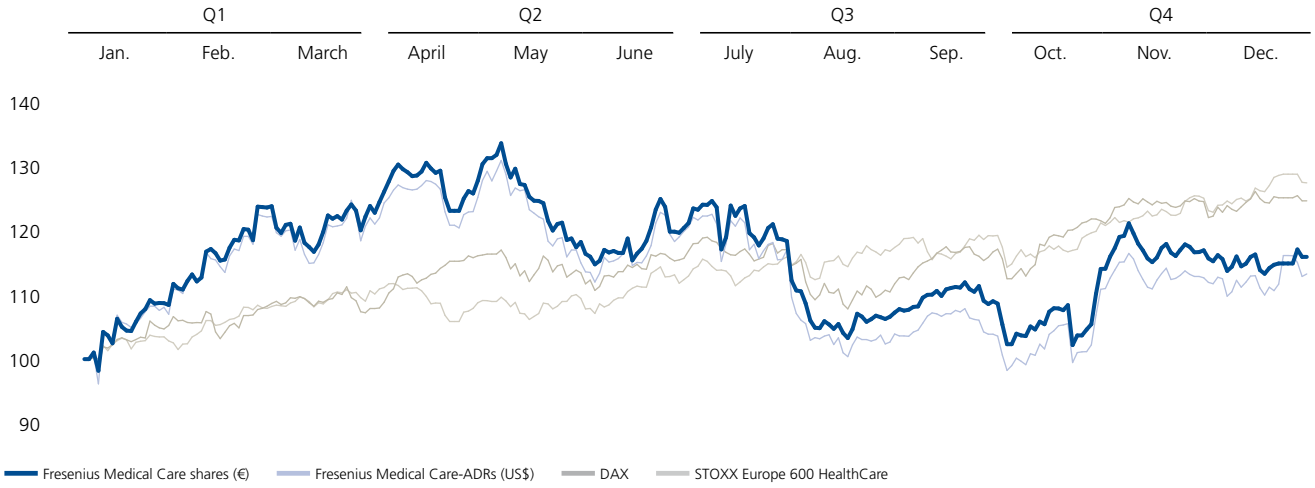
	Country / region	Dec. 31, 2019	Dec. 31, 2018	Change	High	Low
Dow Jones Industrial Average	U.S.	28,538	23,327	22 %	28,645	22,686
DAX	GER	13,249	10,559	25 %	13,408	10,417
STOXX Europe 600 HealthCare	EUR	909	708	28 %	919	708
FRESENIUS MEDICAL CARE SHARES IN €	**GER**	**65.96**	**56.64**	**16 %**	**76.32**	**55.58**
FRESENIUS MEDICAL CARE ADRS IN $	**U.S.**	**36.83**	**32.39**	**14 %**	**42.75**	**31.10**

Source: Bloomberg data, own calculations

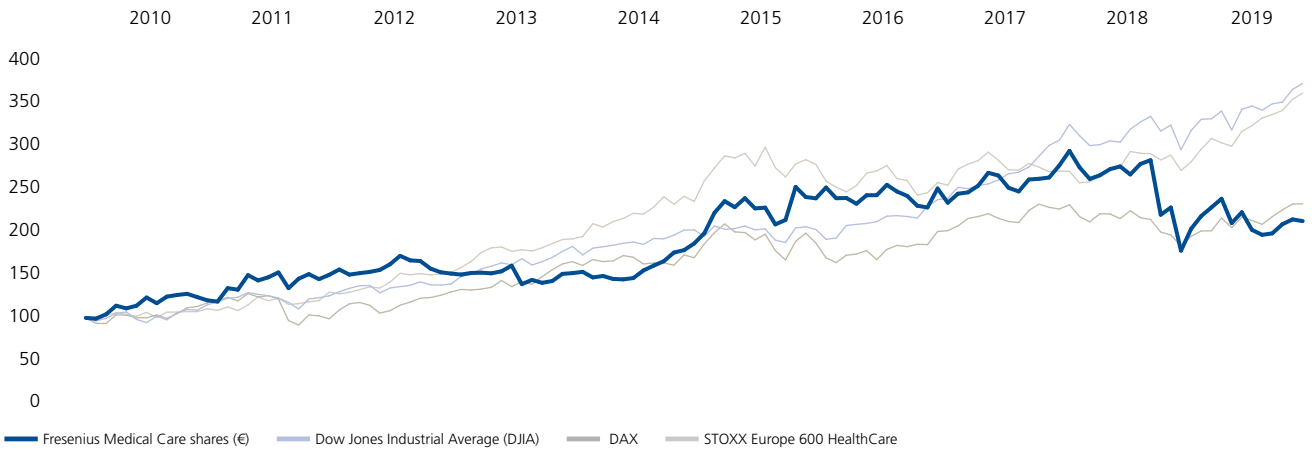
C 1.2 SHARE PRICE PERFORMANCE, ABSOLUTE, JANUARY 1, 2019 – DECEMBER 31, 2019
IN €



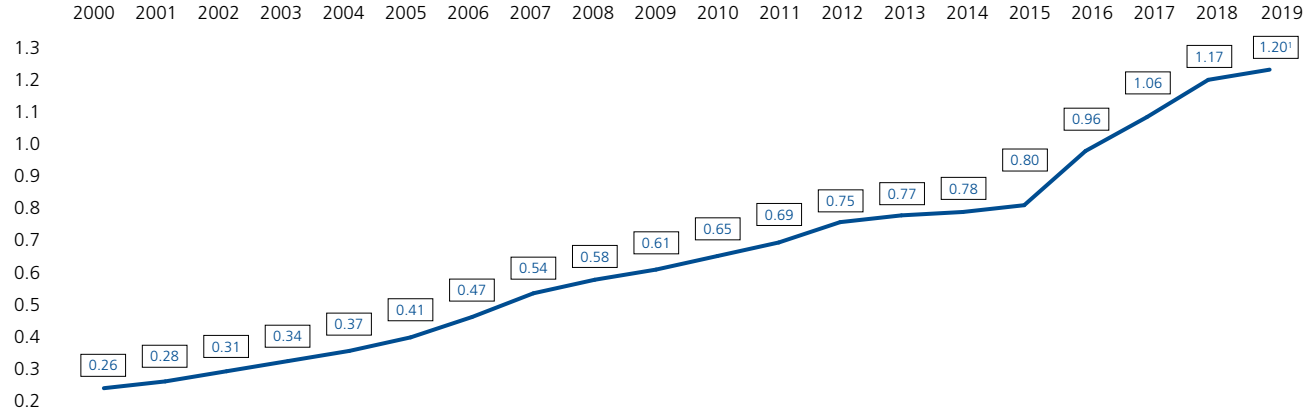
C 1.3 INDEX AND SHARE PRICE PERFORMANCE
INDEXED, JANUARY 1, 2019 – DECEMBER 31, 2019 (DECEMBER 31, 2018 = 100)



C 1.4 **INDEX AND SHARE PRICE PERFORMANCE IN A TEN-YEAR COMPARISON**
WITH DIVIDENDS REINVESTED, INDEXED, JANUARY 1, 2010 – DECEMBER 31, 2019 (DECEMBER 31, 2009 = 100)



C 1.5 **DEVELOPMENT OF THE DIVIDEND**
IN €



[1] Proposal to be approved by the Annual General Meeting on May 19, 2020.

PRICE DEVELOPMENT OF ADRS

In 2019, the price of Fresenius Medical Care shares listed on the New York Stock Exchange in the form of American Depositary Receipts (ADRS) rose by around 14 %. The price movement of the ADRS is tied to that of Fresenius Medical Care shares, taking into account the development of the euro/U.S. dollar exchange rate. Two ADRS correspond to one share. Based on the number of traded shares, ADRS account for around 21 % of the entire trading volume for 2019, and our shares for around 79 %.

DIVIDEND AND SHARE BUYBACK

At the Annual General Meeting on May 19, 2020, the General Partner and the Supervisory Board will propose a dividend to shareholders of €1.20 per share. This would equate to an increase of €0.03 or 2.6 % compared with the previous year and an annual increase of around 9 % since 1997 (SEE TABLE 1.5). With 298.3 M shares entitled to receive dividends (as at December 31, 2019), the total dividend payout would thus amount to €358 M; the payout ratio in relation to net income for 2019 would come to around 30 %. Based on the proposed dividend and the closing share price for 2019, the dividend yield on the shares would be 1.8 % (2018: 2.1 %).

Fresenius Medical Care remains committed to its ambitious goal of closely aligning the dividend development with growth in earnings per share, while maintaining dividend continuity.

The Company creates further added value for its shareholders through its share buyback program announced at the beginning of 2019. As at December 31, 2019, Fresenius Medical Care had purchased 8.9 M treasury shares with a total value

of €600 M in the context of this program. Overall, the company intends to buy back shares worth up to €1 BN by the end of the program in June 2020.

SHAREHOLDER STRUCTURE

In our analysis of the shareholder structure as at December 31, 2019, we matched around 91 % of the approximately 304.4 M outstanding Fresenius Medical Care shares with their owners (SEE TABLE 1.6). Accordingly, our largest shareholder, Fresenius SE & CO. KGAA, continues to hold around 94.4 M shares, corresponding to an equity holding of 31 %. In addition, we identified twelve institutional investors holding more than 1 % of our capital stock.

According to our most recent analysis, 673 institutional investors hold Fresenius Medical Care shares. The largest 20 of them account for approximately 48 % of the identified free float, i.e. the identified shares excluding shares held by Fresenius SE & CO. KGAA and treasury shares (previous year: 43 %).

As at December 31, 2019, 37 % of the institutional free float was held by investors from North America. Great Britain accounted for 29 %. We were able to identify 9 % of the free float of institutional investors in Germany and a further 8 % in France (SEE TABLE 1.7).

T 1.6 NUMBER OF IDENTIFIED SHARES AS PER SHAREHOLDER STRUCTURE ANALYSIS
FIGURES ROUNDED IN M

	Number of shares	in %	in % of free float
Number of shares outstanding as at December 31, 2019	304.4	100	–
Identified shares	276.0	91	86
Unidentified shares	28.4	9	14
Shares in free float	204.9	69	–

T 1.7 GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES
FIGURES ROUNDED IN M

	Dec. 2019		Dec. 2018	
	Number of shares	in %	Number of shares	in %
North America	62.4	37	40.8	24
Great Britain	48.7	29	56.0	32
Germany	14.7	9	17.4	10
France	13.2	8	21.5	12
Norway	5.7	3	8.9	5
Rest of Europe	15.1	9	14.9	9
Remaining regions	9.6	5	14.2	8
REGIONALLY ATTRIBUTABLE SHARES	**169.4**	**100**	**173.7**	**100**

SUSTAINABLE INVESTMENT

Institutional investors are increasingly basing their investment decisions on whether companies act sustainably and responsibly. Investors consult sustainability ratings and rankings to help them assess how companies perform in this area. MSCI ESG Research, one of the leading providers of analyses of this kind, has repeatedly upgraded Fresenius Medical Care's sustainability rating in recent years based on our good performance in the categories of product safety, product quality, and CO_2 emissions. Furthermore, since 2008, Fresenius Medical Care has participated in the program set up by the international organization CDP (Carbon Disclosure Project) for reporting on data relevant to climate protection. In 2019, we pooled a wide range of information on our sustainability activities in the sustainability section of our website at www.freseniusmedicalcare.com/about-us/sustainability. Our Non-Financial Group Report can be found starting on PAGE 81.

VOTING RIGHTS NOTIFICATIONS

Based on notifications we have received, we are aware that (besides Fresenius SE & CO. KGAA) only BlackRock, Inc. held more than 5 % of the voting rights in Fresenius Medical Care at the end of 2019. In addition, FIL Ltd. informed us that it holds more than 3 % of the shares.

All voting rights notifications as per sections 33, 38, and 39 of the German Securities Trading Act (WpHG) are published on our website at www.freseniusmedicalcare.com under "Investors".

ANALYSTS' ASSESSMENTS OF OUR SHARES

Financial analysts continue to show great interest in our company. In 2019, 26 equity analysts, known as sell-side analysts, reported on our company and on Fresenius Medical Care shares. At the end of the year, 16 of them issued a purchase recommendation, nine a hold recommendation, and one a sell recommendation.

RATING AND FINANCING

Fresenius Medical Care is rated investment grade by the three leading rating agencies Standard & Poor's, Moody's, and Fitch. The latter two agencies' rating remained unchanged in the period under review. Standard & Poor's increased its rating to BBB with a stable outlook in May 2019. An overview can be found in TABLE 2.25 ON PAGE 54.

In November, Fresenius Medical Care placed bonds in three tranches with a total volume of €1.75 BN as part of the European Medium Term Note (EMTN) program. We had already issued a ten-year bond with a volume of $500 M in June 2019.

INVESTOR RELATIONS ACTIVITIES

Our investor relations activities again focused on ensuring equal access to continuous and transparent information for all capital market participants. This constituted disclosing information on Fresenius Medical Care's strategy, its operational and financial business development, and its sustainability activities. Our target groups comprise not only shareholders, analysts, and other capital market participants, but also employees, journalists, and the general public. Our aim is to make a significant contribution to increasing the value of Fresenius Medical Care in the long term by means of transparent financial communication.

In fiscal year 2019, the Investor Relations team informed analysts and investors of the Company's development in more than 1,200 one-on-one discussions. Overall, we showcased Fresenius Medical Care at 31 roadshows and 34 investment conferences in Europe, North America, and Asia. A main focus here was on corporate governance: At roadshows in several European cities, the Chairman of the Supervisory Board of Fresenius Medical Care AG & CO. KGAA and the Investor Relations team answered questions on corporate management and control, the remuneration system, and the compliance organization.

We gave private investors insight into our company at several information events held by Germany's leading associations for retail investors (Schutzgemeinschaft der Kapitalanleger, SDK and Deutsche Schutzvereinigung für Wertpapierbesitz, DSW). Further information on Fresenius Medical Care's investor relations activities can be found on our website at www.freseniusmedicalcare.com/investors.

T 1.8 **KEY SHARE DATA**

Share type	No par value bearer share
Stock exchanges	
Germany	Frankfurt Stock Exchange/Prime Standard
U.S.	New York Stock Exchange (NYSE)
Securities identification numbers and ticker symbols	
Deutsche Börse	FME
NYSE (ADR)	FMS
WKN	578 580
ISIN	DE0005785802
CUSIP number (NYSE)	358029106
Reuters	FMEG.DE (Xetra) or FMS.N (NYSE)
Bloomberg	FME GY (Xetra) or FMS US (NYSE)

T 1.9 KEY FIGURES FOR FRESENIUS MEDICAL CARE SHARES

		2019	2018	2017	2016	2015
NUMBER OF SHARES[1]	in M	304.44	306.88	306.45	306.22	305.31
Share prices (Xetra trading)						
High for the year	in €	76.32	93.00	88.90	85.65	83.13
Low for the year	in €	55.58	56.64	74.69	71.62	60.57
Year-end	in €	65.96	56.64	87.78	80.45	77.73
Share prices (ADR NYSE)						
High for the year	in $	42.75	57.51	52.72	47.43	45.72
Low for the year	in $	31.10	31.30	39.70	38.37	35.96
Year-end	in $	36.83	32.39	52.55	42.21	41.84
Market capitalization[2]						
Year-end	in € M	20,081	17,382	26,900	24,716	23,732
Index weighting						
DAX	in %	1.34	1.41	1.78	1.80	1.87
Dividend						
Dividend per share	in €	1.20[3]	1.17	1.06	0.96	0.80
Dividend yield[4]	in %	1.82[3]	2.1	1.2	1.2	1.3
Total dividend payout	in € M	358[3]	359	325	294	244
Earnings per share (EPS)						
Number of shares[5]	in M	302.69	306.54	306.56	305.75	304.44
Earnings per share (EPS)	in €	3.96	6.47	4.17	3.74	3.14

[1] Shares outstanding on December 31 of the respective year.
[2] Based on shares outstanding.
[3] Based on the proposal to be approved by the Annual General Meeting on May 19, 2020.
[4] With reference to the respective year-end.
[5] Weighted average number of shares outstanding excluding treasury shares.

GROUP MANAGEMENT REPORT

GENERAL INFORMATION ABOUT THIS GROUP MANAGEMENT REPORT

In the following, we present a discussion and analysis of the Group Management Report of Fresenius Medical Care AG & CO. KGAA and its subsidiaries (together referred to as we, our, FMC AG & CO. KGAA, Fresenius Medical Care, the Group or the Company) prepared in accordance with sections 315 and 315e of the German Commercial Code and German Accounting Standards No. 17 and 20, as well as the consolidated financial statements and related notes contained elsewhere in this report. Some of the statements, including those concerning future revenue, costs and capital expenditures, possible changes in our industry as well as the competitive and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the Management Board of the Company's General Partner (Management Board) pertaining to future events that may affect us, but which we cannot assure that such events will occur or that the results will be as anticipated. Because these statements involve opportunities, risks and uncertainties, the actual results may differ materially (positive as well as negative) from the results which the forward-looking statements express or imply. The statements cover the content of and are subject to the uncertainties described in the discussions in this report in chapters "Outlook" starting on PAGE 60 and "Risks and Opportunities Report" starting on PAGE 63 as well as in NOTE 2 AND 22 of the notes to the consolidated financial statements.

The Non-Financial Report is not part of the Group Management Report. It is part of a separate chapter of the Annual Report and will be disclosed together with the Group Management Report. The Non-Financial Group Report can be found starting on PAGE 81.

Due to rounding, individual numbers and percentages presented in this report may not precisely reflect the absolute figures.

Our business is also subject to other opportunities, risks and uncertainties that we describe in our public filings. Developments in any of these areas could cause our results to differ materially to those that we or others have projected or may project.

OVERVIEW OF THE GROUP

We provide high-quality health care solutions for patients with chronic kidney failure. Our innovative products and therapies set high standards in dialysis treatment.

BUSINESS MODEL

OPERATIONS AND COMPANY STRUCTURE

Fresenius Medical Care is the world's leading dialysis company based on publicly reported revenue and the number of patients treated. We provide dialysis care and related services to people with chronic kidney failure, as well as other health care services. The health care services that we offer in addition to dialysis are described by the term "Care Coordination". Together with dialysis services, these constitute our health care services. We also develop and manufacture a full range of dialysis machines, systems and disposable products, which we sell to customers in around 150 countries as well as using them in our own health care service operations. Our dialysis business is therefore vertically integrated.

To further strengthen this vertically integrated dialysis business and enhance clinical outcomes and patient empowerment, we acquired NxStage Medical, Inc. (NxStage) in 2019. NxStage develops, produces and markets an innovative product portfolio of medical devices for use in home dialysis and in the critical care setting. For further information on the acquisition of NxStage, please refer to NOTE 3 in the notes to the consolidated financial statements.

We continue to generate most of our revenue with dialysis products and dialysis care services. In our 3,994 own dialysis clinics in around 50 countries worldwide, we provide care for over 345,000 dialysis patients. We are continuously expanding this network of clinics, which is the largest in the world based on the number of patients treated, to accommodate the ever-rising number of dialysis patients. At the same time, we operate 45 production sites in more than 20 countries. The most important plants for dialyzer production are in St. Wendel (Germany), Ogden (U.S.), Changshu (China), L'Arbresle (France), and Buzen (Japan). Dialysis machines are manufactured in Schweinfurt (Germany) and in Concord (U.S.).

Fresenius Medical Care has a decentralized structure and is divided into the regions North America, Europe, Middle East and Africa (EMEA), Asia-Pacific and Latin America. Our operating segments correspond to this regional breakdown (the term "North America Segment" refers to our North America operating segment, the term "EMEA Segment" refers to the Europe, Middle East and Africa operating segment, the term "Asia-Pacific Segment" refers to our Asia-Pacific operating segment, and the term "Latin America Segment" refers to our Latin America operating segment).

Fresenius Medical Care's company headquarters is in Bad Homburg v. d. Höhe, Germany. The headquarters in North America, our most important region in terms of revenue, is in Waltham, Massachusetts (U.S.).

CHART 2.2 ON PAGE 21 provides an overview of our most important production sites and headquarters.

OUR PRODUCTS AND SERVICES

Fresenius Medical Care provides mainly dialysis products and services. We also offer non-dialysis services as part of Care Coordination as well as non-dialysis products. Our products and services for the fiscal year 2019 are shown in CHART 2.1 ON PAGE 20.

Approximately 3.5 M patients worldwide regularly underwent dialysis treatment at the end of 2019. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. Healthy kidneys clean the blood of waste products, regulate water levels, and produce important hormones. If the kidneys are irreparably damaged and are therefore no longer able to function adequately over a longer period of time, this is known as chronic kidney failure or end-stage renal disease (ESRD). Many diseases can lead to chronic kidney failure, particularly diabetes, chronic nephritis or high blood pressure. There are currently two treatment options for ESRD: a kidney transplant and dialysis.

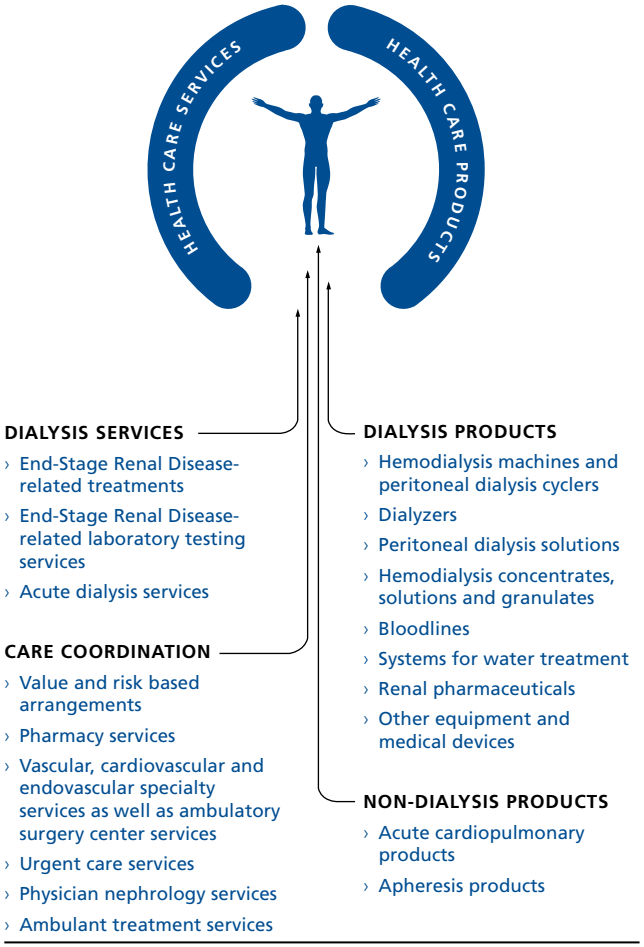
Our health care products

We develop, manufacture and distribute a wide variety of health care products, including both dialysis and non-dialysis products.

The dialysis products we offer in around 150 countries around the world focus on the following therapies:

› Hemodialysis (HD) – HD is by far the most common type of therapy for chronic kidney failure. Fresenius Medical Care provides a wide range of HD products in dialysis centers as well as for use at home. They include machines, dialyzers, bloodline systems, HD solutions and concentrates, water

C 2.1 **OUR PRODUCTS AND SERVICES**



treatment systems, as well as data processing and analysis systems.

› Peritoneal dialysis (PD) – In PD the peritoneum is used as a natural filter. We offer systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD) in dialysis centers as well as for use at home.

› Acute dialysis – In case of a sudden loss of renal function, continuous renal replacement therapy is used in intensive care units. Fresenius Medical Care also provides products for this.

We also offer non-dialysis products including acute cardiopulmonary products and products for apheresis therapy, which involves the removal of excess blood fats or pathogenic antibodies.

Our health care services

Dialysis services

Dialysis patients receive life-saving dialysis treatment and other associated services such as laboratory tests in our 3,994 (2018: 3,928) dialysis clinics worldwide. Dialysis treatment at our clinics is usually performed three times a week over a period of several hours by trained medical staff. We also provide advice on medical support and training for home dialysis patients in our dialysis centers.

In 2019, we treated most of our patients (61 %) in the North America Segment, followed by 19 % in the EMEA Segment, 10 % in the Latin America Segment and 10 % in the Asia-Pacific Segment.

Fresenius Medical Care is able to operate its own dialysis clinics in countries where the health care system allows private-sector companies to provide medical services and an appropriate reimbursement system is in place.

Care Coordination

Care Coordination allows us to further enhance our business beyond dialysis, for example in markets where the privatized dialysis market is relatively well developed and we already have a high market share. Although our Care Coordination business is geared to different geographical markets, we currently provide non-dialysis services mainly in North America and Asia-Pacific. In recent years, the health care system in the U.S. has started to move away from reimbursement of individual services toward holistic and coordinated care. Our Care Coordination activities and our experience in dialysis mean that we can participate in the development of the U.S. health care system. At the same time, patients can benefit from coordinated care, and health care systems from lower costs.

MAJOR MARKETS AND COMPETITIVE POSITION

According to our estimates, the number of dialysis patients worldwide reached around 3.5 M in 2019 (2018: 3.4 M) – a 6 % growth rate. In the same period, 345,096 patients were treated in Fresenius Medical Care's network of dialysis centers (2018: 333,331). This means that Fresenius Medical Care holds the leading position worldwide in dialysis care. More information on the number of patients can be found in CHART 2.3 ON PAGE 22.

Fresenius Medical Care is also the global market leader for dialysis products. Products made by Fresenius Medical Care for use in our own dialysis centers or for sale to third-party customers accounted for a market share of 36 % in 2019 (2018: 35 %). In the case of hemodialysis products, we had a

C 2.2 **MAJOR LOCATIONS**

North America

- **WALTHAM, U.S.**
  Regional headquarters North America
- **01 OGDEN, U.S.**
  Dialyzers
- **02 CONCORD, U.S.**
  Dialysis machines
- **03 OREGON, U.S.**
  Concentrates
- **04 MONTREAL, CA**
  Concentrates
- **05 IRVING, U.S.**
  Concentrates
- **06 ERIKA DE REYNOSA, MX**
  Bloodlines
- **07 GUADALAJARA, MX**
  Dialysis solutions
- **08 TIJUANA, MX**
  Cycler, concentrates

Latin America

- **RIO DE JANEIRO, BR**
  Regional headquarters Latin America
- **09 BOGOTÁ, CO**
  Dialysis solutions
- **10 JAGUARIÚNA, BR**
  Dialysis solutions
- **11 PILAR, AR**
  Concentrates

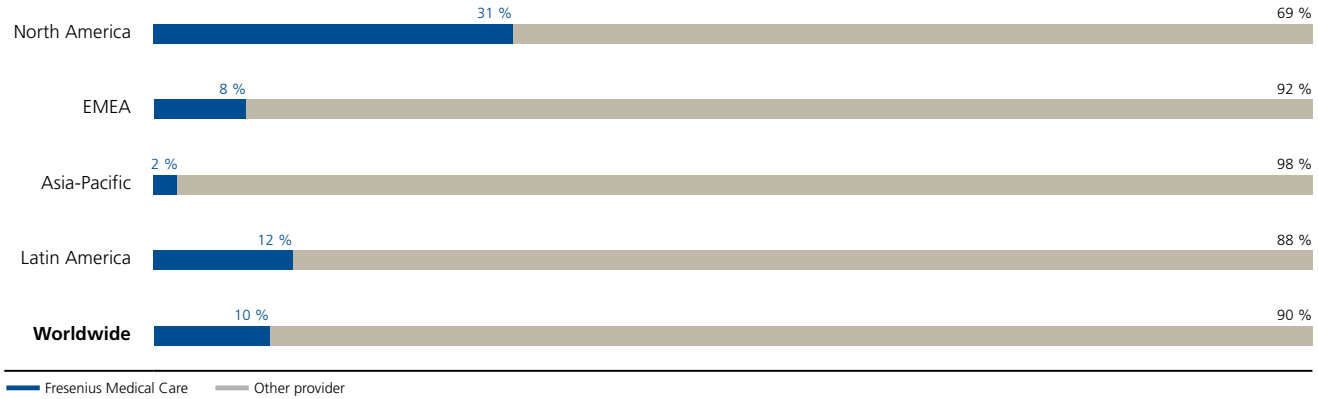
Europe

- **BAD HOMBURG, DE**
  Company headquarters and regional headquarters Europe, Middle East and Africa
- **12 SCHWEINFURT, DE**
  Dialysis machines
- **13 ST. WENDEL, DE**
  Dialyzers, PD solutions
- **14 L'ARBRESLE, FR**
  Dialyzers, concentrates
- **15 PALAZZO PIGNANO, IT**
  Bloodlines
- **16 KREMS, AT**
  Adsorbers
- **17 VRŠAC, RS**
  Dialyzers, bloodlines
- **18 ANTALYA, TR**
  Bloodlines

Asia-Pacific

- **HONG KONG, CN**
  Regional headquarters Asia-Pacific
- **19 INUKAI, JP**
  Fibers
- **20 BUZEN, JP**
  Dialyzers, PD bags
- **21 CHANGSHU, CN**
  Bloodlines, dialyzers
- **22 IPOH, MY**
  Systems for water treatment
- **23 ENSTEK, MY**
  Concentrates
- **24 SMITHFIELD, AU**
  Concentrates
- **25 SCORESBY, AU**
  Dialysis chairs, packs

C 2.3 **PATIENTS TREATED**



Source: Company data and estimates

41 % share of the global market (2018: 39 %), making us the world leader in this field as well.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of over 350 M units in 2019. More than 155 M (around 44 %) of these were made by Fresenius Medical Care, giving us by far the biggest market share. Hemodialysis machines constitute another key component of our product business. Here, too, we are the clear market leader. Of the estimated 102,000 machines installed in 2019, around 52,000, or more than 50 % (2018: more than 50 %), were produced by Fresenius Medical Care.

Furthermore, we hold a strong position in the market for peritoneal dialysis products: Around 16 % (2018: around 17 %) of all peritoneal dialysis patients use products made by Fresenius Medical Care.

Fresenius Medical Care is also the global leader in dialysis care, providing treatment to about 10 % of all dialysis patients. The market for dialysis care services in the U.S. is already highly consolidated. Fresenius Medical Care treats around 38 % of all dialysis patients here.

Outside the U.S., the dialysis services business is much more fragmented. With around 1,430 dialysis centers and approximately 137,000 patients in around 50 countries, Fresenius Medical Care operates by far the largest network of clinics.

MANUFACTURING, QUALITY AND SUPPLY

The Global Manufacturing, Quality and Supply (GMQS) division centrally manages all of Fresenius Medical Care's global activities relating to the procurement of raw materials and semi-finished goods as well as the manufacturing and distribution of renal products. In April 2019, Supply Chain Management was globalized in all regions under the responsibility of Global Manufacturing and Quality (GMQ). To reflect this integration in a single, unified organization, GMQ has been renamed GMQS.

GMQS strives to ensure reliable product quality and effective product supply at optimized total cost with efficient utilization of capital.

The objective of our production strategy is to manufacture high-quality products in the right place at the right time on the best possible terms. We are able to successfully implement this strategy thanks to a network of large production sites, where we make products for sale worldwide, as well as smaller production sites that primarily supply products regionally.

Strategic purchasing at Fresenius Medical Care is geared toward ensuring the availability, safety and quality of the materials used in production with the aim of further expanding our competitive and internationally balanced supplier network.

At the end of 2019, GMQS had 16,418 employees (full-time equivalents) (2018: 16,172). In total, we operate 45 production sites in more than 20 countries.

CORPORATE STRATEGY AND OBJECTIVES

Creating a future worth living. For patients. Worldwide. Every day. This purpose guides us in our efforts to give our patients around the world a better life by offering them high-quality products and outstanding health care. It is based on our corporate values: collaborative, proactive, reliable, excellent.

STRATEGIC CORE COMPETENCIES

Fresenius Medical Care aims to further consolidate its expertise as the world's leading provider of top-quality dialysis treatments and health care products and to apply them as a basis for sustainable, profitable growth. Moreover, in the area of Care Coordination, our goal is to provide holistic care and improve outcomes for patients as well as payors while increasing Fresenius Medical Care's corporate value in the long term. Our strategy is based on four core competencies (SEE CHART 2.4).

› Innovating products

Developing innovative products to achieve even better outcomes for our patients is an inherent part of our strategy of sustainable and profitable growth. We leverage our technology leadership position in dialysis to enhance treatment options in such a way that both patients and health care systems can benefit. This is also why we are committed to further expanding home dialysis. In addition, we are constantly striving to identify new business opportunities in value-added technologies and approaches, for example through our venture capital company Fresenius Medical Care Ventures.

› Operating outpatient facilities

By leveraging our experience gained in currently 3,994 proprietary dialysis clinics in around 50 countries, we have the knowledge to operate and manage stand-alone outpatient clinics efficiently and capture economies of scale. We are continuously optimizing and modernizing our processes and administrative structures.

› Standardizing medical procedures

Our goal is to standardize medical treatments and clinical processes while continuing to ensure high-quality clinical outcomes. In 2019, we established the Global Medical Office with the aim of enhancing knowledge transfer across the Company. By adding the Global Chief Medical Officer to the Management Board as of January 1, 2020, Fresenius Medical Care is underlining the importance of interlinking clinical science with therapy. With over 52 M dialysis treatments performed per year, we have one of the largest dialysis databases worldwide. We intend to use this information to standardize medical setups, open new clinics and integrate acquired clinics into our network based on proven and efficient concepts.

› Coordinating patients efficiently

In an environment of growing patient numbers and changing health care systems, Fresenius Medical Care sees significant potential in providing value-based care – especially in the U.S. This approach focuses on selling solutions, providing holistic care and receiving outcome-based reimbursement rather than offering single products or services.

Depending on the type of health care network in which we participate, we coordinate the care of our patients with other providers including physicians and other health care facilities. We then use the accumulated patient information to create predictive analytics.

GLOBAL EFFICIENCY PROGRAM

In 2017 we announced the second phase of our Global Efficiency Program (GEP II). The program's objectives are to identify and realize further efficiency potential and enhance the Company's overall competitiveness. The expected range of sustained cost improvements is €150 M to €200 M per annum by the end of 2020.

For further information on our goals, see the "Outlook" chapter starting on PAGE 60.

C 2.4 **CORPORATE STRATEGY**

PERFORMANCE MANAGEMENT SYSTEM

The Management Board oversees our Company by setting strategic and operational targets and measuring various financial key performance indicators used for internal management determined in euro based upon IFRS.

The key performance indicators used for internal management are the same in all the individual operating segments.

Each operating segment is evaluated based on target figures that reflect the revenue and expenses they control. The effects of certain transactions and income taxes are not included as we believe these items to be outside the operating segments' control. Financing is a corporate function, which the operating segments do not control. Therefore, we do not include interest expense relating to financing as an operating segment measurement. Similarly, we do not allocate certain costs which relate primarily to certain headquarters' overhead charges, including accounting and finance, global research and development, etc. because we believe that these costs are also not within the control of the individual operating segments.

Certain of the following key performance indicators and other financial information as well as discussions and analyses set out in this report include measures that are not defined by IFRS (Non-IFRS Measure). We believe this information, along with comparable IFRS measurements, is useful to our investors as it provides a basis for assessing our performance, payment obligations related to performance-based compensation as well as our compliance with financial covenants. Non-IFRS financial measures should not be viewed or interpreted as a substitute for financial information presented in accordance with IFRS.

Some key performance indicators and other financial measures used in this report such as changes in revenue, operating income and net income attributable to shareholders of FMC AG & CO. KGAA include the impact of translating local currencies to our reporting currency for financial reporting purposes. We calculate these Non-IFRS financial measures at constant exchange rates in our filings to show changes in our revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items without giving effect to period-to-period currency fluctuations. Under IFRS, amounts received in local (non-euro) currency are translated into euro at the average exchange rate for the period presented. Once we translate the local currency for the constant currency, we then calculate the change, as a percentage, of the current period calculated using the prior period exchange rates versus the prior period. This resulting percentage is a Non-IFRS Measure referring to a change as a percentage at constant currency. These currency-adjusted financial measures are identifiable by the designated terms "Constant Exchange Rates" or "Constant Currency."

We believe that the measures at Constant Currency are useful to investors, lenders and other creditors because such information enables them to gauge the impact of currency fluctuations on our revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items from period to period. In addition, under our long-term incentive plans, we measure the attainment of certain pre-determined financial targets for revenue growth and net income growth in Constant Currency. However, we 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 into euro. We do not evaluate our results and performance without considering both:

1. period-over-period changes in revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items prepared in accordance with IFRS and

2. Constant Currency changes in revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items.

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, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items prepared in accordance with IFRS. We present the growth rate derived from non-IFRS measures next to the growth rate derived from IFRS measures such as revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items. As the reconciliation is inherent in the disclosure, we believe that a separate reconciliation would not provide any additional benefit.

REVENUE

The management of our operating segments is based on revenue as a key performance indicator. We believe that the key to continue growing our revenue is to attract new patients and increase the number of treatments performed each year. The number of treatments performed each year is therefore an indicator of continued revenue growth. For further information regarding revenue recognition and measurement, refer to NOTE 1 K of the notes to consolidated financial statements. Revenue is also benchmarked based on movement at Constant Exchange Rates.

OPERATING INCOME

Operating income is the most appropriate measure for evaluating the profitability of the operating segments and there-

fore is also a key performance indicator. Operating income is also benchmarked based on movement at Constant Exchange Rates.

OPERATING INCOME MARGIN

Operating income margin represents the ratio of operating income to revenue. We believe operating income margin shows the profitability of each of our operating segments or our consolidated company.

DELIVERED OPERATING INCOME (NON-IFRS MEASURE)

As a result of the significance of noncontrolling interest holders in our operations, we believe a measure that is meaningful to investors is operating income less noncontrolling interests (Delivered Operating Income). Delivered Operating Income approximates the operating income attributable to the shareholders of FMC AG & CO. KGAA. As such, we believe that operating income is the closest comparable IFRS measure. Delivered Operating Income is also benchmarked based on movement at Constant Exchange Rates.

TABLE 2.5 shows the reconciliation of operating income to Delivered Operating Income on a consolidated basis and for our reporting segments.

NET INCOME GROWTH AT CONSTANT CURRENCY (NON-IFRS MEASURE)

On a consolidated level, percentage growth in net income (net income attributable to shareholders of FMC AG & CO. KGAA) at Constant Currency is an additional key performance indicator used for internal management.

T 2.5 **DELIVERED OPERATING INCOME RECONCILIATION**
IN € M

	2019	2018
North America		
Operating income	1,794	2,665
less noncontrolling interests	(225)	(231)
Delivered Operating Income	1,569	2,434
Dialysis		
Operating income	1,737	1,752
less noncontrolling interests	(205)	(212)
Delivered Operating Income	1,532	1,540
Care Coordination		
Operating income	57	913
less noncontrolling interests	(20)	(19)
Delivered Operating Income	37	894
EMEA		
Operating income	448	399
less noncontrolling interests	(5)	(4)
Delivered Operating Income	443	395

	2019	2018
Asia-Pacific		
Operating income	329	304
less noncontrolling interests	(8)	(9)
Delivered Operating Income	321	295
Dialysis		
Operating income	300	270
less noncontrolling interests	(7)	(7)
Delivered Operating Income	293	263
Care Coordination		
Operating income	29	34
less noncontrolling interests	(1)	(2)
Delivered Operating Income	28	32
Latin America		
Operating income	43	29
less noncontrolling interests	(1)	0
Delivered Operating Income	42	29
Total		
Operating income	2,270	3,038
less noncontrolling interests	(239)	(244)
DELIVERED OPERATING INCOME	**2,031**	**2,794**

BASIC EARNINGS PER SHARE GROWTH AT CONSTANT CURRENCY (NON-IFRS MEASURE)

Percentage growth in basic earnings per share at Constant Currency is a key performance indicator to evaluate our profitability. This indicator helps to manage our overall performance. Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted-average number of outstanding shares over the course of the year.

CAPITAL EXPENDITURES

We manage our investments using a detailed coordination and evaluation process. The Management Board sets our complete investment budget as well as the investment tar-

gets. Before realizing specific investment projects or acquisitions, our internal Acquisition & Investment Committee examines the individual projects and measures considering the expected return on investment and potential yield. Investment projects are evaluated using common methods such as net present value, internal interest rate methods and payback periods. We utilize this evaluation methodology to ensure that we only make and implement investments and acquisitions that increase shareholder value. Capital expenditures for property, plant and equipment is an indicator used for internal management. It influences the capital invested for replacement and expansion.

CASH FLOW MEASURES

Net cash provided by (used in) operating activities in % of revenue

Our consolidated statement of cash flows indicates how we generated and used cash and cash equivalents. In conjunction with our other primary financial statements, it provides information that helps us evaluate changes to our net assets and our financial structure (including liquidity and solvency). Net cash provided by (used in) operating activities is applied to assess whether a business can generate the cash required to make the necessary replacement and expansion of investments. This indicator is impacted by the profitability of our business and the development of working capital, mainly receivables. Net cash provided by (used in) operating activities in percent of revenue shows the percentage of our revenue that is available in terms of financial resources. It is an indicator of our operating financial strength.

Free cash flow in % of revenue (Non-IFRS Measure)

Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments) refers to the cash flow we have at our disposal, including cash flows that may be restricted for other uses. This indicator shows the percentage of revenue available for acquisitions and investments, dividends to shareholders, reducing debt financing or for repurchasing shares.

TABLE 2.6 shows the cash flow key performance indicators for 2019 and 2018 and reconciles free cash flow and free cash flow in percent of revenue to Net cash provided by (used in) operating activities and Net cash provided by (used in) operating activities in percent of revenue, respectively:

T 2.6 **CASH FLOW MEASURES**
IN € M

	2019	2018
Revenue	17,477	16,547
Net cash provided by (used in) operating activities	2,567	2,062
Capital expenditures	(1,125)	(1,057)
Proceeds from sale of property, plant and equipment	12	54
Capital expenditures, net	(1,113)	(1,003)
Free cash flow	1,454	1,059
Net cash provided by (used in) operating activities in % of revenue	14.7	12.5
Free cash flow in % of revenue	8.3	6.4

NET LEVERAGE RATIO (NON-IFRS MEASURE)

The net leverage ratio is a key performance indicator used for internal management. To determine the net leverage ratio, debt and lease liabilities less cash and cash equivalents (net debt) is compared to adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) (adjusted for acquisitions and divestitures made during the year with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement, non-cash charges and impairment loss). The ratio is an indicator of the length of time the Company needs to service the net debt out of its own resources. We believe that the net leverage ratio provides alternative information that management believes to be useful in assessing our ability to meet our payment obligations in addition to considering the absolute amount of our debt. We have a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of our customers have a high credit rating as the dialysis industry is characterized by stable and sustained cash flows. We believe this enables us to work with a reasonable proportion of debt, through the employment of an extensive mix of debt.

IFRS 16, Leases (IFRS 16) replaces the straight-line operating lease expense for former leases under IAS 17, Leases (IAS 17) with a depreciation charge for the lease asset and an interest expense on the lease liability as well as the classification of certain IAS 17 leases (such effects being, collectively "IFRS 16 Implementation"), SEE NOTE 1 of the notes to the consolidated financial statements. The adjustment to exclude the effects from the IFRS 16 Implementation is included solely for the purpose of increasing the comparability of previously reported information and is in conformity with the terms of the Amended 2012 Credit Agreement. This adjustment will only be made for the reporting periods included in this report and will not be included as an adjustment in the future.

TABLE 2.7 shows the reconciliation of adjusted EBITDA and net leverage ratio at December 31, 2019 and 2018.

T 2.7 RECONCILIATION OF ADJUSTED EBITDA AND NET LEVERAGE RATIO TO THE MOST DIRECTLY COMPARABLE IFRS FINANCIAL MEASURE
IN € M, EXCEPT FOR NET LEVERAGE RATIO

	Measure 2019	IFRS 16 Implementation	Measure (excluding IFRS 16)	Measure 2018
Debt and lease liabilities [1, 2]	13,782	(4,797)	8,985	7,546
Minus: Cash and cash equivalents	(1,008)	–	(1,008)	(2,146)
Net debt	**12,774**	**(4,797)**	**7,977**	**5,400**
Net income	1,439			2,226
Income tax expense	402			511
Interest income	(62)			(147)
Interest expense	491			448
Depreciation and amortization	1,553			725
Adjustments [3]	110			(722)
Adjusted EBITDA	**3,933**	**(774)**	**3,159**	**3,041**
NET LEVERAGE RATIO	**3.2**	**(0.7)**	**2.5**	**1.8**

[1] Debt includes the following balance sheet line items: short-term debt, short-term debt from related parties, current portion of long-term debt and long-term debt, less current portion.
[2] IFRS 16 Implementation includes lease liabilities and lease liabilities from related parties (€4,705 M), other financial liabilities resulting from changes in the accounting treatment for sale-leaseback transactions (€110 M) as well as the remaining balance of "liabilities from capital leases in accordance with IAS 17" at December 31, 2019, which are included in lease liabilities, but have already been included in debt as of December 31, 2018 (-€18 M).
[3] Acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement (2019: -€71 M; 2018: -€23 M), non-cash charges, primarily related to pension expense (2019: €46 M; 2018: €45 M), impairment loss (2019: €40 M; 2018: €65 M), (gain) loss related to divestitures of Care Coordination activities with a sales price above €50 M (2018: -€809 M) (SEE NOTE 4 C) of the notes to the consolidated financial statements) and NxStage related transaction costs (2019: €95 M).

TABLE 2.8 provides an overview of our key performance indicators.

T 2.8 KEY PERFORMANCE INDICATORS

	Results 2019		Results 2018
		adjusted for IFRS 16 Implementation	
Revenue in € M	17,477	17,592	16,547
Operating income in € M	2,270	2,195	3,038
Operating income margin in %	13.0	12.5	18.4
Delivered Operating Income in € M	2,031	1,956	2,794
Net income growth at Constant Currency in % [1]	(42)	(38)	60
Basic earnings per share growth at Constant Currency in % [1]	(41)	(38)	60
Capital expenditures in € BN	1.1	1.1	1.0
Acquisitions and investments in € BN [2]	2.2	2.2	0.4
Net cash provided by (used in) operating activities in % of revenue	14.7	11.1	12.5
Free cash flow in % of revenue	8.3	5.1	6.4
Net leverage ratio	3.2	2.5	1.8
ROIC in %	6.1	6.8	12.4

[1] Net income attributable to shareholders of FMC AG & Co. KGaA.
[2] Excluding investments in debt securities.

RETURN ON INVESTED CAPITAL (ROIC) (NON-IFRS MEASURE)

ROIC is the ratio of operating income after tax (net operating profit after tax or NOPAT) to the average invested capital of the last five quarter closing dates, including adjustments for acquisitions and divestitures made during the year with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement, and expresses how efficiently we allocate the capital under our control or how well we employ our capital with regard to a specific investment project. An adjustment to exclude amounts related to the IFRS 16 Implementation is included for the purpose of increasing the comparability of previously reported information in accordance with our long-term incentive plans in 2019 (SEE NOTE 20 of the notes to the consolidated financial statements).

TABLE 2.9 STARTING ON PAGE 28 shows the reconciliation of average invested capital to total assets, which we believe to be the most directly comparable IFRS financial measure, and how ROIC is calculated.

T 2.9 RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC (BASED ON IFRS MEASURES) (CONTINUATION SEE NEXT PAGE)
IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

2019	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
Total assets	32,935	33,169	31,956	32,353	26,242
Plus: Cumulative goodwill amortization	420	432	416	419	413
Minus: Cash and cash equivalents	(1,008)	(965)	(922)	(959)	(2,146)
Minus: Loans to related parties	(72)	(65)	(62)	(81)	(80)
Minus: Deferred tax assets	(361)	(348)	(329)	(309)	(346)
Minus: Accounts payable	(717)	(655)	(680)	(708)	(641)
Minus: Accounts payable to related parties	(119)	(255)	(156)	(210)	(154)
Minus: Provisions and other current liabilities[1]	(2,452)	(2,546)	(2,524)	(2,604)	(2,727)
Minus: Income tax payable	(180)	(181)	(171)	(161)	(166)
Invested capital	28,446	28,586	27,528	27,740	20,395
Average invested capital as of December 31, 2019	**26,539**				
Operating income	2,270				
Income tax expense[2]	(565)				
NOPAT	1,705				

2018	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018	Dec. 31, 2017
Total assets	26,242	25,587	25,045	24,157	24,025
Plus: Cumulative goodwill amortization	413	407	405	385	395
Minus: Cash and cash equivalents	(2,146)	(1,754)	(1,657)	(846)	(978)
Minus: Loans to related parties	(80)	(112)	(118)	(109)	(92)
Minus: Deferred tax assets	(346)	(328)	(334)	(325)	(315)
Minus: Accounts payable	(641)	(611)	(559)	(509)	(590)
Minus: Accounts payable to related parties	(154)	(194)	(183)	(236)	(147)
Minus: Provisions and other current liabilities[1]	(2,727)	(2,748)	(2,689)	(2,626)	(2,791)
Minus: Income tax payable	(166)	(209)	(330)	(239)	(194)
Invested capital	20,395	20,038	19,580	19,652	19,313
Average invested capital as of December 31, 2018	**19,796**				
Operating income	3,038				
Income tax expense[2]	(620)				
NOPAT	2,418				

[1] Including non-current provisions, non-current labor expenses and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.
[2] Adjusted for noncontrolling partnership interests.

ADJUSTMENTS TO AVERAGE INVESTED CAPITAL AND ROIC (CONTINUATION OF THE PREVIOUS PAGE)

IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

2019	Dec. 31, 2019	Sept. 30, 2019[3]	June 30, 2019[3]	March 31, 2019[3]	Dec. 31, 2018[3]
Total assets	–	156	149	151	2,092
Plus: Cumulative goodwill amortization	–	–	–	–	–
Minus: Cash and cash equivalents	–	(4)	(4)	(4)	(45)
Minus: Loans to related parties	–	–	–	–	–
Minus: Deferred tax assets	–	–	–	–	(1)
Minus: Accounts payable	–	–	–	–	(17)
Minus: Accounts payable to related parties	–	–	–	–	–
Minus: Provisions and other current liabilities[1]	–	(4)	(3)	(3)	(48)
Minus: Income tax payable	–	–	–	–	–
Invested capital	–	148	142	144	1,981
Adjustment to average invested capital as of December 31, 2019	**483**				
Adjustment to operating income[3]	(79)				
Adjustment to income tax expense[3]	20				
Adjustment to NOPAT	(59)				

2018	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018[3]	Dec. 31, 2017[3]
Total assets	–	–	–	(1,066)	(1,095)
Plus: Cumulative goodwill amortization	–	–	–	–	–
Minus: Cash and cash equivalents	–	–	–	46	47
Minus: Loans to related parties	–	–	–	–	–
Minus: Deferred tax assets	–	–	–	–	–
Minus: Accounts payable	–	–	–	13	13
Minus: Accounts payable to related parties	–	–	–	–	–
Minus: Provisions and other current liabilities[1]	–	–	–	220	226
Minus: Income tax payable	–	–	–	–	–
Invested capital	–	–	–	(787)	(809)
Adjustment to average invested capital as of December 31, 2018	**(320)**				
Adjustment to operating income[3]	(14)				
Adjustment to income tax expense[3]	3				
Adjustment to NOPAT	(11)				

[1] Including non-current provisions, non-current labor expenses and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.
[3] Including adjustments for acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement.

RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC (NON-IFRS MEASURE) (CONTINUATION OF THE PREVIOUS PAGE)

IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

2019	Dec. 31, 2019	Sept. 30, 2019[3]	June 30, 2019[3]	March 31, 2019[3]	Dec. 31, 2018[3]
Total assets	32,935	33,325	32,105	32,504	28,334
Plus: Cumulative goodwill amortization	420	432	416	419	413
Minus: Cash and cash equivalents	(1,008)	(969)	(926)	(963)	(2,191)
Minus: Loans to related parties	(72)	(65)	(62)	(81)	(80)
Minus: Deferred tax assets	(361)	(348)	(329)	(309)	(347)
Minus: Accounts payable	(717)	(655)	(680)	(708)	(658)
Minus: Accounts payable to related parties	(119)	(255)	(156)	(210)	(154)
Minus: Provisions and other current liabilities[1]	(2,452)	(2,550)	(2,527)	(2,607)	(2,775)
Minus: Income tax payable	(180)	(181)	(171)	(161)	(166)
Invested capital	28,446	28,734	27,670	27,884	22,376
Average invested capital as of December 31, 2019	**27,022**				
Operating income[3]	2,191				
Income tax expense[2, 3]	(545)				
NOPAT	1,646				
ROIC IN %	**6.1**				

2018	Dec. 31, 2018	Sept. 30, 2018	June 30, 2018	March 31, 2018[3]	Dec. 31, 2017[3]
Total assets	26,242	25,587	25,045	23,091	22,930
Plus: Cumulative goodwill amortization	413	407	405	385	395
Minus: Cash and cash equivalents	(2,146)	(1,754)	(1,657)	(800)	(931)
Minus: Loans to related parties	(80)	(112)	(118)	(109)	(92)
Minus: Deferred tax assets	(346)	(328)	(334)	(325)	(315)
Minus: Accounts payable	(641)	(611)	(559)	(496)	(577)
Minus: Accounts payable to related parties	(154)	(194)	(183)	(236)	(147)
Minus: Provisions and other current liabilities[1]	(2,727)	(2,748)	(2,689)	(2,406)	(2,565)
Minus: Income tax payable	(166)	(209)	(330)	(239)	(194)
Invested capital	20,395	20,038	19,580	18,865	18,504
Average invested capital as of December 31, 2018	**19,476**				
Operating income[3]	3,024				
Income tax expense[2, 3]	(617)				
NOPAT	2,407				
ROIC IN %	**12.4**				

[1] Including non-current provisions, non-current labor expenses and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.
[2] Adjusted for noncontrolling partnership interests.
[3] Including adjustments for acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement.

ADJUSTMENTS TO AVERAGE INVESTED CAPITAL AND ROIC FOR THE EFFECT FROM THE IFRS 16 IMPLEMENTATION (CONTINUATION OF THE PREVIOUS PAGE)
IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

2019	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019	Dec. 31, 2018
Total assets	(4,356)	(4,319)	(4,172)	(4,229)	-
Plus: Cumulative goodwill amortization	–	–	–	–	–
Minus: Cash and cash equivalents	–	–	–	–	–
Minus: Loans to related parties	–	–	–	–	–
Minus: Deferred tax assets	2	4	4	5	–
Minus: Accounts payable	–	–	–	–	–
Minus: Accounts payable to related parties	–	–	–	–	–
Minus: Provisions and other current liabilities [1]	(140)	(144)	(138)	(143)	–
Minus: Income tax payable	–	(4)	(4)	(1)	–
Invested capital	(4,494)	(4,463)	(4,310)	(4,368)	–
Adjustment to average invested capital as of December 31, 2019	**(3,527)**				
Adjustment to operating income	(75)				
Adjustment to income tax expense	18				
Adjustment to NOPAT	(57)				

RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC (NON-IFRS MEASURE, ADJUSTED FOR THE EFFECT FROM THE IFRS 16 IMPLEMENTATION) (CONTINUATION OF THE PREVIOUS PAGE)
IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

2019	Dec. 31, 2019	Sept. 30, 2019 [3]	June 30, 2019 [3]	March 31, 2019 [3]	Dec. 31, 2018 [3]
Total assets	28,579	29,006	27,933	28,275	28,334
Plus: Cumulative goodwill amortization	420	432	416	419	413
Minus: Cash and cash equivalents	(1,008)	(969)	(926)	(963)	(2,191)
Minus: Loans to related parties	(72)	(65)	(62)	(81)	(80)
Minus: Deferred tax assets	(359)	(344)	(325)	(304)	(347)
Minus: Accounts payable	(717)	(655)	(680)	(708)	(658)
Minus: Accounts payable to related parties	(119)	(255)	(156)	(210)	(154)
Minus: Provisions and other current liabilities [1]	(2,592)	(2,694)	(2,665)	(2,750)	(2,775)
Minus: Income tax payable	(180)	(185)	(175)	(162)	(166)
Invested capital	23,952	24,271	23,360	23,516	22,376
Average invested capital as of December 31, 2019	**23,495**				
Operating income [3]	2,116				
Income tax expense [2, 3]	(527)				
NOPAT	1,589				
ROIC IN % (ADJUSTED FOR IFRS 16)	**6.8**				

[1] Including non-current provisions, non-current labor expenses and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.
[2] Adjusted for noncontrolling partnership interests.
[3] Including adjustments for acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement.

RESEARCH AND DEVELOPMENT

Developing innovative products and continuously improving our dialysis treatments are intrinsic elements of our growth strategy. Our worldwide research and development activities, which are centrally managed by the Global Research and Development division (GRD), enable us to develop products efficiently and systematically promote the exchange of knowledge and technology between regions.

GLOBAL RESEARCH AND DEVELOPMENT STRATEGY

Health care systems face major financial challenges now and in the long term. This confirms our intention to gear our research and development activities toward developing innovative products that not only meet high quality standards, but are also affordable. As an operator of proprietary dialysis clinics and a provider of products for treating patients at home, we know that these are by no means incompatible aims.

Our research and development strategy is globally oriented, enabling us to respond even better to the worldwide rise in demand for high-quality yet cost-efficient treatment methods. In doing so, we also take regional market conditions into account and offer a differentiated product range.

In the future, we intend to deliver innovative, competitive products even more efficiently and strengthen our focus on developing countries. In addition to research and development activities within our Company, we collaborate with external partners with the aim of building a comprehensive innovation and technology network. These partners include numerous academic institutions, such as research institutes at prestigious universities in the U.S. Another partner is the Renal Research Institute (RRI) in New York. This subsidiary of Fresenius Medical Care North America is a renowned institution in the field of clinical research into all aspects of chronic kidney failure. Together, we are working on fundamental issues relating to dialysis treatment. We are also increasingly collaborating with start-ups with the objective of promoting an open culture of innovation and enabling access to the latest technologies.

INNOVATIONS IN 2019

To be able to continuously improve our patients' quality of life and the outcomes of their treatment and to ensure our growth in the medium to long term, we not only work on new products that are close to market launch, but also have an extensive portfolio of innovation projects. These focus on technologies in our core business as well as related areas of strategic interest.

New hemodialysis system in development

In 2019, the U.S. Food and Drug Administration (FDA) granted breakthrough device designation to a new hemodialysis system, currently in development, that aims to prevent blood clotting without the use of blood thinner medication. The novel system integrates the antithrombogenic additive Endexo into the manufacturing process of dialyzers and bloodlines. Endexo is a polymer made of surface modifying molecules that are designed to inhibit the adsorption of protein and platelets. When incorporated into the membrane, this additive creates a modified inner wall that allows blood to pass through more effectively. Citrasate dialysate would be used with the new dialyzers and bloodlines as part of this novel system. The hope is that the new system will help reduce the risk of coagulation and increase hemocompatibility thereby eliminating the need for blood thinners, such as heparin, in most standard dialysis treatments.

Digital health care

Digitization, connectivity and data analysis are key elements of our development strategy. In the future, our devices will be connected to a modern connectivity framework that takes full account of different user needs and therapy options. The aim is to make the processes more efficient and thus achieve ever better treatment outcomes. The data analysis of this framework enables us to offer intelligent products and solutions that illustrate the complexity of treatments and processes internally.

Application tailored to emerging markets

The number of dialysis patients worldwide is expected to increase. Emerging markets need cost-effective programs that help to better manage the entire dialysis treatment process. In response to this need, we are currently developing a digital application tailored to the Asian markets. The app is a cloud-based clinical information system that offers electronic treatment management at a reasonable price, thus increasing the efficiency of work processes in clinics. To test the digital app in its environment, Fresenius Medical Care launched a production pilot in a clinic in India in the third quarter of 2019. Market launch is planned mid/end of 2020.

Research in the field of regenerative medicine

We invest in promising technologies and research approaches in the area of regenerative medicine through our independent affiliate Unicyte AG as well as Fresenius Medical Care Ventures. In fiscal year 2019, we invested €60 M in Unicyte. Unicyte will primarily use this capital to start clinical trials and establish the corresponding manufacturing processes. Our continued investment in Unicyte shows our commitment to developing the best treatment options for our patients across the entire spectrum of renal therapy.

Our venture capital company Fresenius Medical Care Ventures is increasingly collaborating with start-ups with the aim of promoting an open culture of innovation and gaining access to the latest technologies. In 2019, Fresenius Medical Care Ventures invested in eGenesis, a leading player in the field of xenotransplantation of kidneys for patients with advanced renal disease. Xenotransplantation could significantly improve the lives of patients with kidney failure, reduce overall costs and dramatically increase the number of kidneys available for transplant.

RESEARCH AND DEVELOPMENT RESOURCES

In fiscal year 2019, Fresenius Medical Care spent a total of around €168 M on research and development (2018: €114 M), corresponding to around 5 % (2018: 3 %) of our health care product revenue. At the end of 2019, our patent portfolio comprised some 10,658 property rights in approximately 1,518 patent families, i.e. groups of patents linked to the same invention. Our research and development work in fiscal year 2019 produced around 163 additional patent families. Our broad portfolio of patents will provide us with a wide range of treatment options in this highly competitive field in the future.

At December 31, 2019, 1,157 highly qualified employees (full-time equivalents) worked for Fresenius Medical Care in research and development worldwide (December 31, 2018: 933). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams. More than 680 employees – the majority of our research and development staff – are based in Europe. Most research and development activities are carried out at our facilities in Schweinfurt and Bad Homburg v. d. Höhe (Germany). Other development sites are located in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). In the U.S., the Company maintains centers of excellence for the development of devices in Concord (California) and for dialyzers and other disposable products in Ogden (Utah). Development activities in Shanghai and Changshu (China) are focused on the growing demand for cost-effective dialysis systems in Asia and emerging markets. The Global Research and Development organization coordinates collaboration and technology exchange among the various sites. Carrying out research and development responsibly is an intrinsic element of our innovation culture. More information is shown in TABLE 2.10 ON PAGE 34.

EMPLOYEES

Fresenius Medical Care owes its business success to the commitment of its employees. At a functional level, our human resources management is conducted globally to ensure a uniform strategic approach in line with the overriding corporate objectives.

At December 31, 2019, Fresenius Medical Care employed a total of 120,659 members of staff (full-time equivalents) in 64 countries worldwide. Our workforce therefore increased by 7 % year-on-year, or by 8,001 employees in absolute terms. This was primarily the result of our acquisition efforts, above all relating to the integration of NxStage.

TABLE 2.11 ON PAGE 34 shows the breakdown of employees by operating segment as well as by products and services.

Staff costs at Fresenius Medical Care increased to €6,799 M in 2019 (2018: €6,440 M), corresponding to 39 % (2018: 39 %) of revenue. Average staff costs per employee (annual average based on full-time equivalents) amounted to €56,740 (2018: €57,129).

More information about our employees can be found in the Non-Financial Group Report starting on PAGE 81. For more information on diversity, see the "Corporate Governance Report" starting on PAGE 118.

QUALITY MANAGEMENT

At Fresenius Medical Care, we believe in offering high-quality and reliable products and therapies to ensure the best possible medical care for our patients and customers. We operate production facilities worldwide to meet the demand for our dialysis products and other health care products.

QUALITY MANAGEMENT AT OUR PRODUCTION SITES

Over the last several years, GMQS has introduced a stable infrastructure with efficient processes and systems. All production sites follow the "Lean Manufacturing" approach which, in North America and our Schweinfurt plant, includes the "Lean Six Sigma" management system. The focus of Lean Manufacturing and Six Sigma is on the continuous improvement of all manufacturing processes to achieve a low defect rate resulting in improved product quality, while reducing manufacturing times. We have successfully harmonized all local Quality Management Systems (QMS) in all manufacturing and development sites of our EMEA Segment, Latin America Segment and Asia-Pacific Segment under one Consolidated QMS (CQMS). Every medical device plant within these segments has a local QMS directed by CQMS that is certified either to ISO 13485:2016 and/or ISO 9001:2015. The QMS of each site is reviewed through periodic management review, internal corporate and internal local audits.

T 2.10 RESEARCH AND DEVELOPMENT

	2019	2018	2017	2016	2015
Research and development expenditures in € M	168	114	111	134	116
Number of patents [1]	10,658	9,152	8,396	7,748	6,643
Employees [1, 2]	1,157	933	825	794	649

[1] As of December 31, for the respective period presented.
[2] Full-time equivalents.

T 2.11 EMPLOYEES BY OPERATING SEGMENT
FULL-TIME EQUIVALENTS

	December 31, 2019	December 31, 2018	Change	Share
NORTH AMERICA	**60,478**	**55,591**	**4,887**	**50 %**
Health care services	55,611	54,374		
Health care products	4,867	1,217		
EMEA	**20,103**	**19,658**	**445**	**17 %**
Health care services	16,298	15,895		
Health care products	3,805	3,763		
ASIA-PACIFIC	**11,836**	**10,827**	**1,009**	**10 %**
Health care services	9,296	8,444		
Health care products	2,540	2,383		
LATIN AMERICA	**10,469**	**9,287**	**1,182**	**9 %**
Health care services	9,224	8,255		
Health care products	1,245	1,032		
WORLDWIDE	**120,659**	**112,658**	**8,001**	**100 %**
Corporate [1]	17,773	17,295	478	14 %

[1] Including the divisions Global Manufacturing, Quality and Supply as well as Global Research and Development.

QUALITY MANAGEMENT IN OUR DIALYSIS CLINICS

Our clinics work in conformance with the generally accepted quality standards of the industry, particularly the U.S. Kidney Disease Outcomes Quality Initiative (KDOQI) guidelines, the European Renal Best Practice standard (ERBP), and increasingly the Kidney Disease: Improving Global Outcomes (KDIGO), an industry initiative for global clinical practice guidelines. Clinical data management systems are used to routinely collect certain medical parameters, which we evaluate in anonymized form in compliance with these guidelines.

More information about our quality management including our quality data can be found in the Non-Financial Group Report starting on PAGE 81.

QUALITY-BASED REIMBURSEMENT SYSTEMS

We participate in quality-based reimbursement models, which we describe in the section "Health care and reimbursement systems vary from country to country" in the chapter "Economic Report" starting on PAGE 37.

RESPONSIBILITY AND SUSTAINABILITY MANAGEMENT

Operating on a global scale means having global responsibility. Fresenius Medical Care is aware of this responsibility.

Over the past years, we have continuously stepped up our sustainability activities. For us, sustainability means acting responsibly to achieve business success as well as medical, environmental and social progress. We have established a global sustainability governance structure to further improve the coordination and management of sustainability topics across all regions and functions.

Acting in a responsible and sustainable manner is a fundamental component of our strategy; it secures our future as a globally operating company in the health care industry.

Further information can be found in the Non-Financial Group Report starting on PAGE 81.

ECONOMIC REPORT

The dialysis market is a sustainable growth market with steadily rising demand for products and services to treat patients with chronic kidney disease.

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

MACROECONOMIC ENVIRONMENT

Dependency on economic cycles

Our business is exposed to economic cycles only to a relatively small extent. This sets us apart from manufacturers of consumer goods, for instance, whose products are subject to more cyclical demand.

Our business is impacted more by government reimbursement rates and remuneration systems. Dialysis is a vital medical service, which is why it is usually paid for by the responsible health care system.

Exchange rate developments

The global exchange rate developments in fiscal year 2019 were characterized by a relatively constant exchange rate between the euro and the U.S. dollar, as well as partly stronger fluctuations in the emerging economies. Some currencies in emerging economies in particular depreciated significantly against the euro and the U.S. dollar. As Fresenius Medical Care has a worldwide presence, the results of its operations are impacted by exchange rate developments. Movements in the U.S. dollar and the euro are especially crucial as we generate a major part of our revenues in the U.S. On average over the course of the year, the euro traded weaker against the U.S. dollar than in fiscal year 2018.

In addition, Fresenius Medical Care's operating results are influenced by changes in the exchange rate between the euro and local currencies. This is partly due to intra-Group sales from large production sites in the euro zone to Group companies with different functional currencies, but also because the euro is the currency we use for financial reporting. Regarding intra-Group sales, individual subsidiaries are exposed to fluctuations in the exchange rate between the invoicing currencies and the currencies in which they conduct their local operations. Fresenius Medical Care reduces transaction risks, i.e. risks from foreign currency exposures or exchange rate fluctuations, through a global network of production facilities, which is geared toward demand in the Company's dialysis product business. As the production facilities are often based in the markets they serve, costs are incurred in the same currency in which revenue is generated. The risk of exchange rate fluctuations is relatively low for health care services because they are provided locally and are therefore invoiced in the respective currency.

SECTOR-SPECIFIC ENVIRONMENT

Chronic kidney failure (end-stage renal disease, ESRD) is a global disease. The number of patients requiring renal replacement therapy is increasing worldwide: At the end of 2019, approximately 4.3 M patients underwent dialysis treatment or received a donor organ.

Further information can be found in TABLE 2.12.

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

The prevalence of chronic kidney failure varies between regions. There are several reasons for this:

- The countries differ demographically, as age structures in the population vary worldwide.
- The prevalence of risk factors for kidney disease, such as diabetes and high blood pressure, varies widely.
- The genetic predisposition for kidney disease also differs significantly around the world.
- Access to dialysis remains restricted in many countries, meaning that many patients suffering from chronic kidney failure are not treated and therefore do not appear in prevalence statistics.
- Cultural factors, such as nutrition, play a role.

The number of dialysis patients rose by around 6 % in 2019. The growth rate was lower in countries such as the U.S., Japan, and Western and Central Europe than in economically weaker regions, where it is generally above 6 %.

T 2.12 **PATIENTS WITH CHRONIC KIDNEY FAILURE**

	2019	Share
Patients with chronic kidney failure	**4,348,000**	**100 %**
Of which patients with transplants	815,000	19 %
Of which dialysis patients	**3,533,000**	**81 %**
Hemodialysis (HD)	3,143,000	72 %
Peritoneal dialysis (PD)	390,000	9 %

Source: Company information and estimates

Comparison of dialysis treatment methods

In 2019, most dialysis patients were treated in one of approximately 45,600 dialysis centers worldwide, with an average of more than 75 patients per center. However, this figure varies considerably from country to country.

Hemodialysis is by far the most common form of therapy for chronic kidney failure. A total of 88 % of dialysis patients were treated in this way at a dialysis center in 2019. Home hemodialysis is an alternative to treatment at a dialysis center. Although take-up has been limited to date, the number of home hemodialysis patients is rising continuously. A total of 1 % of all patients are currently treated in this way. In the year under review, 11 % of all dialysis patients were treated with peritoneal dialysis, usually at home. As a result, 12 % of our dialysis patients were treated with home dialysis.

CHART 2.13 shows a comparison of in-center and home dialysis.

Volume of the dialysis market

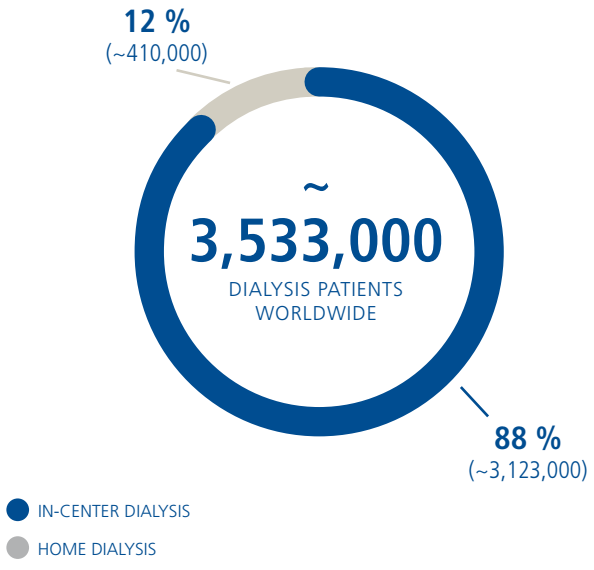
According to our estimates, the volume of the global dialysis market increased to around €80 BN in 2019 (2018: €74 BN). The market grew by 4 % over the past year at Constant Currency. We expect the following approximate breakdown for this market volume: around €14 BN for dialysis products and approximately €66 BN for dialysis services (including dialysis drugs).

Care Coordination

Chronic conditions such as diabetes and cardiovascular diseases are becoming increasingly common and are responsible for approximately two out of three deaths worldwide. In many countries, a large proportion of health care spending goes toward treating chronic diseases. To counteract the resultant increase in cost pressure, more and more health care systems, such as that in our largest market, the U.S., are starting to promote coordinated, holistic care rather than reimbursing individual services.

Due to the large number of different services offered in the area of Care Coordination, we cannot provide a meaningful estimate of the market volume. We currently offer medical services in Care Coordination primarily in the North America and Asia-Pacific Segments and have adapted our services in this area to these markets. The extent to which we roll out our Care Coordination services outside the U.S. may vary in individual countries and regions depending on the respective reimbursement system and market environment.

C 2.13 **IN-CENTER VS. HOME DIALYSIS**



Our customers are mostly health insurers and companies

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies.

Health care and reimbursement systems vary from country to country

As renal replacement therapy is a life-saving medical service, patients often do not have to pay for dialysis themselves. Instead, the costs are borne by the responsible health care system. The reimbursement systems for dialysis treatment – in other words, the structures used by health care systems to regulate reimbursement for dialysis services – differ from country to country and sometimes even within countries. The business activities of dialysis service providers and the reimbursement of dialysis therapy are affected by various factors including regional conditions, the treatment method, regulatory issues, and the type of provider (public or private).

Our ability to influence the reimbursement of our services is limited.

The reimbursement system in the U.S.

The environment for reimbursement and the conditions for prescribing ancillary services significantly influence our business. In the U.S., our biggest market, most of our patients are insured by the governmental health authority, the so-called Centers for Medicare and Medicaid (CMS). In fiscal year 2019, around 33 % of our revenue was attributable to reimburse-

ments by CMS, which also determines the reimbursement rates for its patients (Medicare/Medicaid patients).

Due to pressure to reduce health care costs, increases in the reimbursement rate were limited in the U.S. in the past. As a consequence, the reimbursement rate set by CMS as part of its prospective payment system (PPS) for chronic kidney failure treatments (known as the ESRD PPS rate) barely changed year-on-year. The ESRD PPS rate for 2019 amounted to $235.27, up 1.3 % on the 2018 base rate including an adjustment for the wage index budget neutrality factor. A reimbursement rate of $239.33 has been determined for 2020. This represents a 1.7 % increase on the 2019 base rate including an adjustment for the wage index budget neutrality factor and a productivity-adjusted market basket increase of 1.7 %.

Any significant reduction in Medicare reimbursement rates could have a material adverse effect on our health care services business. As demand for dialysis products is affected by Medicare reimbursement rates, this could have consequences for the development of our product business. To the extent that inflation, for example in the form of higher costs for personnel and disposables, is not fully compensated by an increase in reimbursement rates, our business and results of operations may also be adversely affected.

More information can be found in the "Results of operations, financial position and net assets" section starting on PAGE 42 and in the "Risks and Opportunities Report" starting on PAGE 63.

In the U.S., reimbursement by private insurers and managed care organizations is higher than reimbursement by government institutions. At the same time, payments from private insurers constitute a substantial portion of our profits, meaning our business is directly influenced by changes in the share of reimbursements by private insurers in North America. In fiscal year 2019, 34 % of the Group's health care revenue was related to private insurers in the North America Segment.

Transitional add-on payments for new drugs and devices in the U.S.

CMS included calcimimetics in the PPS rate with effect from January 1, 2018, following the FDA's announcement of approval for the intravenous calcimimetic Parsabiv for adult dialysis patients. Calcimimetics had previously been available in oral form only. To gather sufficient analytical data in order to determine the reimbursement rates, CMS has extended the period for transitional add-on payments for calcimimetics to 2020. In addition, for 2020 and beyond, CMS will reduce the basis of reimbursement for transitional add-ons, including the transitional add-on for calcimimetics, from an average sales price of 6 to 0 %.

The introduction of Parsabiv also affects the way in which some insurers – not including CMS – distribute calcimimetics to their patients. While some patients still obtain calcimimetics from their pharmacy, others are given them by their dialysis provider as a medical service. We receive additional reimbursements from several insurers for the calcimimetics administered at our dialysis clinics. However, as this is the first time there has been a transition from an exclusively oral drug to an intravenous one, the reimbursement landscape for non-CMS insurers is still evolving.

From 2021, CMS will also make transitional add-on payments for certain new and innovative dialysis equipment and supplies that are approved after January 1, 2020 and provided by dialysis facilities. These new machines and supplies must satisfy defined material clinical improvement criteria and will be reimbursed at 65 % of the invoice price, as determined by each Medicare Administrative Contractor.

Quality-based reimbursement

The health care debate in some countries is currently focused on establishing reimbursement structures based on treatment quality (pay for performance). In this case, more responsibility is transferred to the medical service provider. The goal of reimbursement models of this kind is to maintain a high quality of care combined with lower overall costs for the health care system.

The reimbursement system in the U.S. is also an example of a model based on qualitative criteria. For example, CMS defines quality standards for dialysis centers as part of its quality improvement program (QIP). Failure to reach these standards can lead to a reduction in annual reimbursements of up to 2 %.

Reimbursement in Care Coordination in the U.S.

We are also working closely with CMS in the area of Care Coordination. One example is our participation in a CMS ESRD care model: To improve the health of patients with chronic kidney failure while reducing CMS's costs, dialysis providers and physicians can join together to form entities known as ESCOS (End-Stage Renal Disease (ESRD) Seamless Care Organizations). We are currently participating through 23 ESCOS in this pilot project. ESCOS that fulfill the minimum quality standards specified by the program while generating reductions in the cost of care above certain thresholds for dialysis patients covered by the model receive a portion of the cost savings as reimbursement. ESCOS that involve dialysis chains with more than 200 clinics are required to share in the risk of cost increases and reimburse part of any such increases to CMS if the actual costs exceed the agreed thresholds. Approximately 45,000 patients participated in our ESCOS as at January 1, 2020. The ESCO pilot program will run until the end of 2020.

We have also concluded agreements on per capita reimbursements (subcapitations) as well as risk-based and value-based agreements with certain insurers, which form the basis for the health care services we offer to private and Medicare Advantage patients with chronic kidney failure. These agreements determine a basic amount per patient per month. If we provide complete care at a cost below this amount, we retain the difference. However, if the cost of complete care exceeds the basic amount, we may be obliged to pay the difference to the insurer.

Executive Order of the U.S. President on new reimbursement models

On July 10, 2019, the U.S. President signed an Executive Order (EO) on advancing kidney health. Among other things, the EO directs the Department of Health and Human Services (HSS) to develop new Medicare reimbursement models that enable diagnosis and treatment earlier in the course of kidney disease and support the expansion of home dialysis as well as promoting kidney transplants. One of these, the ESRD Treatment Choices Model (ETC Model), is a mandatory model that creates financial incentives for home dialysis treatments and kidney transplants. It envisages both positive and negative payment adjustments to the reimbursement for home dialysis treatments for a period of three years, as well as a performance-based reimbursement adjustment. The performance-based reimbursement adjustment is based on the rates of home dialysis and kidney transplants and will amount to between -8 and 5 % in the first reimbursement year and between -13 and 10 % in the final reimbursement year. The start date was originally scheduled for January 2020 but has been postponed. HHS has not yet set a new implementation date. However, it has signaled that participants will have 60 days after the final model has been released to start implementation. The program is proposed to run for six years. Participants in the model will be selected at random.

The Executive Order also announced voluntary Medicare reimbursement models aimed at providing financial incentives for health care providers in the area of chronic kidney disease and transplantation. Applications for the voluntary models were submitted in January 2020, but CMS has not provided a timeline for acceptance of the applications. It is still too early to predict the consequences of the ETC reimbursement model and the voluntary models for our business activities.

Charitable Premium Assistance

At the end of the Obama administration, HHS issued an Interim Final Rule (IFR) that limited patients' ability to use charitable premium assistance (CPA) to enroll in a private plan. In 2017, this IFR was temporarily enjoined after Fresenius Medical Care (along with DaVita, US Renal, and Dialysis Patients Citizens) sued CMS. The judge ruled that CMS had not shown good cause in bypassing the notice and comment process, and that the IFR was "arbitrary and capricious", noting that HHS had failed to consider the benefits of private qualified health plans and ignored the disadvantages of the IFR.

The Trump administration continues to work on this issue and sent a notice of proposed rulemaking addressing CPA to the Office of Management and Budget for review in June 2019. We do not yet know how this new proposed rule will impact CPA. The HHS identified a target date of November 2019 (11/00/19) for publication, but the proposed rule has not yet been published for comment. Additionally, there have been attempts to curtail the usage of CPA or reduce commercial reimbursement for dialysis patients receiving CPA by state legislatures.

OVERALL BUSINESS DEVELOPMENT

HIGHLIGHTS

Acquisitions and divestitures

On February 21, 2019, Fresenius Medical Care has successfully completed the acquisition of NxStage, which was announced in 2017, following approval by antitrust authorities in the United States. We acquired all of the outstanding shares of NxStage for $30.00 per common share. The total acquisition value of this business combination, net of cash acquired, is $1,976 M (€1,741 M at date of closing). NxStage is a leading medical technology company that develops, produces and markets an innovative product portfolio of medical devices for use in home dialysis and in the critical care setting. For further information SEE NOTE 3 of the notes to the consolidated financial statements.

Share buyback program

In February 2019, Fresenius Medical Care has resolved to repurchase shares of the Company with an aggregate volume of up to €1 BN via the capital markets over the next two years. On March 11, 2019 we announced to commence our share buyback program on the basis of the authorization by the General Meeting 2016. In the context of this share buyback program, we repurchased 3.7 M ordinary shares at a total purchase price (excluding ancillary transaction costs) of €270 M in the period from March 12, 2019 until and including May 10, 2019. Up to a maximum of 12 M ordinary shares will be repurchased at a total purchase price (excluding ancillary transaction costs) of up to €660 M (approximately $745 M) in the period from June 17, 2019 until and including June 17, 2020. As of December 31, 2019, 5.1 M ordinary shares had been repurchased at a total purchase price (excluding ancillary transaction costs) of €320 M. The own shares

repurchased by the Company will be used for the sole purpose of reducing the registered share capital by cancellation of the repurchased own shares. For further information SEE NOTE 17 of the notes to the consolidated financial statements.

Financing

Fresenius Medical Care successfully placed bonds with an aggregate principal amount of $500 M on June 13, 2019. The bonds have a maturity of ten years and an annual coupon of 3.750 %. The issue price is 98.461 %, resulting in a yield of 3.938 %. The proceeds will be used for general corporate purposes, including the refinancing of outstanding indebtedness.

On November 20, 2019, Fresenius Medical Care additionally placed bonds in three tranches with an aggregate volume of €1.75 BN: a €650 M bond with a four-year maturity and a coupon of 0.250 % at an issuing price of 99.901 % and with a yield of 0.275 %; a €600 M bond with a seven-year maturity and a coupon of 0.625 % at an issuing price of 99.238 % and with a yield of 0.737 %; and a €500 M bond with a ten-year maturity and a coupon of 1.250 % at an issuing price of 99.832 % and with a yield of 1.268 %. The proceeds will again be used for general corporate purposes, including refinancing of existing bonds. We issued the bonds under our European Medium-Term Note (EMTN) program.

Foreign Corrupt Practices Act (FCPA) agreement

On March 29, 2019, Fresenius Medical Care entered into a non-prosecution agreement with the United States Department of Justice (DOJ) and a separate agreement with the Securities and Exchange Commission (SEC) intended to resolve fully and finally the claims against us arising from the investigations. We paid a combined total in penalties and disgorgement of approximately $232 M to the DOJ and the SEC in connection with these agreements. The entire amount paid to DOJ and the SEC was reserved for in charges that we recorded in 2017 and 2018 and announced in 2018. As part of the settlement, we agreed to retain an independent compliance monitor for a period of at least two years and to an additional year of self-reporting. As of July 26, 2019, the monitor was appointed and the monitorship period commenced. For further information on these investigations SEE NOTE 22 of the notes to the consolidated financial statements.

COMPARISON OF ACTUAL BUSINESS RESULTS WITH THE OUTLOOK

The environment for our core business of dialysis evolved as expected in 2019. We met the outlook we set ourselves for the financial year 2019 to a great extent.

Our 2019 outlook did not include the effects of the FCPA related charge, the IFRS 16 Implementation, the contributions from Sound in the first half year of 2018 (Sound H1), the (gain) loss related to divestitures of Care Coordination activities, costs associated with the sustainable improvement of our cost base (Cost Optimization Costs) as well as all effects from the acquisition of NxStage. We have therefore adjusted the actual results for 2019 accordingly to make them comparable with the 2019 outlook. The basis 2018 for the outlook 2019 was adjusted for the (gain) loss related to divestitures of Care Coordination activities, the FCPA related charge as well as Sound H1. A reconciliation of the results 2019 and 2018 to the respective results 2019 and 2018 adjusted is given at TABLES 2.15 AND 2.16 ON PAGE 42.

The outlook for the 2019 financial year was based on the prevailing exchange rates at the beginning of the year 2019. We expected adjusted revenue growth in the range of 3 to 7 % at Constant Currency at the beginning of the year. We generated adjusted revenue of €17.3 BN. At Constant Currency, revenue increased by 5 % on an adjusted basis. We therefore met our expectations.

All operating segments, but above all the North America and Asia-Pacific Segments contributed to the expansion of our business. Further details on the development of revenue can be found in the section "Results of operations, financial position and net assets" starting on PAGE 42.

We expected our adjusted operating income to develop in the range of -1 to 3 % at Constant Currency in the 2019 financial year. The adjusted operating income for 2019 was €2.3 BN. Compared to the prior year the operating income decreased by 4 % on an adjusted basis. We therefore did not meet our expectations.

We expected adjusted Delivered Operating Income to develop in the range of -1 to 3 % at Constant Currency in 2019. The Delivered Operating Income for 2019 was €2.1 BN on an adjusted basis and decreased at Constant Currency by 3 % on an adjusted basis. We therefore did not meet our expectations.

At the beginning of the year, we set a target range for adjusted net income development of -2 to 2 % at Constant Currency for the 2019 financial year. On an adjusted basis, net income for 2019 decreased by 2 % to €1.4 BN at Constant Currency, which is within the range of our expectations.

Basic earnings per share decreased by 1 % at Constant Currency on an adjusted basis. This decrease is in line with the development of net income and shares outstanding, as we expected.

We earmarked €1.0 BN to €1.2 BN for capital expenditures. With an outlay of €1.1 BN, we remained within our outlook. We expected to spend around €0.4 BN to €0.6 BN on acquisitions and investments (adjusted for the acquisition of

NxStage). The adjusted actual figure was €0.5 BN with respect to acquisitions and investments (excluding investments in debt securities) and we therefore met our expectations. For further information, see the section "Results of operations, financial position and net assets" starting on PAGE 42.

Driven by earnings development and the good development in Days Sales Outstanding, adjusted net cash provided by (used in) operating activities in percent of revenue was high at 12.0 %, meeting our expectation of greater than 10 %.

Adjusted Free cash flow in percent of revenue was 5.9 % in 2019, which is also in line with our expectation of greater than 4 %.

According to our forecast, the adjusted net leverage ratio should have been below 2.5 at the end of 2019. Adjusted net leverage ratio was at 1.9 at the balance sheet date and is therefore as expected.

The adjusted ROIC was at 8.0 %. Therefore, ROIC was within our expectation of at least 8.0 %.

The proposed dividend per share of €1.20 to be approved by the Annual General Meeting on May 19, 2020 is within our expectation (in line with the development of the adjusted net income and shares outstanding).

The number of employees at Fresenius Medical Care (full-time equivalents) increased from 112,658 at the end of 2018 to 120,659 at the end of 2019. Exlcuding the acquisition of NxStage the number was 117,009. The number of employees therefore met our expectations of more than 117,000 full-time equivalents.

Research and development expenditures aimed at boosting Fresenius Medical Care's ability to adapt to future requirements amounted to €141 M on an adjusted basis, so that we did not achieve our expected range of €160 M to €170 M. Our research and development activities are focused on further developing existing product groups.

TABLE 2.14 shows the actual results and our outlook for 2019.

TABLES 2.15 AND 2.16 ON PAGE 42 provide a reconciliation of the results 2019 and 2018 to the respective results 2019 and 2018 adjusted. For further information see also section "Consolidated operating performance on an adjusted basis" in chapter "Results of operations, financial position and net assets" starting on PAGE 45.

T 2.14 RESULTS AND OUTLOOK FOR 2019

	Results 2019	Results 2019 adjusted[1]	Outlook 2019 Constant Currency[1]
Revenue growth at Constant Currency[2]	2 %	5 %	3–7 %
Operating income growth at Constant Currency[2]	(28 %)	(4 %)	(1)–3 %
Delivered Operating Income growth at Constant Currency[2]	(30 %)	(3 %)	(1)–3 %
Net income growth at Constant Currency[2, 3]	(42 %)	(2 %)	(2)–2 %
Basic earnings per share growth at Constant Currency[2, 3]	(41 %)	(1 %)	assessed based on expected development of net income and shares outstanding
Capital expenditures	€1.1 BN	€1.1 BN	€1.0–1.2 BN
Acquisitions and investments[4]	€2.2 BN	€0.5 BN	€0.4–0.6 BN
Net cash provided by (used in) operating activities in % of revenue[2]	14.7	12.0	> 10
Free cash flow in % of revenue[2]	8.3	5.9	> 4
Net leverage ratio	3.2	1.9	< 2.5
ROIC in %	6.1	8.0	≥ 8.0
Dividend per share[5]	€1.20	€1.20	assessed based on expected development of net income and shares outstanding
Employees[6]	120,659	117,009	> 117,000
Research and development expenses	€168 M	€141 M	€160–170 M

[1] Results 2019 adjusted and Outlook 2019 includes adjustments in order to make the business performance comparable in the corresponding period to Outlook 2019 for items such as: FCPA Related Charges, the IFRS 16 Implementation, the gain (loss) related to divestitures of Care Coordination activities and the Cost Optimization Costs. All effects from the pending acquisition of NxStage are excluded as well.
[2] For a reconciliation of results 2019 to results 2019 adjusted and results 2018 to results 2018 adjusted as a basis for targets 2019 see the following tables.
[3] Net income attributable to shareholders of FMC AG & Co. KGaA.
[4] Excluding investments in debt securities.
[5] Results 2019: proposal to be approved by the Annual General Meeting on May 19, 2020.
[6] Full-time equivalents.

T 2.15 RECONCILIATION OF RESULTS 2019 TO RESULTS 2019 ADJUSTED
IN € M

	Results 2019	IFRS 16 Implementation	NxStage operations[1]	NxStage costs[2]	Cost Optimization Costs	(Gain) loss related to divestitures of Care Coordination activities	FCPA related charge	Results 2019 adjusted
Revenue	17,477	115	(263)	–	–	–	–	17,329
Operating income	2,270	(75)	15	24	91	(29)	–	2,296
Delivered Operating Income	2,031	(75)	15	24	91	(29)	–	2,057
Net income[3]	1,200	70	63	18	67	(49)	–	1,369
Net cash provided by (used in) operating activities	2,567	(620)	(18)	–	6	(20)	160	2,075
Free Cash Flow	1,454	(560)	(14)	–	6	(20)	160	1,026

[1] Contribution of NxStage (NxStage Operations).
[2] Integration costs related to the acquisition of NxStage (NxStage Costs).
[3] Net income attributable to shareholders of FMC AG & Co. KGaA.

T 2.16 RECONCILIATION OF RESULTS 2018 TO RESULTS 2018 ADJUSTED AS BASIS FOR TARGETS 2019
IN € M

	Results 2018	(Gain) loss related to divestitures of Care Coordination activities	FCPA related charge	Sound H1	Results 2018 adjusted
Revenue	16,547	–	–	(521)	16,026
Operating income	3,038	(809)	77	(14)	2,292
Delivered Operating Income	2,794	(809)	77	(14)	2,048
Net income[1]	1,982	(673)	28	4	1,341

[1] Net income attributable to shareholders of FMC AG & Co. KGaA.

RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS

The following sections summarize our results of operations, financial position and net assets as well as key performance indicators by reporting segment, as well as Corporate, for the periods indicated.

We prepared the information consistent with the manner in which management internally disaggregates financial information to assist in making operating decisions and evaluating management performance.

RESULTS OF OPERATIONS

For further information on the results of operations of Fresenius Medical Care, SEE TABLE 2.17 ON PAGE 43.

Revenue and operating income generated in countries outside the eurozone are subject to currency fluctuations. The year ended December 31, 2019 was positively impacted by the development of the euro against the U.S. dollar whereas the year ended December 31, 2018 was negatively impacted by the development of the euro against the U.S. dollar. In the twelve-month period ended December 31, 2019, approximately 70 % of revenue and approximately 79 % of operating income were generated in U.S. dollars.

T 2.17 **SEGMENT DATA (INCLUDING CORPORATE)**
IN € M

	2019	2018
Total revenue		
North America Segment	12,195	11,570
EMEA Segment	2,693	2,587
Asia-Pacific Segment	1,859	1,689
Latin America Segment	709	686
Corporate	21	15
TOTAL	**17,477**	**16,547**
Operating income		
North America Segment	1,794	2,665
EMEA Segment	448	399
Asia-Pacific Segment	329	304
Latin America Segment	43	29
Corporate	(344)	(359)
TOTAL	**2,270**	**3,038**
Interest income	62	147
Interest expense	(491)	(448)
Income tax expense	(402)	(511)
NET INCOME	**1,439**	**2,226**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**(239)**	**(244)**
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA	**1,200**	**1,982**

Consolidated financial statements

For an overview of the key indicators for the consolidated financial statements, SEE TABLE 2.18 ON PAGE 44.

Health care services revenue increased by 5 %. In addition to a 4 % positive impact from foreign currency translation, health care services revenue increased by 1 % as growth in same market treatments (4 %), contributions from acquisitions (2 %) and increases in organic revenue per treatment (1 %), were largely offset by decreases attributable to prior year revenue associated with the divested Sound activities as well as the effect of closed or sold clinics (5 %) and a revenue recognition adjustment of €170 M for accounts receivable in legal dispute (1 %) (SEE NOTE 22 of the notes to the consolidated financial statements).

Dialysis treatments increased by 4 % as a result of growth in same market treatments (4 %) and contributions from acquisitions (1 %), partially offset by the effect of closed or sold clinics (1 %).

At December 31, 2019, we owned, operated or managed 3,994 dialysis clinics (excluding those managed but not consolidated in the U.S.) compared to 3,928 dialysis clinics at December 31, 2018. In the year ended December 31, 2019, we acquired 47 dialysis clinics, opened 123 dialysis clinics and combined or closed 104 clinics. The number of patients treated in dialysis clinics that we own, operate or manage (excluding patients of dialysis clinics managed but not consolidated in the U.S.) increased by 4 % to 345,096 at December 31, 2019 (December 31, 2018: 333,331).

Health care product revenue increased by 10 %, including a 2 % positive impact from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 8 %. Dialysis product revenue increased by 10 %. In addition to a 2 % positive impact from foreign currency translation, dialysis product revenue increased by 8 % driven by higher sales of home hemodialysis products (largely as a result of the acquisition of NxStage), dialyzers, hemodialysis solutions and concentrates, renal pharmaceuticals, bloodlines, peritoneal dialysis products and products for acute care treatments, partially offset by lower sales of machines as a result of changes in the accounting treatment for sale-leaseback transactions due to the IFRS 16 Implementation. Non-dialysis product revenue increased by 3 % to €76 M from €74 M with virtually no foreign currency translation effects. Non-dialysis product revenue increased due to higher sales of acute cardiopulmonary products.

The decrease period over period in the gross profit margin was 0.3 percentage points. Foreign currency translation effects represented a 0.1 percentage point increase in the current period. The decrease primarily reflects decreases in the EMEA Segment, the North America Segment and an unfavorable mix effect from the varying margins across our reporting segments, partially offset by an increase in the Asia-Pacific Segment. The decrease in the EMEA Segment was mainly driven by higher personnel expense in certain countries. The decrease in the North America Segment was mainly attributable to higher personnel expense, a revenue recognition adjustment for accounts receivable in legal dispute (SEE NOTE 22 of the notes to the consolidated financial statements included in this report) and the effect of a reduction in patient attribution and a decreasing savings rate for ESCOs (loss rate for 2019) based on recent reports for current and prior plan years ("ESCO effect"), partially offset by a positive impact from higher utilization of oral based ancillaries with favorable margins, a favorable effect from the IFRS 16 Implementation, the positive current year effect from the divestiture of Sound which operated at lower margins and the impact from the acquisition of NxStage. The increase in the Asia-Pacific Segment was largely due to favorable impacts from business

T 2.18 KEY INDICATORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

			Change in %		
	2019	2018	As reported	Currency translation effects	Constant Currency[1]
Revenue in € M	17,477	16,547	6	4	2
Health care services	13,872	13,264	5	4	1
Health care products	3,605	3,283	10	2	8
Number of dialysis treatments	52,148,107	50,027,579	4		
Same market treatment growth in %	3.5	2.8			
Gross profit as a % of revenue	30.9	31.2			
Selling, general and administrative costs as a % of revenue	17.5	17.4			
Operating income in € M	2,270	3,038	(25)	3	(28)
Operating income margin in %	13.0	18.4			
Delivered Operating Income in € M[2]	2,031	2,794	(27)	3	(30)
Net income attributable to shareholders of FMC AG & Co. KGaA in € M	1,200	1,982	(39)	3	(42)
Basic earnings per share in €	3.96	6.47	(39)	2	(41)

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income on a consolidated basis and for each of our operating segments, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.

growth and the IFRS 16 Implementation, partially offset by an unfavorable impact from acquisitions with lower margins.

The increase period over period in the selling, general and administrative ("SG&A") expenses as a percentage of revenue was 0.1 percentage points with virtually no impact from foreign currency translation. The increase was primarily driven by increases in the North America Segment and the Asia-Pacific Segment, partially offset by favorable impacts in the EMEA Segment and Corporate. The increase in the North America Segment was mainly driven by the effect from the integration and operational costs associated with NxStage, costs associated with the sustainable improvement of our cost base ("Cost Optimization Costs"), higher personnel expense as well as higher stock compensation expense, partially offset by the remeasurement effect on the fair value of the Humacyte investment, the prior year effects from U.S. Ballot Initiatives and the discontinuation of a non-IFRS policy with no associated cash flow effect. The increase in the Asia-Pacific Segment was due to the impact from business growth, an unfavorable impact from Care Coordination and an unfavorable effect from Cost Optimization Costs, partially offset by favorable foreign currency transaction effects. The decrease in the EMEA Segment was largely due to a reduction of a contingent consideration liability related to Xenios AG ("Xenios"), higher other income related to a favorable outcome in a legal proceeding, favorable foreign currency transaction effects and a positive impact from acquisitions, partially offset by higher bad debt expense and Cost Optimization Costs. The favorable impact in Corporate was driven by an accrual for FCPA related charge in the prior year (SEE NOTE 22 of the notes the consolidated financial statements included in this report).

The gain related to divestitures of Care Coordination activities decreased to €29 M from €809 M primarily due to the divestiture of Sound in 2018.

Research and development expenses increased by 47 % to €168 M from €114 M. The period over period increase as a percentage of revenue, was 0.3 percentage points, largely driven by research and development activities at NxStage, in-center and home program development as well as higher costs related to pre-development activities and research activities in the field of regenerative medicine.

Income from equity method investees increased slightly to €74 M from €73 M. The slight increase was primarily driven by higher income from Vifor Fresenius Medical Care Renal Pharma Ltd., an entity in which we have ownership of 45 %, mainly due to higher sales of renal pharmaceuticals.

The decrease period over period in the operating income margin was 5.4 percentage points. Foreign currency translation effects represented a 0.1 percentage point increase in the current period. The decrease in the current period was largely driven by the lower gain related to divestitures of Care Coordination activities as discussed above.

Delivered Operating Income decreased by 27 %. In addition to a 3 % positive impact from foreign currency translation, Delivered Operating Income decreased by 30 % largely driven by decreased operating income.

Net interest expense increased by 43 % to €429 M from €301 M. In addition to a 6 % negative impact from foreign currency translation, net interest expense increased by 37 % primarily due to the IFRS 16 Implementation and a higher debt level, partially offset by the replacement of high interest-bearing bonds by debt instruments at lower interest rates.

Income tax expense decreased by 21 % to €402 M from €511 M. The effective tax rate increased to 21.8 % from 18.7 % for the same period of 2018 largely driven by prior year impacts from favorable implications of the U.S. tax reform, the gain related to the divestiture of Care Coordination activities in 2018 and favorable prior year tax impacts from the FCPA related charge, partially offset by non-tax deductible expenses related to U.S. Ballot Initiatives.

Net income attributable to noncontrolling interests decreased by 2 % to €239 M from €244 M. In addition to a 5 % negative impact from foreign currency translation, net income attributable to noncontrolling interests decreased by 7 % due to lower performance in entities in which we have less than 100 % ownership.

Net income attributable to shareholders of FMC AG & CO. KGAA decreased by 39 % to €1,200 M from €1,982 M. In addition to a 3 % positive impact from foreign currency translation, net income attributable to shareholders of FMC AG & CO. KGAA decreased by 42 % driven by the combined effects of the items discussed above.

Basic earnings per share decreased by 39 %. In addition to a 2 % positive impact from foreign currency translation, basic earnings per share decreased by 41 % primarily due to the decrease in net income attributable to shareholders of FMC AG & CO. KGAA described above. The average weighted number of shares outstanding for the period decreased to approximately 302.7 M in 2019 (2018: 306.5 M), primarily as a result of our share buyback program.

We employed 120,659 people (full-time equivalents) as of December 31, 2019 (December 31, 2018: 112,658). This 7 % increase was primarily due to the NxStage acquisition.

Consolidated operating performance on an adjusted basis

Management believes that there are certain distinct transactions or events for which the operating results should be adjusted to enhance transparency and comparability. We believe the following results (adjusted to exclude these items) should be analyzed in connection with the results presented above. For the years ended December 31, 2019 and 2018, we identified the following transactions which, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance:

- an adjustment to the 2019 presentation to remove the effects of the IFRS 16 Implementation
- an adjustment to the 2019 presentation to remove the contribution of NxStage to conform to the 2018 presentation (NxStage Operations)
- an adjustment to the 2019 presentation to remove the integration costs related to the acquisition of NxStage on February 21, 2019 (NxStage Costs)
- an adjustment to the 2019 presentation to remove the Cost Optimization Costs
- an adjustment to the 2018 presentation to remove the contribution of Sound to conform to the 2019 presentation (Sound H1)
- an adjustment to remove the gain related to divestitures of Care Coordination activities (SEE NOTE 4 of the notes to the consolidated financial statements) ((Gain) loss related to divestitures of Care Coordination activities)
- an adjustment to the 2018 presentation to remove the FCPA related charge

TABLE 2.19 ON PAGE 46 reconciles the key indicators for the consolidated financial statements in accordance with IFRS to the key indicators adjusted for the items described above, as the adjustments allow for a better comparison of these key indicators to our Outlook 2019 presented in the section "Comparison of actual business results to the outlook" in the chapter "Overall business development" starting on PAGE 40. While we believe these adjustments provide additional clarity to the discussion of our operating results, TABLE 2.19 ON PAGE 46 should only be viewed as a supplement to our results disclosed in accordance with IFRS above.

Segment reporting

The following discussions pertain to the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment and the measures we use to manage these segments.

With regards to our Care Coordination services, we use additional business metrics, which are defined below.

Business metrics for Care Coordination

The measures for the North America Segment and the Asia-Pacific Segment discussed below include prior programs in which we participated and current and future programs that we will be participating in and will be reflected in the discussion of our business. Currently, in our North America Segment, sub-capitation, Bundled Payments for Care Improvement (BPCI) (until June 28, 2018 - SEE NOTE 4 of the notes to the consolidated financial statements), ESCO programs, Medicare Advantage ESRD Chronic Condition Special Needs Plans (MA-CSNPS) (until December 31, 2018) and other shared savings programs are included within the member months and

T 2.19 CONSOLIDATED OPERATING PERFORMANCE ON AN ADJUSTED BASIS
IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

	Results 2019	IFRS 16 Implementation	NxStage Operations	NxStage Costs	Cost Optimization Costs	(Gain) loss related to divestitures of Care Coordination activities	Results 2019 adjusted	Change in % as adjusted: Current rate	Change in % as adjusted: Constant Currency[1]
TOTAL REVENUE	**17,477**	**115**	**(263)**	**–**	**–**	**–**	**17,329**	**8**	**5**
Health care services	13,872	–	(12)	–	–	–	13,860	9	5
Health care products	3,605	115	(251)	–	–	–	3,469	6	4
TOTAL OPERATING INCOME	**2,270**	**(75)**	**15**	**24**	**91**	**(29)**	**2,296**	**0**	**(4)**
OPERATING INCOME MARGIN IN %	**13.0**						**13.2**		
Interest expense, net	(429)	172	71	–	–	–	(186)	(33)	(35)
Income tax expense	(402)	(27)	(23)	(6)	(24)	(20)	(502)	18	13
Net income attributable to noncontrolling interests	(239)	–	–	–	–	–	(239)	(2)	(7)
NET INCOME[2]	**1,200**	**70**	**63**	**18**	**67**	**(49)**	**1,369**	**2**	**(2)**
Basic earnings per share in €	3.96	0.23	0.21	0.06	0.22	(0.16)	4.52	3	(1)

	Results 2018	Sound H1[3]	(Gain) loss related to divestitures of Care Coordination activities	FCPA related charge	Results 2018 adjusted
TOTAL REVENUE	**16,547**	**(521)**	**–**	**–**	**16,026**
Health care services	13,264	(521)	–	–	12,743
Health care products	3,283	-	–	–	3,283
TOTAL OPERATING INCOME	**3,038**	**(14)**	**(809)**	**77**	**2,292**
OPERATING INCOME MARGIN IN %	**18.4**				**14.3**
Interest expense, net	(301)	21	–	–	(280)
Income tax expense	(511)	(3)	136	(49)	(427)
Net income attributable to noncontrolling interests	(244)	0	–	–	(244)
NET INCOME[2]	**1,982**	**4**	**(673)**	**28**	**1,341**
Basic earnings per share in €	6.47	0.01	(2.20)	0.09	4.37

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] Attributable to shareholders of FMC AG & Co. KGaA.
[3] Contribution of Sound Physicians.

medical cost under management calculations below. In the future, other programs may be included in the metrics below, including BPCI Advanced, a similar initiative to BPCI that began October 1, 2018 and is scheduled to extend through December 31, 2023. We commenced participation under the BPCI Advanced in January 2020 through a physician practice, which is majority-owned by National Cardiovascular Partners. Note that due to the timing required by CMS to review the BPCI and ESCO program data that we provide, estimates have been used to report these metrics in a timely manner. The Asia-Pacific Segment Care Coordination metric currently used for discussion purposes is patient encounters.

These metrics may be developed further in future periods. These metrics are neither IFRS measures nor non-IFRS measures and are therefore not accompanied by or reconciled to IFRS measures.

Member months under medical cost management

In our North America Segment, member months under medical cost management is calculated by multiplying the number of members included in value-based reimbursement programs, such as Medicare Advantage plans or other value-based programs in the U.S., by the corresponding number of months these members participate in those programs (Member Months). In the aforementioned programs, we assume the risk associated with generating savings. The financial results are recorded in earnings as our performance is determined. The membership offerings within Care Coordination are sub-capitation arrangements, MA-CSNPS (until December 31, 2018), ESCO and BPCI (until June 28, 2018 - SEE NOTE 4 of the notes to the consolidated financial statements) programs as well as other shared savings programs. An increase in patient membership may indicate future earnings or losses as our performance is determined through these managed care programs.

Medical cost under management

In our North America Segment, medical cost under management represents the management of medical costs associated with our patient membership in value-based programs. For ESCO, BPCI (until June 28, 2018 - SEE NOTE 4 of the notes to the consolidated financial statements) and other shared savings programs, this is calculated by multiplying the Member Months in each program by the benchmark of expected medical costs per member per month. The sub-capitation and MA-CSNPS calculation multiplies the premium per member of the program per month by the number of member months associated with the plan, as noted above.

Care Coordination patient encounters

In the North America Segment and the Asia-Pacific Segment, Care Coordination patient encounters represents the total patient encounters and procedures conducted by certain of our Care Coordination activities and, we believe, is an indicator of the revenue generated. Care Coordination patient encounters in the North America Segment is the sum of all encounters and procedures completed during the period by Sound until June 28, 2018 (SEE NOTE 4 of the notes to the consolidated financial statements), MedSpring Urgent Care Centers, Azura Vascular Care, and National Cardiovascular Partners, the trade name of Laurus Healthcare L.P., as well as patients in our Fresenius Medical Care Rx Bone Mineral Metabolism (Rx BMM) program.

Care Coordination patient encounters in the Asia-Pacific Segment is the sum of all encounters for the following services: ambulant treatment services in day care hospitals, comprehensive and specialized health check-ups, inpatient and outpatient services, vascular access and other chronic treatment services.

North America Segment

Information about key indicators and business metrics for the North America Segment can be found in TABLE 2.20 ON PAGE 48.

Dialysis

Revenue

Dialysis revenue increased by 11 % including a 6 % positive impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis revenue increased by 5 %. Dialysis revenue is comprised of dialysis care revenue and health care product revenue.

Dialysis care revenue increased by 10 % to €9,973 M from €9,089 M. In addition to a 6 % positive impact from foreign currency translation, dialysis care revenue increased by 4 % mainly due to growth in same market treatments (3 %), increases in organic revenue per treatment (2 %) and contributions from acquisitions (1 %), partially offset by a revenue recognition adjustment of €170 M for accounts receivable in legal dispute (2 %) (SEE NOTE 22 of the notes to the consolidated financial statements).

Dialysis treatments increased by 4 % largely due to growth in same market treatments (3 %) and contributions from acquisitions (1 %). At December 31, 2019, 211,064 patients, an increase of 3 % (December 31, 2018: 204,107), were treated in the 2,579 dialysis clinics (December 31, 2018: 2,529) that we own or operate in the North America Segment.

In the U.S., the average revenue per treatment decreased to $352 (€298 at Constant Exchange Rates) from $354 (€300) largely due to a revenue recognition adjustment of €170 M for accounts receivable in legal dispute and lower revenue from commercial payors, partially offset by higher utilization

of oral based ancillaries and the impact from an increase in the ESRD PPS base rate.

Cost per treatment in the U.S., adjusted for the effects from the IFRS 16 Implementation, increased to $296 (€250 at Constant Exchange Rates) from $289 (€245). This increase was largely driven by higher personnel expense, higher costs for medical supplies, the integration and operational costs associated with NxStage and higher depreciation expense, partially offset by lower costs for renal pharmaceuticals.

Health care product revenue increased by 23 %. In addition to a 7 % positive impact from foreign currency translation, health care product revenue increased by 16 % driven by higher sales of home hemodialysis products, renal pharmaceuticals, dialyzers, peritoneal dialysis products, and hemodialysis solutions and concentrates, partially offset by lower sales of machines as a result of changes in the accounting treatment for sale-leaseback transactions in accordance with the IFRS 16 Implementation.

Operating income margin

The decrease period over period in the dialysis operating income margin was 1.8 percentage points including a 0.1 percentage point negative impact from foreign currency translation in the current period. The decrease was due to higher personnel expense, a revenue recognition adjustment for accounts receivable in legal dispute (SEE NOTE 22 of the notes the consolidated financial statements included in this report), the integration and operational costs associated with NxStage, and Cost Optimization Costs, partially offset by a favorable impact from higher utilization of oral based ancillaries with favorable margins, the remeasurement effect on the fair value of our Humacyte investment, a positive effect from the IFRS 16 Implementation, the prior year effect from the U.S. Ballot Initiatives, and discontinuation of a non-IFRS policy with no associated cash flow effect.

T 2.20 KEY INDICATORS AND BUSINESS METRICS FOR THE NORTH AMERICA SEGMENT

			Change in %		
	2019	2018	As reported	Currency translation effects	Constant Currency[1]
Total North America Segment					
Revenue in € M	12,195	11,570	5	5	(0)
Health care services	11,157	10,725	4	5	(1)
Health care products	1,038	845	23	7	16
Operating income in € M	1,794	2,665	(33)	3	(36)
Operating income margin in %	14.7	23.0			
Delivered Operating Income in € M[2]	1,569	2,434	(36)	3	(39)
Dialysis					
Revenue in € M	11,011	9,934	11	6	5
Number of dialysis treatments	32,138,448	30,843,876	4		
Same market treatment growth in %	3.3	2.5			
Operating income in € M	1,737	1,752	(1)	4	(5)
Operating income margin in %	15.8	17.6			
Delivered Operating Income in € M[2]	1,532	1,540	(1)	4	(5)
Care Coordination					
Revenue in € M	1,184	1,636	(28)	3	(31)
Operating income in € M	57	913	(94)	0	(94)
Operating income margin in %	4.8	55.8			
Delivered Operating Income in € M[2]	37	894	(96)	0	(96)
Member months under medical cost management[3, 4]	645,273	639,329	1		
Medical cost under management in € M[3, 4]	4,226	4,196	1	6	(5)
Care Coordination patient encounters[3, 4]	1,004,250	4,407,598	(77)		

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income for each of our operating segments, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[3] For further information on these metrics, please refer to the discussion above of our Care Coordination measures under "Segment reporting – Business metrics for Care Coordination" starting on PAGE 45.
[4] Data presented for the ESCO metrics are subject to finalization by CMS, which may result in changes from previously reported metrics.

Delivered Operating Income

Dialysis Delivered Operating Income decreased by 1 %. In addition to a 4 % positive impact from foreign currency translation, Delivered Operating Income decreased by 5 % mainly as a result of decreased operating income.

Care Coordination

Revenue

Care Coordination revenue decreased by 28 %. In addition to a 3 % positive impact from foreign currency translation, Care Coordination revenue decreased by 31 % largely driven by decreases attributable to prior year revenue associated with the divested Sound activities (33 %) and a decrease in organic revenue, including the ESCO effect (1 %), partially offset by contributions from acquisitions (3 %).

Operating income margin

The decrease period over period in the Care Coordination operating income margin was 51.0 percentage points, including a 0.1 percentage point negative impact from foreign currency translation in the current period. The decrease was mainly due to lower gains related to divestiture of Care Coordination activities, the ESCO effect, lower volumes for pharmacy services as well as unfavorable margins for oral based ancillaries, partially offset by a positive effect from the IFRS 16 Implementation.

Delivered Operating Income

Care Coordination Delivered Operating Income decreased by 96 % with virtually no impact from foreign currency translation. Delivered Operating Income decreased mainly as a result of decreased operating income.

Care Coordination business metrics

Member months under medical cost management remained relatively stable as the expansion of our existing ESCOs through the addition of new physician practice partners and dialysis facilities since the beginning of 2018 was mostly offset by the divestment of our controlling interest in Sound on June 28, 2018 and, as a result, the conclusion of our participation in BPCI. SEE NOTE 4 of the notes to consolidated financial statements and note 4 to TABLE 2.20 ON PAGE 48.

Care Coordination's medical cost under management increased by 1 %. Including a 6 % positive impact from foreign currency translation, Care Coordination's medical cost under management decreased by 5 % primarily due to the divestment of our controlling interest in Sound on June 28, 2018 (SEE NOTE 4 of the notes to consolidated financial statements) and, as a result, the conclusion of our participation in BPCI as well as a decrease in member months attributable to MA-CSNPS, which we no longer provide as of January 2019. This decrease was partially offset by the expansion of our existing ESCOs through the addition of new physician practice partners and dialysis facilities since the beginning of 2018 as well as an increase in member months attributable to sub-capitation programs. See note 4 to TABLE 2.20 ON PAGE 48.

The decrease in patient encounters was primarily driven by decreased encounters for hospital related physician services as a result of the divestiture of our controlling interest in Sound on June 28, 2018. SEE NOTE 4 of the notes to consolidated financial statements and note 4 to TABLE 2.20 ON PAGE 48.

North America Segment operating performance on an adjusted basis

Management believes that there are certain distinct transactions or events for which the operating results should be adjusted to enhance transparency and comparability. We believe the following results (adjusted to exclude these items) should be analyzed in connection with the results presented above. For the years ended December 31, 2019 and 2018, we identified the following transactions that, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance:

- an adjustment to the 2019 presentation to remove the effects of the IFRS 16 Implementation
- an adjustment to the 2019 presentation to remove the NxStage Operations
- an adjustment to the 2019 presentation to remove the NxStage Costs
- an adjustment to the 2019 presentation to remove the Cost Optimization Costs
- an adjustment to the 2018 presentation to remove Sound H1
- an adjustment to remove the (Gain) loss related to divestitures of Care Coordination activities

TABLE 2.21 ON PAGE 50 reconciles the key indicators for the North America Segment in accordance with IFRS to the key indicators adjusted for the items described above as the adjustments allow for a better comparison of these key indicators to our Outlook 2019 presented in the section "Comparison of actual business results to the outlook" in the chapter "Overall business development". While we believe these adjustments provide additional clarity to the discussion of our operating results, TABLE 2.21 ON PAGE 50 should only be viewed as a supplement to our results disclosed in accordance with IFRS above.

T 2.21 NORTH AMERICA OPERATING PERFORMANCE ON AN ADJUSTED BASIS
IN € M, EXCEPT AS OTHERWISE SPECIFIED

	Results 2019	IFRS 16 Implementation	NxStage Operations	NxStage Costs	Cost Optimization Costs	(Gain) loss related to divestitures of Care Coordination activities	Results 2019 adjusted	Change in % as adjusted: Current rate	Change in % as adjusted: Constant Currency[1]
REVENUE	**12,195**	**115**	**(263)**	**–**	**–**	**–**	**12,047**	**9**	**3**
Health care services	11,157	–	(12)	–	–	–	11,145	9	4
Thereof Dialysis Care	9,973	–	(12)	–	–	–	9,961	10	4
Thereof Care Coordination	1,184	–	–	–	–	–	1,184	6	1
Health care products	1,038	115	(251)	–	–	–	902	7	1
OPERATING INCOME	**1,794**	**(59)**	**19**	**24**	**83**	**(29)**	**1,832**	**(1)**	**(5)**
OPERATING INCOME MARGIN IN %	**14.7**						**15.2**		
Dialysis	1,737	(51)	19	24	83	–	1,812	3	(1)
Operating income margin in %	15.8						16.7		
Care Coordination	57	(8)	–	–	–	(29)	20	(78)	(79)
Operating income margin in %	4.8						1.7		

	Results 2018	Sound H1[2]	(Gain) loss related to divestitures of Care Coordination activities	Results 2018 adjusted
REVENUE	**11,570**	**(521)**	**–**	**11,049**
Health care services	10,725	(521)	–	10,204
Thereof Dialysis Care	9,089	–	–	9,089
Thereof Care Coordination	1,636	(521)	–	1,115
Health care products	845	–	–	845
OPERATING INCOME	**2,665**	**(14)**	**(809)**	**1,842**
OPERATING INCOME MARGIN IN %	**23.0**			**16.7**
Dialysis	1,752	–	–	1,752
Operating income margin in %	17.6			17.6
Care Coordination	913	(14)	(809)	90
Operating income margin in %	55.8			8.0

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] Contribution of Sound Physicians.

T 2.22 **KEY INDICATORS FOR THE EMEA SEGMENT**

			Change in %		
	2019	2018	As reported	Currency translation effects	Constant Currency[1]
Revenue in € M	2,693	2,587	4	0	4
Health care services	1,354	1,274	6	(1)	7
Health care products	1,339	1,313	2	0	2
Number of dialysis treatments	10,042,109	9,731,941	3		
Same market treatment growth in %	3.4	3.0			
Operating income in € M	448	399	12	(1)	13
Operating income margin in %	16.6	15.4			
Delivered Operating Income in € M[2]	443	395	12	(1)	13

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income for each of our operating segments, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.

EMEA Segment

Information about key indicators for the EMEA Segment can be found in TABLE 2.22.

Revenue

Health care service revenue increased by 6 %. Including a 1 % negative impact resulting from foreign currency translation, health care service revenue increased by 7 % largely as a result of growth in same market treatments (3 %), increases in organic revenue per treatment (3 %), and contributions from acquisitions (2 %), partially offset by the effect of closed or sold clinics (1 %).

Dialysis treatments increased by 3 % mainly due to growth in same market treatments (3 %) and contributions from acquisitions (2 %), partially offset by the effect of closed or sold clinics (2 %). As of December 31, 2019, 66,217 patients, an increase of 2 % (December 31, 2018: 65,061) were treated at the 781 dialysis clinics (December 31, 2018: 776) that we own, operate or manage in the EMEA Segment.

Health care product revenue increased by 2 %, with virtually no impact from foreign currency translation. Dialysis product revenue increased by 2 % due to higher sales of machines, products for acute care treatments, bloodlines and peritoneal dialysis products. Non-Dialysis product revenue increased by 3 % to €76 M from €74 M largely due to higher sales of acute cardiopulmonary products.

Operating income margin

The increase period over period in the operating income margin was 1.2 percentage points. Foreign currency translation effects represented a 0.1 percentage point decrease in the operating income margin. The increase was mainly due to a reduction of a contingent consideration liability related to Xenios, a positive impact from the IFRS 16 Implementation, higher other income related to a favorable outcome in a legal proceeding, and a favorable impact from acquisitions, partially offset by higher personnel expense in certain countries as well as higher bad debt expense.

Delivered Operating Income

Delivered Operating Income increased by 12 %. Including a 1 % negative impact resulting from foreign currency translation, Delivered Operating Income increased by 13 % primarily due to increased operating income.

Asia-Pacific Segment

Information about key indicators and business metrics for the Asia-Pacific Segment can be found in TABLE 2.23 ON PAGE 52.

Dialysis

Revenue

Dialysis revenue increased by 9 % including a 3 % positive impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis revenue increased by 6 %. Dialysis revenue is comprised of dialysis care revenue and health care product revenue.

Dialysis care service revenue increased by 9 % to €621 M from €568 M. Including a 5 % positive impact resulting from foreign currency translation, dialysis care service revenue increased by 4 % as a result of growth in same market treatments (7 %) and contributions from acquisitions (1 %), partially offset by the effect of closed or sold clinics (3 %) and a decrease in organic revenue per treatment (1 %).

Dialysis treatments increased by 5 % mainly due to growth in same market treatments (7 %) and contributions from acqui-

sitions (1 %), partially offset by the effect of closed or sold clinics (3 %). As of December 31, 2019, 33,005 patients, an increase of 5 % (December 31, 2018: 31,476) were treated at the 400 dialysis clinics (December 31, 2018: 394) that we own, operate or manage in the Asia-Pacific Segment.

Health care product revenue increased by 9 %. Including a 1 % positive impact resulting from foreign currency translation, health care product revenue increased by 8 % as a result of increased sales of dialyzers, bloodlines, hemodialysis solutions and concentrates products as well as for acute care treatments, partially offset by lower sales of machines.

Operating income margin

The increase period over period in the operating income margin was 0.3 percentage points. Foreign currency translation effects represented a 0.1 percentage point decrease in the operating income margin. The increase was primarily due to favorable impacts from foreign currency transaction effects as well as a positive effect from the IFRS 16 Implementation, partially offset by an effect from Cost Optimization Costs.

Delivered Operating Income

Delivered Operating Income increased by 11 %. Including a 2 % positive impact resulting from foreign currency translation, Dialysis Operating Income increased by 9 % mainly due to increased operating income.

Care Coordination

Revenue

Care Coordination revenue increased by 16 %. Including a 3 % positive impact resulting from foreign currency translation, Care Coordination revenue increased by 13 % driven by organic revenue growth (7 %) and contributions from acquisitions (6 %).

T 2.23 KEY INDICATORS AND BUSINESS METRICS FOR THE ASIA-PACIFIC SEGMENT

			Change in %		
	2019	2018	As reported	Currency translation effects	Constant Currency[1]
Total Asia-Pacific Segment					
Revenue in € M	1,859	1,689	10	3	7
Health care services	862	776	11	4	7
Health care products	997	913	9	1	8
Operating income in € M	329	304	8	2	6
Operating income margin in %	17.7	18.0			
Delivered Operating Income in € M[2]	321	295	9	3	6
Dialysis					
Revenue in € M	1,618	1,481	9	3	6
Number of dialysis treatments	4,579,220	4,371,742	5		
Same market treatment growth in %	7.1	6.4			
Operating income in € M	300	270	11	3	8
Operating income margin in %	18.5	18.2			
Delivered Operating Income in € M[2]	293	263	11	2	9
Care Coordination					
Revenue in € M	241	208	16	3	13
Operating income in € M	29	34	(13)	1	(14)
Operating income margin in %	12.1	16.2			
Delivered Operating Income in € M[2]	28	32	(11)	1	(12)
Care Coordination Patient Encounters[3]	1,010,238	982,169	3		

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income for each of our operating segments, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[3] For further information on patient encounters, please refer to the discussion of our Care Coordination measures under "Segment reporting – Business metrics for Care Coordination" starting on PAGE 45.

Operating income margin

The decrease period over period in the Care Coordination operating income margin was 4.1 percentage points. Foreign currency translation effects represented a 0.2 percentage point decrease in the operating income margin. The decrease was driven by higher start-up and operating costs as well as an unfavorable mix effect from acquisitions with lower margins, partially offset by a positive effect from the IFRS 16 Implementation.

Delivered Operating Income

Care Coordination Delivered Operating Income decreased by 11 %. Including a 1 % positive impact resulting from foreign currency translation, Care Coordination Delivered Operating Income decreased by 12 % mainly as a result of decreased operating income.

Care Coordination business metrics

The number of patient encounters increased due to increased encounters for comprehensive and specialized health check-ups as well as ambulant treatment services, inpatient and outpatient services, vascular access and other chronic treatment services.

Latin America Segment

Information about key indicators for the Latin America Segment can be found in TABLE 2.24.

Revenue

Health care service revenue increased by 2 %. Including a 23 % negative impact resulting from foreign currency translation, health care service revenue increased by 25 % as a result of increases in organic revenue per treatment (18 %), contributions from acquisitions (5 %) and growth in same market treatments (2 %).

Dialysis treatments increased by 6 % mainly due to contributions from acquisitions (4 %) and growth in same market treatments (2 %). As of December 31, 2019, 34,810 patients, an increase of 6 % (December 31, 2018: 32,687) were treated at the 234 dialysis clinics (December 31, 2018: 229) that we own, operate or manage in the Latin America Segment.

Health care product revenue increased by 6 %. Including a 6 % negative impact resulting from foreign currency translation, health care product revenue increased by 12 % due to higher sales of hemodialysis solutions and concentrates, machines, peritoneal dialysis products and products for acute care treatments, partially offset by lower sales of dialyzers.

Operating income margin

The increase period over period in the operating income margin was 1.8 percentage points. Foreign currency translation effects represented a 1.3 percentage point increase in the operating income margin in the current period. The increase was mainly due to favorable foreign currency transaction effects, a reimbursement rate increase in Chile and a positive impact from acquisitions, partially offset by the impact from hyperinflation and an increase in bad debt.

Delivered Operating Income

Delivered Operating Income increased by 47 %. Including a 12 % positive impact resulting from foreign currency translation, Delivered Operating Income increased by 35 % due to increased operating income.

FINANCIAL POSITION

Our investment and financing strategy did not change substantially in the past fiscal year as our business model, which is based on stable and high cash flows, allows for a reason-

T 2.24 **KEY INDICATORS FOR THE LATIN AMERICA SEGMENT**

			Change in %		
	2019	2018	As reported	Currency translation effects	Constant Currency[1]
Revenue in € M	709	686	3	(18)	21
Health care services	499	489	2	(23)	25
Health care products	210	197	6	(6)	12
Number of dialysis treatments	5,388,330	5,080,020	6		
Same market treatment growth in %	2.4	1.3			
Operating income in € M	43	29	47	12	35
Operating income margin in %	6.0	4.2			
Delivered Operating Income in € M[2]	42	29	47	12	35

[1] For further information on Constant Currency, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.
[2] For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income for each of our operating segments, see chapter "Overview of the Group" section "Performance management system" starting on PAGE 24.

able proportion of debt, through the employment of an extensive mix of debt. We still regard our refinancing options as being very stable and flexible. During the fiscal year, the focus of our investing activities was on our health care services business.

Financial management policies and goals

Besides optimizing our financial costs, our financing strategy gives top priority to ensuring financial flexibility. We remain flexible by using a wide range of financial instruments and being highly diversified with regard to our investors and banks. Our financing profile is characterized by a wide range of maturities up to 2029.

Our main mid- and long-term financing instruments are the Amended 2012 Credit Agreement (a syndicated credit agreement with revolving credit facilities and long-term loans in U.S. dollar and euro) as well as bonds in U.S. dollar and euro. Short-term financing needs are covered by issuances under our commercial paper program in euro, the Accounts Receivable Facility in U.S. dollar and bilateral credit facilities.

In our long-term financial planning, we focus primarily on the net leverage ratio, a non-IFRS measure. At December 31, 2019, the net leverage ratio was 3.2 (2018: 1.8). Adjusted for the IFRS 16 Implementation, the net leverage ratio was 2.5 at December 31, 2019. See "Performance management system" – "Net leverage ratio (Non-IFRS measure)" starting on PAGE 26.

The key financial risks we are exposed to include foreign exchange risk and interest rate risk. To manage these risks, we enter into various hedging transactions with banks that have been authorized by the Management Board and which generally have ratings in the "A" category or better. We do not use financial instruments for trading or other speculative purposes (for financial risks, see section "Other risks" in chapter "Risks and Opportunities Report" starting on PAGE 72 as well as NOTE 23 of the notes to the consolidated financial statements).

Fresenius SE, under a service agreement, conducts financial instrument activities for us under the control of a single centralized department. We have established guidelines for risk management procedures and controls including the use of financial instruments. These guidelines include a clear segregation of duties with regards to execution on the one hand and administration, accounting and controlling on the other.

We also utilize Fresenius SE's cash management system as well as an unsecured loan agreement with Fresenius SE (SEE NOTE 13 of the notes to the consolidated financial statements).

Rating

We are rated investment grade by the three leading rating agencies, Moody's, Standard & Poor's and Fitch - (SEE TABLE 2.25).

T 2.25 **RATING** [1]

	Standard & Poor's	Moody's	Fitch
Corporate credit rating	BBB	Baa3	BBB-
Outlook	stable	stable	stable

[1] A rating is not a recommendation to buy, sell or hold securities of the Company, and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

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

We are not involved in off-balance-sheet transactions that are likely to materially affect our financial position, results of operations, liquidity, capital expenditures, assets or capitalization.

Sources of liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term debt from third parties and related parties, proceeds from the issuance of long-term debt and divestitures. We require this capital primarily to finance working capital needs, fund acquisitions, operate clinics, develop free-standing renal dialysis clinics and other health care facilities, purchase equipment for existing or new renal dialysis clinics and production sites, repay debt, pay dividends and repurchase shares, (see "Net cash provided by (used in) investing activities" starting on PAGE 56 and "Net cash provided by (used in) financing activities" starting on PAGE 56).

At December 31, 2019, we had cash and cash equivalents of €1,008 M (December 31, 2018: €2,146 M).

Free cash flow (net cash provided by (used in) operating activities, after capital expenditures, before acquisitions and investments) in 2019 amounted to €1,454 M (2018: €1,059 M). Free cash flow is a Non-IFRS Measure and is reconciled to net cash provided by (used in) operating activities, the most directly comparable IFRS measure in chapter "Performance management system" starting on PAGE 24. Free cash flow in percent of revenue was 8.3 % in 2019 (2018: 6.4 %).

Net cash provided by (used in) operating activities

During 2019 we generated net cash provided by operating activities of €2,567 M (2018: €2,062 M). Net cash provided by operating activities in percent of revenue was 15 % for 2019 (2018: 12 %). Cash provided by (used in) 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 increase in net cash provided by operating activities was largely driven by the IFRS 16 Implementation leading to a reclassification of the repayment portion of rent to financing activities in the amount of €669 M.

The profitability of our business depends significantly on reimbursement rates for our services. Approximately 79 % of our revenue is generated by providing health care services, a major portion of which is reimbursed by either public health care organizations or private insurers. In 2019, approximately 33 % of our consolidated revenue was attributable to reimbursements from U.S. federal health care benefit programs, such as Medicare and Medicaid. 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 position and results of operations and thus on our capacity to generate cash flow.

In recent years, the stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD PPS in January 2011, (ii) across-the-board spending cuts in payments to Medicare providers by the U.S. federal government, commonly referred to as "U.S. Sequestration", (iii) the phased reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis pursuant to the American Taxpayer Relief Act of 2012 ("ATRA") as subsequently modified under the Protecting Access to Medicare Act of 2014 ("PAMA") and (iv) CMS's 2017 final rule on the Physician Fee Schedule, which partially corrected reimbursement for certain procedures that were materially undervalued in 2016.

We intend to continue to address our current cash and financing requirements using cash provided by operating activities, our existing and future credit agreements, issuances under our commercial paper program (SEE NOTE 13 of the notes to the consolidated financial statements) as well as from the use of our Accounts Receivable Facility. In addition, to finance acquisitions or meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of bonds. We aim to preserve financial resources with a minimum of €500 M of committed and unutilized credit facilities.

Net cash provided by (used in) operating activities depends on the collection of accounts receivable. Commercial customers and government institutions generally have different payment cycles. Lengthening 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 the legal systems and due to the economic conditions in some countries. Accounts receivable balances, net of valuation allowances, represented Days Sales Outstanding (DSO) of 73 days at December 31, 2019, a decrease as compared to 75 days at December 31, 2018.

DSO by segment is calculated by dividing the segment's accounts and other receivable and contract liabilities, converted to euro using the average exchange rate for the period presented, less any sales or value added tax included in the receivables, by the average daily sales for the last twelve months of that segment, converted to euro using the average exchange rate for the period. Receivables and revenues are adjusted for amounts related to acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement.

The development of DSO by reporting segment is shown in TABLE 2.26.

The DSO decrease in the North America Segment was largely due to a revenue recognition adjustment for accounts receivable in legal dispute (SEE NOTE 22 of the notes to the consolidated financial statements), partially offset by business growth. The decrease in the DSO for the EMEA Segment primarily related to increased bad debt reserves in the region. The decrease in the Asia-Pacific Segment was driven by an improvement of payment collections in China. The increase in the Latin America Segment reflects periodic delays in payment of public health care organizations in certain countries.

T 2.26 **DEVELOPMENT OF DAYS SALES OUTSTANDING**
IN DAYS, DECEMBER 31

	2019	2018
North America Segment	58	60
EMEA Segment	96	98
Asia-Pacific Segment	113	116
Latin America Segment	127	119
FMC AG & CO. KGAA AVERAGE DAYS SALES OUTSTANDING	**73**	**75**

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.

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. With respect to these 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.

T 2.27 **CAPITAL EXPENDITURES (NET), ACQUISITIONS, INVESTMENTS AND PURCHASES OF INTANGIBLE ASSETS**
IN € M

	Capital expenditures, net		Acquisitions, investments and purchases of intangible assets	
	2019	**2018**	**2019**	**2018**
North America Segment	567	495	2,080	768
thereof investments in debt securities			11	480
EMEA Segment	130	140	41	77
Asia-Pacific Segment	58	43	28	21
Latin America Segment	26	24	50	36
Corporate	332	301	34	23
TOTAL	**1,113**	**1,003**	**2,233**	**925**

Net cash provided by (used in) investing activities

Net cash used in investing activities was €3,286 M for 2019 (2018: €245 M). TABLE 2.27 ON PAGE 56 shows our capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment as well as acquisitions, investments and purchases of intangible assets for 2019 and 2018.

The majority of our capital expenditures were used for maintaining existing clinics, equipping new clinics, maintaining and expanding production facilities (primarily in the North America Segment, Germany and France), capitalization of machines provided to our customers and for Care Coordination as well as capitalization of certain development costs. Capital expenditures were approximately 6 % of total revenue in 2019 (2018: 6 %).

Acquisitions during 2019 were primarily driven by the acquisition of NxStage on February 21, 2019 (SEE NOTE 3 of the notes to the consolidated financial statements included in this report) as well as dialysis clinics.

In 2019, we received €60 M from divestitures. These divestitures were mainly related to the divestment of MedSpring Urgent Care Centers in Texas, sales of debt securities, the divestment of a California-based cardiovascular business and B.Braun Medical Inc.'s purchase of NxStage's bloodlines business in connection with our acquisition of NxStage.

Investments in 2018 were primarily driven by debt securities and an equity investment in Humacyte within the North America Segment. The remaining investments in the North America Segment, the EMEA Segment and the Latin America Segment were largely in acquisitions of dialysis clinics as well as license agreements and distribution rights in the North America Segment. In 2018, we received €1,683 M from divestitures mainly related to the divestment of Sound on June 28, 2018 (SEE NOTE 4 C) of the notes to the consolidated financial statements), as well as the sale of debt securities in the amount of €150 M.

In 2020 we anticipate capital expenditures of €1.1 to €1.3 BN and expect to make acquisitions and investments, excluding investments in debt securities, of approximately €0.5 to €0.7 BN (see the chapter "Outlook" starting on PAGE 60).

Net cash provided by (used in) financing activities

Net cash used in financing activities was €467 M in 2019 (2018: €682 M).

In 2019, cash was mainly used in the repayments of long-term debt (including the current portion of long-term debt primarily driven by the repayment of bonds due in July 2019), repayments of short-term debt (including short-term debt from related parties), repayment of lease liabilities, shares repurchased as part of a share buyback program, payment of dividends, and distributions to noncontrolling interests, partially offset by proceeds from long-term debt (including the issuance of bonds with a volume of €1,750 M and $500 M as well as additional drawings under the revolving credit facilities of the Amended 2012 Credit Agreement), proceeds from short-term debt (including short-term debt from related parties) and the utilization of the Accounts Receivable Facility.

In 2018, cash was mainly used in the repayments of long-term debt including the repayment of Bonds due in September 2018, the payment of dividends, the complete repayment of amounts drawn under the Accounts Receivable Facility, distributions to noncontrolling interests and repayments of short-term debt, partially offset by proceeds from short-term debt (including drawings under the commercial paper program), long-term debt through an issuance under the newly established debt issuance program and short-term debt from related parties.

On May 21, 2019, we paid a dividend of €1.17 per share for 2018 (€1.06 per share for 2017 paid in 2018). The total dividend payment was €355 M in 2019 (2018: €325 M).

C 2.28 **MATURITY STRUCTURE OF OUR SIGNIFICANT LONG-TERM FINANCING INSTRUMENTS (BASED ON NOMINAL AMOUNTS OUTSTANDING)**
IN € M

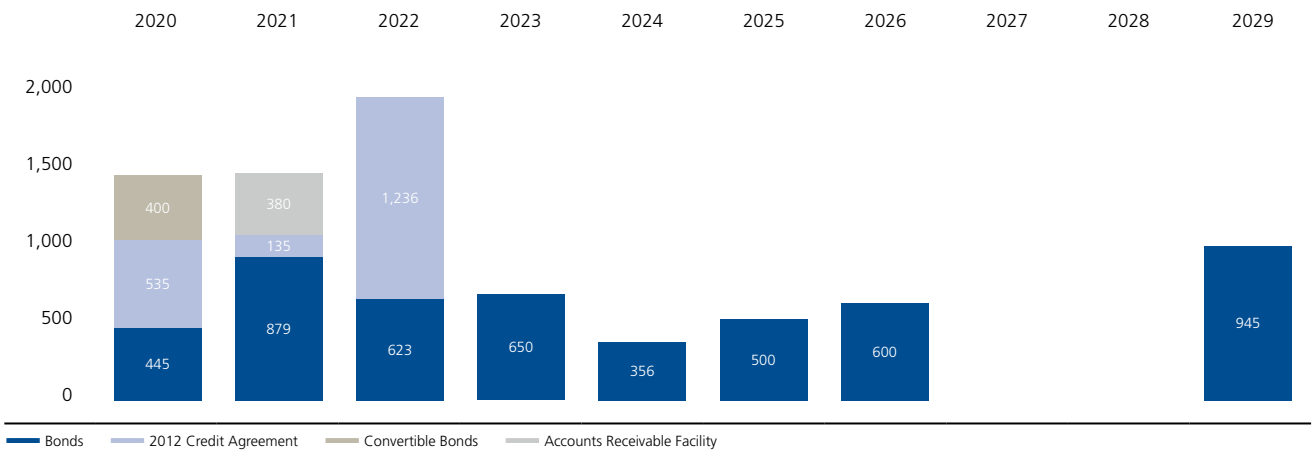


CHART 2.28 ON PAGE 57 summarizes our significant long-term financing instruments as well as their maturity structure at December 31, 2019.

For a description of our short-term debt including the commercial paper program, SEE NOTE 13 of the notes to the consolidated financial statements. For a description of our long-term sources of liquidity, including the Amended 2012 Credit Agreement, bonds, equity-neutral convertible bonds and the Accounts Receivable Facility, SEE NOTE 14 of the notes to the consolidated financial statements.

TABLE 2.29 ON PAGE 58 summarizes our available sources of liquidity at December 31, 2019.

An additional source of liquidity is our commercial paper program under which up to €1,000 M of short-term notes can be issued on a flexible and continuous basis. As of December 31, 2019 and December 31, 2018, we fully utilized the commercial paper program.

The amount of guarantees and other commercial commitments at December 31, 2019 was not significant.

At December 31, 2019, we had short-term debt (excluding the current portion of long-term debt) and short-term debt from related parties in the total amount of €1,172 M.

TABLE 2.30 ON PAGE 58 summarizes our obligations and commitments to make future payments under our long-term debt and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit as of December 31, 2019.

Our debt instruments, including the Amended 2012 Credit Agreement, outstanding bonds and the Accounts Receivable Facility contain covenants restricting or limiting our ability to dispose of assets, incur additional debt, create liens or engage in sale-leaseback transactions. However, these are subject to a number of exceptions and qualifications or may be suspended based on a ratings trigger. In addition, under our Amended 2012 Credit Agreement and Accounts Receivable Facility, we are obligated to not exceed a maximum consolidated net leverage ratio as defined in these financing agreements.

As of December 31, 2019, we were in compliance with all covenants under the Amended 2012 Credit Agreement and our other financing agreements. For information regarding our Amended 2012 Credit Agreement, bonds and the Accounts Receivable Facility, SEE NOTE 14 of the notes to consolidated financial statements.

Although current and future economic conditions could adversely affect our business and our profitability, we believe that we are well positioned to continue to grow our business while meeting our financial obligations as they come due. Due to the non-discretionary nature of the health care services we provide, the need for health care products utilized to provide such services and the availability of government reimbursement for a substantial portion of our health care services, our business is generally not cyclical. A substantial portion of our accounts receivable is generated by governmental payors. While payment and collection practices vary significantly between countries and even between agencies within one country, government payors usually represent low to moderate, credit risks. However, limited or expensive access to capital could make it more difficult for our customers to do business with us, or to do business generally, which could adversely affect our business by causing our customers to reduce or delay their purchases of our health care products (see "Results of operations" starting on PAGE 42). If the conditions in the capital markets worsen, this could increase our financing costs and limit our financial flexibility.

T 2.29 AVAILABLE SOURCES OF LIQUIDITY
IN € M

		Expiration per period of			
	Total	Less than 1 year	1–3 years	3–5 years	Over 5 years
Accounts Receivable Facility[1]	400	–	400	–	–
Amended 2012 Credit Agreement[2]	1,277	–	1,277	–	–
Other unused lines of credit	518	518	–	–	–
	2,195	**518**	**1,677**	**–**	**–**

[1] Subject to availability of sufficient accounts receivable that meet funding criteria. At December 31, 2019, the Company had letters of credit outstanding in the amount of $23 M (€21 M) which reduces the availability under the Accounts Receivable Facility to the amount shown in this table.
[2] At December 31, 2019, the Company had letters of credit outstanding in the amount of $1 M (€1 M) which reduces the availability under the revolving credit facility to the amount shown in this table.

T 2.30 CONTRACTUAL OBLIGATIONS AND COMMITMENTS[1]
IN € M

		Payments due by period of			
	Total	Less than 1 year	1–3 years	3–5 years	Over 5 years
Long-term debt[2]	8,624	1,657	3,566	1,185	2,216
Lease liabilities	5,442	770	1,443	1,076	2,153
Lease liabilities from related parties	130	19	37	36	38
Unconditional purchase obligations for inventory	444	209	166	56	13
Other long-term obligations[3]	159	106	38	15	–
Letters of credit	22	22	–	–	–
	14,821	**2,783**	**5,250**	**2,368**	**4,420**

[1] Our pension liabilities are not included in the table of contractual obligations and commitments. The regular or special funding of our pension plans may adversely affect our liquidity in the future periods. The liability recognized in our consolidated financial statements may fluctuate significantly in future periods due to changes in assumptions, in particular to the discount rate, the rate of future compensation increases and pension progression. Actual results could differ from assumptions due to changing market, economic and governmental regulatory conditions, thereby resulting in an increase or decrease of the liability. Employer contributions expected to be paid to the defined benefit plans during fiscal year 2020 are €1 M. For additional information regarding our pension plans and expected payments for the next ten years, SEE NOTE 16 of the notes to the consolidated financial statements. Further unconditional purchase agreements exist with an equity method investee of the Company. For further information on these agreements, SEE NOTE 5 of the notes to the consolidated financial statements.
[2] Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Euribor), the applicable margins, and the effects of related interest rate swaps.
[3] Other long-term obligations consist mainly of production asset acquisition commitments.

At our Annual General Meeting on May 19, 2020, our General Partner and our Supervisory Board will propose to the shareholders a dividend of €1.20 per share for 2019, payable in 2020 (for 2018 paid in 2019: €1.17). The total expected dividend payment is approximately €358 M compared to dividends of €355 M for 2018 paid in 2019.

Our principal financing needs in 2020 relate to repayments of the equity-neutral convertible bonds due in January 2020, which were refinanced via bonds in November 2019, and of bonds due in October 2020, to the share buyback program as well as amortizations under our Amended 2012 Credit Agreement. These payments as well as our dividend payment in May 2020, anticipated capital expenditures, and further acquisition payments are expected to be covered by our cash flow, using existing credit facilities and, if required, additional debt financing. We currently have sufficient flexibility under our debt covenants to meet our financing needs in the near future. Generally, we believe that we will have sufficient financing to achieve our goals in the future and to continue to promote our growth.

NET ASSETS

Our total consolidated assets in the past fiscal year were €32,935 M, an increase of €6,692 M (26 %) over the prior year, including a positive foreign exchange impact of 2 %.

Non-current assets increased by €7,374 M (40 %) to €25,770 M in 2019 and represented 78 % of total assets (2018: 70 %). Besides a positive foreign exchange impact of 2 %, this increase was primarily a result of the recognition of right-of-use assets due to the implementation of IFRS 16 in 2019 of €4,325 M. Additionally, the increase in goodwill and intangible assets, which was mainly due to the acquisition of NxStage in February 2019, contributed to the increase in non-current assets.

Current assets decreased by 9 % to €7,165 M. This was mainly the result of decreased cash and cash equivalents, primarily in connection with the acquisition of NxStage, partially offset by a positive foreign exchange impact of 1 %, higher finished goods, trade accounts and other receivables as well as increased other current assets.

On the liability side of the balance sheet, our total liabilities were €19,708 M at December 31, 2019, an increase of €6,368 M (48 %) from €13,340 M in 2018. This increase was primarily the result of the recognition of lease liabilities due to the implementation of IFRS 16 in 2019 of €4,705 M, higher short-term and long-term debt as well as pension liabilities. Foreign exchange impact represented 1 % of the increase of total liabilities.

Current liabilities account for €2,619 M of our debt, an increase of 118 M (5 %) from €2,501 M in the prior year. Foreign exchange impact represented 1 % of this increase. Furthermore, the increase of short-term debt was mainly a result of the reclassification of U.S. dollar-denominated bonds, the equity-neutral convertible bonds and an euro-denominated term loan under the Amended 2012 Credit Agreement to the current portion of long-term debt, as these will mature in 2020. The increase was partially offset by the repayment of bonds denominated in U.S. dollar and euro at their maturity in July 2019 and the decrease of short-term debt from related parties.

Long-term debt increased to €6,458 M from €5,045 M in the prior year, an increase of 1,413 M (28 %). Foreign exchange impact represented 1 % of this increase. Furthermore, the increase of long-term debt was mainly a result of the issuance of bonds with a total volume of €1,750 M and $500 M, the utilization of the Accounts Receivable Facility and additional drawings under the revolving credit facilities of the Amended 2012 Credit Agreement. It was partially offset by the reclassification of U.S. dollar-denominated bonds, the equity-neutral convertible bonds and an euro-denominated term loan under the Amended 2012 Credit Agreement as well as the quarterly repayments of the remaining term loans under the Amended 2012 Credit Agreement to the current portion of long-term debt.

Shareholders' equity increased by 3 % to €13,227 M. The increase was driven by a positive foreign exchange impact of 2 %, net income attributable to noncontrolling interests generated for the year, the purchase/sale of noncontrolling interests and proceeds from exercised stock options. It was partially offset by purchases of treasury stock as part of a share buyback program, dividend payments, distributions to noncontrolling interests, the valuation of noncontrolling interests subject to put options at fair value and changes in actuarial (gains) losses from changes in assumptions for pension obligations. The equity to assets ratio decreased to 40 % at December 31, 2019 from 49 % at December 31, 2018, primarily as a result of the recognition of right-of-use assets following the implementation of IFRS 16 in 2019. Adjusted for effect from the Implementation of IFRS 16, equity to assets ratio was 47 % at December 31, 2019.

At Group level, ROIC decreased to 6.1 % at December 31, 2019 from 12.4 % at December 31, 2018. Adjusted for the Implementation of IFRS 16, ROIC was 6.8 % at December 31, 2019 (see reconciliation in chapter "Performance management system" section "Return on invested capital" starting on PAGE 27). The decrease was mainly due to the positive effect from the gain related to divestitures of Care Coordination activities in the prior year. Goodwill, included in the item invested capital, has a significant impact on the calculation of the ROIC. The weighted average cost of capital (WACC) was 6.3 %.

For supplementary information on capital management and our capital structure, see also NOTE 18 of the notes to the consolidated financial statements.

MANAGEMENT'S GENERAL ASSESSMENT

2019 was a successful year for Fresenius Medical Care. We achieved our revenue and net income targets and are therefore proposing our 23rd consecutive dividend increase. Last year we also invested more strongly in our future growth, particularly in the area of home dialysis and in developing economies. In addition, our measures to increase efficiency and optimize our cost base are progressing according to plan. As a consequence, we expect growth to accelerate, and confirm the 2020 outlook that we issued early last year.

At the time this Management Report was prepared, the Management Board continued to assess the development of Fresenius Medical Care as positive. Demand for our products and services continue to grow steadily around the world.

SUBSEQUENT EVENTS

Refer to NOTE 27 of the notes to the consolidated financial statements.

OUTLOOK

The outlook describes how Fresenius Medical Care expects to perform in fiscal year 2020. These statements take into account all events known at the time the financial statements were prepared which could affect the development of our business in 2020.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company based on publicly reported revenue and the number of patients treated. We aim to further expand this position in the years ahead. As always, the basic principle of our corporate strategy is to fully capture the potential of being a vertically integrated company. This means consistently making use of the advantages that arise from covering the complete value chain of dialysis. Fresenius Medical Care intends to make steady progress in the provision of holistic care to dialysis patients and dialysis-related treatments. In addition to our products and dialysis treatment itself, we will continue to offer additional services in the future, such as supplementary medical services for the treatment of our patients in the area of Care Coordination. We have no plans to make significant changes to our business policy.

SECTOR-SPECIFIC ENVIRONMENT – DIALYSIS MARKET

The Company expects the number of dialysis patients worldwide to grow by about 6 % in 2020. Some significant regional differences are likely to remain: The Company anticipates an increase in the U.S., Japan and Western and Central Europe of less than 1 % to slightly above 3 %. The number of patients with chronic kidney disease is already relatively high in these countries and regions and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates will be higher. We expect patient numbers to continue growing in the coming years – SEE TABLE 2.31.

T 2.31 **EXPECTED GROWTH IN PATIENT NUMBERS**

	Growth 2020
North America Segment	~3 %
EMEA Segment	~4 %
Asia-Pacific Segment	~8 %
Latin America Segment	~3 %
WORLDWIDE	**~6 %**

Source: Internal estimates

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

- Demographic factors: Demographic factors are one of the main reasons for the continued growth of dialysis markets. As average life expectancy rises worldwide, the share of older people in the population is also growing. However, kidney function deteriorates with age. Therefore, demographic change is an important indicator for the future number of dialysis patients, which is expected to increase from around 3.7 M worldwide in 2020 to about 4.9 M in 2025.
- Increase in lifestyle diseases: Diseases such as high blood pressure and diabetes are on the rise around the world. They can cause damage to the entire organism and also often impair kidney function in the long-term.
- Improved access to medical care: Thanks to ongoing efforts to establish and expand balanced and sustainable health care systems in many countries around the globe, a growing number of patients are gaining access to suitable dialysis treatments for the first time. We expect this trend to continue and drive demand for high-quality products and treatments.
- Changes in the health care industry: The health care industry is constantly changing. We believe that demand for the holistic care of chronic patients will continue to rise. In future, the focus when treating kidney patients will no longer be simply on offering individual dialysis products or services, but also on combining all fields of application related to dialysis and coordinating them more effectively.

Hemodialysis will remain the treatment of choice, accounting for about 89 % of all dialysis therapies. Peritoneal dialysis will continue to be the preferred treatment for about 11 % of all dialysis patients.

The volume of the worldwide dialysis market, which amounted to about €80 BN last year according to preliminary estimates, is expected to increase by around 4 % per year. This is based on the assumption that exchange rates will remain stable in the forecasting period. The overall volume of the dialysis market could thus reach around €83 BN by 2020.

In addition, the reimbursement and ancillary services utilization environment significantly influences our business. In the U.S., our biggest sales market, the reimbursements of governmental institutions are lower than the reimbursements of private insurers. Therefore, a change in the portion of reimbursements by private insurers in the U.S. influences our business.

THE COMPANY'S BUSINESS PERFORMANCE IN 2020

Fresenius Medical Care's outlook for 2020 is at Constant Exchange Rates. Outlook 2020 is excluding special items. Special items are effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance. The growth rates are based on the results in 2019 adjusted for Cost Optimization Costs, the (gain) loss related to divestitures of Care Coordination activities and NxStage costs. For a reconciliation of the results 2019 to the results 2019 adjusted as a basis for the targets 2020, SEE TABLE 2.33 ON PAGE 62.

REVENUE

We aim revenue to incease at a mid to high single digit growth rate at Constant Exchange Rates in 2020.

RESULT OF OPERATIONS

Operating income

We expect operating income and Delivered Operating Income to develop at a mid to high single digit growth rate at Constant Exchange Rates in 2020. This growth for 2020 is based on operating income and Delivered Operating Income in 2019 adjusted for Cost Optimization Costs, the (gain) loss related to divestitures of Care Coordination activities and NxStage costs.

Net income

We aim to achieve a development in net income (net income attributable to shareholders of FMC AG & CO. KGAA) at a mid to high single digit growth rate at Constant Exchange Rates as well in 2020. This growth rate is based on net income in 2019 adjusted for Cost Optimization Costs, the (gain) loss related to divestitures of Care Coordination activities and NxStage costs.

Earnings per share

Basic earnings per share are expected to develop in the same way as net income in 2020 compared to 2019 assessed based on the expected development of net income and shares outstanding.

CAPITAL EXPENDITURES AND ACQUISITIONS AND INVESTMENTS

In 2020, we intend to spend around €1.6 BN to €2.0 BN on capital expenditures, acquisitions and investments (excluding investments in debt securities). Capital expenditures should account for €1.1 BN to €1.3 BN. Around 40 % of this amount is earmarked for expansion investments. €0.5 BN to €0.7 BN is to be used for mainly bolt-on acquisitions and equity investments in health care.

Capital expenditures will primarily be used to expand our production capacities and rationalize production processes, to equip new dialysis clinics and distributors as well as for maintenance.

LIQUIDITY

Cash flow

In 2020, net cash provided by operating activities in percent of revenue is expected to account for more than 12.5 %.

In 2020, free cash flow in percent of revenue is expected to account for more than 5 %.

Net leverage ratio

Fresenius Medical Care uses the net leverage ratio as a guideline in its long-term financial planning. The ratio was 3.2 at the end of 2019. The target figure is expected to be better than 3.5 at the end of 2020.

Profitability

We expect ROIC to be at least 6.0 % in 2020 compared to 6.1 % in 2019.

DIVIDEND

Fresenius Medical Care intends to continue its profit-oriented dividend policy in principle. Information on the proposed dividend increase can be found in the "Net cash provided by (used in) financing activities" section in chapter "Economic report" starting on PAGE 36.

NON-FINANCIAL PERFORMANCE INDICATORS

Employees

Due to the anticipated expansion of our business, we expect the number of employees to grow in all regions in 2020, particularly in the area of health care. By the end of 2020, the number of employees working for Fresenius Medical Care is estimated to increase to more than 124,000 (full-time equivalents).

Research and development

We aim to spend €210 M to €230 M on research and development in 2020. The number of personnel concerned (currently 1,157 full-time equivalents) should not change significantly.

The expected developments might be influenced by developments described in the "Risks and Opportunities Report" starting on PAGE 63.

Our Outlook for the financial year 2020 is summarized in TABLE 2.32.

For a reconciliation of the results 2019 to the results 2019 adjusted as a basis for the targets 2020, SEE TABLE 2.33. For further details on the consolidated operating performance on an adjusted basis see section "Results of operations, financial position and net assets" starting on PAGE 42.

GLOBAL EFFICIENCY PROGRAM

In 2017 we announced the second phase of our GEP II. The program's objectives are to identify and realize further efficiency potential and enhance our overall competitiveness. The expected range of sustained cost improvements is €150 M to €200 M per annum by the end of 2020.

MANAGEMENT'S GENERAL ASSESSMENT

In the financial year 2020 and beyond, we intend to continue Fresenius Medical Care's profitable growth track. We also aim to accelerate growth in 2020 by leveraging the effects of established initiatives to boost efficiency and reduce costs. A further priority will be on investing in expanding our clinic network as well as additional production capacities – especially in developing economies and growth markets. In addition, we plan to continuously improve our cost base. The conclusion of our Global Efficiency Program by the end of the year will provide us with a sustainable basis for improving our profitability.

T 2.32 OUTLOOK 2020

	Results 2019	Outlook 2020 (at Constant Currency)
Revenue [1]	€17,477 M	mid to high single digit growth rate
Operating income [1]	€2,356 M	mid to high single digit growth rate
Delivered Operating Income [1]	€2,117 M	mid to high single digit growth rate
Net income [1, 2]	€1,236 M	n.a.
Net income growth at Constant Currency [1, 2]	–	mid to high single digit growth rate
Basic earnings per share growth at Constant Currency [1, 2]	–	assessed based on expected development of net income and shares outstanding
Capital expenditures	€1.1 BN	€1.1 – €1.3 BN
Acquisitions and investments [3]	€2.2 BN	€0.5 – €0.7 BN
Net cash provided by (used in) operating activities in % of revenue	14.7	> 12.5
Free cash flow in % of revenue	8.3	> 5
Net leverage ratio	3.2	< 3.5
ROIC in %	6.1	≥ 6.0
Dividend per share [4]	€1.20	assessed based on expected development of net income and shares outstanding
Employees [5]	120,659	> 124,000
Research and development expenses	€168 M	€210 – €230 M

[1] Outlook 2020 excl. special items. Special items are effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance. Growth rates based on results 2019 adjusted for Cost Optimization Costs, the (Gain) loss related to divestitures of Care Coordination activities and NxStage costs. For a reconciliation of results 2019 to results 2019 adjusted as a basis for targets 2020 SEE TABLE 2.33.
[2] Net income attributable to shareholders of FMC AG & Co. KGaA.
[3] Excluding investments in debt securities.
[4] Results 2019: proposal to be approved by the Annual General Meeting on May 19, 2020.
[5] Full-time equivalents.

T 2.33 RECONCILIATION OF RESULTS 2019 TO RESULTS 2019 ADJUSTED AS A BASIS FOR TARGETS 2020
IN € M

	Results 2019	Cost Optimization Costs	(Gain) loss related to divestitures of Care Coordination activities	NxStage costs	Results 2019 adjusted
Revenue	17,477				17,477
Operating income	2,270	91	(29)	24	2,356
Delivered Operating Income	2,031	91	(29)	24	2,117
Net income [1]	1,200	67	(49)	18	1,236

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

RISKS AND OPPORTUNITIES REPORT

As a company with global operations, Fresenius Medical Care is naturally exposed to risks in connection with its business activities. Ultimately, we can leverage opportunities for our business only if we are willing to take certain risks. Thanks to our many years of experience and our extensive knowledge of the markets, we are able to identify and assess risks and opportunities for our business.

RISKS AND OPPORTUNITIES MANAGEMENT

We see risk management as the ongoing task of determining, analyzing and evaluating the spectrum of actual and potential risks arising from our business operations in our environment, and, where possible, taking pre-emptive and corrective measures. The risk management system provides us with a basis for these activities. It enables management to identify risks that could jeopardize the Company's growth or going concern, and to take steps to minimize any negative impact. As such, it is an important component of Fresenius Medical Care's management and governance.

In addition, the Company ensures its long-term success by actively managing opportunities. The aim here is to identify and assess opportunities as early as possible, and initiate appropriate measures so that opportunities can be turned into business success for Fresenius Medical Care. Long-term and medium-term opportunities are taken into account in our strategy and budget planning. Short-term opportunities are seized as part of ongoing business operations, provided this is meaningful and in line with business targets.

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

The main objective of the risk management system is to identify potential risks as early as possible to assess their impact on the business activities and, where necessary, to take appropriate countermeasures. Due to constantly changing external as well as internal requirements and conditions, risk management at Fresenius Medical Care is continuously evolving. In the past financial year, the Company's risk management approach was strengthened regarding the completeness and validity of risk information by the implementation of risk committees on regional, functional and corporate level.

The structure of the internal risk management system is based on the internationally recognized framework for company-wide risk management, the "Enterprise Risk Management - Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Opportunities are not covered by the implemented risk management system.

As part of the risk management system, regional risk coordinators assume the task of coordinating risk management activities within the regions and selected functions with the help of risk management software. These activities relate to existing and potential emerging short-term as well as medium-term risks. Semiannually, identified risk information is processed by the risk coordinators and discussed in regional/functional risk committees. Subsequently the central risk management function gathers the risks from regions and functions, analyses and discusses them in the corporate risk committee and communicates the compiled results to the executive management board. The focus during this process is on significant risks, which are above a defined threshold.

The Management Board and central risk management are promptly informed of new risks that are estimated to be high or develop into high risks in order to ensure appropriate responses. The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the Supervisory Board.

The organizational structure of risk management at Fresenius Medical Care as well as the previously described processes are shown in CHART 2.34 ON PAGE 64.

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

The Global Internal Audit department is regularly informed about the results of the risk management system. This department determines risk focus areas and audits a selected number of Company departments, subsidiaries and IT applications worldwide each year. Determined risk focus areas are audited across all business segments. The department works according to the internationally accepted standards of the Institute of Internal Auditors ("IIA"), which was confirmed by a quality assessment in 2017. The scope of internal auditing is widespread and involves, among other activities, periodic assessment of the effectiveness of controls (including legal compliance controls) over business processes, IT security, the

reliability of financial reporting and compliance with accounting regulations and internal policies. The Company's locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. This annual audit plan is reviewed and approved by the Management Board and the Audit and Corporate Governance Committee of the Supervisory Board. All audit reports with material observations are presented to the Management Board. The Global Internal Audit department is also responsible for monitoring the implementation of measures mitigating identified deficiencies. The Management Board is informed about the mitigation status on a quarterly basis. The Audit and Corporate Governance Committee of the Supervisory Board is also informed of the audit results. In 2019, a total of 45 audits were carried out.

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

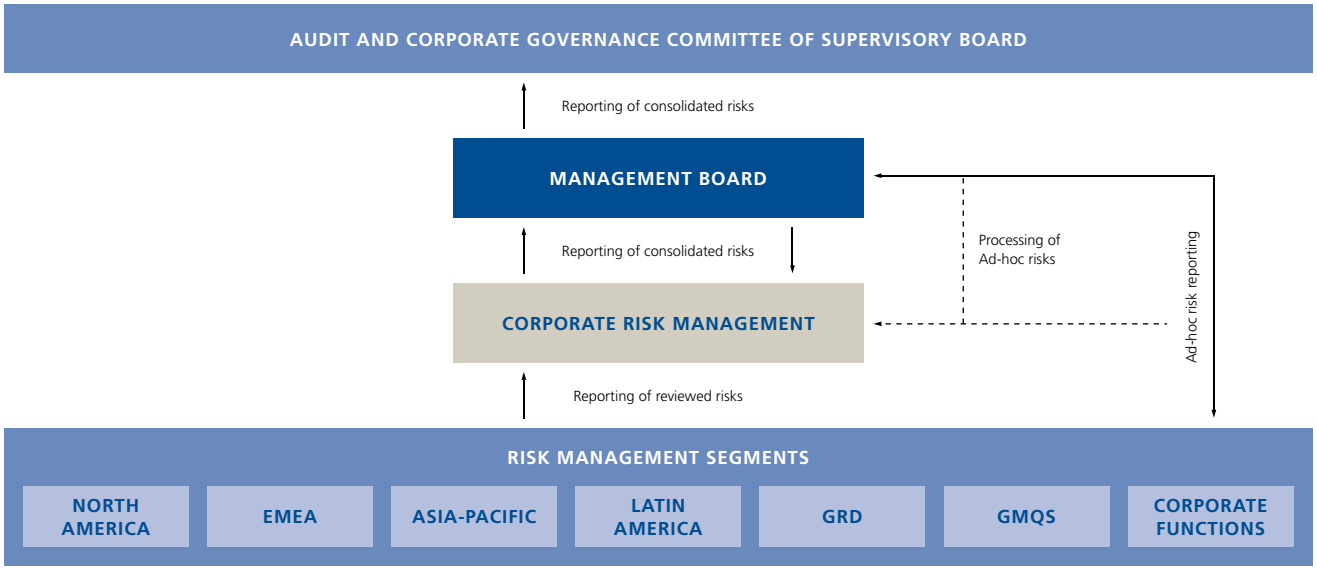
INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM FOR THE GROUP'S ACCOUNTING PROCESS

The Company´s internal control system over financial reporting ensures compliance with applicable accounting standards. The goal is to provide reasonable assurance that the Group financial statements are issued in accordance with appropriate accounting principles. The Company's internal reporting process is generally carried out at four levels and ensures that financial data and key figures are reliably recorded, processed and controlled. At each of these four reporting levels – the local entity, the region, the segment and the entire Group – the figures and data are compared regularly on a monthly and quarterly basis with the previous year's values, budget targets, and the latest projections. In addition, the Management Board and the departments responsible for preparing the annual and consolidated Group financial statements discuss all parameters, assumptions and estimates that substantially affect the Group and segment results reported externally. The Audit and Corporate Governance Committee of the Supervisory Board also reviews current quarterly results and compares them with budgets and projections.

The internal control system contains guidelines and instructions that ensure that all Company transactions are recorded appropriately and presented accurately.

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

C 2.34 **RISK REPORTING**



packages and the sub-group consolidated financial statements is performed according to central requirements and guidelines.

As the Company is also listed on the New York Stock Exchange, it is required to adhere to the requirements of the U.S. Sarbanes-Oxley Act ("SOX"). Section 404 of this federal law stipulates that the management boards of companies listed in the U.S. must take responsibility for implementing and adhering to an appropriate internal control system to produce reliable financial reporting. Based on this requirement, the design and operating effectiveness of the internal control system over financial reporting are routinely tested and considered in regular internal audits. These criteria are also included in the review by the Company's independent auditors.

The internal control system over financial reporting follows the criteria of the COSO model. This was developed by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission ("SEC"). In accordance with the COSO model, the internal control system over financial reporting is divided into the five components: control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these components is regularly documented, tested and assessed. The Company aligned its internal controls to fulfil the requirements of the COSO model.

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

As of December 31, 2019, management assessed the Company's internal control system over financial reporting and determined a control deficiency representing a material weakness. The material weakness relates to the design and operating effectiveness of internal controls for revenue recognition, specifically for estimating the transaction price and constraining the variable consideration of the transaction price for certain fee-for-service revenue arrangements under legal consideration and timely adjusting the constraint of variable consideration when new information arises. This control deficiency did not result in a material misstatement of the Company's consolidated financial statements and disclosures for any periods through and including the fiscal year ended December 31, 2019. However, this control deficiency could have resulted in a material misstatement to our annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, the Company has determined that this control deficiency constitutes a material weakness.

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

RISKS

The following section describes significant risks which could have an impact on our business operations. In the course of the risk assessment an estimation of the risks takes place regarding the likelihood of occurrence and the potential impact in the respective assessment period, allowing a prioritization of the risks into the classifications "low" "medium" and "high". Besides quantitative factors, especially qualitative factors are applied. For the identification of strategic developments, besides the short-term consideration (one year), risks can also be assessed in terms of a medium-term impact within the subsequent five years.

The scales for classification of potential impact and likelihood as well as the localization of the risks within the risk matrix are depicted in CHART 2.35 ON PAGE 66.

The risk areas in CHART 2.35 ON PAGE 66 as well as measures for mitigating the impact or the probability of occurrence of risks within these areas are described in the following section.

Sector-specific risks

Regulatory environment, product quality

The Company's operations in both its health care services business and products business are subject to extensive governmental regulation in virtually every country in which the Company operates. The Company is also subject to other laws of general applicability, including anti-trust laws. The applicable regulations, which differ from country to country, cover areas that include:

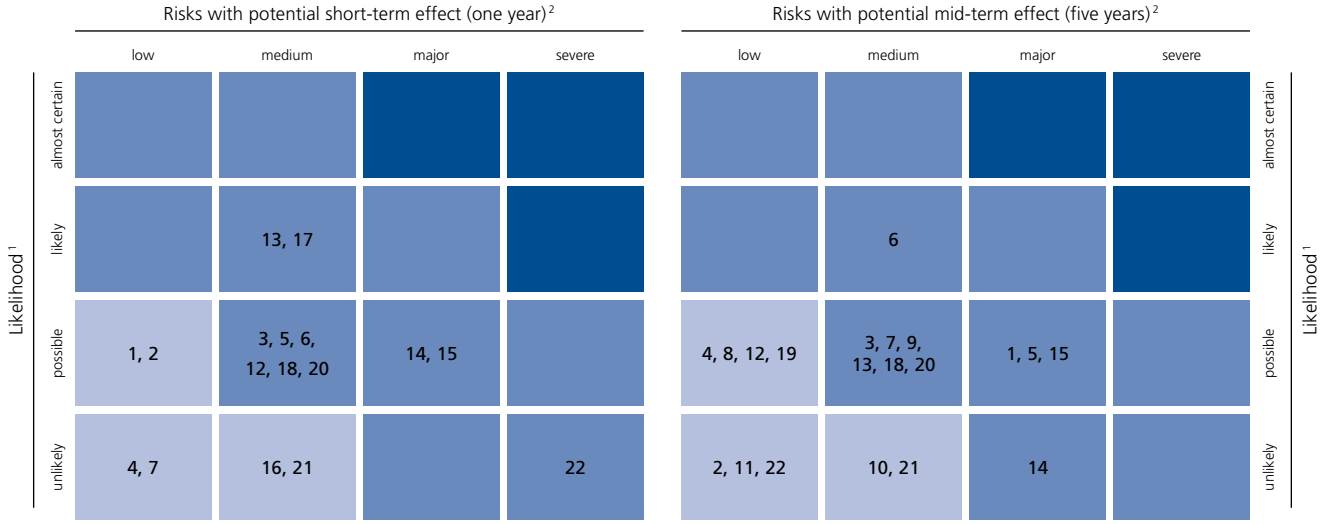
› the quality, safety and efficacy of medical and pharmaceutical products and supplies;

› regulatory approvals and oversight of clinical and certain non-clinical research and development activities;
› product approvals and regulatory approvals for new products or product improvements;
› the operation and licensure of manufacturing facilities, laboratories, dialysis clinics and other health care facilities;
› audits and reviews by enforcement authorities, including the Food and Drug Administration ("FDA"), for compliance with applicable drug regulations;
› product labeling, advertising and other promotion;
› accurate reporting and billing for government and third-party reimbursement including accurate and complete medical records to support such billing;
› the discounting of reimbursed drug and medical device products and the reporting of drug prices to government authorities;
› the collection, dissemination, access, use, security and privacy of protected health information and other protected data;
› compliance with due diligence, warranty obligations and product liability rules and
› compensation of medical directors and other financial arrangements with physicians and other referral sources.

In addition to the risks from non-compliance with the regulatory environment, as a manufacturing company we face the risk that products, as a result of unsuitable product designs or issues in the production process, do not fulfill our standards of quality and could lead to the possibility of not achieving expected treatment results which may result in product recalls that might lead to significant adverse financial results or reputational damage.

If the Company fails to comply with one or more of these laws or regulations or incurs a quality incident, this may give rise to a number of adverse legal and financial consequences. These include, in particular, loss or suspension of governmen-

C 2.35 RISKS WITH POTENTIAL SHORT-TERM EFFECT (ONE YEAR) AND MID-TERM EFFECT (FIVE YEARS)



RISK AREA

1	Regulatory environment
2	Product quality
3	U.S. federal health care programs
4	Composition of our customer base
5	Reimbursement by private insurers
6	Health care reforms
7	Growth
8	Competitors
9	Research and development
10	Patents
11	Referral practices
12	Procurement
13	Personnel
14	Corruption and fraud
15	Information systems and business processes
16	Liquidity and financing
17	Currencies and interests
18	Litigation and potential exposures
19	Taxes
20	International operations
21	Unpredictable events
22	Global economic conditions and disruptions in financial markets

low risk medium risk high risk

[1] Likelihood: **unlikely:** 0 to 10 %, **possible:** > 10 to 50 %, **likely:** > 50 to 90 %, **almost certain:** > 90 to 100 %.
[2] Potential impact: **low:** small negative impact, **medium:** moderate negative impact, **major:** significant negative impact, **severe:** material negative impact.

tal certifications, loss or suspension of licenses under the laws of governmental authority from which we generate substantial revenues, monetary and administrative penalties, recall actions and claims for damages, increased costs for compliance with government orders, complete or partial exclusion from government reimbursement programs, refunds of payments received from government payors and government health care program beneficiaries due to any failures to meet applicable requirements or complete or partial curtailment of the Company's authority to conduct business. In the end, these types of risks could no longer be insured. Including the considerable costs of legal defense, all the consequences mentioned above could have a material adverse effect on the Company's business, results of operations and financial condition.

A number of the health care businesses in the U.S., that the Company operates is owned, or managed, by joint ventures in which one or more hospitals, physicians or physician practice groups hold an interest. While the Company has structured its joint venture arrangements with physicians to comply with many of the criteria for safe harbor protection under the federal and state Anti-Kickback Statutes, its investments in these joint venture arrangements do not satisfy all elements of such safe harbor. If one or more of its joint ventures were found to be in violation of the Anti-Kickback Statute or the Stark Law, the Company could be required to restructure or terminate them. The Company also could be required to repay to Medicare, Medicaid as well as other federal health care amounts pursuant to any prohibited referrals, and the Company could be subject to monetary penalties and exclusion from federal and state health care programs. Imposition of any of these penalties could have a material adverse impact on its business, results of operations and financial condition.

Compliance programs implemented in the regions reduce the risk of legal violations by providing general and specific rules of conduct and procedures as well as regular training of the employees according to the specifications. To ensure that our products and services comply with the quality requirements, we implemented quality management systems in the different regions. The employees have access to procedures and work instructions to ensure that the applicable quality requirements are met. In addition, we conduct internal reviews of the production sites and clinics to monitor compliance with quality standards of our products and services. Furthermore, our plants and hospitals are also subject to external reviews by the relevant supervisory authorities.

U.S. federal health care programs

As stated in the report in section "Macroeconomic and sector-specific environment" of chapter "Economic Report" starting on PAGE 36, our dialysis clinics in the US participate in the Quality Incentive Program ("QIP") within the End-Stage Renal Disease ("ESRD") prospective payment system ("PPS"). Payment reductions of up to 2 % of Medicare reimbursements based on previous year's performance can be made if the quality standards of the QIP are not met in the clinics. Should Fresenius Medical Care fail to meet the QIP's minimum requirements to a greater extent, this could have a material adverse effect on our business, financial condition and results of operations.

Through our value-based agreements and shared risk products, we assume the risk of both medical and administrative costs for certain patients in return for fixed periodic payments from governmental and commercial insurers. The Company currently participates in the "Comprehensive ESRD Care initiative" of the Centers for Medicare and Medicaid Services ("CMS") as well as remuneration agreements with insurers under which the Company receives a fixed remuneration to cover all, or a defined amount of treatment costs, for a defined quantity of patients (Details and detailed descriptions of the above mentioned and other programs in which the Company participates can be found in the report in section "Macroeconomic and sector-specific environment" of chapter "Economic Report" starting on PAGE 36).

Under CMS's Comprehensive ESRD Care Model, dialysis providers and physicians can form entities known as ESRD Seamless Care Organizations ("ESCOS"). 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. However, 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.

The profitability in our value-based agreements and shared risk products is dependent in part upon our ability to manage a patient's care, to collaborate with our payer partners, to coordinate with other health care providers and to find cost efficient, medically appropriate sites of service for our patients. Any failure to do so would limit our ability to improve the quality of patient care and health outcomes and to reduce medically unnecessary costs, which could lead to poorer performance under value-based payment arrangements.

The reserves that we establish in connection with the operation of our value-based arrangements and shared risk products as well as estimations of the amount of revenues from health care services that we recognize in a reporting period are based upon assumptions and judgments concerning a number of factors which are subject to uncertainties. Those factors include trends in health care costs, expenses, the complicated billing and collection process, complex and changing laws and regulations subject to interpretation, determination of primary and secondary coverage and other factors. Additionally, collections, refunds and payor retrac-

tions may continue to occur for up to three years or longer after services are provided. To the extent the actual claims experience is less favorable than estimated based on our underlying assumptions, the timing and amount of our recognition of revenues as well as future earnings could be adversely affected or incurred losses could increase.

Although efforts to repeal the Affordable Care Act ("ACA") have been unsuccessful, further efforts to repeal or revise the ACA the posture of CMS in the current administration toward projects of this sort and litigation seeking the termination of the ACA may affect the project's future prospects in ways we currently cannot quantify or predict. In addition, while we have applied for participation in CMS' Comprehensive Kidney Care Contracting ("CKCC") model, we do not yet know whether or to what extent our applications will be accepted, whether the terms of such model will be developed by CMS in a manner acceptable to warrant our continued participation, and whether, if we do decide to participate, we and our partners will be able to deliver better health outcomes while lowering CMS' costs.

We cannot give any assurance that we will achieve the cost savings required or contemplated by these programs, which could have a material adverse effect on our operating results. In addition, we may experience higher write-offs of Medicare deductibles and other amounts due to uninsured and underinsured patients, resulting in an increase in uncollectible accounts.

The Company mitigated the impact of the ESRD PPS and the other legislative initiatives referenced above with two broad measures. First, it works with medical directors and treating physicians to make clinical protocol changes used in treating patients consistent with the QIP and good clinical practices, and it negotiates pharmaceutical acquisition cost savings. In addition, the Company achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis, increase the percentage of patients using home therapies and achieve additional cost reductions in its clinics.

Composition of our customer base

Our health care product business and our dialysis services business differ across the regions in which we operate. In many cases, our products and services are paid, either directly or indirectly, by government institutions. We believe the risk of default from a government payor is generally low to moderate worldwide. On a country level, the payor base is characterized by distinct customer or payor groups which can range in volume from a few customers to a considerable amount of customer types which have varying levels of risk associated with default or non-payment of receivables as well as risks for dependencies based upon the competition within low volume customer base environments. In certain cases, a resulting dependency on the payment behavior and decision-making of our business partners can affect the collectability of accounts receivable and can adversely affect our business, results of operations and financial condition.

The Company's measures aim to mitigate these risks by actively negotiating long-term contracts with major customers, targeted marketing activities, developing new product and pricing models as well as improving the quality of our services and products.

Reimbursement by private insurers

In the U.S. a portion of the dialysis treatments is reimbursed by private insurers and integrated care organizations; these reimbursements are in general higher than the reimbursements of the public health care systems. As a result, the payments we receive from private payors contribute a substantial portion of our profit. In 2019, approximately 34 % of our consolidated Health Care revenues were attributable to private payors in the North America Segment. If these payors succeed in lowering reimbursement rates in the USA, change the extent or conditions of their networks or if the portion of reimbursements by private insurers in general drops, this could result in a significant reduction in Company revenue and operating profit. In addition, the health care insurance industry is experiencing continuing consolidation among insurers and pharmacy benefit managers, including increasing buyer power and impacts on referral streams. This may have an adverse impact on our ability to negotiate favorable coverage terms and commercially reasonable rates with such insurers.

We monitor the relationships with private health insurance companies continuously and try to hedge the business through long-term contracts to maintain profitability.

A portion of our patients who are currently covered by private insurers may be unable to continue to pay the premiums and may become uninsured for dialysis services or elect to transition to government funded reimbursement programs that reimburse us at lower rates for our services if efforts to restrict or eliminate the charitable funding of patient insurance premiums are successful.

Health care reforms

A number of governments have been considering proposals to modify their current health care systems to improve quality of and access to health care and to control costs. Policymakers in several countries are also considering reforms that could change the methodology used to reimburse providers of health care services. Furthermore, standards and regulations compulsory for providing dialysis service can be subject to extensive changes.

In fiscal year 2019, the Company derived approximately 33 % of its worldwide revenue from Medicare and Medicaid reimbursements in the U.S. Consequently, changes in legislation or reimbursement practices regarding e.g. the End-Stage Renal Disease Prospective Payment System ("ESRD PPS"), the Physician Fee Schedule, the Clinical Laboratory Fee Schedule, and the Ambulatory Surgical Center Payment System could influence the volume of Medicare and Medicaid reimbursements for services provided and the insurance coverage.

A decrease in reimbursement rates, covered services or changes to standards, regulations or state funding in countries in which the Group operates, especially significant changes in the U.S. Medicare and Medicaid programs could reduce the Company's revenue and profitability and have a material adverse effect on its business, financial condition and results of operations.

In this context it might happen that the annually adjusted ESRD PPS rates may not provide fully compensating reimbursement for the services or products consumed during service. This especially refers to the reimbursement of pharmaceuticals depending on their status as outside of or as part of the bundled rate. Pharmaceuticals included within the bundled rate are subjected to increased reimbursement pressure. If we are unable to secure appropriate reimbursement arrangements for the pharmaceuticals we provide in our dialysis clinics, we could experience a material adverse effect on our operating results. Further, an increased utilization of bundled pharmaceuticals or decreases in reimbursement for pharmaceuticals outside the bundled rate may result in a material adverse impact on our results of operations.

The U.S. administration has publicly announced its intention to pursue significant changes to existing health care insurance programs, especially programs in connection with the Affordable Care Act, although the administration has recently stated that any efforts on its part to do so are likely to be deferred after the 2020 elections in the U.S. In addition, options to restructure the Medicare program in the direction of a defined-contribution, "premium support" model and to shift Medicaid funding to a block grant or per capita arrangement, with greater flexibility for the states, are also being considered.

In October of 2017, the U.S. administration discontinued making cost-sharing reduction ("CSR") reimbursements to insurers, arguing that Congress had failed to appropriate funding for them. In response, many state departments of Insurance ("DOIS") either allowed or required insurers to mitigate their losses by increasing the 2018 premiums on their ACA plans. Many insurers also mitigated the impact to consumers by "silver loading", a practice whereby the full premium increase attributable to the loss of CSR payments is applied to their silver-level plans. Silver loading mitigated the impact of premium increases to consumers. In 2019 and 2020, all states either permit or required silver loading. It is not predictable, how the ongoing litigation might be determined. As a result, a reduction in the availability of insurance through such exchanges could reduce the number of our commercially insured patients and shift such patients to Medicare and Medicaid.

Changes of this nature could have significant effects on our businesses, both positive and negative, but the outcomes are impossible to predict.

Risks relating to the Company's business

Growth

The health care industry experiences continuing consolidation particularly among health care providers. This development could adversely affect our ability to find suitable acquisition targets and to increase future growth and product sales. Additionally, our ability to make future acquisitions as well as develop our core dialysis business, in part, on the availability of financial resources and the current restrictions imposed by competition laws as well as existing credit agreements. The integration of acquired businesses may cause problems, e.g. by assuming unknown liabilities, underperformance subsequent to integration, associated requirements from competition authorities or non-compliant business practices not disclosed by the seller or not uncovered during due diligence. We also compete with other health care companies in seeking suitable acquisition targets and developing our core dialysis business. Any or all of these factors generally could have a material adverse effect on our future growth, including growth of our product sales.

Competitors

The Company faces numerous competitors in both its health care services business and dialysis products business, some of which may possess substantial financial, marketing or research and development resources. Competition from new and existing competitors and especially new competitive developments such as increasing disruption in the health care industry as well as innovations in technology and care delivery models could materially adversely affect the future pricing and sale of our products and services.

In particular, technological innovation has historically been a significant competitive factor in the dialysis products business. The introduction of new products or services by competitors could render one or more of the Company's products or services less competitive or even obsolete, which could also affect the Company's sales and distribution of pharmaceuticals for which, to some extent, the Company is obligated to make certain minimum annual royalty payments.

To ensure our permanent competitiveness, we work closely together with physicians and scientists. Important technological and pharmaceutical innovations are intended to be quickly identified and further developed, if necessary also by adapting our business strategy. Moreover, we secure our competitiveness by ongoing analyzes of our market environment as well as the regulatory framework. The market activity, especially our competitors' products and newly launched dialysis-related products are thoroughly monitored. The cooperation between the various technical, medical and academic institutions within our company also ensures our competitiveness, which is finally further enhanced by our consequent conduction of programs devoted to cost saving and efficiency increase.

Research and development

The development of new products and therapies proposes a risk that the desired development goal will not be achieved or achieved significantly later than planned. Costly and extensive preclinical and clinical examinations are necessary until admission. All products, packaging, applications and technologies are constantly and systematically monitored, tested and improved. We address potential risks in the area of research and development ("R&D") by continually analyzing, evaluating and assessing whether the R&D projects fit into the overall strategy of Fresenius Medical Care. As a vertically integrated company, we also benefit from direct contact with our patients and medical professionals. Due to this close proximity to the market, we have the potential to gather important information to develop and offer products and therapies that meet the needs of our customers.

Referral practices

In providing services within our health care business, we depend upon patients choosing our health care facilities as the location for their care. Patients may select a facility based, in whole or in part, on the recommendation of their physician. Physicians and other clinicians typically consider a number of factors when recommending a particular dialysis facility, pharmacy, physician practice, vascular surgery center or urgent care center to an ESRD patient, including, the quality of care, the competency of staff, convenient scheduling, location and physical condition. Physicians may change their recommendations, which may result in the movement of new or existing patients to competing facilities, including facilities established by the physicians themselves. At most of our dialysis clinics, a relatively small number of physicians often account for the referral of all or a significant portion of the patient base. We have no ability to control these recommendations and referrals. If a significant number of physicians or other referral sources cease referring their patients to our facilities or stop purchasing or prescribing our dialysis products, this would reduce our health care revenue and could materially adversely affect our overall operations.

Patents

One of the typical patent risks faced by the Company is inadequate protection in the form of patents for technologies and products developed by the Company. This means that competitors could copy the Company's products without incurring comparable development costs. In addition, the Company could infringe the patent of a competitor and thus be liable for damages; this could result in a ban on the Company further selling the affected product. An inadequate protection of the Company's patents could have an adverse impact on the Company's financial condition and results of operations.

Procurement

The Company's business is dependent on the reliable supply of several raw materials for production and service purposes. If the Company is unable to counteract the risk of bottleneck situations at times of limited availability of goods and other materials in spite of our purchasing strategy in combination with ongoing monitoring of market developments, this could result in delays in production and hence have an adverse effect on the Company's results of operations. Similarly, price increases by suppliers and the inability to access new products or technology could also adversely affect the Company's results of operations.

Our purchasing strategy is aimed at developing partnerships with strategic suppliers through long-term contracts and at the same time ensuring, where reasonably practicable, that we have at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). To prevent loss of suppliers, we monitor our supplier relationships on a regular basis. Suppliers which are integral to our procurement functions are also subject to performance and risk analyses as well as continuous supply chain monitoring. Through constant market analyses, a demands-based design of supplier-relationships and -contracts, as well as the use of financial instruments, we seek to mitigate disruptive goods shortages and potential price increases and to provide access to new product and technology developments.

Personnel

The Company's continued growth in the health care business will depend upon the ability to attract and retain skilled workforce, including highly skilled nurses and other medical personnel. Competition for those employees is intense and shortages for these sought-after employees, such as nurses, or skilled engineers and research and development personnel, may increase the Company's personnel and recruiting costs and/or impair our reputation for production of technologically advanced products. Moreover, the Company considers that future success in the provider business depends on

the ability to attract and retain qualified physicians to serve as employees of or consultants to the Company's health care services businesses. The Company's health care products business depends on the development of new products, technologies and treatment concepts to be competitive. Additionally, in recruiting, employing and retaining personnel we may be exposed to increasing risks relating to various labor and staffing laws, legislative, union or other labor-related activities or changes. Further, these factors could impact the integration of acquired companies into our operations, which could increase our costs, decrease our productivity and prevent us from realizing synergies from acquisitions. If we are unable to manage the risks mentioned, then our growth and results of operations could be adversely impacted.

Corruption and fraud

The Company operates many facilities and engages with other business associates to help it carry out its health care activities. In such a decentralized system, it is difficult to maintain the desired level of oversight and control over the thousands of persons employed by many affiliated companies and its business associates. Training, oversight and compliance programs cannot assure protection from deliberate, reckless or inadvertent acts of employees that violate the Company's compliance policies or anti-corruption laws. Such violations could disrupt the Company's business and result in a material adverse effect on results of operations or financial condition.

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the United States that might violate the Foreign Corrupt Practices Act ("FCPA") or other anti-bribery laws. The Company conducted investigations with the assistance of outside counsel and, in a continuing dialogue, advised the SEC and the United States Department of Justice ("DOJ") about these investigations. The DOJ and the SEC also conducted their own investigations, in which the Company cooperated.

In the course of this dialogue, the Company identified and reported to the DOJ and the SEC, and took remedial actions with respect to, conduct that resulted in the DOJ and the SEC seeking monetary penalties including disgorgement of profits and other remedies. This conduct revolved principally around the Company's products business in countries outside the U.S.

In 2015, the Company self-reported to the German prosecutor conduct with a potential nexus to Germany and continues to cooperate with government authorities in Germany in their review of the conduct that prompted the Company's and government investigations.

Since 2012, the Company has made and continues to make further significant investments in its compliance and financial controls and in its compliance, legal and financial organizations. The Company's remedial actions included separation from those employees responsible for the above-mentioned conduct. The Company is dealing with post-FCPA review matters on various levels. The Company continues to be fully committed to compliance with the FCPA and other applicable anti-bribery laws.

Further information on these investigations can be found in NOTE 22 of notes to the consolidated financial statements.

Information systems and business processes

As the Company continues to grow and introduces more international operations, the processes within the Company are increasingly complex. Accordingly, it is more and more dependent on information and communication technologies and -systems to structure its processes and harmonize them between different regions. An insufficient design of those systems and business processes as well as insufficient resources could lead to non-availability of certain information, causing inefficient workflows, deficient internal and external communication and intransparencies regarding operations. A breakdown of these systems could temporarily lead to standstill of parts of our business and consequently cause heavy damages. As of December 31, 2019, management assessed the Company's internal control system over financial reporting and determined a control deficiency representing a material weakness. For details, reference is made to the section "Internal control and risk management system for the Group's accounting process" in the "Risks and Opportunities Report", starting on PAGE 64.

Additionally, cyber-attacks or privacy and data breaches regarding both our internal systems as well as systems of third-party service providers could result in the misappropriation or compromise of sensitive information. We gather and handle personal information of our patients in many regions of the world and thus need to adhere to various data protection and privacy regulations. Any loss, impermissible use, access or disclosure of this sensitive information or non-compliance with data protection and privacy related laws, regulations and standards could threat our position in competition, our reputation as well as our whole business.

Using its Information Security Management System ("ISMS"), which is based on the internationally recognized security standard ISO 27002, the security guidelines and processes within the Company are enhanced continuously. Business data is backed up regularly and disaster recovery plans, which are regularly tested and improved, are in place. The Company operates three data centers at geographically separate locations to maximize the availability and data security of IT systems. A mirrored infrastructure that creates a copy of critical systems is in use. In general, we continue to enhance our

internal information and reporting systems to ensure that their structure meets evolving needs.

Furthermore, among others, company guidelines relating to data protection and privacy, which also regulate the assignment of access rights and third-party collaboration, must be considered, trainings for employees are conducted and governance structures are continuously adapted. Compliance is monitored with controls including those relating to Section 404 of SOX. Operational and security audits are carried out every year both internally and by external auditors. The existing IT security architecture with different layers of security measures protects the systems in our data centers. The access to sensitive or critical data from outside of the secured data center networks is protected by the usage of secure protocols and cryptographic measures. Besides that, annual penetration tests for applications with critical data (e.g. patient or personnel data) are conducted.

Other risks

Liquidity and financing

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management Board of the Company manages the liquidity of the Group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Company believes that existing credit facilities, cash flow from operating activities and additional short-term borrowings are sufficient to meet the Company's foreseeable demand for liquidity.

At December 31, 2019 respectively December 31, 2018, the Group had financial debt and lease liabilities of €13.78 BN respectively €7.55 BN. The Company's credit agreements and notes include covenants that require maintaining certain financial ratios or meeting other financial tests. The covenants also restrict the Company's ability to dispose of assets, incur debt, pay dividends and other restricted payments, create liens or make investments or acquisitions. The breach of any of the covenants could result in a default and acceleration of payments of the indebtedness, which would have an adverse effect on the Company's business, financial condition and results of operations. The Company considers itself able to maintain the required financial ratios at present and in the near future.

Currencies and interests

The Company actively manages foreign currency and interest rate exposures that are part of its normal business activities. Risk management procedures for foreign currencies and interest rate exposures are based on strategies defined and, if necessary, adapted in close cooperation with the Management Board, including, for example, guidelines that cover all steps and levels of the risk management process. They define responsibilities for the determination of risks, the careful use of financial instruments for hedging purposes and for accurate financial reporting. The use of derivative instruments is restricted to micro hedges which are used in order to hedge exposures that arise in the ordinary course of business. The Company does not enter into transactions for trading or other speculative purposes. The Company enters into transactions with banks, which generally have ratings in the "A" Category or better, as approved by the Management Board. The effectiveness of the hedging relationships of the hedging instruments and the hedged items is tested on a quarterly basis.

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. At December 31, 2019 no interest rate swaps were in place. At December 31, 2018, the notional amount of the euro-denominated interest rate swaps in place was €204 M.

Derivative foreign currency contracts are entered into for the purpose of limiting the exchange rate exposure from sales and purchases as well as lendings and borrowings between the Company's subsidiaries located in different countries and reporting in different currencies. A large portion of the transaction exposures arise from sales of products from the Company's subsidiaries in the euro region to other international business units. The aggregate notional amount of foreign currency hedge contracts as of December 31, 2019 was €742 M, primarily for hedging Euro exposure to the U.S. dollar and various other currencies. Economic hedges, which are used by the Company, are accounted for as recognized hedges in the consolidated financial statements, when necessary.

The estimation and quantification of transaction risks from foreign currencies is determined according to the statistical model Cash Flow at Risk ("CFaR"). CFaR indicates the maximum amount of a potential loss of the forecasted foreign exchange cash flow of the next twelve months that occurs with a probability of 95 %. As of December 31, 2019, the Company's CFaR amounts to €41.3 M.

Further information on market, default and liquidity risks is included in NOTE 23 of notes to the consolidated financial statements.

Litigation and other exposures

Risks associated with investigations and litigations are continuously identified, assessed and reported within the Company. The Company is involved in various legal proceedings and investigations resulting from its business operations. A nega-

tive outcome of these legal proceedings or investigations leading to legal proceedings could have an adverse impact on the Company's financial condition and results of operations.

External legal consulting support is always used to defend the Company against risks associated with litigations. If necessary accounting measures like accruals are used.

For the matters in which the Company believes a loss is both reasonably possible and assessable, an estimate of the loss or range of loss exposure is provided in NOTE 22 of notes to the consolidated financial statements. For other proceedings 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.

For details on ongoing proceedings and further information on material legal risks to which the Company is exposed, reference is made to NOTE 22 of notes to the consolidated financial statements.

Taxes

The Company is subject to ongoing tax audits in the U.S., Germany and other jurisdictions. The Company could potentially receive notices of unfavorable adjustments and disallowances in connection with certain of these audits. If the Company is unsuccessful in contesting unfavorable determinations we could be required to make additional tax payments, which could have a material adverse impact on our business, financial condition and results of operations in the relevant reporting period.

In general, tax-relevant issues are, as necessary, coordinated with internal tax experts regarding compliance with applicable tax laws. If necessary, statements and opinions by external consultants are obtained to minimize tax risks.

International operations

The Company operates dialysis clinics in around 50 countries and sells a range of equipment, products and services to customers in around 150 countries. The Company's international operations are subject to a number of risks, including but not limited to the following:

- The economic and political situation in certain countries could deteriorate or become unstable.
- The Company could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems.
- Local regulations could restrict the Company's ability to obtain a direct ownership interest in dialysis clinics or other operations.
- Some countries or economic unions may impose charges or restrictions, such as local content requirements, which restrict the importation of our products.
- Potential increases in tariffs and trade barriers that could result from withdrawal by the United States or other countries from unions, including the exit from major multilateral trade agreements or the imposition of retaliatory tariffs and other countermeasures in the wake of trade disputes.
- Transport delays or interruptions.
- International growth and expansion into emerging markets could cause us difficulty due to greater regulatory barriers than in the United States or Western Europe, the necessity of adapting to new regulatory systems, and problems related to entering new markets with different economic, social, legal and political systems and conditions.
- Failure to prevail in competitive contract tenders.

We conduct humanitarian-related business directly or indirectly in sanctioned countries. In case of violation of applicable economic sanctions or export controls laws and regulations, the Company could be subject to enforcement actions, which vary between jurisdictions and depend on the factual circumstances of the given violation, but could include criminal penalties, imprisonment of responsible individuals, administrative or civil penalties, restricted access to certain markets and reputational harm, among others.

The Company's internal control policies and procedures may not protect it from deliberate, reckless or inadvertent acts of our employees or agents that contravene our compliance policies or violate applicable laws.

Any one or more of these or other factors relevant to international operations could increase the Company's costs, reduce revenues, or disrupt operations, with possible material adverse effects on the Company's business and financial condition.

Developments of this nature are continuously monitored and analyzed and response measures like the extension of local production capacities, the adaptation of product designs, organizational changes and various others are set in place based on case by case decisions.

Unpredictable events

Fresenius Medical Care operates dialysis facilities or manufacturing facilities in many regions of the world, with diverse geographic, societal and economic conditions. Events such as natural disasters, terrorist attacks, political instability, epidemics as well as other unforeseeable events, could affect our services and our ability to deliver in a limited time and place.

Through forward-looking planning and prevention programs, Fresenius Medical Care is trying to limit possible effects of such events already in advance. In addition, to maintain operations in the event of an onset and to reduce potential impact on our patients and the organization, we have spare capacity

and safety stock of certain resources as well as emergency and recovery plans in place. Residual risks are eventually covered when necessary and expedient by taking out insurance.

Global economic conditions and disruptions in financial markets

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

Among other things, the potential decline in federal and state revenues may create additional pressures to contain or reduce reimbursements for the Company's services from public payors around the world, including Medicare, Medicaid in the United States and other government sponsored programs in the United States and other countries around the world.

Job losses or increases in the unemployment rate in the U.S. may result in a smaller percentage of the Company's patients being covered by an employer group health plan and a larger percentage being covered by lower paying Medicare and Medicaid programs. To the extent that payors are negatively impacted by a decline in the economy, the Company may experience further pressure on commercial rates, a further slowdown in collections and a reduction in the amounts it expects to collect. Any or all of these factors, or other consequences of the continuation, or worsening, of domestic and global economic conditions which cannot currently be predicted, could continue to have an adverse effect on our businesses and results of operations.

Changes in the risk situation

Fresenius Medical Care operates in a constantly changing environment. Accordingly, the risk situation is also subject to constant change.

Regarding the classification of single risks in terms of probability and potential impact, the following significant changes occurred compared to the previous year:

One-year period:

Due to the fact that regulatory requirements currently discussed with regard to production processes can have an impact mainly in the medium to long term, the risk relating to the regulatory environment (1) has been reduced to a low risk from a short-term perspective.

The risks arising from international operations (20) have increased to a medium risk level due to deteriorating circumstances in terms of increasing protectionism and current trade conflicts.

Five-year period:

Due to predominantly strategic effects from regulatory requirements currently under discussion with regard to production processes, the risk from the regulatory environment (1) has increased to a medium risk in the medium term.

Due to significant acquisitions made last year, risks from growth (7) are now rated as medium risk.

The first-time identification of procurement risks (12) with regard to a five-year period has resulted in an assessment as low risk.

In addition, further developments in litigation and other exposures (18) lead to a medium risk assessment.

The risks arising from international operations (20) have increased to a medium risk level due to deteriorating circumstances in terms of increasing protectionism and current trade conflicts.

OPPORTUNITIES MANAGEMENT

OPPORTUNITIES MANAGEMENT SYSTEM

As much of our business is organized on a decentralized basis, we are able to identify industry-specific trends and requirements as well as the resultant opportunities in the different regions at an early stage and gear our actions to them. We also perform comprehensive quantitative and qualitative analyses to enable us to capture business opportunities. This involves systematically evaluating relevant market data, closely examining research projects and taking general social trends into consideration. Our analyses focus on general economic, industry-specific, regional and local developments as well as regulatory changes. In addition, close cooperation between our Strategy and Planning departments and the managers of other divisions allows us to identify global opportunities as early as possible.

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our network of 3,994 dialysis clinics in around 50 countries is the largest of its kind in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we know that high qual-

ity is not only the key to a better quality of life for patients, but can also make a significant contribution to reducing the costs of health care. Based on this understanding and our business model, major opportunities arise that could have a positive impact on the results of operations, financial position and net assets of Fresenius Medical Care as things stand today.

Industry-specific opportunities

Patient growth and demographic development

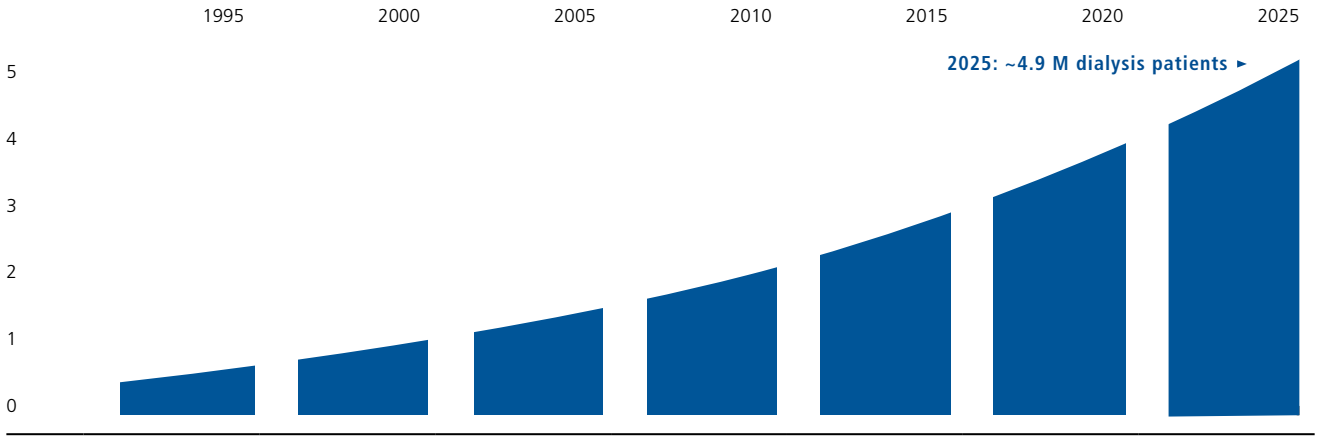
The dialysis market is a growth market that is largely unaffected by macroeconomic influences. According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising at a relatively constant rate of around 6 % annually. It is expected to reach around 3.7 M patients in 2020 and approximately 4.9 M by 2025 (SEE CHART 2.36). Social trends play a role in this increase in patient numbers. In Europe and the U.S. in particular, they include the aging population and the increasing incidence of diabetes and hypertension, two illnesses that frequently precede the onset of chronic kidney failure. In developing and emerging countries, the growing population and gradually improved access to dialysis as a result of increasing wealth are key factors that further boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

Whether private companies can offer dialysis treatment and in what form depends on a country's health care system and its legal framework. For Fresenius Medical Care, opportunities arise to tap into new markets or to expand its market share whenever a country opens up to private dialysis providers. These decisions are also increasingly influenced by the following factors:

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

C 2.36 **NUMBER OF DIALYSIS PATIENTS WORLDWIDE – FORECAST TO 2025**
IN M



Source: Internal estimates

Public-private partnerships

In some countries, public-private partnerships (PPP) are an attractive business model for Fresenius Medical Care. These are contractually defined project alliances between the public sector and private companies in which both partners share the financing, tasks, risks and opportunities of a project. Our extensive dialysis expertise gives us a competitive edge here, as it enables us to flexibly offer various levels of care for hospitals, health insurers, local or national authorities. Depending on the contract, we set up new dialysis clinics and install the equipment, train medical personnel in quality, hygiene and nutrition, or manage the clinics ourselves on the terms agreed. This enables the public sector to care for more patients more effectively and less expensively. The PPP model allows Fresenius Medical Care to tap into new markets, expand its market share, and extend its range of products and services with new forms of health care.

Growing demand for holistic, value-oriented health care

As a result of increasing cost pressure and the growing number of patients, demand for holistic and value-oriented health care concepts for patients with chronic kidney failure is grow-

ing worldwide. Value-oriented models are changing the role of health care providers: In systems of this kind, we not only take care of dialysis, but also take responsibility for the patient's medical well-being beyond dialysis. Value-oriented health care models help to deliver higher-quality treatment outcomes for patients at a lower cost.

We have supported this development from the start, because we know the needs of our dialysis patients best. We have bundled coordination of all aspects of medical care in our Care Coordination business. This encompasses all services that help us to offer our dialysis patients holistic treatment.

Growing importance of home therapies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and clinics reach full capacity, home therapies are expected to take on a more important role in dialysis. This development could be advantageous for Fresenius Medical Care, as it presents us with growth opportunities. We offer a host of different products and innovative solutions for home dialysis. By acquiring the U.S. company NxStage, which develops, produces, and markets dialysis machines and further products for home dialysis and intensive care, we have further expanded our home dialysis portfolio. We focus firmly on the needs of our patients by offering them the widest possible range of therapy options. This gives them the freedom to choose what treatment they prefer. Self-determination is a key pillar of our vision of improving our patients' quality of life.

Opportunities related to our business operations

New products and technologies

Developing innovative products and technologies that deliver lasting added value for patients and remuneration systems until they are market-ready is another crucial factor in our long-term success. We advance dialysis-related innovations through our in-house research and development activities. In addition, we are able to enhance existing products ourselves and adapt them to the markets in which we operate. We will continue to add innovative products and technologies to our range in the future in order to capture growth opportunities and meet the demand for integrated care as effectively as possible.

Internal organization and procedures

Fresenius Medical Care benefits from a number of long-term opportunities in the way it is organized and designs its business operations. For example, all production sites follow the "Lean Manufacturing" approach which, in North America and our Schweinfurt plant, includes the "Lean Six Sigma" management system. The focus of Lean Manufacturing and Six Sigma is on the continuous improvement of all manufacturing processes to achieve a low defect rate resulting in improved product quality, while reducing manufacturing times. In addition, constantly improving business processes and rigorously optimizing cost structures helps to make Fresenius Medical Care even more profitable and competitive. With its global efficiency program, the Company has laid the foundation for a continuous and sustainable increase in efficiency.

Capital expenditure and acquisitions

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

We are investing in our future growth by expanding our health care services business through acquisitions and purchasing expertise and relevant technologies in the area of R&D. Thanks to close collaboration between our Strategy and Planning departments and the managers responsible for our acquisitions, we are able to identify suitable potential purchases worldwide at an early stage.

Fresenius Medical Care's business model

Our business model itself also provides opportunities for Fresenius Medical Care's future growth. As a vertically integrated dialysis company, we not only offer almost all of the products and services that a patient with chronic kidney failure requires for treatment, but also use these on a daily basis in our own clinics. As a result, we can incorporate the feedback from our patients, physicians and nurses worldwide in developing and manufacturing new products as well as in organizing our clinic management. This gives us a crucial competitive edge.

ASSESSMENT OF THE OVERALL RISK POSITION AND THE OPPORTUNITIES BY THE MANAGEMENT

The risk management system implemented at Fresenius Medical Care forms the basis for assessing the overall risk position of the Group. The overall risk position of Fresenius Medical Care is determined by the individual risks described above. Changes in the Group's risk situation compared to the previous year occurred as stated in the paragraph of the same name, starting on PAGE 74. As far as we are aware, there are currently no risks that could endanger the continued existence of Fresenius Medical Care. As part of the Company-wide review of the integrated management system, we monitor the effectiveness of the implemented risk management system and make improvements where necessary. The Management Board will continue to expand our risk management as well as the review of the related management system to be able to identify, examine and evaluate potential risks even more quickly and initiate appropriate countermeasures. We believe that we have taken all necessary organizational steps to recognize potential risks early on and to respond to them appropriately.

We remain confident that our integrated global business model and our earning power provide us with a sound basis for our business development, allowing us to capture the potential arising for the Company. In view of our leading position in the dialysis market, our innovative strength, our dedicated staff, and our structured processes for identifying risks early on and managing opportunities, we are convinced that we can continue to make the most of any opportunities that arise for our business in a responsible manner in the future.

CORPORATE GOVERNANCE FUNDAMENTALS

Fresenius Medical Care has the legal form of a partnership limited by shares (KGaA). The Company's corporate structure is set out in the appendix of the notes to the consolidated financial statements starting on page 160. The Company's management and supervisory structure is set out in the "Corporate Governance Report" starting on page 118.

CORPORATE GOVERNANCE DECLARATION

In fiscal year 2019, the Company made use of the option to publish the Corporate Governance Declaration (Erklärung zur Unternehmensführung) on the Company's website pursuant to sec. 315d German Commercial Code (HGB) in conjunction with sec. 289f para. 1 HGB. The Corporate Governance Declaration is available on the Company's website at http://www.freseniusmedicalcare.com/en/home/investors/corporate-governance/declaration-on-corporate-governance/. It is also set out in the "Corporate Governance Report" starting on PAGE 118.

CHANGE IN MANAGEMENT STRUCTURE

Effective November 1, 2019, Helen Giza was appointed as Chief Financial Officer (CFO). She succeeded Michael Brosnan who announced his retirement from the Company earlier in 2019 after serving as CFO since January 2010.

On October 29, 2019, the Company appointed Franklin W. Maddux, MD, the Company's Global Chief Medical Officer, to the Management Board. He started in his new position on January 1, 2020.

COMPENSATION REPORT

The description of both the compensation system and individual amounts paid to the Management Board and the Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA are included in the compensation report which is part of the "Corporate Governance Report" starting on PAGE 118. The compensation report is an appendix of the group management report and is part of Fresenius Medical Care's Group Management Report.

TAKEOVER-RELATED DISCLOSURES

Share capital held by the Company's shareholders (excluding treasury shares held by the Company) at December 31, 2019 totals approximately €298 M, divided into 298,329,247 non-par bearer shares, and a nominal value of €1 each. On the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2011 to conduct a share buyback program, the Company repurchased 7,548,951 shares in 2013. The Company redeemed 6,549,000 of these repurchased shares on February 16, 2016. On the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2016 to conduct a share buyback program, the Company repurchased further 660,000 shares between December 11, 2017, and December 21, 2017 (including) and further 431,000 shares between May 28, 2018 and June 8, 2018 (including). The company redeemed the 1,091,000 shares repurchased in 2017 and 2018 on December 12, 2018. In the period from March 12, 2019 to May 10, 2019 (including) the Company repurchased further 3,770,772 shares for an average weighted stock price of €71.55 on the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2016. The company redeemed the 3,770,772 shares repurchased in the period from March 12, 2019 to May 10, 2019 (including) on June 28, 2019. In the period from June 17, 2019 to December 31, 2019 (including) the Company repurchased further 5,107,678 shares for an average weighted stock price of 62.55 on the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2016. As of December 31, 2019, the Company therefore holds 6,107,629 treasury shares. Treasury shares held correspond to approximately €6.1 M or 2.01 % of the Company's share capital. Voting rights may not be exercised on treasury shares. The treasury shares were acquired in the course of share buyback programs on the stock exchange via the XETRA trading system and/or – for the share buyback program since June 17, 2019 - via selected multilateral trading facilities (MTF). Including treasury shares, the Company's share capital therefore amounted to €304 M at December 31, 2019, divided into 304,436,876 shares. The acquired treasury shares will only be used to reduce the Company's share capital (by cancellation of the relevant shares) or to service employee incentive plans.

The rights of the shareholders are governed by the German Stock Corporation Act (AktG) and the Company`s Articles of Association. This stipulates that each share shall be entitled to one vote at the Company's Annual General Meeting.

The General Partner, Fresenius Medical Care Management AG, is responsible for managing and representing the Company. Similarly, it does not participate in the profit or loss or net assets of the Company. The General Partner's manage-

ment authority also encompasses exceptional management measures, which do not require approval by the shareholders. Vis-à-vis the General Partner, the Company is represented by its Supervisory Board.

The General Partner will cease to be General Partner of the Company if and when all shares in the General Partner entity are no longer held directly or indirectly by one party, which at the same time must hold, directly or indirectly by means of a controlled company as defined by sec. 17 para.1 AktG, more than 25 % of the Company's share capital. This does not apply if all the shares of the General Partner entity are held directly or indirectly by the Company. Additionally, the General Partner will cease to be the Company's General Partner if the shares in the General Partner entity are acquired by another person

- who does not at the same time acquire shares of the Company in the amount of more than 25 % of the Company's capital or
- who has not, within three months after the effectiveness of such acquisition, submitted a voluntary or mandatory takeover offer to the Company's shareholders according to the rules of the German Securities Acquisition and Takeover Act (WpÜG); the fair consideration offered to the shareholders must also reflect the consideration which the purchaser pays for the shares in the General Partner entity, if the amount for such consideration is above the amount of its equity capital.

The other grounds for withdrawal as provided by the law remain unaffected with respect to the General Partner.

As at December 31, 2019, Fresenius SE & CO. KGAA, Bad Homburg v. d. Höhe, Germany holds 94,380,382 shares of the Company, corresponding to 31.00 % holding and hence in excess of 10 % of the Company's total share capital. After deduction of treasury shares held by the Company in accordance with sec. 16 para. 2 HGB sentence 2 AktG, Fresenius SE & CO. KGAA holds 31.64 % of the Company's voting rights.

The appointment and removal of members of the Management Board of the General Partner entity are governed by sec. 84 and sec. 85 AktG. Changes in the Articles of Association of the company must be made in accordance with sec. 278 para. 3 AktG, sec. 179 AktG in conjunction with sec. 133 AktG unless otherwise provided for in the Articles of Association. The Articles of Association entitle the Company's Supervisory Board, without resolution of the General Meeting, to make amendments to the Articles of Association which concern only its wording.

The General Partner is entitled, subject to approval by the Supervisory Board, to increase the Company's share capital as follows in accordance with the resolutions passed by the shareholders' at the General Meeting:

- Authorization, in the period up to May 18, 2020 to increase, on one or more occasions, the Company's share capital by up to a total of €35 M by issuing new bearer ordinary shares in return for cash contributions (Authorized Capital 2015/I).
- Authorization, in the period up to May 18, 2020 to increase, on one or more occasions, the Company's share capital by up to a total of €25 M by issuing new bearer ordinary shares in return for non-cash contributions (Authorized Capital 2015/II).

In both cases, the General Partner is entitled, with the approval of the Supervisory Board and in accordance with the resolutions passed at the General Meeting, to decide on the exclusion of shareholders' pre-emption rights.

In addition to the above, the following conditional capital is in place:

- A conditional increase of up to €9.728 M. This conditional share capital increase will only be carried out to the extent that options were issued in accordance with the Stock Option Plan 2011 based on the shareholders' resolutions taken on May 12, 2011 and May 12, 2016, the holders of such options exercise their rights and the Company does not issue any own (treasury) shares to settle the options; in the case of options issued to members of the Management Board of the General Partner entity, the Supervisory Board of that entity shall be responsible.

In accordance with the resolution taken at the Annual General Meeting on May 12, 2016, the general partner is authorized to acquire treasury shares until May 11, 2021 and up to a maximum of 10 % of the share capital in place at the date of the resolution. At no stage shall the acquired shares together with other treasury shares held by the Company or attributable to it pursuant to sec. 71a ff. AktG exceed 10 % of the Company's share capital. The acquisition can be made via the stock exchange or by means of a public invitation to submit offers for sale. The authorization may not be used for the purposes of trading in its own shares. The general partner is authorized to use the shares of the Company acquired on the basis of this or an earlier authorization for all legally admissible purposes, in particular (i) to withdraw them from circulation without any requirement for a further resolution to be taken at the Annual General Meeting, (ii) to sell them to third parties in return for contributions in kind, (iii) rather than using conditional capital, to award them to employees of the Company and its affiliates (including to members of the executive managements of affiliates) and to use them to service rights or commitments to acquire shares of the Company and (iv) to service bonds with option or conversion rights issued by the Company or by dependent companies as defined by sec. 17 AktG.

A change of control resulting from a takeover offer could, under certain circumstances, have an impact on several of the Company's long-term financing arrangements, in which market standard change of control clauses are in place. These clauses give creditors the right to call for early repayment of outstanding amounts in the event of a change in control. In most of these financing agreements – in particular in case of the bonds which are placed in the capital markets – the right to terminate only exists, however, if the change of control involves the Company's rating or the corresponding financing instrument being downgraded.

Hof an der Saale, February 19, 2020

Fresenius Medical Care AG & CO. KGAA

Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

NON-FINANCIAL GROUP REPORT

ABOUT THIS NON-FINANCIAL GROUP REPORT

The following section provides an overview of the ongoing sustainability efforts of Fresenius Medical Care, as required by Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code. Our Non-Financial Group Report provides insights into developments from January 1 to December 31, 2019, and incorporates disclosures relating to the following six key aspects:

- responsibility for patients,
- responsibility for employees,
- responsibility for ethics and compliance,
- responsibility to respect human rights and workplace rights and labor and employment principles,
- responsibility for the environment,
- relationship with suppliers.

In accordance with the International Financial Reporting Standards (IFRS) 10 and 11, the report includes information on Fresenius Medical Care AG & CO. KGAA and its subsidiaries (together referred to as we, our, Fresenius Medical Care or the Company). The report references the international sustainability standard of the Global Reporting Initiative (GRI) Disclosure 102-46 from GRI 102: General Disclosures 2016, and Disclosures 103-1, 103-2 and 103-3 from GRI 103: Management Approach 2016 as a framework within the meaning of Section 289d of the German Commercial Code.

The auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, Germany, has assessed the separate Non-Financial Group Report of Fresenius Medical Care and performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. For the "Independent Practitioner's Report on a Limited Assurance Engagement", please refer to PAGE 108. References to sources outside of the Non-Financial Group Report are marked "for further information". They are considered as additional information and do not form part of the legally required content according to the German Commercial Code.

OUR BUSINESS MODEL

Fresenius Medical Care is a global health care company that provides products and services for people with chronic kidney failure. In our 3,994 dialysis clinics we offer treatments to more than 345,000 dialysis patients around the globe.

Fresenius Medical Care is the world's leading dialysis company based on publicly reported revenue and the number of patients treated. We provide dialysis care and related services to people with chronic kidney failure, as well as other health care services. We also develop and manufacture a full range of dialysis machines, systems and disposable products, which we sell to customers in around 150 countries, as well as using them in our own health care service operations. Our dialysis business is therefore vertically integrated.

To strengthen our dialysis business and further enhance clinical outcomes and patient empowerment, we acquired NxStage Medical, Inc. (NxStage) in 2019. NxStage develops, produces and markets an innovative product portfolio of medical devices for use in home dialysis and critical care. With this acquisition, we aim to improve the choice of dialysis treatment modalities for patients and help them live more independently. As post-merger integration is still ongoing, NxStage is excluded from the following disclosures unless explicitly stated otherwise. For further information on the acquisition of NxStage, please refer to NOTE 3 of the notes to the consolidated financial statements.

Fresenius Medical Care has a decentralized organizational structure with operational segments that are managed on a regional basis (North America, EMEA [Europe, Middle East and Africa], Asia-Pacific and Latin America). Our global research and development activities are centrally managed by the Global Research and Development (GRD) function, which enables us to develop products efficiently and systematically promotes the exchange of knowledge and technology between regions. Global Manufacturing, Quality and Supply (GMQS) is the organization in Fresenius Medical Care that centrally manages all of our worldwide activities relating to the procurement of raw materials and semi-finished goods, the manufacturing and distribution of renal products as well as the supply chain management. In addition to production sites managed by GMQS, some smaller sites are under local responsibility. For further information on our business model, please refer to the Group Management Report starting on PAGE 19.

OUR RESPONSIBILITY

Operating on a global scale means having global responsibility. As the world market leader in dialysis, Fresenius Medical Care is aware of its responsibilities. We are guided in our decisions by our purpose of "Creating a future worth living. For patients. Worldwide. Every day". This aspiration is translated into specific actions all over the world based on our global values. With our compliance programs and our Code of Ethics and Business Conduct, we set standards that comply with our own and our stakeholders' expectations.

Our business is highly regulated and subject to a variety of complex laws, rules and regulations. We are committed to conducting our business activities in compliance with applicable legal standards as well as internal and external provisions and requirements. Our patients and customers, payors, investors and regulators as well as all other stakeholders expect Fresenius Medical Care to manage its business responsibly and that integrity, sound corporate governance, and adherence to compliance principles play a natural, fundamental role in this.

ADHERENCE TO THE CODE OF ETHICS AND BUSINESS CONDUCT

Leadership plays a crucial role in setting the right tone and maintaining the ethical integrity of the business. To build an ethical culture where everybody is responsible for doing the right thing, we have developed and defined standards of ethical business including a set of values and principles. Our Code of Ethics and Business Conduct is a binding framework that governs how Fresenius Medical Care employees interact with patients, colleagues, suppliers and society. As the cornerstone of our compliance programs, the Code describes Fresenius Medical Care's standards with an emphasis on the Company's commitment to operating in accordance with applicable laws and regulations as well as our company policies. The Code of Ethics and Business Conduct covers non-financial topics that are relevant for Fresenius Medical Care's business, from patient care, quality and innovation, anti-corruption and bribery to worker protection, the environment as well as health and safety. It also includes Fresenius Medical Care's commitment to respecting material human rights topics such as working conditions, non-discrimination and grievance mechanisms.

Our Code of Ethics and Business Conduct applies worldwide to the members of the Management Board, to all of the Company's employees, as well as to the operations of all direct and indirect subsidiaries that are majority-owned or controlled in some other way by us. We strive to meet the high standards set by our Code of Ethics and Business Conduct and are committed to comply with applicable law. Failure to do so could expose Fresenius Medical Care, and any individuals involved to fines, loss of license or other serious sanctions.

We take compliance seriously and promote a culture in which compliance is recognized as everyone's responsibility. Compliance with the Code of Ethics and Business Conduct is essential for Fresenius Medical Care's long-term success as it is the foundation of our corporate culture and an integral part of day-to-day work. Specialized functions at global, regional and local level are responsible for implementing and communicating the principles set out in the Code of Ethics and Business Conduct within the organization. Training programs on the Code of Ethics and Business Conduct are designed to increase awareness of the applicable rules and help employees to understand them better and comply with them. The training programs are held regularly and are mandatory for all relevant employees. Standardized processes are in place to help employees to participate in the programs.

CORPORATE CULTURE AND OUR CORE VALUES

More than 345,000 patients rely on us every day to enable them to have the best quality of life wherever they are, and regardless of their treatment preferences. This is reflected in our statement of purpose: Creating a future worth living. For patients. Worldwide. Every day. Fresenius Medical Care's management takes this statement very seriously by integrating patient needs and expectations into our business decisions.

We regularly encourage our leaders and employees to interact closely and directly with our patients to foster a better understanding of their challenges and experiences. We believe that success at Fresenius Medical Care is directly linked to this. In doing so, our global values provide us with a clear framework and orientation for the conduct and actions of our employees all over the world:

- Collaborative: We team up. This means that we know how to work together for our shared purpose and to achieve our goals as one company.
- Proactive: We get things done. We are good at taking the initiative to make an impact with our work.
- Reliable: We do what we say. We are a trusted companion to our patients, partners and colleagues.
- Excellent: We exceed expectations. We continuously drive quality and progress to lead the business into a successful future.

COMPLIANCE AT FRESENIUS MEDICAL CARE

Fresenius Medical Care has comprehensive worldwide compliance programs in place, encompassing a written Code of Ethics and Business Conduct that is applicable worldwide, policies and procedures including corrective action for failure to follow policies, and periodic internal audits.

All employees of Fresenius Medical Care are encouraged to report potential cases of non-compliance as well as actual or suspected misconduct that violate the Code of Ethics and Business Conduct. Several options are available for this, for example, employees can report actual and potential misconduct to their superiors or to the compliance function. Any suspected misconduct may also be reported anonymously via a dedicated telephone number – the Compliance Action Line – or e-mail addresses set up for this purpose.

On occasion, we may identify instances where employees or other agents deliberately, recklessly, or inadvertently contravene our policies or violate applicable law. In March 2019, we entered into a non-prosecution agreement with the U.S. Department of Justice and a separate agreement with the U.S. Securities and Exchange Commission intended to resolve the U.S. government's claims against the Company arising from their investigations concerning violations of the U.S. Foreign Corrupt Practices Act (FCPA). As part of the settlement, we agreed to retain an independent compliance monitor for a period of two years and to an additional year of self-reporting. For relevant information according to section 289c paragraph 3 no. 6 of the German Commercial Code, please SEE NOTE 22 of the notes to the consolidated financial statements. We continue to cooperate with government authorities in Germany in their review of the issues resolved in the U.S. settlement. In order to promote a culture of ethical business behavior and direct, manage and monitor the activities of our employees accordingly, we rely on our management structure, our regulatory and legal resources, and the effective operation of our compliance programs. For further information on compliance at Fresenius Medical Care, please refer to "Responsibility for ethics and compliance" section starting on PAGE 96.

NON-FINANCIAL RISKS

Fresenius Medical Care has established a Group-wide risk management process. No reportable non-financial risks were identified in this process for fiscal year 2019.

As a company with global operations, Fresenius Medical Care is naturally exposed to risks associated with its business activities. We see risk management as an ongoing task of determining, analyzing, and evaluating the spectrum of potential and actual risks in the Company and its environment. As part of our comprehensive risk management, we also oversee non-financial risks which could have an impact on our business operations.

The German Commercial Code requires Fresenius Medical Care to report on all known significant risks in connection with its own business activities and business relations as well as its products and services, as long as they are very likely to occur and would have a severe negative impact on material non-financial topics. In 2019, no such non-financial risks were identified. For further information on our risk management, please refer to the "Risks and Opportunities Report" starting on PAGE 63.

SUSTAINABILITY MANAGEMENT

For Fresenius Medical Care, sustainability means acting responsibly to achieve business success as well as medical, environmental and social progress.

Acting in a responsible and sustainable manner is a fundamental component of our corporate culture; it secures our future as a globally operating company in the health care industry. We expressly endorse the comprehensive approach to achieve the Sustainable Development Goals (SDGS) agreed by the United Nations (UN). With our core business in quality essential health care services and products, we support in particular SDG 3 with its focus on good health and well-being. Furthermore, we regularly take part in recognized ratings including the Dow Jones Sustainability Index (DJSI) Europe and CDP, a non-profit organization that encourages companies to disclose their environmental impact.

GLOBAL SUSTAINABILITY GOVERNANCE

Responsibilities and processes in the area of sustainability are clearly regulated at Fresenius Medical Care. According to our global sustainability governance structure, sustainability is firmly established at Management Board level (SEE CHART 3.1 ON PAGE 85). The Sustainability Decision Board, which is headed by the Chief Executive Officer (CEO), supports the Management Board in coordinating Fresenius Medical Care's sustainability efforts. Together with the Sustainability Decision Board, the Management Board takes the final decision concerning our sustainability targets and the incorporation of

C 3.1 **GLOBAL SUSTAINABILITY GOVERNANCE**

sustainability aspects into the Company's strategy. The results and progress of our sustainability efforts are presented on a regular basis to the Management Board and the Supervisory Board. They review the progress and results, which are then published in the Non-Financial Report. The Supervisory Board is supported in this process by the auditor's limited assurance engagement.

Another important part of our global sustainability governance is the Corporate Sustainability Committee, which acts as an advisory and steering committee. It comprises senior representatives from all regions and global functions who have been nominated to adequately represent regional and functional interests in our sustainability activities. The Sustainability Decision Board and the Corporate Sustainability Committee enable the Corporate Sustainability Office to manage Fresenius Medical Care's sustainability activities.

To underline our strong commitment to sustainability, we launched a Global Sustainability Program in 2019. As part of this program, we have defined eight sustainability areas, which allow us to proactively manage key topics of material interest: responsibility for our patients and our employees, anti-corruption and bribery, data privacy and security, human and labor rights, supply chain, environment as well as occupational health and safety. The Global Sustainability Program will shape our operations and create valuable opportunities for us to integrate sustainability principles into global activities and assume even greater accountability.

STAKEHOLDER DIALOG

As a company with global operations, our business activities have an impact on many stakeholder groups, including patients, employees, suppliers, and shareholders, as well as representatives from academia, politics and society. We consider it essential to engage in stakeholder dialog to understand their expectations of Fresenius Medical Care as a sustainable company. As part of our materiality analysis, we therefore held interviews with external stakeholders. Furthermore, we regularly conduct surveys among our patients and employees.

As we are subject to a wide range of regulatory changes and political decisions that impact our business activities, we also consider it our responsibility to represent the interests of our stakeholders in an open dialog with governments as well as with associations, organizations and further groups in society. Our principles for political contribution as set forth in our Code of Ethics and Business Conduct form the basis of our political dialog and activities in compliance with applicable laws and regulations. For a list of our stakeholder groups and our form of involvement, please see TABLE 3.2.

T 3.2 **STAKEHOLDER GROUPS AND OUR INVOLVEMENT**

Stakeholder group	Form of involvement
Patients	› Direct communication with doctors and nurses › Grievance letter boxes and hotlines › Patient satisfaction surveys
Employees	› Compliance Action Line › Employee surveys › Internal communications › Works council
Investors	› Annual General Meeting › Ongoing dialog with investors and analysts › Sustainability surveys from investors and analysts
Supplier	› Continuous contact with suppliers and partners › Ethical standards of conduct towards employees, society and the environment
Politics and society	› Dialog with government officials and representatives of health care systems, health care professionals, physicians and nurses as well as patient organizations
Academia	› Research collaborations with universities

MATERIALITY ANALYSIS

To identify and prioritize the topics that have the strongest impact on the economy, society and the environment and matter most to our business, we conduct a formal materiality analysis every three years.

In 2019, we conducted a thorough materiality analysis in accordance with the German Commercial Code to help us identify topics that are important to the business and our stakeholders and that therefore need to be covered in our reporting. Our materiality analysis comprised five steps (SEE CHART 3.3). First, we created a comprehensive list of potential material topics based on a competitor benchmark, our corporate risk management reporting, ESG (Environment Social Governance) ratings and rankings such as DJSI, CDP and MSCI, best-practice guidelines including GRI and the Sustainability Accounting Standards Board (SASB), as well as an ongoing trend and media analysis. To prioritize the sustainability topics according to their business relevance, we then conducted an online survey, in which we asked representatives of all regions and functions to assess the importance of the individual topics for Fresenius Medical Care. To gain an internal perspective on our contribution to sustainable development, in the third step, we used the comprehensive and internationally accepted Sustainable Development Goals (SDGS) as a proxy to help us understand how our business activities impact non-financial aspects. In step four, we asked our stakeholders for feedback and identified external stakeholders to review the results and make sure that the materiality analysis process and the results derived from it are sound. Finally, we involved senior management and asked them to test the results of our materiality analysis and validate the outcome.

The results of the materiality analysis reflect Fresenius Medical Care's commitment to responsibility and represent the focal points of our Non-Financial Group Report. We have grouped the material topics identified into five high-level categories (SEE CHART 3.4 ON PAGE 87) following the five matters defined by the German Commercial Code. In the last section of our report, we address the cross-cutting topic of our "Relationship with suppliers" and describe our approach to incorporating non-financial topics in our supply chain.

C 3.3 **OUR MATERIALITY PROCESS**

RESPONSIBILITY FOR PATIENTS

At Fresenius Medical Care, we are working towards a common goal: To create a future worth living. For patients. Worldwide. Every day. To achieve this aspiration, we do all we can to improve the quality and efficiency of our services and products to give a growing number of people access to high-quality dialysis care.

Non-financial topics covered in this chapter regarding our responsibility for patients are quality of care and patient satisfaction, quality of products, innovation and R&D, challenges of global health care systems, access to medicine and health services, and patient support in emergency situations.

Life expectancy is increasing worldwide. The result is an ageing population that requires improved medical care and accelerates demand for dialysis products and services. We intend to respond to today's global health care challenges with innovative technologies and treatment concepts. In doing so, we apply different frameworks in our clinics and production facilities to measure and continuously improve the quality of our products and services. The "Quality of care and patient satisfaction" section below discusses quality management in health care services. For information on the topic of quality management in our product business, please refer to the "Quality of products" section starting on PAGE 90.

C 3.4 **NON-FINANCIAL TOPICS COVERED IN THIS REPORT**

OUR RESPONSIBILITY

CORPORATE CULTURE AND TONE AT THE TOP [1]

SUSTAINABILITY MANAGEMENT

INCORPORATION OF SUSTAINABILITY TOPICS INTO COMPANY STRATEGY

Responsibility for patients

- Quality of care and patient satisfaction [1]
- Quality of products [1]
- Innovation and R&D [1]
- Challenges of global health care systems
- Access to medicine and health services
- Patient support in emergency situations

Responsibility for employees

- Employer attractiveness [1] and retention
- Employment standards and HR policies [1]
- Employee engagement
- Diversity and inclusion
- Training and development
- Occupational health and safety

Responsibility for ethics and compliance

- Anti-bribery and anti-corruption [1]
- Compliance with laws and regulations [1]
- Data protection and data privacy [1]
- Political contribution & lobbying [1]
- Bioethics in R&D

Responsibility to respect human rights and workplace rights

- Working conditions [1]
- Non-discrimination and equal opportunities
- Harassment
- Collective bargaining and freedom of association
- Forced labor
- Child labor

Responsibility for the environment

- Environmental compliance [1]
- Water
- Energy
- Waste
- Greenhouse gas emissions and impact on climate change
- Environmental performance of products/services

RELATIONSHIP WITH SUPPLIERS

SUPPLY CHAIN MANAGEMENT

[1] Relevant according to the German Commercial Code.

QUALITY OF CARE AND PATIENT SATISFACTION

Quality of care and patient satisfaction are key components of our corporate activities. We treat over 345,000 patients in our 3,994 dialysis clinics around the world. Our patients' well-being is our top priority, and key to the Company's success all over the world. To continuously deliver on this commitment, it is important that we also coordinate the interpretation of clinical science and medical practice patterns on a global basis. For this reason, we established a Global Medical Office in 2019. Headed by the Global Chief Medical Officer, this office is tasked with evaluating coordinated data from clinical scientific research and medical practice to improve treatment outcomes. This includes facilitating cooperation and knowledge transfer across the entire Fresenius Medical Care network.

At a regional level, responsibility for the quality of our dialysis care services lies with our Chief Medical Officers, the Chief Clinical Office, and the interdisciplinary patient care teams. They develop and review internal standards and policies relating to quality. Furthermore, they continuously measure and assess the quality of care at our dialysis clinics based on generally recognized quality standards and international guidelines. These include the Kidney Disease: Improving Global Outcomes (KDIGO) foundation, the Kidney Disease Outcome Quality Initiative (KDOQI), the European Renal Best Practice Guidelines (ERBP) as well as industry-specific clinical benchmarks and our own quality targets (SEE TABLE 3.5 ON PAGE 88).

T 3.5 **QUALITY PARAMETERS BY OPERATING SEGMENT**
RELATING TO THE FOURTH QUARTER OF THE RESPECTIVE YEAR

		Description	Possible impact if too low	North America		Europe, Middle East and Africa		Latin America		Asia-Pacific	
				2019	2018	2019	2018	2019	2018	2019	2018
in %	Kt/V[1] ≥ 1.2	Effectiveness of dialysis: measures how well the body is cleaned of uremic toxins	More days spent in hospital; increased mortality	97	97	94	95	91	91	95	96
	Hemoglobin[2, 3, 4] = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicator for anemia	71	72	82	82	50	53	56	58
	Calcium[1] = 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	81	86	79	81	76	75	74	74
	Albumin[5] ≥ 3.5 g/dl			81	81	89	90	91	90	87	89
	Phosphate[1, 6] ≤ 5.5 mg/dl			60	62	80	81	76	75	63	67
	Patients without catheter (after 90 days)[7]	Measures the number of patients with vascular access	More days spent in hospital	81	83	78	79	79	80	83	86
in days	Days spent in hospital per patient year[8]	Result of complications during dialysis	Restrictions in quality of life	10.3	10.8	7.5	7.8	4.3	4.2	2.6	3.3

[1] KDOQI guidelines (Kidney Disease Outcomes Quality Initiative).
[2] KDIGO guidelines (Kidney Disease: Improving Global Outcomes).
[3] ERBP standard (European Renal Best Practice).
[4] EMEA data includes patients with Hb > 12 g/dl without erythropoiesis-stimulating agents (ESA).
[5] European Reference Material ERM-DA470k.
[6] Phosphate specified as mg/dl of phosphorus.
[7] Where we as the care provider are directly responsible, the proportion of patients with permanent vascular access serves as an indirect quality indicator.
[8] Days spent in hospital over a 365-day dialysis treatment period per patient.

QUALITY PARAMETERS TO MEASURE OUR QUALITY OF CARE

As a health care company, our success depends on our health care services improving outcomes. To this end, we have defined a set of quality parameters, which we continuously monitor to make sure that the quality of care remains on a consistently high level. As part of this approach, we regularly provide executives in the individual operating segments as well as our Management Board with aggregated data on the quality of care (SEE TABLE 3.5). In addition, we publish selected results of our treatment analyses on a quarterly basis to create transparency on the quality of patient care and to emphasize the importance of our social responsibility towards our patients at Fresenius Medical Care.

We evaluate a variety of medical indicators to measure the quality of care provided in our dialysis clinics. These quality parameters include the following:

- **Kt/V** provides information about the effectiveness and efficiency of dialysis. It is calculated by dividing the product of urea clearance (K) and the duration of treatment (dialysis time, t) by the volume of body space to be cleaned of toxins (the urea distribution volume in the patient, V).
- The **hemoglobin value** in patients' blood should be kept within a defined range. Hemoglobin is the component of red blood cells that transports oxygen within the human body. An insufficient level of hemoglobin in the blood indicates anemia. Anemia not only affects patients' quality of

life but is also associated with multiple comorbidities, including an increased risk of cardiovascular morbidity and mortality.
- **Albumin, calcium and phosphate** levels in the blood are indicative of a patient's general nutritional status and point to disorders in the mineral and bone metabolism of patients with chronic kidney disease.
- **Catheters** are associated with a serious risk of infection and an increase in the number of days spent in hospital. In contrast, a permanent vascular access (arteriovenous fistula/ arteriovenous graft) is associated with reduced risk and supports effective dialysis treatment. Fresenius Medical Care records the number of patients who do not use a catheter as a vascular access for dialysis.
- The **number of days patients are hospitalized** is relevant for determining the quality of care because more days spent in hospital significantly reduce the quality of life for dialysis patients and are particularly cost-intensive for health care systems.

For 2019, we included the quality parameters of 89 % of our dialysis clinics worldwide in our table of quality parameters by operating segment.

For reasons of comparability, all data shown in TABLE 3.5 ON PAGE 88 are collected at the same time. As we continuously measure the quality of care we offer our patients, medical data collected at a later point in time as well as lab test results might affect the quality parameters retroactively, requiring us to adjust them at a later stage.

APPROACHES TO ENHANCE THE QUALITY OF DIALYSIS CARE

We are committed to continuously improving the quality of life of patients affected by kidney disease. For this reason, we are working on various schemes to offer even more flexible treatment, including new options for home dialysis and new, value-based care models for patients with chronic kidney disease. Our recent acquisition of NxStage, which manufactures and distributes hemodialysis machines for home use, is just one aspect of our efforts to promote the benefits of home dialysis treatment and provide industry-leading solutions to patients and physicians. Home dialysis expands the choice of dialysis treatment modalities, helping our patients to live more independently.

As a further example of our approach to advance the quality of dialysis care, we have entered into a strategic global partnership with Humacyte Inc., a medical research and development company. Fresenius Medical Care's investment in Humacyte gives us the opportunity to offer patients a dialysis vascular access option with the potential to significantly improve clinical efficacy and safety, including minimizing catheter contact time. Furthermore, we are investing in technologies for home therapies, including innovations for remote patient monitoring, portals for patients, care givers and providers, as well as telehealth, which, combined with predictive analytics and artificial intelligence, will make it easier to clinically manage patients between visits to a doctor and avoid unnecessary hospitalizations.

One important key element of our growth strategy is to combine all aspects of dialysis-related care and coordinate them more effectively. As part of this approach, we are participating in a pilot project called the End-Stage Renal Disease (ESRD) Seamless Care Organization (ESCO) program. An ESCO is a group of dialysis facilities, nephrologists, and other health care providers in the North America region who work together to coordinate and improve the quality of care patients receive. An integrated care team is dedicated to providing holistic, high-quality care that meets the patient's individual needs and preferences, with a focus on outcome-based reimbursement rather than offering single products or services. The ESCO pilot project will run until the end of 2020. For further information on ESCOs, please refer to the "Reimbursement in Care Coordination in the U.S." section starting on PAGE 38.

Thanks to our ongoing efforts to improve patient care, Fresenius Medical Care North America came top in the industry in the U.S. government's Five Star Quality of Care Rating. In the rating, one to five stars are awarded to facilities based on a series of measurements relating to their clinical performance and patient outcomes. In 2019, we had the highest percentage of clinics rated with four or five stars of all major dialysis providers in the U.S. More than 94 % of the Company's dialysis centers were rated with three stars and more for clinical quality, with a total of 762 centers achieving the highest five-star rating, up from 659 last year.

PATIENT SATISFACTION AS A QUALITY PARAMETER

As part of our commitment to providing sustainable clinical care to our patients, we have set out clear and consistent general principles regarding patient care for all members of staff who interact with patients in our own dialysis centers. According to these principles, clinical care must be consistent with national and international scientific guidelines, Fresenius Medical Care's policy and the physician's orders. In line with our Code of Ethics and Business Conduct, we expect all staff, among other things, to

- act ethically, fairly, courteously, competently and timely when dealing with patients,
- treat all patients with dignity and respect,
- involve patients and families in treatment planning and processes whenever appropriate,
- accurately answer questions by patients and families,
- respond to and attempt to resolve all concerns and complaints promptly and thoroughly.

Patient surveys are a meaningful and essential source of information to measure, manage and improve the services and care we offer our patients. We carry out the surveys in various countries to assess whether we are meeting patients' expectations or are lacking in any areas. We use the results to identify process improvements and consequently to improve patients' quality of life and the care we give each individual patient.

To improve local responsiveness, responsibility for patient surveys lies with each region. In the U.S., for example, the federal public health care authority, the Centers for Medicare and Medicaid Services (CMS), determines the content of patient satisfaction surveys. The EMEA, Latin America and Asia-Pacific regions also conduct surveys as a tool to measure patients' experience and improve the quality of health care services. In EMEA and Latin America, the surveys are part of the quality management system. In all three regions, the survey results are analyzed and discussed with central functions at country level to identify and act upon strengths and weaknesses in the area of patient care.

Another way to seek and respond to patient feedback are the patient grievance processes established at Fresenius Medical Care. To foster a culture of open communication and continuous improvement, we have established grievance processes in all regions to enable a positive patient experience based on dignity and respect. Depending on the region, we offer our patients various channels through which they can express their concerns, such as complaints and suggestion books and boxes, dedicated hotlines and e-mail addresses as well as a web form on our website. Although all patients have the right to file a grievance without fear of reprisal or denial of services, some patients may not feel comfortable with doing so. For this reason, we give patients and their representatives the option of filing grievances anonymously.

PATIENT SUPPORT IN EMERGENCY SITUATIONS

Fresenius Medical Care operates dialysis facilities in many regions of the world with diverse geographic, social and economic conditions. To be able to continue providing our patients with their vital dialysis treatment, even in extreme conditions such as severe storms or floods, we have developed a robust emergency response program, so that we can operate smoothly in the event of a crisis or disaster. As part of the program, we have established a system of regionally organized emergency response teams. Their task is to mobilize very quickly at local level to help keep the clinics running without interruptions and provide treatment and supplies to patients regardless of the dialysis provider.

In addition to our disaster response activity, we donate funds, dialysis machines and medical supplies to organizations that urgently require help. Our response to the life-threatening conditions caused by Hurricane Dorian in the U.S. in 2019 is a good example of our social responsibility and our strong commitment to our patients. Our Disaster Response Team prepared for the storm well in advance and actively monitored its track so that we could continue caring for our patients. Furthermore, affected employees were provided with emergency housing, personal goods, generators, fuel, food, and water so that they could continue to care for and treat our patients. Applying best practices from prior hurricane seasons, we made sure that all patients and staff were accounted for after the storm and were happy to report only minor damages to the facilities.

QUALITY OF PRODUCTS

Quality management in our product business covers the entire product's lifecycle from research and development to production and application. We strive to create a safe and healthy clinical environment and take the quality, safety and efficacy of the medical and pharmaceutical products that we develop and manufacture very seriously.

INNOVATIONS AND RESEARCH AND DEVELOPMENT

As an important element of our growth strategy and as set out in our Code of Ethics and Business Conduct, we carry out research and development (R&D) in order to maintain a technological and clinical edge and develop innovative products and enhanced therapies. To this end, we not only work on new products that are close to market launch, but also have an extensive portfolio of innovation projects.

Our worldwide R&D activities are centrally managed by our GRD function, with a focus on developing innovative products that are not only of high quality, but also affordable. In doing so, GRD enables us to respond to the worldwide rise in demand for high-quality yet cost-efficient treatment methods. In addition to our internal R&D activities, we collaborate with external partners, including academic institutions, renowned universities, and start-ups, promoting an open culture of innovation and enabling access to the latest technologies.

To continuously grow our core business and expand into new business areas, we also invest in early-stage companies. As an important part of our innovation culture, we carefully consider the ethical implications of our R&D activities. For further information, please refer to the "Bioethics in research and development" section starting on PAGE 98. For further information on our innovation portfolio in 2019, please refer to the "Overview of the Group" starting on PAGE 19.

ACCESS TO MEDICINE AND HEALTH CARE SERVICES

People living in low- and middle-income countries often have poor access to medicine and health care services including kidney treatment. To facilitate access to dialysis treatment, we have developed a targeted portfolio specifically designed to meet the needs of emerging markets. In 2018, we launched the 4008A dialysis machine to bring life-saving dialysis within reach of the increasing number of patients who need urgent access to this treatment. The 4008A machine meets high therapy standards while reducing costs for health care systems. At the same time, it is designed to be robust and easy to handle, making it ideal for use in challenging infrastructures and remote locations.

In a systematic review of patients' access to treatment around the world, it is estimated that almost two million people in Asia with end-stage renal disease who needed dialysis were not receiving it – that is twice the number of patients being treated. In response to this treatment gap, the 4008A dialysis machine has so far been primarily deployed in China and India, with other countries across the Asia-Pacific region to follow.

PRODUCT QUALITY AND SAFETY AS THE BASIS FOR OUR BUSINESS

Our operations are subject to extensive governmental regulation in virtually every country in which we operate. In the European Union, this includes legislation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) EC 1907/2006, the Restriction of Hazardous Substances (RoHS) 2011/65/EU, the Medical Device Directive 93/42/EEC and the new Medical Device Regulation (EU) 2017/745. To fulfill our commitment to product quality and safety while complying with the numerous relevant regulatory requirements, our processes are embedded in comprehensive quality management systems. As a result, all of our products and procedures comply with quality and safety standards from their development to market approval, manufacturing and use in clinics, through to training customers and dealing with complaints.

As we believe that quality management systems create more leverage via best-practice sharing and a more integrated global and regional organization, we have harmonized the local quality management systems in EMEA, Latin America and Asia-Pacific and, where applicable, in North America, into one consolidated quality management system. This multi-year initiative will enable GRD and GMQS to leverage synergies, allowing us to respond faster to market developments, and work together more efficiently and effectively to design and manufacture innovative, high-quality products that better support treatment outcomes for renal patients. In December 2018, the consolidated quality management system was successfully audited by the notified body TÜV Süd and achieved ISO 9001 and ISO 13485 certification.

To produce safe products with a reliable quality, our plants are subjected to regular external quality audits and reviews in accordance with local requirements. TABLE 3.6 shows the certification of our GMQS-managed production sites in accordance with ISO 9001/13485 and the Good Manufacturing Practice (GMP)/Current Good Manufacturing Practice (cGMP) guidelines.

T 3.6 CERTIFICATION OF OUR GMQS-MANAGED PRODUCTION SITES

Region	ISO 9001/13485	GMP/cGMP
North America [1]	2 out of 8 production sites	8 out of 8 production sites
EMEA [1]	12 out of 12 production sites	All sites producing pharmaceutical products are certified in accordance with GMP
Asia-Pacific [2]	6 out of 6 production sites	4 out of 6 production sites
Latin America	1 out of 4 production sites	4 out of 4 production sites

[1] In addition to ISO 9001/13495 and GMP/cGMP certification, two of the sites in North America as well as seven of the sites in EMEA are certified by the Medical Device Single Audit Program (MDSAP).
[2] Excluding one plant that does not produce finished products, so that no certification is necessary.

In addition to audits carried out by notified bodies and authorities, including the U.S. Food and Drug Administration (FDA), the German Ministry of Health and other applicable national health authorities, our local sites are subject to management reviews and regular internal quality audits. Any cases of non-conformance detected as part of these quality audits are forwarded to the respective department to determine and implement appropriate corrective and preventive measures.

OUR GLOBAL QUALITY POLICY AND QUALITY MANUALS

Another cornerstone of our commitment to product quality and safety is our Global Quality Policy, which was jointly developed and approved by GMQS and GRD. As a key component of our quality management system, the Global Quality Policy describes our overarching quality objectives and reflects our commitment to providing uncompromised product and service quality, while maintaining compliance with relevant regulations.

In addition to our Global Quality Policy, all regions have developed quality manuals, which are maintained at local level. These contain a detailed description of our quality systems, including corporate oversight responsibilities, policies and procedures, as well as sub-system policies according to ISO 9001 and ISO 13485 and other documents needed to allow effective process planning, operation and control.

REPORTING ADVERSE EVENTS AND PRODUCT COMPLAINTS

Patient safety is of utmost importance to Fresenius Medical Care. We strive to ensure compliance with legal requirements related to monitoring the adverse effects of drugs – also called pharmacovigilance – and medical devices – known as technovigilance. To this end, we collect and review adverse events and product complaints.

In addition to compliance with applicable legal requirements, we have included the topic of reporting adverse events and product complaints in our Code of Ethics and Business Conduct. As articulated in the Code, we require all staff involved in relevant tasks to understand, be familiar with, and follow Fresenius Medical Care's principles regarding the reporting of adverse events and product complaints.

RESPONSIBILITY FOR EMPLOYEES

We are one of the world's largest health care providers and the largest dialysis company in the world, with a workforce of 128,300 people (headcount) or 120,659 full-time equivalents (FTEs). Our employees are the reason for our continued success. We acknowledge our responsibility to maintain a high level of employment as well as occupational, health and safety standards and to provide an attractive and engaging working environment.

Non-financial topics covered in this chapter regarding our responsibility for employees are employer attractiveness and retention, employment standards and HR policies, employee engagement, diversity and inclusion, training and development as well as occupational health and safety.

EMPLOYEES AND EMPLOYMENT STRUCTURE

In the ten years between the end of 2009 and the end of 2019, the number of employees at Fresenius Medical Care increased by 52,671 (FTEs). As shown in TABLE 3.8 STARTING ON PAGE 95, the majority of our employees work in the area of production and services (86 %) followed by administrative functions (10 %). Most of our employees are located in North America (50 %), followed by EMEA (17 %).

Our future growth and success depend on our ability to continue to attract, develop and retain skilled employees wherever we have operations. Following a prolonged period of economic growth in many markets, the competition for talent has heated up, which could increase recruiting and personnel costs in affected markets and thus reduce our ability to serve our patients. These overall labor market constraints translated into a global voluntary turnover rate of 14 % in 2019. In health care in general, external comparisons show a slight increase and it is especially emerging countries which encounter increased rates due to the economic growth there. We work hard to address turnover issues wherever they occur with a wide range of measures tailored to the respective market. For example, we have intensified our employer branding activities in North America to increase the opportunities for candidates to learn about our career offerings, attract the right candidates and ensure that candidates experience our recruiting processes as positive. Based on the insights gained, we are now starting to expand this process to markets outside North America.

Globally, our external hire rate was 25 % in the past year, demonstrating our success in attracting talent worldwide. In addition, we hired around 5,424 (HCS) new employees as part of our acquisition efforts, above all through the integration of NxStage. On average, employees stay with us for seven years. Compared to 2018, tenure has slightly decreased due to the high number of external hires as well as employees that have joined us as part of our acquisitions.

Our employees work in more than 65 countries and bring together a wide range of cultures and skills under one roof. We value the diversity that our employees provide in the form of their qualifications, personal strengths, characteristics, interests, perspectives, and ideas. Our diversity concept is therefore broadly defined to foster inclusiveness in general and covers characteristics such as gender, age, nationality as well as academic and personal background. We will continue to promote diversity in the future, emphasizing and embracing it as an asset.

In 2019, 69 % of our employees were women, with the highest proportion in North America (72 %). This distribution is unchanged to the previous year. Gender diversity in our main governance bodies and at management level has increased over time, as outlined in TABLE 3.8 STARTING ON PAGE 95. We are proud of our efforts to continuously enhance gender diversity and foster an inclusive working environment, starting at the top.

The average age of employees in 2019 was 41 years, with the majority of 56 % aged between 30 and 50. This distribution reflects the high proportion of skilled and experienced employees as required in many areas of work in our industry. The average age of our employees has remained the same compared to last year while the percentage of employees above 50 and between 30 – 50 years has slightly decreased. The percentage of employees below 30 has increased to below 18 %.

In Germany, we employed 6,732 people (FTEs) at the end of the reporting year (2018: 6,466), accounting for around 6 % (2018: 6 %) of the total workforce. This underscores the high degree of internationalization within Fresenius Medical Care, as outlined in TABLE 3.8 STARTING ON PAGE 95. Our management is also highly international with 86 % non-German leaders within our Long-Term Incentive Plan (LTIP) population, SEE TABLE 3.8 STARTING ON PAGE 95.

GLOBAL PEOPLE STRATEGY

Fresenius Medical Care's global Human Resources (HR) function provides and manages the necessary frameworks, policies and processes to enable our employees to contribute to our success and growth. HR is organized at a global, regional and functional level. The global HR function continues to enhance our Global People Strategy and reports directly to Fresenius Medical Care's CEO. The regional and functional HR teams work closely with local HR representatives, employees and managers to adapt this strategy to regional and functional requirements to allow us to provide high-quality HR services on a daily basis.

The Global People Strategy rests on three pillars (SEE CHART 3.7) and provides the framework for all of our HR activities. The strategy is translated into annual roadmaps that are defined and discussed globally as well as in each region and function on a regular basis. In addition, our global centers of excellence help to share, discuss, develop and implement new ideas, tools and solutions. This facilitates close collaboration, leveraging of synergies and greater alignment of the HR function across all countries.

1) **Driving a culture that attracts, engages, and retains employees.** Fresenius Medical Care fosters an inclusive culture and work environment throughout the organization. In 2019, many of our communication and mobilization activities were based on our global values. They included a series of worldwide and local events and workshops to promote our global values and the Fresenius Medical Care way of working and bring our teams together.

We recognize our employees' commitment with various other local and regional events. For example, at the International Nurses Day in the Asia-Pacific region in 2019, more than 4,500 nurses and medical staff were recognized for their contributions and dedication to our patients. In the U.S., we hold a Nephrology Nurses Week and a week for hemodialysis technicians as well as events and campaigns tailored to other employee groups. In some countries, we support Employee Resource Groups (ERGS) and networks, such as the Women's Employee Resource Group (WERG) or the Veterans' Employee Resource Group (VERG) in the U.S.

We established our global employee engagement framework as a standard concept to collect feedback from all employees worldwide in a consistent manner. It takes place every two years. The first full cycle was completed in 2019. As outlined in TABLE 3.8 STARTING ON PAGE 95, the global participation rate was 68 %, with a global employee engagement rate of 56 %. As we have closed this first cycle only by the end of 2019, we are still in the process of a detailed analysis. First insights show that one of our strengths is a very strong identification with Fresenius Medical Care's products and services and our purpose to improve patient lives. Furthermore, results indicate that

C 3.7 **THE THREE PILLARS OF THE GLOBAL PEOPLE STRATEGY**

we can further strengthen collaboration and provide our employees with more development opportunities. The findings gained from the engagement process will be used to support local and global action plans and further improve engagement levels in the long term.

2) **Managing talent to provide skills and resources today and in the future.** Lifelong learning and education as well as personal and professional development are crucial elements of employee motivation and prerequisites for a successful career. We invest in our employees and provide them with attractive development opportunities, taking their roles and individual strengths into consideration. Our skill sets include nurses, physicians, social workers, dieticians, engineers, production workers, IT experts, supply chain experts, drivers, researchers, as well as staff with expertise in legal, compliance, human resources, finance, marketing, communications, auditing, and much more. This is reflected in our learning programs for either specific skills or selected leadership levels.

   Our employees participate in training courses on our Code of Ethics and Business Conduct and additional mandatory training related to areas such as workplace safety. In addition, employees can enroll in various e-learning courses and education opportunities based on their individual preferences and needs.

   In 2018, we implemented a global leadership development program for our top 400 leaders, built around the leadership expectations "define and shape vision & purpose", "collaborate globally", "lead innovation and positive change", "be a good decision-maker", and "develop our talent". This is now the standard program to learn about our global leadership mindset. It was completed by the first approximately 100 participants in 2019.

   To further boost our efforts to manage global talent, we continued to refine the process for regularly reviewing leadership talent and succession planning and expanded its scope, including a focus on female and future talents. The results are used by managers and HR colleagues to recognize and deliver "best-fit" solutions in the future, and are the basis for identifying, promoting and developing future leaders at Fresenius Medical Care. In Asia-Pacific, we continued to roll out our program for managers, called FAME, with a focus on providing essential management skills. It supplements programs we have established in other regions like North America and EMEA in recent years.

   We offer multiple local and regional courses and programs for our clinical staff that are tailored to their priorities and requirements. They include the Clinical Advancement Program (CAP), a development program designed specifically for state-registered nurses in the U.S., and learning programs that cater to the needs of patient care technicians. Another example is the NephroCare Academy in EMEA, which promotes blended learning and further improves clinical performance in our clinics. Adapted to the highly specific needs of health care professionals, this platform provides learning opportunities for nurses, physicians and other health care professionals in more than 24 countries.

3) **Aligning organizational capabilities to enable global growth.** As we operate in a highly regulated industry and have employees in more than 65 countries, we are constantly working to find the right balance between globalization and localization and organize ourselves accordingly. On the one hand, health care regulations differ considerably in the individual countries in which we operate. On the other hand, cultural conventions, languages as well as the varying size and focus of our local footprint require close collaboration, alignment and adaptability to be effective. To foster this exchange, we regularly connect and bring our leaders together to discuss our future strategy and priorities, for example, at our Annual Leadership Conference.

   The 2019 Annual Leadership Conference produced a large number of initiatives and solutions to promote innovation, establish a digital mindset, and further promote collaboration. These solutions are either currently being further specified or are already in the implementation phase, helping Fresenius Medical Care to progress and improve as an organization. To foster organizational alignment, cross-functional targets are defined in different business areas to encourage employees to align priorities for their projects. We are also well underway with our PeopleConnect project, which involves rolling out a global HR software solution to further simplify collaboration while digitizing HR tasks and processes.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

At Fresenius Medical Care, we consider the health and safety of our employees part of our corporate responsibility. As voiced in our Code of Ethics and Business Conduct, we seek to provide a safe, healthy and productive work environment for our employees and our business partners who assist us in our business operations. We are committed to safeguarding our employees against work-related illnesses and accidents.

We foster a culture of continuous improvement and

› report and analyze work-related accidents and injuries,
› identify their root causes, and
› implement corrective actions, as appropriate.

T 3.8 **EMPLOYMENT OVERVIEW (CONTINUATION SEE NEXT PAGE)**

Global overview[11]	**2019**	**2018**	**2017**
Employees (headcount)	128,300	120,328	121,245
Employees (FTE)	120,659	112,658	114,000
Staff costs (EUR m)	6,799	6,440	6,900
Average staff costs per FTE (EUR)	56,740	57,129	61,287

Employees per region (%, FTE)[10, 11]	**2019**	**2018**	**2017**
EMEA (incl. Germany)	17	17	17
Germany	6	6	5
North America	50	50	51
Asia-Pacific	10	10	9
Latin America	9	8	8
Corporate[12]	14	15	15

Employees per functional area (%, FTE)[11]	**2019**	**2018**	**2017**
Production and services	86	86	87
Administration	10	10	9
Sales and marketing	3	3	3
Research and development	1	1	1

Employee retention (rate, Headcount)[10, 11]	**2019**	**2018**	**2017**
Voluntary turnover rate (%)[1]	14.3	13.2	12.2
External hire rate (%)[2]	24.7	21.7	n/a
Average service length in years[3]	6.8	7.1	7.0

Female employees per region (Headcount, %)[11] As a percentage of overall employees as at December 31	**2019**	**2018**	**2017**
Total	69	69	69
North America	72	72	70
EMEA	66	67	67
Latin America	65	67	68
Asia-Pacific	64	65	65

Female employees / members in governance bodies and leadership levels (%)[11] As a percentage of the overall respective group as at December 31	**2019**	**2018**	**2017**
Supervisory Board	33	33	33
Management Board	29	14	0
First management level[5]	23	21	19
Second management level[6]	30	27	28
LTIP participants[4]	34	33	33

Demographic overview of our employees[10, 11]	**2019**	**2018**	**2017**
Average age in years	41	41	42
Share of employees under 30 (%)	18	16	18
Share of employees between 30 and 50 (%)	56	57	56
Share of employees 50+ (%)	26	27	26

Demographic overview of the Supervisory Board	**2019**	**2018**	**2017**
Average age in years	63	67	67
Share of Supervisory Board members between 30 and 50 (%)	17	0	0
Share of Supervisory Board members 50+ (%)	83	100	100

Demographic overview of the Management Board	**2019**	**2018**	**2017**
Average age in years	56	57	55
Share of Management Board members between 30 and 50 (%)	14	14	29
Share of Management Board members 50+ (%)	86	86	71

Demographic overview of top leadership levels[4, 11]	**2019**
Average age (in years)	50
Share of leaders between 30 and 50 (%)	52
Share of leaders 50+ (%)	48

Footer see next page

EMPLOYMENT OVERVIEW (CONTINUATION OF THE PREVIOUS PAGE)

Level of internationalization in leadership levels (%)[7, 11]	2019
International leaders on first management level[5]	61
International leaders on second management level[6]	73
International managers among LTIP participants[4]	86

Employee engagement (%)	Sep 2018 – Dec 2019
Engagement score[8]	56
Participation rate[9]	68

[1] Calculated as the number of employees (headcount) who left the organization voluntarily in relation to the number of employees at the end of the year.
[2] Calculated as the number of employees (headcount) who joined the organization in relation to the number of employees at the end of the year.
[3] Average length of employment at Fresenius Medical Care.
[4] Includes all LTIP participants.
[5] Includes all direct reports to a Management Board member that participate in our LTIP.
[6] Includes all direct reports to a first-level leader that participate in our LTIP.
[7] Percentage of international, i.e. non-German, managers overall on the respective management level, that participate in LTIP.
[8] Calculated based on the percentage of affirmative answers to questions about employees' opinion of Fresenius Medical Care, their desire to work for us and their motivation to contribute to our business success.
[9] Number of employees that participated in our engagement survey compared to the number of invited employees.
[10] Prior year information was adjusted to conform to the current year's presentation to reflect coverage of 100 %.
[11] Including NxStage.
[12] Including Global Manufacturing, Quality and Supply as well as Global Research and Development.

As part of this concept, we have introduced key performance indicators (KPIs) in our production sites and dialysis clinics to collect and record incident data, and supply them to government authorities.

At Fresenius Medical Care, the topic of occupational health and safety (OHS) is under local responsibility, allowing us to better respond to legislative requirements at a local and regional level. As part of our Global Sustainability Program, we will work on harmonizing our management concepts in this area while complying with health and safety legislation and continually improving our performance in occupational health and safety.

At our GMQS-coordinated plants, the topic of occupational health and safety is managed at local or plant level. Operational activities related to occupational health and safety are monitored and evaluated by specialized departments, which also assess external regulatory and legal requirements and incorporate them in our internal policies and guidelines in consultation with regional and local management.

As occupational health and safety in the field of health care is closely linked to injury prevention and employee education, we provide health-related training on-site in our clinics. These courses cover topics including medication management, the safe use of sharps and disposables, hand hygiene as well as manual handling education, infection prevention and emergency control. Our clinics have applicable guidelines, policies and procedures related to occupational health and safety in place. Internal reviews as well as external audits by government agencies and national regulatory bodies are regularly conducted to monitor compliance with corresponding regulations, policies and procedures.

RESPONSIBILITY FOR ETHICS AND COMPLIANCE

We are committed to fair and responsible business and prohibit all forms of bribery and corruption. Our commitment to anti-bribery and anti-corruption is set out in our Code of Ethics and Business Conduct.

Non-financial topics covered in this chapter regarding our responsibility for ethics and compliance are anti-bribery and anti-corruption, compliance with laws and regulations, data protection and data privacy, political contribution and lobbying, as well as bioethics in R&D.

OUR APPROACH TO ANTI-BRIBERY AND ANTI-CORRUPTION

We are committed to conducting our business activities in compliance with the respective legal provisions and industry standards. As a company with international operations, Fresenius Medical Care must comply with the anti-bribery and anti-corruption (ABC) laws of many jurisdictions, including the U.S. Foreign Corrupt Practices Act (FCPA), the UK Bribery Act, and the German Criminal Code, as well as the ABC laws of all countries in which Fresenius Medical Care operates. Fresenius Medical Care does not tolerate any form of corruption, whether it involves a health care professional, government official, private party, or a transaction for the purchase or sale of items or services provided by Fresenius Medical Care.

Every employee, contract worker and agent of Fresenius Medical Care is responsible for complying with the relevant laws. They must adhere to the principles set out in the Code of Ethics and Business Conduct as well as in related Fresenius Medical Care policies and guidelines. Should employees violate the law, the Code of Ethics and Business Conduct, or Fresenius Medical Care guidelines and policies, this may result in disciplinary or corrective action or other legal consequences. Disciplinary or corrective action may include, for example, verbal counseling or termination of their contract.

ABC COMPLIANCE ORGANIZATION

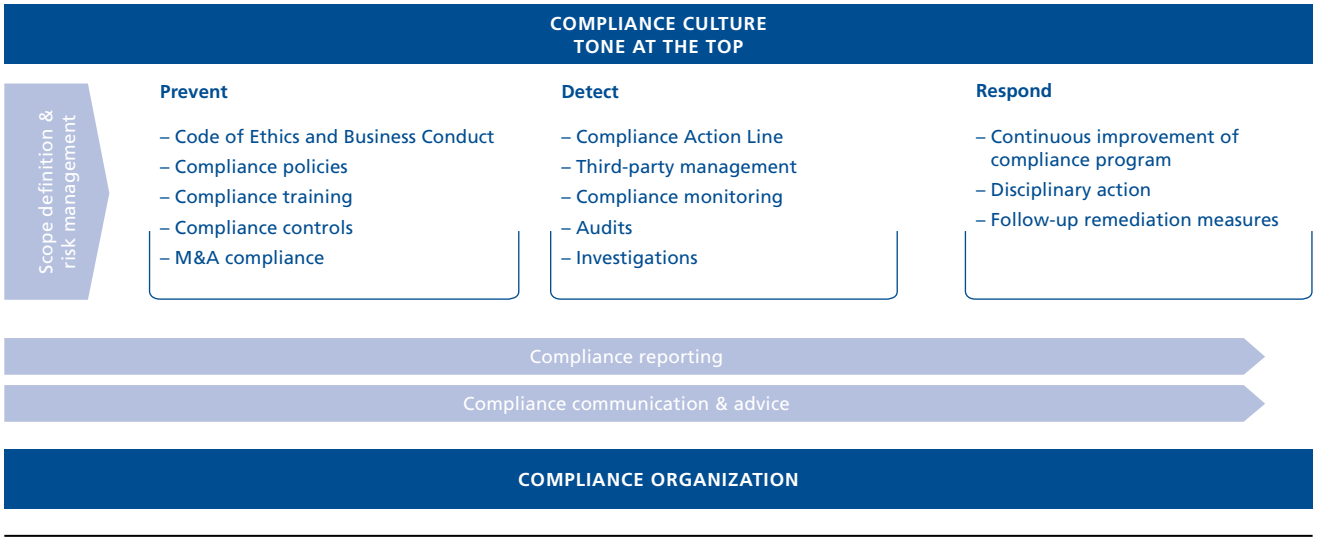
Fresenius Medical Care has appointed a global Chief Compliance Officer who is responsible for the worldwide compliance organization with respect to ABC. The Chief Compliance Officer reports directly to the CEO of Fresenius Medical Care. Furthermore, the Chief Compliance Officer regularly provides a report on the status of our ABC Compliance Program to the Audit and Corporate Governance Committee of the Supervisory Board of Fresenius Medical Care.

The mission of Fresenius Medical Care's ABC compliance organization is to enable the Company to:

› create the prerequisites for integrity in all relevant activities, and
› facilitate our long-term business success.

The Global Compliance function reflects Fresenius Medical Care's organizational structure and comprises departments at corporate, regional and local level. The individual departments closely collaborate to provide for the effective implementation and continuous improvement of the ABC compliance program.

C 3.9 **THE THREE PILLARS OF THE ABC COMPLIANCE PROGRAM**



ABC COMPLIANCE PROGRAM

The perception of Fresenius Medical Care as a reliable partner in the health care system also depends on our employees complying with laws and adhering to the rules and conventions set out in our Code of Ethics and Business Conduct. We have therefore developed an ABC Compliance Program to help employees abide by these rules and to understand and meet their legal, regulatory, and ethical obligations.

The ABC Compliance Program includes a training program, compliance policies, and procedures including corrective action for failure to follow policies, provisions for anonymous reporting of suspected violations of applicable laws or company policies, and internal monitoring and reviews of Fresenius Medical Care's compliance procedures. The ABC Compliance Program is risk-based and rests on three pillars (SEE CHART 3.9).

› **Prevent** – including policies and procedures, regular training programs and a compliance control framework.
› **Detect** – including reviews of Fresenius Medical Care's business partners and the Compliance Action Line as well as risk-based reviews and monitoring of the ABC Compliance Program.
› **Respond** – including a follow-up of reported or otherwise detected potential violations.

We are continuously improving the ABC Compliance Program. To this end, Fresenius Medical Care analyzes and enhances components of the program with a focus on certain groups of third parties and the way they interact with us. These groups include, but are not limited to, government officials, health care professionals, health care organizations, reimbursement entities, third parties acting on behalf of Fresenius Medical Care, as well as customers and suppliers. We also cover related provisions on topics including, but not limited,

to discounts and rebates, grants, gifts, and entertainment. As we are subject to a wide range of regulatory changes and political decisions that impact our business activities, we also engage in political dialog. For further information on our political activities, please refer to the "Stakeholder dialog" section starting on PAGE 85.

Fresenius Medical Care has implemented the ABC Compliance Program in all business segments to reduce the risk of legal violations by providing general and specific procedures and rules of conduct as well as regular training for relevant employees. In 2019, Fresenius Medical Care continued to enhance its ABC Compliance Program and conduct ABC compliance training for its employees. As a result, the enhancements to the ABC Compliance Program have been implemented in all relevant entities. The ABC compliance organization provides the Supervisory Board, Management Board as well as other internal and external stakeholders with an adequate level of transparency regarding the status of the ABC Compliance Program including potential compliance risks, mitigating actions and the status of their implementation.

BIOETHICS IN RESEARCH AND DEVELOPMENT

As well as legal compliance and compliance with the Code of Ethics and Business Conduct, the consideration of ethics is of fundamental importance to Fresenius Medical Care, especially in our research and development (R&D) activities.

We owe our unique position to many years of professional experience and continued innovation, allowing us to respond flexibly to changes in the market environment and to continue to grow. When engaging in R&D, we carefully consider the ethical implications of our activities. We carry out research in the field of regenerative medicine, including stem cell technologies, with the aim of developing innovative solutions for our patients. Stem cells are regarded as a promising alternative in the field of organ regeneration and may have the potential to significantly slow down the progression of kidney disease. In stem cell research, we apply rigorous scientific processes while maintaining ethical standards and complying with applicable laws and regulations. We acknowledge the ethical controversies surrounding the use and derivation of stem cells from certain sources, and only conduct research using stem cells derived from adult tissue and only after careful consideration of ethical and legal standards. Furthermore, we do not use stem cells or tissue derived from human embryos or fetuses for our R&D activities.

Responsible animal research is another important aspect when considering the ethical implications of our R&D activities. We need to prove that the new products we develop are safe and effective. In this context, we utilize – when necessary – animal testing, the legitimacy of which is regulated by regional legislation including the US Animal Welfare Act and Germany's Animal Welfare Act. We do not perform any in-house animal studies. Tests to prove the safety and effectiveness of our products are carried out in recognized laboratories by third-party research institutes. Any animal testing performed by third-party research institutes must be in strict compliance with applicable legislation. In accordance with local law this may include that animal testing must first be approved by an ethics committee. For further information on our minimum requirements for our business partners, please refer to our "Relationship with suppliers" section starting on PAGE 106.

Our investments in 2019 with respect to R&D were aimed at supporting our corporate strategy of growing continuously in our core business and expanding into new business areas. In assessing new opportunities in R&D, we are committed to ensuring compliance with international guidelines and carefully consider the ethical concerns of emerging technologies. For further information please refer to the "Research and development" section starting on PAGE 32.

SAFEGUARDING DATA

As a company in the health care sector, we are entrusted with the personal data of our patients, employees, customers and business partners. We do all we can to protect these personal data and handle them with the expected and appropriate care. To this end, we apply appropriate policies, procedures, guidelines, security measures, and internal audits as well as training and awareness raising measures.

We are continuously developing our privacy program to maintain the trust of our stakeholders and protect the confidential and personal data we collect in the course of our business operations. This especially applies to medical information that we handle as part of the trusted relationship with our patients. As stated in our Code of Ethics and Business Conduct, we only collect, process, and use personal data to the extent permitted by applicable law, and only when necessary for business, clinical or employment purposes. We are committed to ensuring compliance with local regulations regarding privacy such as the right to informational self-determination in Germany. We respect the right to privacy of all individuals from whom we receive and collect data as part of our business operations. This also includes processing of personal data by third parties on our behalf.

ORGANIZATION

As a company with international operations, we are subject to many different local privacy and data protection laws and regulations. To comply with varying legal requirements

around the world, we have established a dedicated privacy program to help ensure that personal data are used appropriately throughout their lifecycle. While the privacy program is a baseline requirement to which all Fresenius Medical Care affiliates must adhere, Fresenius Medical Care is committed to complying with applicable local laws that may impose stricter standards. Fresenius Medical Care's privacy program is overseen by the Management Board, which is informed on a bi-annual basis of the program status and any privacy-related issues that need to be brought to its attention.

Based on our corporate structure, we have created a network of privacy liaisons officers throughout the company to carry the privacy strategy. In accordance with this approach, each Fresenius Medical Care affiliate is accountable for establishing and implementing the baseline global privacy program as a minimum requirement for its operations and is required to designate resources that are qualified to serve in such a capacity by virtue of their background, experience, education, and training. To drive the execution of the privacy program, dedicated privacy experts are assigned both at regional and local level.

TRAINING AND EDUCATION

We believe that data protection should be a shared effort by all employees. This is based on Fresenius Medical Care's commitment to confidentiality, proprietary information, data privacy and IT security, as stated in our Code of Ethics and Business Conduct.

As educating our workforce about security and data protection is of paramount importance, we provide them with training on information security and privacy guidelines, as appropriate for their job function. Furthermore, we train and educate our employees on current requirements and threats in relation to data protection and IT security. We also offer them a comprehensive range of e-learning opportunities and classroom training courses. In doing so, we combine general training with targeted measures for specific employee groups. This ensures that employees responsible for data processing activities are aware of current internal and external requirements. At the same time, third parties that perform services for or on behalf of Fresenius Medical Care are also expected to meet our standards of conduct and comply with our information security and privacy policies and applicable laws. In 2019, we continued to roll out our privacy training as part of an international training program that provides details on our values and the measures we take to safeguard and protect personal data.

RISK ASSESSMENT AND AUDITING

Digital technologies are a key enabler in the globalization of business. They enhance our ability to communicate, share, and store information. From a risk management perspective, we regularly assess risks related to data protection and IT security. Responsibility for carrying out data protection measures, including risk assessments and monitoring, lies with the functional departments of Fresenius Medical Care. In North America, our corporate policies and procedures are developed based on the ISO 27001 and 27002 standards for information security. This provides us with a consistent and common framework that addresses security issues relating to protecting information based on industry standards and best practices.

To manage and monitor the risks related to data protection and IT security, we rely on our compliance program. Dedicated risk-compliance programs help our business and technology teams to assess security and privacy risks associated with projects and systems, including third-party services. Furthermore, business processes and procedures that involve the processing of patient and personal data are subject to regular audits carried out by our Global Internal Audit department. Observing professional standards with regard to independence, integrity and confidentiality, the audits focus on compliance with policies, procedures and standards including our privacy standards. Any breaches identified during the audit are passed on so that we can initiate adequate remedies, aiming to continuously improving our data protection processes. For further information on Fresenius Medical Care's risk management, please refer to the "Risks and Opportunities Report" starting on PAGE 63.

DATA SUBJECT RIGHTS AND DATA TRANSFER

As digitization is transforming all spheres of life, it is increasingly important that people are aware of how their personal data are being used, collected and shared. For this reason, we are committed to respecting and protecting the rights of all data subjects and disclose how we process personal data about them. Furthermore, we make sure that they can access, review or delete their personal data.

As part of our business operations, we may transfer personal data to third parties who support Fresenius Medical Care's business activities on our behalf. Providing an appropriate level of data protection in international data transfers, as defined by local or regional regulations including the General Data Protection Regulation (GDPR) and the US Health Insurance Portability and Accountability Act (HIPAA) is a priority for Fresenius Medical Care. Therefore, data transfers outside the country of origin must comply with all applicable privacy export obligations, including national and local privacy laws, international agreements and personal commitments to data subjects. This commitment is also part of our privacy standards.

PATIENTS' MEDICAL INFORMATION

As a company in the health care sector, we are entrusted with sensitive medical information about our patients. We use patient-related treatment data to continuously optimize the quality of care we provide and fulfill our social responsibility towards our patients, as described in the "Quality of care and patient satisfaction" section starting on PAGE 87.

Personal data protection plays a central role in the trusted relationship we have with our patients. As articulated in our Code of Ethics and Business Conduct, we are committed to protecting the privacy of our patients and will only use information collected in accordance with local data protection and privacy rules. To safeguard the confidentiality of sensitive patient information, all relevant employees of Fresenius Medical Care are instructed to keep personal information strictly confidential.

CYBERSECURITY

Fresenius Medical Care engages in future-oriented health care. This includes the use of information and communication technologies. In this respect, we need to act with special care when handling the data of our patients, employees, customers and partners.

Cyberattacks are becoming increasingly frequent in today's highly connected world, often leading to the theft of product and client data that can cause huge financial losses as well as serious harm to companies' operations and reputations. With the aim of protecting our company against this growing threat, we launched the CARE cybersecurity program in 2017. CARE – which stands for Cybersecurity Approach, Roadmap and Execution – is designed to protect the critical information assets including patient and employee data in all clinics, production sites, medical devices and IT environments at Fresenius SE & CO. KGAA, Fresenius Helios, Fresenius Kabi, Fresenius Vamed and Fresenius Medical Care in the EMEA, Latin America, and Asia-Pacific regions as well as at GRD and GMQS. Based on a cross-business governance model, the program aims to identify cyber risks, harmonize security standards and policies, and meet global data security requirements. Building a "human firewall" by raising employee awareness of cyber threats, preventing data leaks and enhancing medical device security are among the main cybersecurity initiatives in 2019. At the same time, we have established a global, cross-segment team to follow up on suspected violations and potential attacks on our information assets. In North America, the Information Security Office of Fresenius Medical Care North America maintains a cybersecurity program based on the U.S. National Institute of Standards and Technology (NIST) cybersecurity framework. This program assesses and improves the Company's ability to prevent, detect, and respond to cyberattacks. It takes care that all medical devices, clinics and our company infrastructure incorporate cybersecurity capabilities.

RESPONSIBILITY TO RESPECT HUMAN RIGHTS AND WORKPLACE RIGHTS AND LABOR AND EMPLOYMENT PRINCIPLES

We work continuously to save lives, promote health, and improve the quality of life of our patients. We want to make a difference to the lives of others with our products and services by enabling better access to good and affordable health care in many countries. To us, human rights are an integral part of our corporate responsibility.

Non-financial topics covered in this chapter regarding our responsibility to respect human rights and workplace rights are working conditions, non-discrimination and equal opportunities, harassment, collective bargaining and freedom of association, forced labor, as well as child labor.

OUR APPROACH TO HUMAN RIGHTS AND WORKPLACE RIGHTS

To fulfill our responsibility as a health care company, we are committed to respecting human rights in our operations and complying with the laws of the countries in which we do business. As a responsible company, we want our business to have a positive impact, and avoid or mitigate negative effects.

C 3.10 **POTENTIAL IMPACTS OF OUR BUSINESS ON HUMAN RIGHTS**

To achieve this, we consider it essential that we understand and address the impact of our business activities on people and society. We have therefore developed an overview of the main areas in which our company and its business relationships could impact human rights (SEE CHART 3.10). Our business activities could have an impact on our patients, employees, as well as our supply chain, which includes employees and workers of our suppliers, service providers and business partners.

Human rights topics are addressed in our bi-annual corporate risk management process. For further information on Fresenius Medical Care's risk management, please refer to the "Risks and Opportunities Report" starting on PAGE 63.

As part of our company-wide human rights program, we continuously gather information on the way human rights topics are addressed and managed at the local level. In addition, we raise awareness of human rights and create the basis for a systematic exchange of information and support, as well as embedding our commitment to respect human rights in all business functions and successfully build the Company's long-term labor/human rights program.

HUMAN RIGHTS DUE DILIGENCE IS A JOINT RESPONSIBILITY

Human rights topics concern our patients, our employees as well as our suppliers, service providers, and business partners. The different groups that are potentially affected by our business activities require a coordinated response and joint efforts by our global, regional, and local functions. For this reason, we consider human rights due diligence to be a shared responsibility among the various functions and regions of our organization. We share relevant information and developments with our Management Boards as appropriate and whenever reasonably required.

The concept of human rights in the patient care context refers particularly to interactions between patients and health care providers. Responsibility for human rights topics in patient care therefore lies with our clinical and medical functions as well as the Global Medical Office. For further information, please refer to the "Responsibility for patients" section starting on PAGE 86.

Employees' rights cover an array of human rights, workplace rights and labor and employment principles including equal opportunities as well as protection against unlawful workplace practices, such as discrimination and harassment. While employee-related topics such as working hours, wages and salaries are managed by our HR function, some topics require the know-how of other expert groups. In 2018, we therefore established a dedicated global labor law function to provide legal support in matters relating to employment and labor law. This function serves as a global center of expertise for labor law, provides professional support for specific situations, and helps to align existing knowledge on labor law.

The protection of life and health in the workplace is a fundamental right. We believe that every workplace needs to be safe and hygienic not only for our employees, but also for our patients, visitors, and business partners. Responsibility for this lies with dedicated health and safety functions. For further information about responsibilities for occupational health and safety, please refer to the "Responsibility for employees" section starting on PAGE 92.

Our suppliers play an important role in contributing to Fresenius Medical Care's sustainable growth and business success. For this reason, we also encourage our suppliers and business partners to share our commitment to sustainability and human rights. Our strategic procurement departments in collaboration with regional and local buyers work with suppliers, service providers and business partners to reflect our commitment to sustainability in our procurement practices. For further information on our sustainability requirements for

suppliers, please refer to the "Relationship with suppliers" section starting on PAGE 106.

HUMAN RIGHTS PRINCIPLES ARE EMBEDDED IN OUR CODE OF ETHICS AND BUSINESS CONDUCT

Today, companies are expected to show how they respect human rights in their daily business operations. To deliver on this responsibility, respect for human rights must be embedded within the business through adequate policies and due diligence. As articulated in our Human Rights, Workplace Rights and Labor and Employment Principles, we are committed to respecting and upholding human rights. This commitment is also incorporated in our Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct sets behavior standards that apply globally to every officer, director, employee, worker, and agent of Fresenius Medical Care. Mandatory training courses on the Code of Ethics and Business Conduct are held regularly for all relevant employees, both via e-learning and classroom training. For further information on our Code of Ethics and Business Conduct, please refer to the "Responsibility for ethics and compliance" section starting on PAGE 96. In addition to the Code of Ethics and Business Conduct and the Human Rights, Workplace Rights and Labor and Employment Principles, we have implemented further specific policies on selected human rights topics in most of our regions.

WE HAVE DEFINED HUMAN RIGHTS STANDARDS AND WORKPLACE RIGHTS STANDARDS AND EMPLOYMENT AND LABOR PRINCIPLES

Based on our materiality analysis, we have identified three main areas that reflect our commitment to respecting human rights.

WE TREAT OUR EMPLOYEES WITH RESPECT

As stated in our Code of Ethics and Business Conduct, we are committed to providing all employees with fair and safe working conditions. This means that we

- pay salaries and compensation that at least meet the applicable legal standards, and
- take care that regular working hours and overtime do not exceed, as applicable, the maximum legal limits.

Furthermore, we condemn the use of exploitative and illegal child labor. We are committed to respecting and complying with the applicable legal minimum age for regular employment. Everyone should work for us of his or her own free will. In addition, we do not accept any form of forced labor, and all employees have the right to terminate their employment after giving a reasonable period of notice.

We believe that the best way to interact with our employees is through open and direct communications regarding work assignments, policies, and other terms of employment. By working together and maintaining open lines of communication, we can build a positive and rewarding work environment that delivers high-quality health care to our patients and excellent services and products to our customers.

Fresenius Medical Care respects the principles of freedom of association and the right to effective collective bargaining, including the rights of our employees to choose freely whether they want to be represented by a particular trade union, in accordance with applicable laws and practice. For instance, in the U.S., as protected by Federal Labor Law, employees have the ability to make a fully informed choice with respect to union representation, and secret ballot elections conducted by the United States National Labor Relations Board, following a campaign period where information is shared both by the employer and by the union, are the most effective way to determine employee support in the U.S. Where our employees wish to be represented by a trade union, we will cooperate in good faith with the bodies that our employees collectively choose to represent them, in accordance with applicable law and practice. We do not tolerate retaliation or discrimination against employees who engage in lawful union organizing.

WE TAKE A CLEAR STAND AGAINST DISCRIMINATION, ABUSE, VIOLENCE AND HARASSMENT

Fresenius Medical Care supports equal opportunities for its employees and takes a clear stand against discrimination. We do not tolerate any form of discrimination based on gender, gender identity, race, ethnic origin, skin color, nationality or national origin, religion or religious belief, age, marital or family status, citizenship, disability, sexual orientation, veteran status or any other protected criteria under applicable law.

We seek to provide a work environment that is free from all forms of discrimination under applicable law, including verbal or physical harassment or intimidation from supervisors, co-workers, vendors, consultants, visitors, patients and customers of Fresenius Medical Care. We do not tolerate harass-

ment or intimidation in any form as set forth by applicable law. Neither do we tolerate violent or abusive conduct, including verbal or physical abuse by any employee, patient, customer, client, or visitor in connection with Fresenius Medical Care's business.

WE PROVIDE GRIEVANCE MECHANISMS AND SUPPORT OPEN COMMUNICATION

Fresenius Medical Care recognizes the importance of open communication and aims to create an environment where patients and employees can report grievances. We strive to create a workplace where everyone can raise concerns and issues in an appropriate form. Furthermore, we are committed to ensuring that concerns are addressed in a professional, reasonable and prompt manner are investigated – where facts need to be clarified – and then remedied appropriately. We believe that an open communication where communication can flow across all levels of the organization is essential to resolve patient and/or employees' concerns effectively and promptly. The essence of this commitment to open communication is an environment where employees are not afraid to speak up and feel comfortable addressing their concerns. Employees who report concerns in good faith are protected from retaliation.

All employees of Fresenius Medical Care are strongly encouraged and expected to report situations and cases of potential or suspected non-compliance with laws, regulations, policies, as well as actual or suspected misconduct and unethical conduct, and any conduct that is in violation of the Code of Ethics and Business Conduct. For further information on employee options to report concerns, please refer to the "Our responsibility" section starting on PAGE 83.

We provide all patients with the possibility to express concerns and complaints. Grievance letter boxes, hotlines as well as patient surveys are available in many of Fresenius Medical Care's clinics and help us to improve our systems and processes. When dealing with patients, employees are required to respond accurately to questions posed by patients and their families. We aim to react to and attempt to resolve all concerns and complaints promptly and thoroughly.

WE TAKE RESPONSIBILITY IN OUR SUPPLY CHAIN

As both a manufacturer of dialysis products and a provider of health care services, we work with suppliers, service providers and partners, all of whom contribute to Fresenius Medical Care's sustainable growth and business success. We believe that our commitment to sustainability should be reflected in our procurement practices. Therefore, we expect our suppliers to comply with our Sustainability Principles along their own supply chain and establish adequate procedures for this purpose. The Sustainability Principles describe Fresenius Medical Care's minimum expectations in the areas of human rights, working conditions, occupational health and safety as well as compliance with applicable laws and regulations. Details are outlined in the "Relationship with suppliers" section starting on PAGE 106.

RESPONSIBILITY FOR THE ENVIRONMENT

As a global player in the health care sector, our responsibility extends beyond our business operations. We are committed to improving the environmental performance of our products throughout their lifecycle, and to reducing the impact of our operations on the environment.

Non-financial topics covered in this chapter regarding our responsibility for the environment are environmental compliance, water, energy, waste, greenhouse gas emissions and impact on climate change, as well as environmental performance of products and services.

At Fresenius Medical Care, we actively reduce the environmental impact of our operations by monitoring and continuously improving our environmental performance, using resources as efficiently as possible, and seeking to leverage the advantages of new technology. We take a strategic approach to improving our environmental performance based on internationally agreed standards such as ISO 14001.

ENVIRONMENTAL MANAGEMENT AT FRESENIUS MEDICAL CARE

Environmental management at Fresenius Medical Care includes the management of water, waste water, energy, waste, as well as greenhouse gas emissions. These topics are the focus of our environmental management activities. We aim to achieve environmental compliance, improve the environmental performance of our products along their entire

lifecycle, and reduce negative environmental impacts and risks for our patients and employees.

We are subject to a broad range of federal, state and local laws and regulations relating to the protection of the environment. These laws regulate, among other things, the discharge of substances into the environment, the handling and disposal of waste and waste water, and the remediation of contaminated sites. If we fail to comply with such laws and regulations, this may have a number of adverse legal consequences. In order to comply with applicable laws and regulations, we have established management structures in line with our decentralized structure.

In North America, environmental management is organized at a regional level. We constantly monitor national and international regulations relating to environmental, chemical, and occupational health and safety issues so that our internal policies, guidelines and standard operating procedures (SOPS) are up-to-date. In compliance with applicable laws and internal guidelines, our manufacturing sites, distribution centers and laboratories are subject to regular audits. Furthermore, we regularly analyze energy, water and waste, and review them to reduce consumption and improve efficiency in all our facilities. In the U.S., 92 % of our dialysis clinics are covered by this approach.

In EMEA, environmental management is part of Fresenius Medical Care's integrated management system. The aim here is to systematically control and reduce risks associated with environmental protection, comply with applicable legislation, and meet the expectations of our customers and patients. Our Environmental Health & Safety (EHS) Basic System also focuses on compliance and risk control in connection with environmental and employee matters. The EHS Basic System has broad coverage as it applies to all operational units within the integrated management system, i.e. with a certified quality management system. In addition, all operational units in EMEA are required to file an annual declaration of responsible management as well as show their compliance with environmental and occupational health and safety regulations.

Since the environmental certification strategy of GMQS is focused on but not limited to production sites with a high environmental impact, eight of our largest production sites in the EMEA region are certified according to ISO 14001 standards. Two of these production sites also have ISO 50001 certification. In addition, 48 % of our dialysis clinics are certified according to ISO 14001. Compliance with ISO standards is regularly reviewed by internal and external experts. At present, 72 % of our clinics in the EMEA region use the integrated software solution e-con5 for eco-controlling. This software is designed to monitor and reduce energy, water and waste while improving the quality and consistency of environmental data. In the years to come, we intend to increase the proportion of clinics using e-con5.

In Latin America, we have implemented an environmental management program to control and improve our environmental performance in terms of energy, water and waste in our dialysis clinics. More than 90 % of our clinics in this region use the integrated software solution e-con5 for eco-controlling. In addition, we review the environmental data on a regular basis to control developments as well as target achievements and define measurements and activities for improvement.

In Asia-Pacific, environmental management within the GMQS organization is managed locally by each manufacturing site. This includes the management of water, waste water, energy, waste, greenhouse gas emissions/air pollution, and noise, based on local regulations which may differ from site to site. These topics are the focus of environmental management activities in our manufacturing facilities. The general target is to achieve environmental compliance and make improvements to reduce any negative environmental impact and risks for our patients and employees as well as for our production facilities.

ENVIRONMENTAL DATA COLLECTION

To enable us to use resources as efficiently as possible, each region collects environmental data. We analyze this data with the aim of reducing consumption and improving efficiency. In 2018, the Corporate Sustainability Office started to collate and review this data on a quarterly basis to manage the issue at global level.

As part of our environmental management, we monitor and report data on the following environmental topics including our dialysis services and manufacturing sites around the globe:

› water consumption,
› energy consumption and
› greenhouse gas emissions (Scope 1 and 2).

We aim to conserve natural resources by means of environmentally sound and efficient operations. Our corporate GMQS function encourages local sustainability projects as part of our Green & Lean Initiative to continuously improve Fresenius Medical Care's environmental performance and incorporate environmental management best practices into our business operations. As part of this approach, each plant is responsible for defining, planning and implementing environmental initiatives. Green & Lean reporting enables best practices to be shared between plants with a view to reducing emissions, promoting the responsible and efficient use of natural

resources, as well as recycling waste and waste water. The key objectives of the initiative are to achieve compliance with applicable environmental regulations, manage and reduce environmental risks, and establish environmentally sustainable operations.

Our commitment to using natural resources efficiently is also included in the environmental policy set out by GRD and GMQS in EMEA and Latin America. In this policy, we pledge to minimize the impact of our activities on the environment, comply with applicable laws and regulations, and provide safe and healthy working conditions for all employees. Using natural resources efficiently, preventing environmental pollution, recycling waste efficiently, and enhancing our environmental performance are core elements of our efforts to continually improve our environmental management system. As part of our 2019 Green & Lean Initiative, we improved our production processes and recycling activities and were consequently able to reduce waste produced at our manufacturing sites. For more information on our Green & Lean Initiatives and their impact on our water and energy consumption and greenhouse gas emissions (GHG), please see below.

WATER CONSUMPTION

Water is an important resource for Fresenius Medical Care as the fluid used in dialysis therapy mainly consists of water. We collate data on water consumption in our manufacturing sites and our dialysis centers (SEE TABLE 3.11) and regularly analyze municipal water, ground water, surface water, reuse water as well as rain water to use this resource more efficiently.

Water savings are also part of our Green & Lean Initiative. With the aim of leveraging the advantages of new technology, we have implemented waste water heat recovery in several of our production sites. In 2019, we also saved water and waste water by enhancing our production process and by implementing and optimizing reverse osmosis systems, autoclaves, condensate pumps and purification systems.

T 3.11 WATER CONSUMPTION AT FRESENIUS MEDICAL CARE [1, 2]

	2019	2018
Water (M m³)	43.2	42.1
Municipal water	42.7	41.6
Ground water	0.5	0.5

[1] Prior year information was adjusted to conform to the current year's presentation.
[2] Including NxStage data.

ENERGY CONSUMPTION

At Fresenius Medical Care, we monitor the energy consumption in our manufacturing sites and our dialysis centers (SEE TABLE 3.12), with the aim of continuously improving our environmental performance.

In 2019, measures to save energy in our production included the conversion to LED lighting in our warehouses and production areas as well as the replacement of production chillers and boilers to adapt to environmental conditions. By installing photovoltaic solar panel cells, we can now also generate renewable energy.

T 3.12 ENERGY CONSUMPTION AT FRESENIUS MEDICAL CARE [1, 2]

	2019	2018
Energy (M MWh)	2.4	2.4
Electricity	1.3	1.3
Natural gas	1.1	1.1
Others [3]	<0.1	<0.1

[1] Prior year information was adjusted to conform to the current year's presentation.
[2] Including NxStage data.
[3] Including fuel oil, diesel, liquid gas and district heating.

GREENHOUSE GAS EMISSIONS

Greenhouse gas emissions (GHG) at Fresenius Medical Care are calculated based on energy data and refer to our manufacturing sites and our dialysis centers (SEE TABLE 3.13).

As part of our 2019 Green & Lean Initiative, we optimized production processes and were consequently able to reduce CO_2 emissions and save electricity. Furthermore, we optimized our logistics processes and worked on improving the efficiency of transport routes, resulting in a reduction in our CO_2 emissions.

T 3.13 GHG EMISSIONS OF FRESENIUS MEDICAL CARE [1, 2]

	2019	2018 [1]
Scope 1 CO_2 equivalents (THOUS tons)	227.3	218.7
Natural gas	224.6	215.6
Liquid gas	2.2	2.3
Fuel oil	0.3	0.5
Diesel	0.3	0.3
Scope 2 CO_2 equivalents (THOUS tons)	547.2	557.2
Electricity	546.9	557.1
District heating	0.3	0.2

[1] Prior year information was adjusted to conform to the current year's presentation.
[2] Including NxStage data.

Due to the timing of this publication and the availability of data sources such as energy or water bills, we performed a limited number of extrapolations to complete the data set for this reporting year.

IMPROVING THE ENVIRONMENTAL PERFORMANCE OF PRODUCTS AND SERVICES ALONG THE PRODUCT LIFE CYCLE

At Fresenius Medical Care, we take advantage of innovations and new technologies to improve the environmental performance of our products and services. Most of the water utilized by Fresenius Medical Care is needed to produce dialysate during life-saving dialysis treatment in our dialysis centers around the world. The amount of dialysate and consequently the amount of water required per dialysis treatment is determined by a variety of factors including the blood flow rate, the selected dialyzer and the treatment method, most of which are the direct responsibility of the physician. In our efforts to save resources, it is of utmost importance to Fresenius Medical Care that resource efficiency does not compromise the quality of care or product quality. With our latest machine generations, the 5008 and 6008 series, we have developed a dialysis machine that supports patient safety while being eco-friendly by automatically adjusting the dialysate flow to the effective blood flow. This allows us to save substantial amounts of dialysate, water and energy while maintaining a constant dialysis quality.

Our 2008T BlueStar machine is another example of our continued efforts to reduce our products' environmental impact along their lifecycle. The 2008T hemodialysis machine was launched at the beginning of 2019 and features evolved technologies and enhanced performance, including simplified machine operation, management and maintenance. Compared to similar devices, the 2008T machine also features an idle mode to reduce dialysate and water usage by up to two-thirds, saving additional costs. Based on our history of innovation and industry firsts in renal care, we believe that our 2008T machine offers distinct clinical advantages that reduce the complexities of hemodialysis care and enhance patients' overall treatment experience, while at the same time considerably reducing the amount of dialysate and water used. We are continuously increasing sales of 5008, 6008 and 2008T BlueStar machines worldwide. In 2019, almost every second dialysis machine we produced belonged to one of these resource-friendly machine generations.

Another way to reduce our environmental impact is to use a lifecycle approach that takes into account a product's impact on the environment throughout its lifecycle. To this end, we conduct a simplified, lean product life cycle assessment (Screening LCA) as part of our GRD and EMEA environmental, health and safety programs. In assessing the environmental impact associated with all stages of a product's life from raw material extraction to materials processing, manufacture, distribution, use and disposal, we can identify processes and materials that we need to focus on to improve our processes and products. Based on international guidelines, we calculate the environmental impact caused during the different stages of a product's life cycle in accordance with ISO 14001 and IEC 60601-1-9 standards. Screening LCA currently covers the majority of our active medical device product lines and is gradually being extended to the product range of disposables, including bloodlines, PD bags, and cartridges. Moreover, we have subjected important disposables to detailed comparative product lifecycle assessments. These follow the structure and requirements of ISO 14040/44 and compare the eco-performance of several of our acid concentrates and dialyzers.

RELATIONSHIP WITH SUPPLIERS

We believe that our commitment to sustainability needs to be reflected in our procurement practices. Therefore, we expect our suppliers to comply with ethical standards of conduct towards employees, society and the environment, and establish adequate procedures for this purpose.

As both a manufacturer of dialysis products and a provider of health care services, we work with suppliers, service providers and partners, all of whom contribute to our sustainable growth and business success. Based on our vertically integrated business, we benefit from the advantages gained from covering the entire value chain of dialysis, allowing us to define our own quality and sustainability standards for a significant share of our products.

The procurement organization at Fresenius Medical Care comprises one global and four regional procurement units, all five with distinct management governance. The global GMQS Procurement function manages the demand for materials and services at our production sites around the globe, making sure that they are delivered in the required quality, at the right time and at the best cost. The four regional procurement organizations assist the health care services division, the sales organizations and the Company's headquarters in North America, EMEA, Latin America and Asia-Pacific in managing their demand for materials and services. This includes procurement activities for our dialysis clinics.

SUSTAINABILITY IN OUR SUPPLY CHAIN

In procurement, forward-looking planning and long-term partnerships with strategic suppliers are key to ensure the reliable supply of raw materials for production and service. This helps to minimize bottleneck situations, which could result in delays in production and hence have an adverse effect on our results of operation. For this reason, we regularly monitor our supplier relationships. Suppliers that are integral to our procurement functions are also subject to performance and risk analyses. To identify, assess, and mitigate procurement-related risks in our supply chain, our global GMQS Procurement function has developed a risk management solution which monitors supplier- and country-related aspects of compliance and sustainability, such as anti-bribery and corruption, labor practices and human rights, environmental protection, and conflict minerals. Thanks to this strategic risk management process, we were among the finalists in the Procurement Leaders World Procurement Award for Risk Management in 2019.

OUR SUSTAINABILITY PRINCIPLES

Fresenius Medical Care is committed to ethical, sustainable, and socially responsible procurement. We expect that our suppliers share this commitment. For this reason, we have implemented a standard document – our Sustainability Principles – which describes our minimum expectations towards our suppliers in the areas of environmental management, human rights, occupational health and safety, as well as compliance with applicable laws and regulations. The Sustainability Principles are based on international environmental and social standards and comprise the following aspects:

- compliance with applicable laws and regulations, including environmental legislation,
- protection of the environment,
- working conditions, occupational health and safety as well as process safety,
- data protection, and
- human rights such as non-discrimination or the prohibition of forced labor and exploitative child labor.

The Sustainability Principles are part of Fresenius Medical Care's standard operating procedures (SOPS) of the GMQS Procurement function and in the strategic procurement departments in EMEA, Latin America and Asia-Pacific, and are an integral part of our supplier contracts along with contract specifications, our general terms and conditions, as well as any supplementary information. Where applicable local laws impose stricter requirements than those provided by the Sustainability Principles, the stricter standard applies.

To evaluate the sustainability performance of our suppliers, we may ask them to self-assess their compliance with our Sustainability Principles. To obtain an objective evaluation of the supplier's processes, we may also request a third-party assessment as well as documented evidence to confirm compliance with the Sustainability Principles. In accordance with these principles, Fresenius Medical Care is entitled to conduct on-site inspections to verify the information provided.

In addition to our Sustainability Principles, our strategic procurement department in North America has a procurement handbook in place that requires all employees to uphold our social and environmental responsibilities and maintain the highest ethical standards when selecting, negotiating and awarding procurement activities. In an effort to globally harmonize our ethical standards of supplier conduct, we drafted the Global Supplier Code of Conduct in 2019. It emphasizes our comprehensive approach to sustainable supply chains and will be accompanied by training and communication efforts in the years to come. Also in 2019, the Management Board of Fresenius Medical Care decided to establish a Global Sustainability Program, including a focus on the supply chain. As part of the program, we aim to promote sustainable supply and continuously strengthen and harmonize our commitment to sustainable procurement practices.

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE SEPARATE NON-FINANCIAL GROUP REPORT [1]

To the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale

We have performed an independent limited assurance engagement on the separate non-financial group report (further Non-Financial Group Report), of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale (further Fresenius Medical Care or Company) according to §§ 315b, 315c in connection with 289c to 289e of the German Commercial Code (HGB) for the period from January 1 to December 31, 2019.

MANAGEMENT'S RESPONSIBILITY

The legal representatives of Fresenius Medical Care are responsible for the preparation of the Non-Financial Group Report in accordance with §§ 315b, 315c in connection with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Non-Financial Group Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Non-Financial Group Report report in a way that is free of – intended or unintended – material misstatements.

INDEPENDENCE AND QUALITY ASSURANCE ON THE PART OF THE AUDITING FIRM

We are independent from the company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Non-Financial Group Report report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Non-Financial Group Report, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

Within the scope of our engagement, we performed amongst others the following procedures:

- Inquiries of personnel of the Corporate Sustainability Office who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for Fresenius Medical Care
- A risk analysis, including a media research, to identify relevant information on Fresenius Medical Care's sustainability performance in the reporting period
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of disclosure on environmental, employee and social matters,

[1] Our engagement applied to the German version of the separate Non-Financial Group Report. This text is a translation of the Independent Assurance Report issued in German, whereas the German text is authoritative.

respect for human rights as well as combatting corruption and bribery matters, including the collection and consolidation of quantitative data
- Inquiries of personnel who are responsible for determining disclosures and for compiling the disclosures on concepts, due diligence processes, results and risks, the conduction of internal controls and consolidation of the disclosures
- Evaluation of selected internal and external documents
- Analytical evaluation of data and trends of quantitative disclosures which are reported by all sites on group level
- Assessment of local data collection and reporting processes and reliability of reported data via a sampling survey at the Ogden, UT site of Fresenius USA Manufacturing, Inc. (United States of America)
- Assessment of the overall presentation of the disclosures

CONCLUSION

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Group Report of Fresenius Medical Care for the period from January 1 to December 31, 2019 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

RESTRICTION OF USE / CLAUSE ON GENERAL ENGAGEMENT TERMS

This assurance report is issued for purposes of the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to € 4 M as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

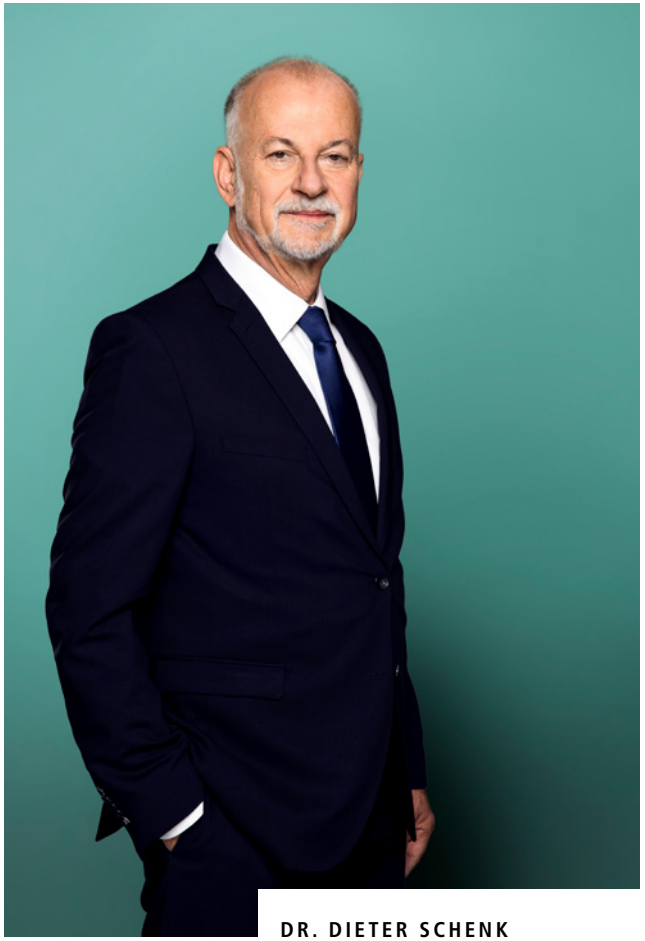
Frankfurt am Main, February 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

GLÖCKNER
Wirtschaftsprüfer
[German Public Auditor]

BROKOF
Wirtschaftsprüferin
[German Public Auditor]

CORPORATE GOVERNANCE



DR. DIETER SCHENK
Chairman of the Supervisory Board

REPORT BY THE SUPERVISORY BOARD

The past fiscal year was a successful year for Fresenius Medical Care, in which the Company achieved stable growth and the operating business developed as planned. The Company was able to achieve sustainable organic growth while meeting the targets it had set itself. The measures announced in the previous year to promote further sustainable, profitable growth were further implemented. So, the acquisition of NxStage Medical, Inc. was successfully completed, which supported the record growth in the number of home dialysis patients in North America. In the important growth market China, Fresenius Medical Care successfully launched a dialysis machine specially developed for emerging markets. The cost optimization initiatives being pursued throughout the Company also developed as planned.

Significant events concerning the organization and composition of the Management Board of the General Partner, Fresenius Medical Care Management AG, (hereinafter the "Management Board") or the Supervisory Board of Fresenius Medical Care AG & CO. KGAA (hereinafter the "Company") were:

› Appointment of a new Chief Financial Officer to the Management Board

With effect as of the end of October 31, 2019, Mr. Michael Brosnan resigned as a member of the Management Board. He had been with the Company since 1998 and was Chief Financial Officer of the General Partner since 2010. The Supervisory Board would like to thank him for his many years of valuable work and for his important contribution to the success of Fresenius Medical Care.

His successor is Ms. Helen Giza, who was appointed as a new member of the Management Board responsible as Chief Financial Officer with effect as of November 1, 2019. Prior to that Ms. Giza has been Chief Integration and Divestiture Management Officer at Takeda Pharmaceuticals. Before her appointment to the management, she had served as Chief Financial Officer of Takeda's U.S. business unit since 2008. Prior to that she held a number of key international finance and controlling positions, amongst others at TAP Pharmaceuticals and Abbott Laboratories. Ms. Giza is a U.K. Chartered Certified Accountant and holds a Master of Business Administration from the Kellogg School of Management at Northwestern University in Evanston, Illinois, U.S.

› Expansion of the Management Board by a Global Chief Medical Officer

Mr. Frank Maddux, MD, has been appointed as a member of the Management Board in his function as Global Chief Medical Officer with effect as of January 1, 2020. He had previously been entrusted with the newly created position of Global Chief Medical Officer of the Company and is to link clinical research and therapy even more closely. Mr. Maddux has more than 30 years of experience in the health care industry and is a recognized expert in the field of quality-oriented care of dialysis patients. He has been with Fresenius Medical Care since 2009. Before his appointment as Global Chief Medical Officer, he served as Executive Vice President for Clinical & Scientific Affairs and Chief Medical Officer for Fresenius Medical Care North America. In this function he was responsible for the delivery of high-quality, value-based care for the largest integrated renal care network in the U.S.

› Elections of two new members of the Supervisory Board

On May 16, 2019, the Annual General Meeting of the Company elected Dr. Dorothea Wenzel and Prof. Dr. Gregor Zünd as members of the Supervisory Board of the Company. Prof. Dr. Zünd had already been appointed by court as a

member of the Supervisory Board before, in light of Dr. Gerd Krick's resignation from the Company's Supervisory Board.

The Supervisory Board also in the past fiscal year observed all duties imposed on it by law, the Articles of Association and the Rules of Procedure. In this context it also took into account the recommendations of the German Corporate Governance Code. The Supervisory Board supervised the General Partner, Fresenius Medical Care Management AG, within its responsibility and regularly advised the Management Board. The members of the Supervisory Board in their entirety are familiar with the sectors in which Fresenius Medical Care operates.

All relevant questions of the business policy, the Company's planning and the strategy were subject to the deliberations of the Supervisory Board. Reports of the Management Board on the progress of the business, the profitability and liquidity as well as on the situation and perspectives of the Company and the Group formed the basis for the work of the Supervisory Board. Further topics were the risk situation and risk management. Additional items on the agenda were discussions on acquisition and investment projects. The Supervisory Board and its competent committees comprehensively discussed these as well as also all further significant business events. Furthermore, the Supervisory Board also in the past year reviewed the development of the acquisitions of the previous years. Key benchmarks for this review were, inter alia, the planning and projections at the time of each respective transaction. The Supervisory Board passed resolutions within its competencies according to law and the Articles of Association.

MEETINGS

In the past fiscal year, six meetings of the Supervisory Board, some of which lasted several days, as well as two telephone conferences, took place. The participation rate of the members in the meetings and telephone conferences of the Supervisory Board was 97.6 % and including the meetings and telephone conferences of the committees was 96.8 %. No Supervisory Board member attended only half or less than half of the meetings of the Supervisory Board and the committees he or she is a member of. TABLE 4.1 shows the participation of the members in the meetings and telephone conferences of the Supervisory Board and the committees in the past fiscal year.

T 4.1 PARTICIPATION OF MEMBERS OF THE SUPERVISORY BOARD IN MEETINGS AND TELEPHONE CONFERENCES IN 2019

	Supervisory Board	Audit and Corporate Governance Committee	Nomination Committee	Joint Committee	Special Joint Committee
Rolf A. Classon (Vice Chairman)	8/8	11/11	4/4	0/0	–
William P. Johnston	7/8	10/11	–	0/0	–
Dr. Dieter Schenk (Chairman)	8/8	–	4/4	–	4/4
Dr. Dorothea Wenzel (since May 16, 2019 member of the Supervisory Board)	2/2	–	–	–	–
Pascale Witz	8/8	9/10	–	–	4/4
Prof. Dr. Gregor Zünd	8/8	–	–	–	–

The Supervisory Board was in regular contact with the Management Board and was always promptly and comprehensively informed by it. Between meetings, the Management Board reported to the Supervisory Board in writing. During the meetings, the Management Board also informed the Supervisory Board verbally. In addition, the Supervisory Board also last year was in contact with members of the senior management level. The members of the Management Board were further available to the Supervisory Board for follow-up queries. The Chairman of the Supervisory Board maintained continuous contact with the Management Board outside the meetings, in particular with the Chairman of the Management Board. In case of important occasions or events, the Chairman of the Management Board promptly informed the Chairman of the Supervisory Board. In such cases, the Chairman of the Supervisory Board subsequently informed the other members of the Supervisory Board in the next meeting at the latest. During the entire fiscal year, the Chairman of the Supervisory Board also was in close contact with the other members of the Supervisory Board. In the year under review, the Chairman of the Supervisory Board was also available for communication with investors to the extent permitted by law and in close coordination with the Management Board.

FOCUS OF THE DISCUSSIONS IN THE SUPERVISORY BOARD

One of the main focus areas of the Supervisory Board's discussions in the past year were again strategic considerations. Measures discussed by the Supervisory Board related to both existing and potentially new business areas. Fresenius Medical

Care wants to further grow in its core business with dialysis products and the treatment of dialysis patients. In the past year, Fresenius Medical Care therefore made targeted strategic complementary acquisitions, including a dialysis centre in the U.S. and a day clinic in Australia. In addition, Fresenius Medical Care made complementary investments for its core business with dialysis products and the treatment of dialysis patients, including the construction of a new laboratory in the U.S.

The business development, the competitive situation and the Management Board's planning in the individual regions and functions were also at the centre of the Supervisory Board's discussions. Another focus of the discussions and consultations were several extensive investment projects, inter alia, the expansion of supply chain capacities in North America as well as investments in the subsidiary Unicyte, a leading regenerative medicine company with translational programs (transferring the results of basic research into clinical applications) in the field of kidney disease and other diseases. In joint consultations with the Management Board, the development of the production quantities and their expansion were discussed. In the past year, the Supervisory Board also informed itself about the quality assurance systems and about the results of the product quality testing in the production facilities.

In the past fiscal year, the Supervisory Board again discussed the development of cost reimbursement in the various health care systems, in particular in the U.S. A focus of the discussions was the Executive Order of the U.S. President to improve the price and quality transparency in the health care system of the U.S. With a view to the continued aim of increasing efficiency and the corresponding measures taken by the management already in previous years, the Supervisory Board also informed itself also in the last year about the success of the measures taken to improve the cost situation.

In the year under review a bond with a volume of $500 M was successfully issued in June and bonds with an aggregate volume of €1.75 BN in November.

In addition, the Company launched a share buyback program with a volume of up to €1 BN in the year under review, under which it acquired treasury shares for a stock exchange price of approx. €600 M in total by the end of year 2019.

The Supervisory Board was regularly informed about the Company's compliance. Findings of the internal audit department were also taken into account. In particular, the Supervisory Board has informed itself intensively and on an ongoing basis about the negotiations successfully completed in March 2019 with the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) concerning violations of provisions of the US Foreign Corrupt Practices Act ("FCPA") on which the Company had voluntarily informed the two authorities already since the year 2012. The Company has, in fulfilment of its obligations under the agreements concluded with the DOJ and the SEC, paid an amount of $231.7 M in total to these two authorities. In addition, in coordination with the DOJ and the SEC, it has assigned an independent expert ("Monitor") for a period of at least two years for monitoring the internal compliance, who reports directly to the two authorities. The Supervisory Board will continue to closely monitor this topic.

The Annual General Meeting of the Company on May 16, 2019 granted discharge to the General Partner and the Supervisory Board of the Company only with a majority of 56.81 % and 52.32 % of the votes cast, respectively. Although it must be taken into account when assessing this voting result that Fresenius SE & CO. KGAA, which holds approximately 31 % of the voting rights in the Company, was excluded from participating in both resolutions, this voting result is not satisfactory from the point of view of the Supervisory Board. The Supervisory Board understands this as an indication from the shareholders to the Supervisory Board to further intensify the close supervision of the Management Board in the expansion of compliance measures to avoid comparable violations. To this end, the Supervisory Board will in particular continue to inform itself about the progress and findings of the Monitor's investigations regarding the monitoring of internal compliance.

The Supervisory Board has formed committees from among its members that support the Supervisory Board as a whole in its supervisory and advisory functions. The respective chairmen have regularly reported to the Supervisory Board on the work of the committees. Details of the composition of the Supervisory Board's committees can be found in the Declaration on Corporate Governance which can be found on PAGES 118 ET SEQQ. of the Annual Report.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee convened five times in the past fiscal year. In addition, six telephone conferences were held. All members of this committee are financial experts according to Sec. 100 para. 5 of the German Stock Corporation Act. Messrs. William P. Johnston (Chairman until the end of December 31, 2019) and Rolf A. Classon (Chairman since January 1, 2020) have specific knowledge and experience in applying accounting principles and internal control procedures. They are also familiar with auditing. As already reported in the previous year, the Supervisory Board resolved at its meeting on February 11, 2019 to appoint Ms. Pascale Witz as an additional member of this committee.

In the past year, the committee dealt with the annual and consolidated financial statements, the proposal for the allocation of profit and the report according to Form 20-F for the SEC. It also discussed the quarterly reports with the Management Board. Furthermore, it dealt with the selection and the independence of the auditor of the annual and consolidated financial statements. In doing so, it also considered any additional non-audit services provided. Also, the audit engagement for the report according to Form 20-F, which comprises the consolidated financial statements according to the International Financial Reporting Standards (IFRS), was issued by the committee. The committee further negotiated the fee agreement with the auditor. Key audit matters of the past fiscal year were the impairment of goodwill of the cash-generating unit Latin America, the acquisition of NxStage Medical, Inc. and the first-time application of the new accounting standard "IFRS 16 – Leases".

Representatives of the auditor participated in all meetings and telephone conferences of the committee and informed the members of the committee of their auditing activities. In addition, they provided information on any significant results of their audit and were available for additional information. In the absence of the members of the Management Board, they reported on the cooperation with them.

The Audit and Corporate Governance Committee dealt with the supervision of the accounting and its process, with the effectiveness of the internal control system, the risk management system, the internal audit system, the audit and compliance. With respect to the Company's compliance, the committee accompanied, inter alia, the review triggered by the violations of provisions of the FCPA. The committee also dealt with the review of the internal control system. In particular, the cause and the measures to be taken in fiscal year 2020 to eliminate an identified material control weakness in the North America business segment was discussed. The material control weakness relates to the design and effectiveness of the internal controls for determining the transaction price and for limiting the variable compensation of the transaction price for certain revenue arrangements that are under legal clarification, and the timely adjustment of the variable compensation upon receipt of new information. The control weakness did not lead to any objections by the auditor to the correctness of the consolidated financial statements and the consolidated management report. Due to the significant control weakness, the auditor issued a qualified audit opinion in the report according to Form 20-F on February 20, 2020, regarding the internal accounting-related control system and the implementation of the relevant provisions of the Sarbanes-Oxley Act. In the course of its audit, the auditor audited the internal control and risk management system in relation to the financial reporting as well as the early risk recognition system. The audit showed that the General Partner has appropriately implemented the measures required under Sec. 91 para. 2 of the German Stock Corporation Act, in particular regarding the establishment of a monitoring system, and that the monitoring system is suitable for the early identification of developments that may affect the Company's ability to continue as a going concern. The Management Board periodically reported to the committee on larger individual risks. It also regularly informed the committee on the compliance situation as well as on the audit plans and results of the internal audit.

The committee again reviewed the business relations of the Fresenius Medical Care group companies to Fresenius SE & CO. KGAA and its affiliated companies. It was confirmed in each case that these relationships corresponded to those between unrelated third parties.

Certain transactions of the Company with related parties are subject to the approval of the Supervisory Board since the German Act Implementing the Second Shareholders' Rights Directive came into force. The Supervisory Board has made use of the option to delegate the responsibility for the approval resolution to the Audit and Corporate Governance Committee.

The Chairman of the Audit and Corporate Governance Committee has regularly reported to the Supervisory Board on the results of the discussions and resolutions in the committee.

NOMINATION COMMITTEE

The Nomination Committee prepares candidate proposals and proposes to the Supervisory Board of the Company suitable candidates for its election proposals to the General Meeting. In the past fiscal year, the Nomination Committee convened three times, including once by telephone conference, in particular to prepare the proposal for the election of Dr. Dorothea Wenzel as a member of the Supervisory Board by the 2019 Annual General Meeting. By resolution of December 4, 2019, the Supervisory Board elected Mr. Rolf A. Classon as Chairman of the Nomination Committee.

JOINT COMMITTEE

The Company has a Joint Committee which is composed of two members of the supervisory board of the General Partner as well as two members of the Supervisory Board of the Company. For certain matters, the Management Board requires the approval of the Joint Committee. In the past fiscal year, the Joint Committee did not convene since no meeting was required.

SPECIAL JOINT COMMITTEE

In the year under review, the Supervisory Board of the Company and the Supervisory Board of the General Partner formed a special joint committee (Special Joint Committee).

The Special Joint Committee shall, within the scope of the responsibilities of the Supervisory Board, review any consequences of the findings of the Company's agreements with the DOJ and the SEC in the year under review and make recommendations to the Supervisory Board. The Special Joint Committee has convened in three meetings and one telephone conference during the year under review. The Chairman of the Special Joint Committee regularly informs the Supervisory Board of the Company.

CORPORATE GOVERNANCE

The Supervisory Board again reviewed the efficiency of its work and also dealt with the exchange of information with the Management Board as well as between the Supervisory Board and its committees. No objections arose in the course of such review.

In some cases, members of the Supervisory Board of the Company are also members of the Supervisory Board of the General Partner. This applies to Messrs. Rolf A. Classon, William P. Johnston and Dr. Dieter Schenk. In addition, Dr. Schenk is vice chairman of the supervisory board of Fresenius Management SE. Fresenius Management SE is the general partner of Fresenius SE & CO. KGAA. As of the end of the past fiscal year, Fresenius SE & CO. KGAA held approx. 31 % of the shares in the Company. It is also the sole shareholder of Fresenius Medical Care Management AG.

In the year under review, no consulting or other service relationships between members of the Supervisory Board and the Company existed.

The Supervisory Board dealt with the provisions of the German Corporate Governance Code and their application in relation to the group of companies. The Supervisory Board considers, taking into account the shareholder structure, a number of at least four independent Supervisory Board members to be an adequate number of independent members and that the Supervisory Board and its committees do comprise an adequate number of independent members. Independent within the meaning of the recommendation no. 5.4.2 of the German Corporate Governance Code in the version dated February 7, 2017 are Mr. Rolf A. Classon, Mr. William P. Johnston, Dr. Dorothea Wenzel, Ms. Pascale Witz and Professor Dr. Gregor Zünd. In the assessment of the Supervisory Board Mr. Classon, Mr. Johnston, Dr. Wenzel, Ms. Witz and Professor Dr. Zünd are independent within the meaning of the recommendation C.7 of the German Corporate Governance Code in the version dated December 16, 2019.

The recommendation C.9 of the German Corporate Governance Code in the version dated December 16, 2019, according to which, in the event that the company has a controlling shareholder within the meaning of the German Corporate Governance Code, in the case of a Supervisory Board with six or fewer members at least one shareholder representative shall be independent of the controlling shareholder, does not apply to the Company because Fresenius SE & CO. KGAA is no controlling shareholder in this meaning given the lack of a sustainable majority at the Annual General Meeting. However, when presuming the applicability of this recommendation, Mr. Classon, Mr. Johnston, Dr. Wenzel, Ms. Witz and Prof. Dr. Zünd would be considered independent in this meaning.

There were no conflicts of interest of members of the Management Board or the Supervisory Board that would have been required to be disclosed to the Supervisory Board.

The profile of skills and expertise of the Supervisory Board is available on the Company's website under www.freseniusmedicalcare.com/en in the section "About us" and there in the sub-section "Supervisory Board". The Supervisory Board will strive to make its election proposals to the Annual General Meeting in accordance with the profile of skills and expertise. The status of implementation of the profile of skills and expertise is reported in the Corporate Governance Report.

The members of the Supervisory Board self-responsibly undertake educational and training measures required for their tasks, such as on changes in the legal framework and on new, forward-looking technologies, and are thereby supported by the Company. For targeted training, internal information events are offered if required. New members of the Supervisory Board can meet the members of the Management Board and specialist managers for a discussion of fundamental and current topics and thereby gain an overview of the relevant topics of the Company. In the year under review, a comprehensive introduction was given to the two new members of the Supervisory Board Dr. Dorothea Wenzel and Prof. Dr. Gregor Zünd by the Management Board and further employees of the Company at the group headquarters in Bad Homburg ("onboarding").

Against the background that the German Corporate Governance Code in the version dated December 16, 2019 continues to retain the recommendation to set age limits for members of the management board and the supervisory board, the Supervisory Board also again addressed the question of whether and what age limits should be set for members of the Management Board and for members of the Supervisory Board. In view of the fact that the Supervisory Board has so far deviated in its practice in this respect from the corresponding recommendations of the German Corporate Governance Code, the Supervisory Board intends to examine this question in detail and with due care and, based on the current situation, assumes that the introduction and implemen-

tation of corresponding age limits is not expected before the year 2021.

The Supervisory Board also dealt with the compensation system for the members of the Management Board of the General Partner with a view to submitting it to the General Meeting. An outlook on the changes to the compensation system to be submitted to the Company's Annual General Meeting 2020 for approval is provided in the compensation report, which can be found as an annex to the "Corporate Governance Report" on PAGES 131 ET SEQQ. of the Annual Report.

Based on its discussions, the Supervisory Board resolved on the Declaration of Compliance in relation to the German Corporate Governance Code according to Sec. 161 of the German Stock Corporation Act. A Declaration of Compliance was published each in October 2019 and in December 2019. They are permanently available to the public on the Company's website www.freseniusmedicalcare.com/en in the section "Investors" and there in the sub-section "Corporate Governance".

The Corporate Governance Report of the General Partner and of the Supervisory Board together with the Declaration on Corporate Governance is available on PAGES 118 ET SEQQ. of the Annual Report. The Declaration on Corporate Governance was discussed by the Supervisory Board and approved in its meeting of March 10, 2020.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements and the annual management report of Fresenius Medical Care AG & CO. KGAA were prepared in accordance with the regulations of the German Commercial Code (HGB). The consolidated financial statements and consolidated management report follow Sec. 315e of the German Commercial Code in accordance with IFRS as applicable in the European Union. Accountancy, the annual financial statements, the annual management report as well as the consolidated financial statements and the consolidated annual management report for 2019 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. Said company was elected as auditor by resolution of the Annual General Meeting of May 16, 2019 and mandated by the Supervisory Board. The auditor has provided each of the aforementioned documents with an unqualified certificate. The audit reports of the auditor were made available to the Audit and Corporate Governance Committee and the Supervisory Board. The Audit and Corporate Governance Committee reviewed the annual and consolidated financial statements as well as the management reports and included the audit reports of, and the discussions with, the auditor in its discussions. The Audit and Corporate Governance Committee reported to the Supervisory Board on this.

The Supervisory Board also reviewed the annual financial statements, the annual management report, the consolidated financial statements and the consolidated annual management report in each case for the past fiscal year. The documents were provided to it in good time. The Supervisory Board declared its agreement to the result of the audit of the annual financial statements and the consolidated financial statements by the auditor. The representatives of the auditor who signed the audit reports participated in the discussions of the Supervisory Board of the annual and consolidated financial statements. They reported to the Supervisory Board on the significant findings of their audit and were available for additional information. Also according to the final results of its own review, no objections are be raised by the Supervisory Board as regards the annual financial statements, the annual management report, the consolidated financial statements and the consolidated annual management.

In its meeting on February 19, 2020 the Supervisory Board discussed the draft of the report according to Form 20-F. The report according to Form 20-F was filed with the SEC on February 20, 2020.

The annual financial statements and annual management report of Fresenius Medical Care AG & CO. KGAA as well as the consolidated financial statements and the consolidated annual management report for the past fiscal year, as presented by the General Partner, were approved by the Supervisory Board at its meeting on March 10, 2020.

The Supervisory Board also approved the General Partner's proposal for the application of profit which provides for a dividend of € 1.20 for each share.

For the fiscal year 2019, the annual financial statements and the consolidated financial statements were audited by KPMG AG Wirtschaftsprüfungsgesellschaft for the last time until further notice. KPMG AG Wirtschaftsprüfungsgesellschaft was continuously the auditor of the annual financial statements of the Company since the initial public offering of the Company in the year 1996. The annual financial statements and the consolidated financial statements have been signed by Mr. Alexander Bock since the fiscal year 2017 and by Mr. Andreas Kast since the fiscal year 2016.

In the course of the so-called auditor rotation, the 2020 Annual General Meeting is to be proposed – as already reported in the previous year – to elect PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, as auditor of the annual financial statements and consolidated financial statements for the fiscal year 2020. PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft,

Frankfurt am Main, was already elected by the 2019 Annual General Meeting as auditor for the potential review of interim financial information for fiscal year 2020 that is prepared prior to the 2020 Annual General Meeting.

SEPARATE NON-FINANCIAL GROUP REPORT

The separate Non-Financial Group Report of Fresenius Medical Care AG & Co. KGaA was prepared in accordance with the regulations of the German Commercial Code (HGB) and will be published separately from the management report. Fresenius Medical Care reports selected non-financial information in reference to the international sustainability standard of the Global Reporting Initiative (GRI).

The Supervisory Board made use of the option to have the separate Non-Financial Group Report verified by an external auditor. The separate Non-Financial Group Report has been subject to a limited assurance engagement by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, in accordance with the international standard on assurance engagements ISAE 3000. KPMG AG Wirtschaftsprüfungsgesellschaft issued a corresponding assurance statement.

The Supervisory Board reviewed the separate Non-Financial Group Report. The documents were provided to it in good time. The Supervisory Board declared its agreement with the result of the limited assurance engagement by the auditor. The representatives of the auditor who signed the note on the limited assurance engagement participated in the discussions of the Supervisory Board of the separate Non-Financial Group Report. They reported to the Supervisory Board on the significant findings of their limited assurance engagement and were available for additional information. Also according to the final results of its own review, no objections are be raised by the Supervisory Board as regards the separate Non-Financial Group Report.

DEPENDENCY REPORT

The General Partner prepared a report on its relationships to Fresenius SE & Co. KGaA and the latter's affiliates in accordance with Sec. 312 of the German Stock Corporation Act for the past fiscal year. The report contains the following final declaration:

"In conjunction with the legal transactions and measures set out in the report on relationships with affiliates, and on the basis of the circumstances of which we were aware at the time when the legal transactions were carried out or when the measures were taken or not carried out, FMC AG & Co. KGaA has received adequate consideration for every legal transaction, and has not suffered any disadvantage as a result of the fact that measures have or have not been carried out."

Both the Audit and Corporate Governance Committee and the Supervisory Board received the dependency report in good time and reviewed it. The auditor participated in the relevant meetings. It reported on the main results of its audit and was available for additional information. On February 19, 2020, the auditor added the following certificate to the dependency report:

"Based on our audit and the conclusions reached, we confirm that 1. the disclosures made in the report are factually correct, 2. the consideration received or paid by the Company for each legal transaction disclosed in the report was not unreasonably high, 3. there are no other circumstances relating to the transactions and measures disclosed in the report which would lead to a conclusion different to the one reached by the personally liable shareholder (General Partner)."

The Audit and Corporate Governance Committee and the Supervisory Board concur with the assessment of the auditor. Following the final results of the review by the Supervisory Board, it does not raise any objections against the declaration of the General Partner at the bottom of the report on the relationships to affiliates.

ACKNOWLEDGEMENTS

Conclusively, the Supervisory Board thanks the members of the Management Board as well as all employees of the Group for their commitment. Thank you very much for the successful work performed in a further challenging environment in the past fiscal year!

Bad Homburg v. d. Höhe, March 10, 2020

On behalf of the Supervisory Board

DR. DIETER SCHENK
Chairman

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of Fresenius Medical Care are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term strategies, solid financial management, strict adherence to legal and ethical business standards, and a transparent communication of the Company are its key elements.

The Management Board of the General Partner, Fresenius Medical Care Management AG (hereinafter: the Management Board), and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA (hereinafter: FMC AG & Co. KGaA or the Company) hereunder report on the year 2019 as the year under review (hereinafter: the year under review) pursuant to section 289f of the German Commercial Code (Handelsgesetzbuch – HGB) and to number 3.10 of the German Corporate Governance Code in the version dated February 7, 2017 (Deutscher Corporate Governance Kodex in der Fassung vom 7. Februar 2017, hereinafter: the Code 2017) and in accordance with principle 22 of the German Corporate Governance Code in the version dated December 16, 2019 (hereinafter: the Code 2020) on the Company's corporate governance.

The Corporate Governance Report and the Declaration on Corporate Governance are publicly available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

DECLARATION ON CORPORATE GOVERNANCE

GROUP MANAGEMENT AND SUPERVISION STRUCTURE

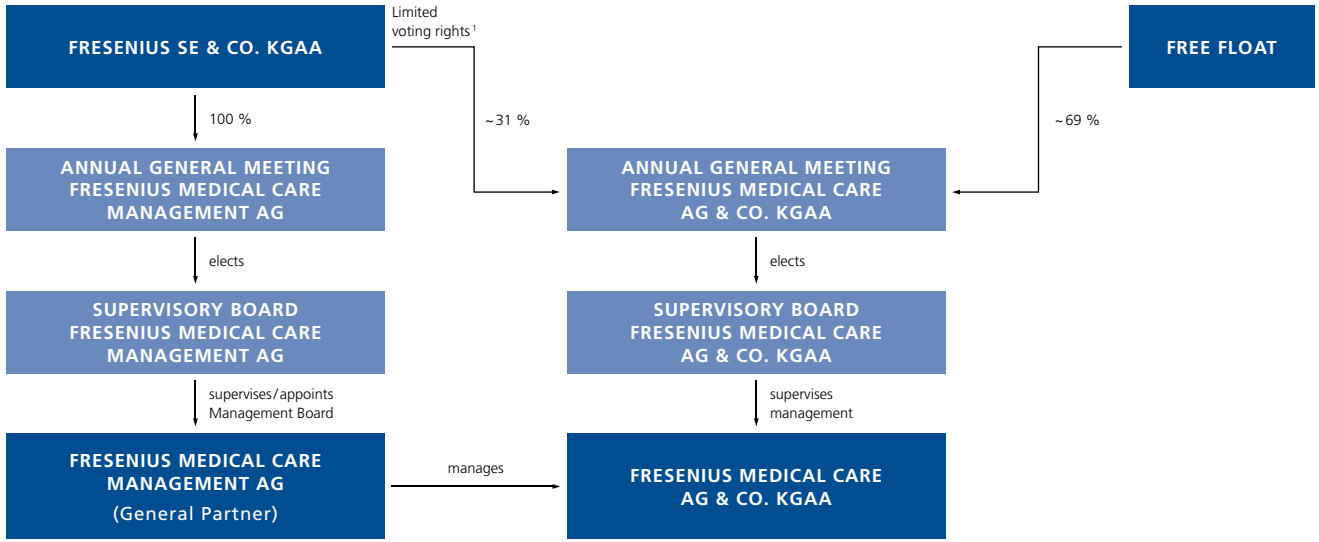
The legal form of the Company is that of a partnership limited by shares (Kommanditgesellschaft auf Aktien – KGaA). Its corporate bodies provided for by statutory law are the General Meeting, the Supervisory Board and the General Partner, which is Fresenius Medical Care Management AG. In the year under review, there were no significant changes to the group's management and supervision structure – SEE CHART 4.2.

The Articles of Association of FMC AG & Co. KGaA, which also specify the responsibilities of the bodies of the Company in more detail, are available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

FUNCTIONING OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AS WELL AS COMPOSITION AND FUNCTIONING OF THEIR COMMITTEES

The German Stock Corporation Act prescribes a dual management system (so-called two-tier management system) for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares consisting of a management body and

C 4.2 **STRUCTURE OF FRESENIUS MEDICAL CARE AG & CO. KGAA**
BASED ON DATA AS OF DECEMBER 31, 2019



[1] For certain items, there are no voting rights, e. g. for the election of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, for the formal approval of the actions of the General Partner and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA, for the election of the auditor of the annual financial statements.

a supervisory board. The business activities of a partnership limited by shares are conducted by one or several personally liable shareholders (General Partner). In the case of FMC AG & CO. KGAA, this is Fresenius Medical Care Management AG. Its Management Board is also responsible for conducting the business activities of the KGAA. Within the scope of statutory allocation of competences, the Supervisory Board is responsible for supervising and advising the Management Board and is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are in each case statutorily defined and are strictly separated from one another. Corresponding to FMC AG & CO. KGAA, Fresenius Medical Care Management AG has its own Supervisory Board.

THE GENERAL PARTNER AND ITS BODIES

The Management Board of Fresenius Medical Care Management AG

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board, which acts on its own responsibility, manages the Company and conducts the Company's business. Its actions and decisions are directed towards the interests of the Company.

The Management Board of the General Partner manages the Company's business in accordance with the applicable laws and the Articles of Association as well as the rules of procedure within the meaning of section 77 para. 2 German Stock Corporation Act (AktG). The rules of procedure stipulate the principles of the cooperation and provide for the schedule of responsibilities which determines the departmental responsibilities of the individual Management Board members. The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least twelve times a year. The meetings and the taking of resolutions by the Management Board are led by the Chairman of the Management Board. If he is unavailable, this task resides with the Management Board member named by the Chairman, or, if no member has been named, with the participating Management Board member most senior in office. The Chairman of the meeting determines the order of the agenda items and the mode of voting. In principle, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members. In case of a voting tie, the Chairman of the Management Board has the casting vote.

In the year under review, the Management Board was composed of seven members. With effect as of the end of October 31, 2019, Mr. Michael Brosnan resigned as a member of the Management Board responsible as Chief Financial Officer. Ms. Helen Giza was appointed as a new member of the Management Board responsible as Chief Financial Officer with effect as of November 1, 2019. Further Mr. Frank Maddux, MD with effect as of January 1, 2020 was appointed as a member of the Management Board responsible as Global Chief Medical Officer; since then, the Management Board is composed of eight members. The members of the Management Board and their areas of responsibility are introduced on the Company's website at www.freseniusmedicalcare.com in the "About us" section.

Irrespective of the overall responsibility of the entire Management Board, each Management Board member is responsible for his or her own area of departmental responsibility. The Management Board members keep each other informed on an ongoing basis about all relevant business occurrences in their areas of departmental responsibility. In the case of interdepartmental matters, the Management Board members concerned are requested to coordinate with each other. The Chairman of the Management Board coordinates the affairs of the individual departments.

Matters of outstanding importance and significance are resolved on by the entire Management Board pursuant to the rules of procedure. In order to increase the efficiency of the Management Board's work, the Supervisory Board of the General Partner established a Management Board Committee for certain cross departmental matters. Such Management Board Committee essentially deals with corporate matters of subsidiaries of FMC AG & CO. KGAA or acquisitions that do not reach the minimum relevance and importance level required for being referred to the entire Management Board. The Management Board Committee must be composed of at least three members, among them the Chairman of the Management Board and the Chief Financial Officer as well as the Management Board member responsible for the respective matter or another Management Board member appointed by the Chairman at his reasonable discretion exercised in each case. In its meetings the Management Board Committee decides with a simple majority of the votes cast; outside of meetings the Management Board Committee decides with the simple majority of its members.

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

The Supervisory Board of Fresenius Medical Care Management AG

As a stock corporation, Fresenius Medical Care Management AG has its own Supervisory Board, which according to its Articles of Association consists of six members. Mr. Stephan Sturm has been appointed as Chairman. Other members of the Supervisory Board of Fresenius Medical Care Management AG in the year under review were Dr. Dieter Schenk (Vice Chairman), Mr. Rolf A. Classon, Ms. Rachel Empey, Mr. William P. Johnston and Dr. Gerd Krick.

Dr. Dieter Schenk, Mr. Rolf A. Classon and Mr. William P. Johnston are at the same time members of the Supervisory Board of FMC AG & CO. KGAA. Further information on them and on the other members of the Supervisory Board of FMC AG & CO. KGAA are available on the Company's website at www.freseniusmedicalcare.com in the "About us" section.

In addition, the following information is provided for the year under review with regard to the mandates exercised by the Chairman of the Supervisory Board of Fresenius Medical Care Management AG, Mr. Stephan Sturm, and by the additional members of the Supervisory Board of Fresenius Medical Care Management AG, Ms. Rachel Empey and Dr. Gerd Krick who are not at the same time members of the Supervisory Board of Fresenius Medical Care AG & Co. KGAA:

Stephan Sturm
Chairman of the Management Board
of Fresenius Management SE,
the General Partner of Fresenius SE & CO. KGAA
Supervisory Board
Fresenius Kabi AG (Chairman)
Deutsche Lufthansa AG
Comparable foreign body
VAMED AG, Austria (Vice Chairman)

Rachel Empey
Member of the Management Board
of Fresenius Management SE (Chief Financial Officer),
the General Partner of Fresenius SE & CO. KGAA
Supervisory Board
Fresenius Kabi AG (Vice Chairman)
Comparable foreign body
Inchcape plc, United Kingdom (Non-executive director)

Dr. Gerd Krick
Member of Supervisory Boards
Supervisory Board
Fresenius SE & CO. KGAA (Chairman)
Fresenius Management SE (Chairman)
Comparable foreign body
VAMED AG, Austria (Chairman)

Because of his extraordinary contributions to the development of the Company and his comprehensive experience, Dr. Ben Lipps is honorary chairman of the Supervisory Board of Fresenius Medical Care Management AG.

The Supervisory Board of Fresenius Medical Care Management AG appoints the members of the Management Board and supervises and advises the Management Board in its management responsibilities. The Supervisory Board has established rules of procedure.

Irrespective of the independence requirements according to statutory rules and of the recommendations of the German Corporate Governance Code in its respectively applicable form, the so-called Pooling Agreement entered into, among others, between Fresenius Medical Care Management AG and Fresenius SE & CO. KGAA provides that at least one third (and at least two) of the members of the Supervisory Board of Fresenius Medical Care Management AG must be independent members. Pursuant to the Pooling Agreement, an "independent member" is a member of the Supervisory Board with no substantial business or professional relationship with FMC AG & CO. KGAA, with its General Partner, with Fresenius SE & CO. KGAA, or with its General Partner, Fresenius Management SE, or with any affiliates of these companies.

COMMITTEES OF THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE MANAGEMENT AG

From the midst of its members, the Supervisory Board forms qualified committees for the efficient exercise of its responsibilities, which prepare the matters for deliberation and resolutions of the Supervisory Board. The Supervisory Board regularly and timely receives briefings on the committees' work. – SEE TABLE 4.3 ON PAGE 121.

SUPERVISORY BOARD OF THE COMPANY

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

Simultaneous membership in both the Supervisory Board and the Management Board is not permissible. In the year under review, the Supervisory Board did not include any members who were also members of the Management Board of the General Partner during the previous two years. The members of the Company's Supervisory Board are independent in their decisions and are not bound by requirements or instructions of third parties.

Composition

The Supervisory Board of FMC AG & CO. KGAA consisted in the year under review of the following members: Dr. Dieter Schenk (Chairman), Mr. Rolf A. Classon (Vice Chairman), Mr. William P. Johnston, Dr. Dorothea Wenzel (since May 16,

T 4.3 **COMMITTEES OF THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE MANAGEMENT AG**

Supervisory Board committee	Responsibility	Number of meetings
Human Resources Committee **Chairman** Mr. Stephan Sturm **Vice Chairman** Dr. Gerd Krick **Other members** Mr. William P. Johnston, Dr. Dieter Schenk, Mr. Rolf A. Classon	Advice on complex special matters such as the appointment of Management Board members and their compensation	As required
Regulatory and Reimbursement Assessment Committee **Chairman** Mr. William P. Johnston (since January 1, 2020), Mr. Rolf A. Classon (until December 31, 2019) **Vice Chairman** Mr. Rolf A. Classon (since January 1, 2020), Mr. William P. Johnston (until December 31, 2019) **Other member** Dr. Dieter Schenk	Advice on complex special matters such as regulatory provisions and reimbursement in the dialysis segment	As required
Nomination Committee **Chairman** Mr. Stephan Sturm **Other members** Dr. Gerd Krick, Dr. Dieter Schenk	Preparing recommendations on suitable candidates for an election to the Supervisory Board, who are to be presented to the Supervisory Board for the purpose of its proposal to the General Meeting	As required

2019), Ms. Pascale Witz and Professor Dr. Gregor Zünd. The members of the Supervisory Board of FMC AG & CO. KGAA are introduced on the Company's website at www.fresenius-medicalcare.com in the "About us" section. There is also information on their term of office on the Company's Supervisory Board.

Because of his extraordinary contributions to the Company's development and his comprehensive experience, Dr. Ben Lipps is also honorary chairman of the Supervisory Board of FMC AG & CO. KGAA.

All members of the Company's Supervisory Board are elected by the General Meeting of FMC AG & CO. KGAA as the competent election body according to the provisions of the German Stock Corporation Act by a simple majority of the votes cast. Fresenius SE & CO. KGAA is excluded from voting on this issue (further explanations on this matter can be found under "Further Information regarding Corporate Governance" in the section titled "Shareholders").

Profile of skills and expertise

The Supervisory Board is in its own initiative paying attention to the requirement to have in its entirety the knowledge, capabilities and professional expertise required for the due observation of the duties of the Supervisory Board of a listed company operating internationally in the dialysis business and has resolved a profile of skills and expertise for the entire Supervisory Board. The profile of skills and expertise contains requirements for the individual Supervisory Board members as well as requirements for the entire Supervisory Board and is available on the Company's website at www.fresenius-medicalcare.com in the "About us" section.

When discussing its recommendations for the election of members of the Supervisory Board to the General Meeting, the Supervisory Board considers, within the framework of the profile of skills and expertise as determined by it, in particular the international activities of the enterprise, potential conflicts of interest, what it considers to be an adequate number of independent Supervisory Board members and diversity. As the composition of the Supervisory Board needs to be aligned with the interests of the enterprise and must ensure the effective supervision and consultation of the Management Board, it is, however, a matter of principle and of prime importance that each member is suitably qualified. In the Company's interest to have the widest selection of qualified candidates possible, the Supervisory Board, with a view to specific objectives for its composition and in compliance with its statutory obligations (section 111 para. 5 German Stock Corporation Act) commits itself to pursue self-defined targets for the representation of female Supervisory Board members (see also section "Gender diversity and targets") and, for the time being, refrains from an age limit and from a duration limit on the term of membership on the Supervisory Board. Instead, the Supervisory Board shall also consist of members with long-term experience and thus individuals who are generally older in order to ensure a balanced ratio of Supervisory Board members of diverse age and various terms of membership. Therefore, with the exception of the determination of target figures for women's share on the Supervisory Board, the Supervisory Board has refrained from determining, and from taking into account, specific objectives with respect to its composition when proposing candidates and from publishing

the state of the implementation of such specific objectives in the Corporate Governance Report.

As a consequence of the election of Dr. Dorothea Wenzel on May 16, 2019 two of the six Supervisory Board members are female. The share of female Supervisory Board members hence, at the end of the year under view, exceeds the target of 30 % as set by the Supervisory Board for its composition. The current composition of the Supervisory Board meets the aims designated for the composition of the board and corresponds to the resolved profile of skills and expertise.

Independence

The Supervisory Board has determined, taking into account the shareholder structure, that it considers at least four independent Supervisory Board members to be an adequate number of independent members.

A member of the Supervisory Board is not to be considered independent pursuant to the recommendation in number 5.4.2 of the Code 2017 in particular if it entertains any personal or business relations with the Company, its corporate bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. Independent within the meaning of the recommendation of number 5.4.2 of the Code 2017 are, in the view of the Supervisory Board, Mr. Rolf A. Classon, Mr. William P. Johnston, Dr. Dorothea Wenzel, Ms. Pascale Witz and Professor Dr. Gregor Zünd.

According to the recommendation C.7 of the Code 2020, more than half of the members of the Supervisory Board shall be independent from the Company and the Management Board. Members of the Supervisory Board are to be considered independent from the Company and its Management Board if they have no personal or business relationship with the Company or its Management Board that may cause a substantial – and not merely temporary – conflict of interest. When assessing the independence of members of the Supervisory Board from the Company and its Management Board, the Supervisory Board shall particularly take into consideration whether the respective member of the Supervisory Board member itself or a close family member was a member of the Company's Management Board in the two years prior to appointment, is currently maintaining (or has maintained) a material business relationship with the Company or one of the entities dependent upon the Company (e.g. as customer, supplier, lender or advisor) in the year up to his/her appointment, directly or as a shareholder, or in a leading position of a non-group entity, or is a close family member of a Management Board member, or has been a member of the Supervisory Board for more than twelve years. Independent within the meaning of the recommendation C.7 of the Code 2020 are, in the view of the Supervisory Board, Mr. Rolf A. Classon, Mr. William P. Johnston, Dr. Dorothea Wenzel, Ms. Pascale Witz and Professor Dr. Gregor Zünd. The Supervisory Board did not need to consider the question of whether Dr. Dieter Schenk and Mr. William P. Johnston are to be regarded as independent within the meaning of the recommendation C.7 of the Code 2020 in view of their term of office on the Supervisory Board of the Company of more than 12 years, because the number of those Supervisory Board members who have been members of the Supervisory Board for no more than 12 years and are otherwise to be qualified as independent already complies with the recommendation C.7 of the Code 2020.

Details on the treatment of potential conflicts of interests are set out in the section "Legal relationships with members of the Company's corporate bodies" below.

The term of office of the members of the Supervisory Board is in principle five years. The current term of office of the incumbent members of the Supervisory Board of FMC AG & CO. KGAA ends at the end of the General Meeting that resolves on the discharge for the fiscal year 2020, i.e. at the end of the Annual General Meeting 2021.

Rules of Procedure

Details on the election, constitution and term of office of the Supervisory Board, its meetings and the adoption of resolutions, as well as its rights and obligations, are set out in the Company's Articles of Association available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section. In accordance with the recommendation in number 5.1.3 of the Code 2017 or, respectively, the recommendation D.1 of the Code 2020, the Supervisory Board has furthermore adopted rules of procedure which set out, among other things, the modalities for convening meetings and the manner in which resolutions are adopted. In accordance with these, the Supervisory Board meets regularly at least twice per calendar half year. The convocation period for meetings of the Supervisory Board is generally two weeks. The deliberations of the Supervisory Board are conducted by the Chairman or, if the latter is unavailable, by the Vice Chairman. The Chairman of the meeting also determines the order of the agenda items and the mode of voting. As a rule, the Supervisory Board decides by simple majority of votes cast if decisions are taken in physical meetings and otherwise with the simple majority of its members, unless other majorities are prescribed by a mandatory provision of law in the individual case. The provisions of the rules of procedure for the Supervisory Board of the Company also apply to its committees, unless their rules of procedure contain deviating provisions. The Chairman of the Supervisory Board coordinates the work and direction of the Supervisory Board; he also represents the Supervisory Board vis-à-vis third parties.

Efficiency evaluations

In accordance with the recommendation in number 5.6 of the Code 2017 or, respectively, the recommendation D.13 of the Code 2020, the members of the Supervisory Board regularly carry out efficiency evaluations or, respectively, self-assessments with regard to their work. These take place in the form of open discussions in plenary meetings, based on a corresponding questionnaire. On these annual occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the efficiency evaluations or, respectively, self-assessments carried out have shown that each of the Supervisory Board and its committees are efficiently organized and that the cooperation of the Supervisory Board and the Management Boards works very well.

Professional competence

All members of the Supervisory Board have the capabilities as well as the knowledge required for the proper exercise of their duties. The Supervisory Board members are in their entirety familiar with the sector FMC AG & CO. KGAA operates in. The members of the Supervisory Board regularly update themselves via in-house sources and via external sources about the current status of supervisory requirements. In addition to the information provided to them by several external experts, also experts of the Company's departments regularly provide reports about relevant developments, such as – for example – relevant new developments in the revision of legal rules or in jurisprudence and also about recent developments in regulations on accounting and annual auditing. In this way, the Supervisory Board, with the Company's reasonable assistance, ensures an ongoing qualification of its members and also a further development and updating of their expertise, power of judgment and experience, which is required for the Supervisory Board including its committees to duly perform their tasks.

Details of the key activities of the Supervisory Board's consultations in the year under review can be found in the "Report by the Supervisory Board" starting on PAGE 111.

T 4.4 **COMMITTEES OF THE SUPERVISORY BOARD OF FMC AG & CO. KGAA**

Supervisory Board committee	Responsibility	Number of meetings
Audit and Corporate Governance Committee **Chairman** Mr. Rolf A. Classon (since January 1, 2020), Mr. William P. Johnston (until December 31, 2019) **Vice Chairman** Mr. Rolf A. Classon (since January 1, 2020), Mr. William P. Johnston (until December 31, 2019) **Other member** Ms. Pascale Witz (since February 11, 2019)	› Supervision of the accounting, the accounting process, the effectiveness of the internal control system, of the risk management system, of the internal audit system, the annual audit and of compliance › Supervision of the annual auditing, in particular with regard to the independence of the auditor and the additional services provided by it, issuing the auditing mandate, determining the focus areas of the auditing and the fee agreement › Addressing the report pursuant to Form 20-F, which contains, inter alia, the consolidated group financial statements and the consolidated group financial report › Assessment of the General Partner's report on relations to affiliated companies › Review and, if required, approval of transactions of the Company with related parties	At least four times per year and additionally as required
Nomination Committee **Chairman** Mr. Rolf A. Classon (since December 4, 2019, until then ordinary member) **Vice Chairman** Dr. Dieter Schenk	› Preparing recommendations on suitable candidates for an election to the Supervisory Board, who are to be presented to the Supervisory Board for the purpose of its proposal to the General Meeting	As required

COMMITTEES OF THE SUPERVISORY BOARD OF FMC AG & CO. KGAA

From the midst of its members, the Supervisory Board has formed qualified committees for the efficient exercise of its responsibilities, which prepare the matters for deliberation and resolutions of the Supervisory Board – SEE TABLE 4.4. The Supervisory Board regularly and timely receives briefings on the committees' work.

Information on the Audit and Corporate Governance Committee

With the consent of the Supervisory Board, the Audit and Corporate Governance Committee adopted rules of procedure. On the basis of the relevant provisions of the Articles of Association of the Company (section 12 para. 2) they define the composition, work and tasks of the Audit and Corporate Governance Committee. According to these, the Audit and Corporate Governance Committee shall consist of at least three and not more than five exclusively independent members who, in particular, are to meet the criteria of independence pursuant to section 12 para. 2 sentence 3 of the Articles of Association as well as pursuant to the rules of the New York Stock Exchange. In addition, pursuant to section 107 para. 4 in connection with section 100 para. 5 of the German Stock Corporation Act at least one member must have expertise in the fields of accounting or auditing. Moreover, in accordance with the recommendations of the Code 2017 and of the Code 2020, respectively, the Chairman of the

T 4.5 **JOINT COMMITTEE**

Joint Committee	Responsibility	Number of meetings
Members Fresenius Medical Care Management AG Mr. Stephan Sturm, Dr. Gerd Krick **Members Fresenius Medical Care AG & Co. KGaA** Mr. Rolf A. Classon, Mr. William P. Johnston	Approval of certain legal transactions as defined in the Articles of Association, such as material acquisitions or divestments	As required

T 4.6 **SPECIAL JOINT COMMITTEE**

Special Joint Committee	Responsibility	Number of meetings
Member Fresenius Medical Care Management AG and Fresenius Medical Care AG & Co. KGaA Dr. Dieter Schenk (Chairman) **Member Fresenius Medical Care Management AG** Mr. Stephan Sturm **Member Fresenius Medical Care AG & Co. KGaA** Ms. Pascale Witz	Recommendations on possible consequences in the context of the Company's agreements with the DoJ and SEC concluded in the year under review	As required

Audit and Corporate Governance Committee shall neither act as Chairman of the Supervisory Board of the Company at the same time nor, in accordance with the recommendations of the Code 2017, be a former member of the Management Board whose appointment has ended less than two years ago. Pursuant to the recommendations of the Code 2020 the Chairman of the Audit and Corporate Governance Committee shall also be independent within the meaning of the Code 2020. In the opinion of the Supervisory Board, the composition of the Audit and Corporate Governance Committee meets these requirements.

Joint Committee

FMC AG & CO. KGAA also has established a Joint Committee whose composition and activity is provided for in Articles 13a et seqq. of the Articles of Association of the Company. The Joint Committee is convened only as required, namely in certain legal transactions defined in the Articles of Association to be qualified as substantial transactions and for which the General Partner requires the consent of the Joint Committee – SEE TABLE 4.5.

Special Joint Committee

Further, the Supervisory Board of the Company and the Supervisory Board of the General Partner have established a special joint committee (Special Joint Committee). Said committee is comprised of one member of the Supervisory Board of the Company, one member of the Supervisory Board of the General Partner, and one member who is a member of both afore-mentioned Supervisory Boards.

The Special Joint Committee shall, within the scope of the responsibilities of the Supervisory Board, review any consequences of the findings of the agreements concluded by the Company with the U.S. Department of Justice (DOJ) and the U.S. Securities and Exchange Commission (SEC) in the year under review and make recommendations to the Supervisory Board – SEE TABLE 4.6.

COOPERATION OF GENERAL PARTNER AND SUPERVISORY BOARD OF THE COMPANY

Good corporate governance requires an efficient cooperation between the management and the Supervisory Board on the basis of mutual trust. The General Partner and the Supervisory Board of the Company work together closely and in a trusting manner in the Company's interest. Their joint goal is to increase the Company's value in the long term in compliance with good corporate governance principles and compliance regulations.

In the year under review, the Supervisory Board regularly supervised the General Partner and advised its Management Board. The deliberations of the Supervisory Board covered all significant questions of business policy, the company planning and the strategy. Further subjects were the risk situation and risk management.

DIVERSITY AND TARGETS

Diversity Concept for governance bodies

Fresenius Medical Care highly values diversity, including social inclusion, both for its governance bodies as well as its overall workforce, and considers diversity as a strength of the enterprise. It is one of the core aims of Fresenius Medical Care and in the Company's interest to have diverse governance bodies and a diverse overall workforce as this supports an inclusive

work environment and builds the foundation for successful personal and organizational achievements. Diversity at Fresenius Medical Care is defined in a broad way, including – but not limited to – age, gender, nationality, educational background and work experience. The goal of diversity is the inclusion of differing perspectives and various aspects in the cooperation and decision-making in order to increase the understanding for the manifold requirements on a globally active company with heterogeneous groups of customers.

Based on this, the Company and the General Partner have adopted a diversity concept for the composition of the Management Board of the General Partner and the Supervisory Board of the Company reflecting this understanding and being part of the staffing processes. The individual qualification, e.g. expertise, skills and experience, however, continues to be the core selection criterion for the proposals to the General Meeting for the election of new members to the Supervisory Board; diversity aspects are considered to ensure a comprehensive and balanced decision process. For preparation of any nomination proposal, the respective competent governance body or the competent committee, as the case may be, thoroughly evaluates the current composition of the governance body to be filled and carefully analyzes each potential candidate's profile with regard to the diversity criteria.

It has further been decided to actively manage diversity in senior management levels below the Management Board. To this end, diversity aspects such as gender are particularly taken into account in the evaluation of the "talent pipelines". Additional reports, for example on the number and share of female junior talents in talent evaluation and the succession planning process, support the focus on diversity in development planning and the preparation for filling vacancies. This serves to strengthen the pursued diversity concept and to identify suitable talents at an early stage.

T 4.7 DIVERSITY LEVEL OF THE MANAGEMENT BOARD

Management Board	Gender	Nationality	Education	Age
Rice Powell	Male	U.S.-American	Biology	64
Helen Giza [1]	Female	British/U.S.-American	Business	51
Franklin W. Maddux, MD [2]	Male	U.S.-American	Medicine and Mathematics	62
Dr. Katarzyna Mazur-Hofsäß	Female	Polish/German	Medicine	56
Dr. Olaf Schermeier	Male	German	Engineering	47
William Valle	Male	U.S.-American	Business	59
Kent Wanzek	Male	U.S.-American	Business	60
Harry de Wit	Male	Dutch	Medicine and Physiotherapy	57

[1] Ms. Helen Giza has been appointed to the Management Board of the General Partner with effect as of November 1, 2019.
[2] Mr. Franklin W. Maddux, MD has been appointed to the Management Board of the General Partner with effect as of January 1, 2020.

T 4.8 DIVERSITY LEVEL OF THE SUPERVISORY BOARD

Supervisory Board of the Company	Gender	Nationality	Education	Age
Dr. Dieter Schenk	Male	German	Law	67
Rolf A. Classon	Male	U.S.-American/Swedish	Political Science	74
William P. Johnston	Male	U.S.-American	Law	75
Dr. Dorothea Wenzel [1]	Female	German	Business and Business Informatics	50
Pascale Witz	Female	French	Biochemistry	53
Prof. Dr. Gregor Zünd	Male	Swiss	Medicine	60

[1] Dr. Dorothea Wenzel has been elected as a member of the Supervisory Board on May 16, 2019.

The current diversity level of the Management Board of the General Partner and Supervisory Board of the Company across selected aspects is displayed in the TABLES 4.7 AND 4.8.

Gender diversity and targets

The Supervisory Board of FMC AG & CO. KGAA is obliged to define targets for the representation of female members in the Supervisory Board as well as an implementation period and to report on the defined targets and their achievement during the relevant reference period or in the event of a failure to meet these targets, on the reasons for this, as part of the declaration on corporate governance. The definition of targets for the composition of the Management Board is for companies which, like Fresenius Medical Care, are organized in the legal form of a partnership limited by shares, is by contrast expressly not required. Likewise, also the Supervisory Board of Fresenius Medical Care Management AG is not

required to define targets for the Management Board, because Fresenius Medical Care Management AG is not in the scope of the relevant legal provisions. With two of in total seven members of the Management Board in the year under review being female, the share of women in the Management Board of Fresenius Management AG amounted to around 29 % in the year under review.

The Supervisory Board of FMC AG & CO. KGAA has resolved on May 10, 2017 to set the target for the representation of female Supervisory Board members at 30 % and has set an implementation period ending on May 9, 2022. With two female members (33 %), the composition of the Supervisory Board in the year under review since the election of Dr. Dorothea Wenzel – as before until the resignation of Ms. Deborah Doyle McWhinney effective November 1, 2018 – was again in line with this target.

Pursuant to the Act on Equal Participation of Women and Men in Leadership Positions, the Management Board is obliged to define targets for female representation in the two top management levels below the Management Board as well as an appropriate implementation period. In a first step, the Management Board on September 28, 2015, had resolved to define the two top management levels below the Management Board in relation to the participation of executives in the group-wide Long-Term Incentive Program ("LTIP"). In a second step, the Management Board resolved on January 13, 2016 upon targets for female representation for the two top management levels below the Management Board and upon the implementation period to end on December 31, 2020. Notwithstanding the determination of these two management levels, the best indicator for Fresenius Medical Care for women holding management positions worldwide is the total number of participants in the group-wide LTIP. Compared with 2018, the share of women in these management positions slightly increased and amounted to around 34 % at the end of the year under review (2018: 33 %).

The first management level includes all managers worldwide who directly report to a member of the Management Board and participate in the LTIP. The target that shall be achieved by end of the implementation period on December 31, 2020 is 18.8 %. The share of female executives (as of December 31, 2019) was 23.0 % (2018: 21.1 %). The target of 18.8 % that shall be achieved by end of the implementation period on December 31, 2020, hence, has at present already been surpassed by the Company.

The second management level includes all managers worldwide who directly report to a management executive of the first management level and participate in the LTIP. The target (until December 31, 2020) is 28.2 %. The share of female managers as of December 31, 2019 was 29.7 % (2018: 27.4 %). The defined target, thus, has also been surpassed for this management level.

Overall, the recruiting and staffing practice of Fresenius Medical Care as well as the selection decisions regarding the hiring and promotion to top management levels will also in the future be taken with a focus on the specific qualifications of the individual. For this reason, the Management Board will select candidates for the top management of Fresenius Medical Care according to the candidate's excellence and suitability for the specific role and function in such management positions, regardless of their race, gender or other non-performance related attributes. However, the increased focus on diversity in Fresenius Medical Care's talent pipelines will further support an inclusive work environment and ensure that Fresenius Medical Care's employees continue to have equal career opportunities.

Long-term succession planning

Together with the Management Board of the General Partner, the Supervisory Board of the General Partner takes care for the long-term succession planning. For this purpose, the Chairman of the Supervisory Board of the General Partner liaises with the respective members of the Management Board sufficiently in advance and, as a rule, not later than one year before the end of the respective term of office about their willingness to continue their respective mandate. In addition, the Supervisory Board of the General Partner continuously reviews whether the Management Board of the General Partner continues to be composed in the best possible way. To this end, the Chairman of the Supervisory Board of the General Partner discusses with the Chairman of the Management Board, in particular, what knowledge, experience and professional as well as personal competencies in the Management Board of the General Partner should be represented also with regard to the strategic development of the Company and a possible changing regulatory environment and to what extent the Management Board of the General Partner is already staffed in accordance with these requirements.

If there is need for action with regard to the composition of the Management Board, potential internal or external candidates for the corresponding addition to the Management Board are identified. For the identification of suitable external candidates, the Supervisory Board of the General Partner also obtains the support of external consultants, where necessary. When evaluating suitable candidates, not only their individual knowledge and experience, but also their personality and its added value to the Management Board is taken into account. With the composition of the Management Board, a cooperative working environment across all departments and in the interest of the entire Company shall be created that not only allows but rather also promotes constructive criticism. The

Chairman of the Management Board of the General Partner is closely involved in the entire selection process.

The Supervisory Board of the General Partner pays attention to diversity in the composition of the Management Board, but, for the time being, refrains from the determination of an age limit for the members of the Management Board of the General Partner. To deem certain persons not to be eligible for the Management Board of the General Partner solely on the basis of their age does not appear to be appropriate and is not in the interest of the Company.

RELEVANT INFORMATION ABOUT CORPORATE GOVERNANCE PRACTICES

COMPLIANCE

Global business activities mean having global responsibility. As the global market leader in providing dialysis services and products, Fresenius Medical Care is aware of its responsibility. Every day, Fresenius Medical Care strives to improve the lives of its patients world-wide with high-quality products and services.

Fresenius Medical Care takes the highest medical standards as benchmark for quality. Fresenius Medical Care is committed to conducting its business activities in compliance with all relevant legal standards as well as internal and external provisions and requirements. The patients, customers, payors, investors and regulators of Fresenius Medical Care as well as all other stakeholders expect Fresenius Medical Care's business to be conducted based on responsible management, taking into account integrity, sound corporate governance and adherence to compliance principles.

Fresenius Medical Care's Code of Ethics and Business Conduct

Fresenius Medical Care's Code of Ethics and Business Conduct is the basis for everything Fresenius Medical Care and its employees do, whether in their dealings with patients, colleagues and suppliers or with a view to communities in general. The Code of Ethics and Business Conduct defines corporate governance practices beyond the legal requirements. It covers Fresenius Medical Care's material non-financial topics such as patient care, quality and innovation, anti-corruption, worker protection, environment, health and safety, as well as non-discrimination. The Code of Ethics and Business Conduct together with the underlying corporate core values also includes Fresenius Medical Care's commitment to respecting human rights. It applies to every function and division worldwide, to every employee of Fresenius Medical Care, and to the Company's direct and indirect majority-owned or controlled affiliates anywhere in the world. Employees must adhere to the principles in the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is publicly available on the Company's website at www.freseniusmedicalcare.com in the section "About us" in the sub-section "Compliance".

Ensuring compliance

Compliance with the rules is essential for the long-term success of Fresenius Medical Care as it determines the corporate culture and is an integral part of day-to-day work. Specialized functions at a global, regional and local level have the responsibility to implement and communicate these principles and core values within the organization. Code of Ethics and Business Conduct training programs increase awareness and an understanding of the applicable rules and help employees comply with these rules. These are held regularly and are mandatory for all relevant employees. There are processes in place to enable employees to take part in the courses.

Fresenius Medical Care fosters an open working atmosphere and therefore encourages its employees to question everything that does not comply with the rules and to report any indications of possible violations to their superiors or the Compliance, Legal or Human Resources departments. In addition, both Fresenius Medical Care employees and external parties can anonymously (to the extent permitted by law) report suspected unethical or inappropriate business practices of employees via a hotline – the Compliance Action Line – and via appropriate e-mail addresses. In accordance with Fresenius Medical Care's policy, there must be no negative consequences for whistleblowers if they have made the report in good faith.

The Company has made and continues to make further significant investments in its compliance and financial controls and in its compliance, legal and financial organizations. The Company is fully committed to compliance with applicable anti-bribery laws. Further information regarding the investigations in connection with the U.S. Foreign Corrupt Practices Act (FCPA) and regarding the settlements reached with the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) can be found on PAGE 71 of the Annual Report.

RISK AND OPPORTUNITY MANAGEMENT

At Fresenius Medical Care, an integrated management system is in place to ensure that risks and opportunities are already identified at an early stage, optimizing the risk profile and minimizing the costs potentially related to the occurrence of risks through timely intervention. Fresenius Medical Care's risk management is therefore an important component of the corporate management of Fresenius Medical

Care. The adequateness and effectiveness of the internal control systems of Fresenius Medical Care for the financial reporting are reviewed on a regular basis by the Management Board and by Fresenius Medical Care's auditor.

Further information about the risk and opportunity management system can be found in the "Risks and Opportunities Report" starting on PAGE 63.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

The German Corporate Governance Code includes nationally and internationally accepted standards of good and responsible corporate governance in the form of recommendations and suggestions. The Code aims for making the rules for managing and supervising companies in Germany more transparent and comprehensible. The Code is also intended to enhance the confidence of international and national investors and of the public as well as of employees and customers in the management and supervision of German listed stock corporations.

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA endorse the standards set forth in the German Corporate Governance Code. The vast majority of the recommendations and suggestions in the Code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company.

The current annually required Declaration of Compliance according to section 161 of the German Stock Corporation Act issued by the Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA as of December 2019 is reported hereinafter. The current and previous Declarations of Compliance and other extensive information on corporate governance are permanently made publicly available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

DECLARATION BY THE MANAGEMENT BOARD OF THE GENERAL PARTNER OF FRESENIUS MEDICAL CARE AG & CO. KGAA, FRESENIUS MEDICAL CARE MANAGEMENT AG, AND BY THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ)

The Management Board of the general partner of Fresenius Medical Care AG & Co. KGAA, Fresenius Medical Care Management AG, (hereafter: the Management Board) and the Supervisory Board of Fresenius Medical Care AG & Co. KGAA declare that since issuance of the previous declaration of compliance in October 2019 the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (hereafter: the Code) in the version of February 7, 2017 since publication thereof in the Federal Gazette have been met and will be met in the future. Only the following recommendations of the Code in its version of February 7, 2017 have not been met and will not be met to the extent described below:

Code number 4.2.3 paragraph 2 sentence 6: Caps regarding specific compensation amounts

Pursuant to Code number 4.2.3 paragraph 2 sentence 6, the amount of compensation for Management Board members shall be capped, both overall and for variable compensation components.

This recommendation is not met. The service agreements with members of the Management Board do not provide for caps regarding specific amounts for all compensation components and accordingly not for caps regarding specific amounts for the overall compensation. The performance-oriented short-term compensation (the variable bonus) is capped. As regards stock options, phantom stock and performance shares as compensation components with long-term incentives, the service agreements with members of the Management Board do provide for a possibility of limitation but not for caps regarding specific amounts. Introducing caps regarding specific amounts in relation to such stock-based compensation components would contradict the basic idea of the members of the Management Board participating appropriately in the economic risks and opportunities of the Company. Instead of that, Fresenius Medical Care pursues a flexible concept considering each individual case. In situations of extraordinary developments in relation to the stock-based compensation which are not related to the performance of the Management Board, the Supervisory Board may cap the stock-based compensation.

Code number 4.2.3 paragraph 4: Severance payment cap

Pursuant to Code number 4.2.3 paragraph 4, in concluding Management Board contracts, care shall be taken to ensure that payments made to a Management Board member on premature termination of his/her contract, including fringe

benefits, do not exceed the value of two years' compensation (severance payment cap) and compensate no more than the remaining term of the employment contract. The severance payment cap shall be calculated on the basis of the total compensation for the past full financial year and if appropriate also the expected total compensation for the current financial year.

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

Code number 4.2.5 paragraph 3: Presentation in the Compensation Report

Pursuant to Code number 4.2.5 paragraph 3, the presentation of the compensation for each individual member of the Management Board in the compensation report shall inter alia present the maximum and minimum achievable compensation for variable compensation components by using corresponding model tables.

Fresenius Medical Care, in deviation from Code number 4.2.3 paragraph 2 sentence 6, does not provide for caps regarding specific amounts for all variable compensation components and, therefore, does not provide for caps regarding specific amounts for the overall compensation. In this respect, the compensation report cannot meet the recommendations of the code. Irrespective thereof, Fresenius Medical Care will continue to present its compensation system and the amounts paid to members of the Management Board in its compensation report in a comprehensive and transparent manner. The compensation report will include tables relating to the value of the benefits granted as well as to the allocation in the year under review which follow the structure and largely also the specifications of the model tables.

Code number 5.1.2 paragraph 2 sentence 3: Age limit for members of the Management Board

Pursuant to Code number 5.1.2 paragraph 2 sentence 3 an age limit shall be specified for members of the Management Board. As in the past, Fresenius Medical Care will refrain from determining an age limit for members of the Management Board in the future. Complying with this recommendation would unduly limit the selection of qualified candidates.

Code number 5.4.1 paragraph 2 and paragraph 4: Specification of concrete objectives regarding the composition of the Supervisory Board and their consideration when making election proposals

Pursuant to Code number 5.4.1 paragraph 2 and paragraph 4, the Supervisory Board shall specify concrete objectives regarding its composition and shall prepare a profile of competence for the entire Supervisory Board. Within the company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity. Proposals by the Supervisory Board to the General Meeting shall take these targets into account, while simultaneously aiming at fulfilling the profile of competence of the entire Supervisory Board. The status of the implementation shall be published in the Corporate Governance Report. These recommendations are partly not met.

The composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board. Hence, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its election proposals to the General Meeting, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code number 5.4.2, and diversity, while simultaneously aiming at fulfilling the profile of competence of the entire Supervisory Board.

In the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board, however, confines itself to pursue self-defined targets for the representation of female Supervisory Board members and particularly refrains from an age limit and from a duration limit on the term of membership. Instead, the Supervisory Board shall also consist of members with long-term experience and thus individuals who are generally older in order to ensure a balanced ratio of Supervisory Board members of diverse age and various terms of membership.

Bad Homburg v. d. H., December 2019

Management Board of the General Partner of
Fresenius Medical Care AG & CO. KGAA,
Fresenius Medical Care Management AG, and
Supervisory Board of Fresenius Medical Care AG & CO. KGAA

FURTHER INFORMATION REGARDING CORPORATE GOVERNANCE

SHAREHOLDERS

The shareholders of the Company exercise their rights and voting powers in the General Meeting. The share capital of FMC AG & CO. KGAA is divided exclusively into ordinary shares. Each share of FMC AG & CO. KGAA entitles the holder to one vote at the General Meeting. Shares with multiple or preference voting rights do not exist. As a matter of principle, the General Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review) respectively, its sole shareholder, Fresenius SE & CO. KGAA, can exercise at the General Meeting the voting rights connected with the shares they hold in FMC AG & CO. KGAA. However, the General Partner and its sole shareholder are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the members of the Supervisory Board of FMC AG & CO. KGAA, as well as the election of the auditor of the annual financial statements. This is to guarantee that the other shareholders in the partnership limited by shares (KGAA) can solely decide on these matters, particularly those concerning the control of the management.

GENERAL MEETING

Shareholders can exercise their voting rights at the General Meeting, by proxy via a representative of their choice or by a Company-nominated proxy acting on their instructions. Proxy voting instructions to a Company nominee can be issued before and during the Annual General Meeting until the end of the general debate.

The Annual General Meeting of FMC AG & CO. KGAA took place on May 16, 2019 in Frankfurt/Main (Germany). Approximately 77 % of the share capital was represented at the Annual General Meeting. At the Annual General Meeting, resolutions were passed on the following topics:

- approval of the annual financial statements for fiscal year 2018,
- allocation of distributable profit,
- approval of the actions of the General Partner for fiscal year 2018,
- approval of the actions of the Supervisory Board for fiscal year 2018,
- election of the auditor and consolidated group auditor for fiscal year 2019 and the auditor for the potential review of the first half year financial report and other interim financial information for fiscal year 2019 as well as the auditor for the potential review of interim financial information for fiscal year 2020 that is prepared prior to the Annual General Meeting 2020,
- elections to the Supervisory Board.

All documents and information on the Annual General Meeting are available on the Company's website at www.fresenius-medicalcare.com in the "Investors" section.

LEGAL RELATIONSHIPS WITH MEMBERS OF THE COMPANY'S CORPORATE BODIES

When making decisions and in connection with the tasks and activities performed by them, the members of the Management Board of the General Partner and of the Supervisory Board of FMC AG & CO. KGAA, as well as the Supervisory Board of Fresenius Medical Care Management AG, do not pursue personal interests or give unjustified advantages to other people. Any business dealings with the Company by members of the corporate bodies are to be disclosed to the Supervisory Board of FMC AG & CO. KGAA immediately and are subject to its approval, if necessary. The Supervisory Board reports to the General Meeting on possible conflicts of interests of its members and on the treatment of such conflicts. In the year under review, there were no conflicts of interest of board members that would have been required to be disclosed to the Supervisory Board and of which the Supervisory Board would inform the General Meeting.

Mr. Rice Powell as the Chairman of Fresenius Medical Care Management AG's Management Board is, with the approval of Fresenius Medical Care Management AG's Supervisory Board, at the same time a member of the Management Board of Fresenius Management SE.

The member of the Supervisory Board of FMC AG & CO. KGAA Dr. Dieter Schenk (Chairman) is also member and Vice Chairman of the Supervisory Board of Fresenius Medical Care Management AG and of the Supervisory Board of Fresenius Management SE, the general partner of Fresenius SE & CO. KGAA.

Dr. Dieter Schenk continues to be Chairman of the foundation board of the Else Kröner-Fresenius-Stiftung, which is the sole shareholder of Fresenius Management SE as well as a limited shareholder of Fresenius SE & CO. KGAA, and, in addition, member and chairman of the foundation board's steering committee, which, since the termination of the execution of the estate of Mrs. Else Kröner in June 2018, carries out the tasks previously performed by the executors and which include the administration of the Else Kröner-Fresenius-Stiftung's participation in Fresenius SE & CO. KGAA and the exercise of the voting rights attached thereto.

The members of the Supervisory Board of FMC AG & CO. KGAA Mr. William P. Johnston and Mr. Rolf A. Classon are also members of the Supervisory Board of Fresenius Medical Care Management AG.

During the year under review, consulting or other service relationships between members of the Supervisory Board and the Company did not exist.

MANAGERS' TRANSACTIONS

According to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation), the members of the Management Board and the Supervisory Board as well as other persons discharging managerial responsibilities and all persons who are closely associated with the aforementioned persons shall notify the issuer of any subsequent transaction with shares in Fresenius Medical Care and additional related financial instruments conducted on their own account once a total amount of €5,000 has been reached within a calendar year or, since January 1, 2020 a total amount of €20,000 has been reached within a calendar year. The issuer is required to publish the respective information.

The managers' transactions undertaken in the year under review are, inter alia, published on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

TRANSPARENCY OF REPORTING

Fresenius Medical Care meets all applicable transparency and external reporting requirements imposed by number 6 of the Code 2017 and, respectively, chapter F of the Code 2020. Fresenius Medical Care attaches special importance to informing its shareholders simultaneously and uniformly about the Company in its regular financial reporting events. Ad hoc releases and the website of Fresenius Medical Care play an essential role in these efforts. They provide investors and other interested persons equally with direct and timely access to the information Fresenius Medical Care releases.

FINANCIAL ACCOUNTING AND AUDIT, STOCK EXCHANGE LISTING

Fresenius Medical Care prepares Consolidated Financial Statements and a Group Management Report as well as Interim Consolidated Quarterly Reports in accordance with the "International Financial Reporting Standards" (IFRS) as adopted by the EU as well as in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB). The financial reporting is based on these statements. The Consolidated Financial Statements are published within the first 90 days of the end of each fiscal year, and the Consolidated Quarterly Reports within the first 45 days of the end of each quarter.

The Annual Financial Statements and the Management Report of FMC AG & CO. KGAA are prepared in accordance with the legal requirements of the German Commercial Code. The Annual Financial Statements are decisive for the distribution of the annual profit.

Moreover, an Annual Report of Fresenius Medical Care, which includes the Consolidated Financial Statements and the Group Management Report in accordance with IFRS and the German Commercial Code, is published each year.

Fresenius Medical Care's shares are listed on the stock exchange in the U.S. (as so-called American Depositary Receipts) and in Germany. Fresenius Medical Care is therefore subject to a number of regulations and recommendations regarding the management, administration and monitoring of the Company. On the one hand, in addition to mandatory requirements under stock corporation and commercial law, Fresenius Medical Care complies with the regulations of Deutsche Börse and adhere to most of the recommendations of the German Corporate Governance Code. On the other hand, being a non-U.S. company (a so-called "foreign private issuer") Fresenius Medical Care is subject to the regulations connected to Fresenius Medical Care's listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. Fresenius Medical Care fully complies with the current requirements applicable to the Company.

COMPENSATION REPORT

The Compensation Report of FMC AG & CO. KGAA summarizes the main elements of the system for the compensation of the members of the Management Board of Fresenius Medical Care Management AG, the General Partner of FMC AG & CO. KGAA, and in this regard notably explains the amounts and structure of the compensation paid to the Management Board. Furthermore, the principles and the amount of the compensation of the Supervisory Board of the Company are described. The Compensation Report is part of the Management Report on the annual financial statements and on the annual consolidated group financial statements of FMC AG & CO. KGAA as at December 31, 2019. The Compensation Report is prepared on the basis of the recommendations of the German Corporate Governance Code in the version dated February 7, 2017. Therefore, the terms "granting" or "granted" used in the following in connection with the components of performance-related remuneration are to be construed in the meaning of the recommendations of the German Corporate Governance Code in the version dated February 7, 2017. The Compensation Report also includes the disclosures as required

pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code (HGB).

COMPENSATION OF THE MANAGEMENT BOARD

The Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation of the members of the Management Board. The Supervisory Board of Fresenius Medical Care Management AG is assisted in this task by a personnel committee, the Human Resources Committee, a committee which is composed of individual members of the Supervisory Board of Fresenius Medical Care Management AG and which is also responsible for the tasks of a compensation committee. The Human Resources Committee is composed of Mr. Stephan Sturm (Chairman), Dr. Gerd Krick (Vice Chairman), Mr. Rolf A. Classon, Mr. William P. Johnston and Dr. Dieter Schenk.

The underlying system of the Management Board compensation in the fiscal year was approved by the General Meeting of FMC AG & CO. KGAA on May 12, 2016. The Management Board compensation is reviewed by an independent external compensation expert on a regular basis.

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

The amount of the total compensation of the members of the Management Board is measured taking particular account of a horizontal comparison with the compensation of management board members of other DAX-listed companies and similar companies of comparable size and performance in a relevant peer environment. Furthermore, the relation of the overall compensation of the members of the Management Board and that of the senior management as well as the staff overall, as determined by way of a vertical comparison, is taken into account.

The compensation of the Management Board is, as a whole, performance-based and geared to promoting sustainable corporate development. It consists of three components:

1. non-performance-based compensation (base salary and fringe benefits),
2. short-term performance-based compensation (one-year variable compensation),
3. components with long-term incentive effects (multi-year variable compensation comprised of share-based compensation with cash settlement and stock options, the latter granted in previous fiscal years).

More information about the compensation components is provided in CHART 4.9 ON PAGE 133.

I. Non-performance-based compensation

The members of the Management Board receive a base salary. In Germany or Hong Kong (applicable to Mr. Harry de Wit, who is resident in Hong Kong), as the case may be, the base salary is paid in twelve equal monthly instalments. To the extent the base salary is paid to members of the Management Board in the U.S., the payment is made in accordance with local customs in twenty-four equal instalments.

Moreover, the members of the Management Board receive fringe benefits. In the fiscal year these consisted mainly of payments for insurance premiums, the private use of company cars and special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns, reimbursement of charges, payments in connection with the appointment to the Management Board, reimbursement of air travel expenses, anniversary payments, contributions to pension, accident, life and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) and other benefits in kind and fringe benefits, also in case provisions have been set up therefore.

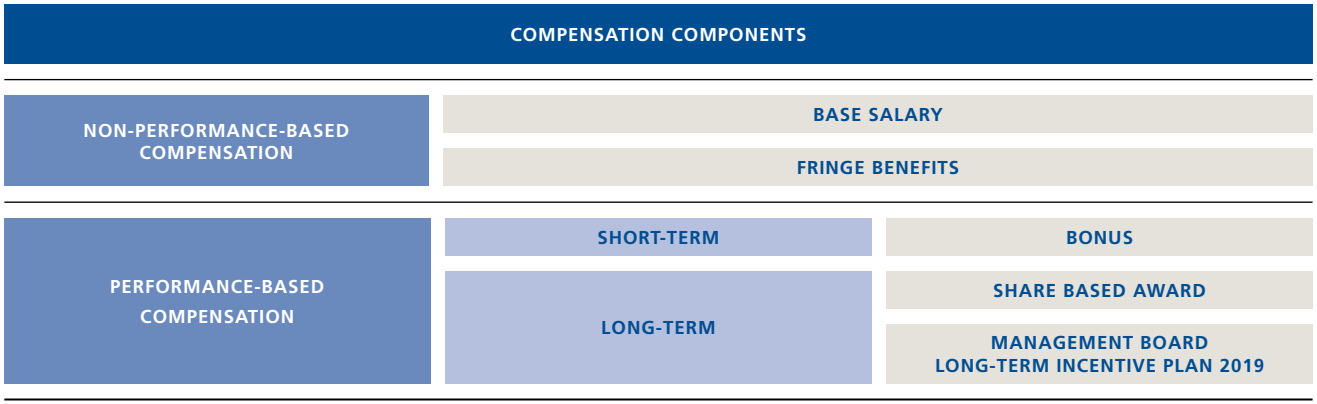
II. Performance-based compensation

Performance-based compensation is granted as a short-term cash component (one-year variable compensation) and as components with long-term incentive effects (comprising share-based compensation with cash settlement). The one-year variable compensation consists of an amount that is payable without deferral after the end of the fiscal year (hereinafter: "Bonus") and an amount that is converted into virtual shares of the Company as an amount to be deferred (the so-called Share Based Award, together with the Bonus the "Total Bonus"). The share-based compensation with cash settlement consists of the Share Based Award as well as of Performance Shares, which have been granted in the context of the Fresenius Medical Care Management Board Long-Term Incentive Plan 2019 (hereinafter: MB LTIP 2019).

More information about the performance-based compensation components is provided in CHART 4.12 ON PAGE 134.

Under the Fresenius Medical Care Long-Term Incentive Program 2011 (hereinafter: LTIP 2011), individual members of the Management Board may under certain conditions also exercise stock options already granted or receive a share-based compensation with cash settlement from already granted Phantom Stock. In addition, under certain conditions and for the first time in year 2020, individual members of the

C 4.9 **COMPENSATION COMPONENTS GRANTED DURING THE FISCAL YEAR**



Management Board may receive a share-based compensation with cash settlement from Performance Shares that have been granted within the framework of the Fresenius Medical Care Long-Term Incentive Plan 2016 (hereinafter: LTIP 2016).

One-year variable compensation and Share Based Award

The amount of the one-year variable compensation and of the Share Based Award depends on the achievement of the following individual and joint targets which are derived from the corporate strategy:

- adjusted net income growth attributable to the shareholders of FMC AG & CO. KGAA at constant currency ("Adjusted Net Income Growth"),
- adjusted net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments ("Adjusted Free Cash Flow"), in percent of revenues,
- adjusted operating margin ("Adjusted Operating Margin").

In order to ensure comparability of the figures, they are adjusted for certain special effects (such as the implementation of IFRS 16 and effects from certain acquisitions and divestments).

The targets are weighted differently depending on the Management Board department or function. In the case of Messrs. Rice Powell and Michael Brosnan (member of the Management Board until October 31, 2019) respectively Ms. Helen Giza (member of the Management Board since November 1, 2019) (each of them being members of the Management Board with corporate group functions) as well as Dr. Olaf Schermeier (member of the Management Board responsible for Research and Development), the Adjusted Net Income Growth is weighted with 80 %. In the case of Dr. Katarzyna Mazur-Hofsäß and Messrs. William Valle and Harry de Wit (each of them being members of the Management Board with regional responsibility) as well as Mr. Kent Wanzek (member of the Management Board responsible for Global Manufacturing, Quality and Supply), the Adjusted Net Income Growth is weighted with 60 %. In the case of the members of the Management Board last named, the valuation of the respective Adjusted Operating Margin contributes another 20 %. The target Adjusted Free Cash Flow in percent of revenues is uniformly measured with 20 % for all members of the Management Board – SEE TABLE 4.10.

T 4.10 **WEIGHTING OF TARGETS**

	Adjusted Net Income Growth	Adjusted Free Cash Flow in % of revenues	Adjusted Operating Margin
Corporate group function and/or Research and Development	80 %	20 %	–
Regional functions and/or Global Manufacturing, Quality and Supply	60 %	20 %	20 %

The degree of the achievement of the specific targets (target achievement) is determined by comparing the actual values with the target values to be achieved. The Adjusted Net Income Growth is taken into account up to a growth rate of 2 %. The targets regarding the respective Adjusted Free Cash Flow in percent of revenues fall within a range of rates between 0.51 % and 10.69 % and are evaluated within the Group or, as the case may be, in the relevant regions. For the benefit of members of the Management Board with regional responsibilities as well as for the benefit of the Management Board member responsible for Global Manufacturing, Quality and Supply, growth of the respective Adjusted Operating Margin is compensated within individual target corridors between 11.84 % and 17.75 %, reflecting the particularities of the respective regions and responsibilities – SEE TABLE 4.11 ON PAGE 134.

T 4.11 TARGET VALUES

	0 % target achievement (Minimum)	100 % target achievement	120 % target achievement (Maximum)
Adjusted Net Income Growth	-2.00 %	1.49 %	2.00 %
Adjusted Free Cash Flow in % of revenues	Individual corridors between 0.51 % and 10.69 %, depending on the respective responsibilities		
Adjusted Operating Margins	Individual target corridors between 11.84 % and 17.75 %, depending on the respective responsibilities		

The degree of overall target achievement of each member of the Management Board is determined by the weighted arithmetic mean of the target achievement of the aforementioned targets. Multiplying the degree of the respective overall target achievement by the respective base salary and another fixed multiplier results in the Total Bonus, of which a 75 % share is paid out in cash to the members of the Management Board as Bonus after approval of the consolidated annual financial statements of FMC AG & CO. KGAA by the Supervisory Board for the respective fiscal year. Since the degree of target achievement is limited to a maximum of 120 %, the Management Board's achievable one-year variable compensation has maximum limits (cap).

For the fiscal year and the previous year, the amount of cash compensation payments to members of the Management Board without components with long-term incentive effects can be found in TABLE 4.13 ON PAGE 135.

The portion of the one-year variable compensation not paid out for the fiscal year in question, amounting to 25 % of the Total Bonus, is converted into virtual shares not backed by equity and allocated to the members of the Management Board in the form of the so-called Share Based Award. The Share Based Award is attributed to the compensation components with long-term incentive effect and can be exercised at the earliest after lapse of a period of three years following the grant date. In special cases (e.g. occupational disability, entry into retirement, non-renewal of expired employment contracts by the company), a shorter period may apply. The payment from the Share Based Award is made in cash and depends on the share price of FMC AG & CO. KGAA upon exercise.

C 4.12 PERFORMANCE-BASED COMPENSATION COMPONENTS GRANTED IN THE FISCAL YEAR

PERFORMANCE-BASED COMPENSATION		
SHORT-TERM	BONUS	Annual payment in cash after lapse of the fiscal year
		Targets: Adjusted net income growth, adjusted free cash flow in % of revenues, adjusted operating margin
		Overall target achievement: 0 – 120 %
LONG-TERM	SHARE BASED AWARD	Deferred part of the Total Bonus converted into virtual shares of the Company
		Exercise and payment after three years at the earliest
		Payment amount in cash depends on Company's share price at exercise
	MB LTIP 2019	Performance Share Plan with a vesting period of four years and payment in cash
		Targets: revenue growth, net income growth, return on invested capital
		Overall target achievement: 0 – 200 %

In accordance with the targets achieved in the fiscal year, the members of the Management Board who were members of the Management Board on December 31 of the fiscal year and the member of the Management Board who resigned during the fiscal year acquired entitlements to Share Based Awards valued at €2,623 THOUS (2018: €3,414 THOUS). Based on the already fixed value, the allocation of the specific number of virtual shares made by the Supervisory Board of Fresenius Medical Care Management AG in principle takes place in March of the following year on the basis of the then current price conditions of the shares of FMC AG & CO. KGAA.

T 4.13 AMOUNT OF CASH COMPENSATION
IN € THOUS

	Non-performance-based compensation				Short-term performance based compensation		Cash compensation (without long-term incentive components)	
	Base salary		Fringe benefits		Bonus			
	2019	2018[1]	2019	2018[1]	2019	2018[1]	2019	2018[1]
Members of the Management Board serving as of December 31, 2019								
Rice Powell	1,340	1,270	256	195	1,970	2,376	3,566	3,841
Helen Giza[2]	108	–	440[3]	–	159	–	707	–
Dr. Katarzyna Mazur-Hofsäß[2]	700	233	94	844[4]	1,131	370	1,925	1,447
Dr. Olaf Schermeier	510	490	136	131	750	970	1,396	1,591
William Valle	866	792	237	330	1,035	1,395	2,138	2,517
Kent Wanzek	607	550	127	126	866	1,076	1,600	1,752
Harry de Wit	520	480	337	315	841	950	1,698	1,745
Former member of the Management Board who resigned during the fiscal year 2019[5]								
Michael Brosnan	633	720	211	56	1,117	1,300	1,961	2,076
TOTAL	**5,284**	**4,535**	**1,838**	**1,997**	**7,869**	**8,437**	**14,991**	**14,969**

[1] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Mses. Helen Giza and Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Ms. Helen Giza has been appointed as member of the Management Board only with effect as of November 1, 2019 and Dr. Katarzyna Mazur-Hofsäß with effect as of September 1, 2018 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[3] The fringe benefits of Ms. Helen Giza include a payment of €400 THOUS, which Ms. Helen Giza received in connection with her appointment to the Management Board. In the years 2020 and 2021, Ms. Helen Giza will receive further payments of €200 THOUS each year in connection with her appointment to the Management Board.
[4] The other benefits of Dr. Katarzyna Mazur-Hofsäß include a one-off special payment in the amount of € 800 THOUS by which Dr. Katarzyna Mazur-Hofsäß was compensated for forfeited compensation benefits from the previous employment relationship.
[5] Mr. Michael Brosnan resigned from the Management Board with effect as of the end of October 31, 2019. Therefore, the amounts for the base salary and the fringe benefits as set out herein for the fiscal year relate to the period until October 31, 2019.

This number will also serve as multiplier for the share price on the respective exercise date and, thus, as the basis for the determination of the payment amount of the respective share-based compensation.

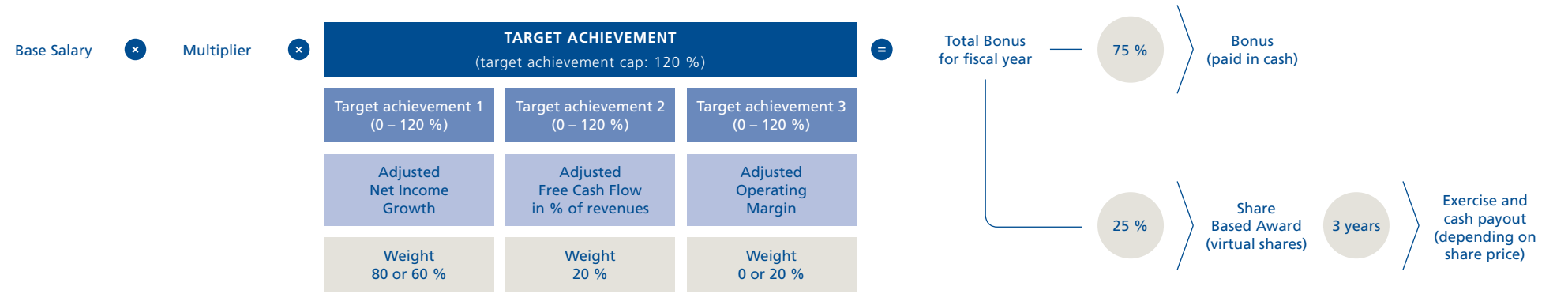
More information about the functionality of the Total Bonus is provided in CHART 4.14 ON PAGE 136.

Personal Investment from the Bonus 2018 with Stock Holding Condition

To take adequate account of the business development in the year 2018, the members of the Management Board being in office at that time – in accordance with a respective agreement with the Supervisory Board – have acquired shares in FMC AG & CO. KGAA on a stock exchange for a portion of their Bonus for year 2018 after payment in the fiscal year 2019. The shares acquired from this portion of their Bonus for year 2018 may only be sold by the respective member of the Management Board after a period of three years from the respective date of acquisition has expired.

The net amounts invested by the members of the Management Board being in office at that time in implementation of this personal investment partly exceed the agreed amounts and, taking into account the respective exchange rate applicable at the time of acquisition, can be found in TABLE 4.15 ON PAGE 136.

C 4.14 **FUNCTIONALITY OF THE TOTAL BONUS (BONUS AND SHARE BASED AWARD) IN PRINCIPLE**



T 4.15 **PERSONAL INVESTMENT IN FISCAL YEAR 2019**

	Amount	Currency
Rice Powell	619,571	US$
Michael Brosnan	317,951	US$
Dr. Katarzyna Mazur-Hofsäß	80,207	€
Dr. Olaf Schermeier	244,664	€
William Valle	308,633	US$
Kent Wanzek	344,036	US$
Harry de Wit	166,456	€

Performance Shares

In addition to the Share Based Award, the members of the Management Board were also granted so-called "Performance Shares" on the basis of the MB LTIP 2019, as further performance-based component with a long-term incentive effect. The MB LTIP 2019 was approved in the fiscal year 2019 by the Supervisory Board of Fresenius Medical Care Management AG upon recommendation of the Human Resources Committee and follows on the LTIP 2016, under which, as of the end of 2018, no further Performance Shares may be granted, and on the LTIP 2011, under which, as of the end of 2015, no further stock options or Phantom Stock may be granted.

Performance Shares are virtual compensation instruments not backed by equity. These may provide entitlement to a cash payment depending on the achievement of the performance targets described below and the development of FMC AG & CO. KGAA's share price. The MB LTIP 2019 stipulates that the members of the Management Board could be granted Performance Shares once or twice in the year 2019. For the members of the Management Board, the Supervisory Board determined, after due consideration and taking into account the individual responsibilities and performance of the respective members of the Management Board, the so-called grant value, as the initial amount for each grant to be made to members of the Management Board. This grant value was divided by the applicable fair value of a Performance Share at the grant date, taking into account the 30-day average stock exchange price of the share of FMC AG & CO. KGAA prior to the grant, in order to determine the number of Performance Shares to be granted. This number may change over a period of three years depending on the degree to which the performance targets are achieved, both the total loss of all granted Performance Shares as well as a doubling (at most) of that number being possible. The number of Performance Shares after the three-year performance period, resulting from the respective target achievement, is considered as vested four years after the date the respective allocation was made. The above-mentioned number of Performance Shares is then multiplied by the average price of the Company's shares during the thirty-day period prior to the expiration of the four years' vesting period. The resulting amount is paid out in cash to the members of the Management Board for their respective Performance Shares.

The degree of the total target achievement during the three-year performance period is determined based on the three following performance targets which are derived from the long-term corporate strategy:

› revenue growth at constant currency ("Revenue Growth"),
› growth of the net income attributable to the shareholders of FMC AG & CO. KGAA at constant currency ("Net Income Growth"),
› return on invested capital (ROIC).

In order to ensure comparability of the figures of the growth-related performance targets, they are adjusted for the effects of the implementation of IFRS 16.

The target corridors and targets are as set out in TABLE 4.16.

Under the MB LTIP 2019 the ROIC target for the year 2019 is set at 7.9 %. For each Revenue Growth, any Net Income Growth and any ROIC level within the range of the values presented above, the degree of target achievement is linearly interpolated. If the target achievement in relation to the ROIC target in the third year of the performance period is higher than or equal to the target achievement in each of the two previous years, the ROIC target achievement for the third year applies to all years of the performance period.

Each of these three performance targets accounts for one-third in the calculation of the yearly target achievement, which is calculated for each year of the three-year performance period. The overall target achievement at the end of the three-year performance period is determined by the arithmetic value of these three average yearly target achievements. The achievement degree of each of the performance targets as well as the overall target achievement can lie in a corridor between 0 % and 200 % and in this respect has a maximum limit (target achievement cap).

The number of Performance Shares granted to the members of the Management Board is multiplied by the overall target achievement in percent in order to determine the final number of Performance Shares that forms the basis of the cash payments under the MB LTIP 2019 as described above.

T 4.16 TARGET CORRIDORS AND TARGETS

	Growth / ROIC	Target achievement	Weight
Performance target 1: Revenue Growth	≤ 0 %	0 %	
	7 %	100 %	1/3
	≥ 16 %	200 %	
Performance target 2: Net Income Growth	≤ 0 %	0 %	
	7 %	100 %	1/3
	≥ 14 %	200 %	
Performance target 3: ROIC	0.2 percentage points below target ROIC	0 %	
	target ROIC	100 %	1/3
	0.2 percentage points above target ROIC	200 %	

More information about the functionality of the MB LTIP 2019 is provided in CHART 4.17 ON PAGE 138.

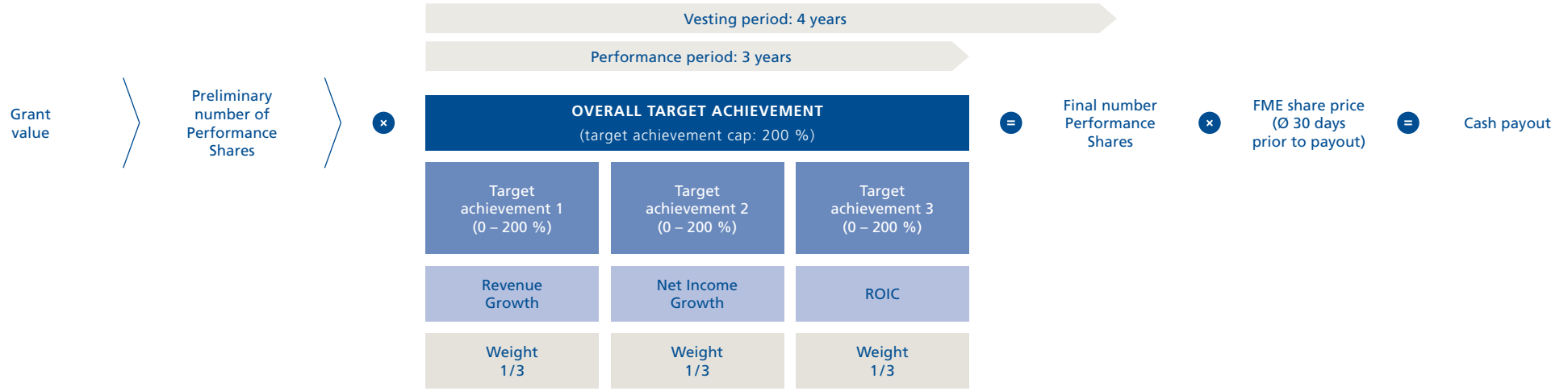
In the course of the fiscal year, a total of 114,999 Performance Shares (2018: 73,315 under the LTIP 2016) with a total value of €7,158 THOUS (2018: €5,783 THOUS under the LTIP 2016) were granted to the members of the Management Board under the MB LTIP 2019. The fair value of the Performance Shares issued in July of the fiscal year amounted on the grant date to €62.10 (2018: €80.55 under the LTIP 2016) for grants in euro (applies to Dr. Katarzyna Mazur-Hofsäß and Messrs. Dr. Olaf Schermeier and Harry de Wit) and to $69.71 (2018: $94.11 under the LTIP 2016) for grants in U.S. dollars (applies to Messrs. Rice Powell, Michael Brosnan (member of the Management Board until October 31, 2019), William Valle and Kent Wanzek). Ms. Helen Giza (member of the Management Board since November 1, 2019) was granted Performance Shares in December of the fiscal year whose fair value on the grant date was €60.58 (2018: €69.05 for the grant of Performance Shares to Dr. Katarzyna Mazur-Hofsäß under the LTIP 2016). At the end of the fiscal year, the members of the Management Board being in office on December 31 of the fiscal year held a total of 314,313 Performance Shares under the MB LTIP 2019 and the LTIP 2016 (2018: 204,693 under the LTIP 2016).

For the fiscal year, the value of the share-based compensation with cash settlement granted to the members of the Management Board is shown, in each case compared to the previous year, individualized in TABLE 4.18 ON PAGE 139.

The Supervisory Board has agreed on a limitation option for the components with a long-term incentive effect in the event of extraordinary developments.

The components with long-term incentive effect entitle to a cash payment or can be exercised only after the expiration of

C 4.17 **FUNCTIONALITY OF THE MB LTIP 2019 IN PRINCIPLE**



the predefined waiting and/or vesting periods. Their value is distributed over the waiting periods and is proportionally accounted for as an expense in the respective fiscal year.

The expenses pertaining to components with long-term incentive effects for the fiscal year and for the previous year are set out in TABLE 4.19 ON PAGE 139.

Focus on sustainable corporate development

The compensation of the Management Board is designed to promote sustainable corporate development. This is ensured, among other things, by the fact that the portion of the long-term compensation always exceeds the portion of short-term compensation. To the extent the portion of the performance-based components with long-term incentive effects (i.e. Performance Shares and Share Based Award) does not reach 50 % of the sum of all variable compensation components for the respective fiscal year, it has been contractually provided that the one-year variable compensation is reduced accordingly and the Share Based Award is increased correspondingly.

In addition, already earned and paid compensation components, in particular in case of relevant violations of internal guidelines or undutiful conduct, can be reclaimed (claw back) on the basis of the MB LTIP 2019 and the LTIP 2016 plan conditions and in accordance with the employment contracts concluded with individual members of the Management Board as from January 1, 2018.

Performance Shares under the LTIP 2016

Until the end of year 2018 grants of Performance Shares under the LTIP 2016 constituted a component of the compensation of the members of the Management Board. As of the end of year 2018 grants under the LTIP 2016 are no longer possible. However, individual members of the Management Board may exercise Performance Shares which have already been granted and receive (for the first time in year 2020) thereof a cash-settled share-based payment from Performance Shares under the LTIP 2016, taking into consideration blackout periods, the achievement of defined performance targets as well as, subject to deviating stipulations in the individual case, the continuation of the service and/or employment relationship. The members of the Management Board being in office on December 31 of the fiscal year held, by the end of the fiscal year, a total of 211,878 Performance Shares (2018: 204,693) under the LTIP 2016.

Stock options and Phantom Stock under the LTIP 2011

Until the end of the fiscal year 2015 grants under the LTIP 2011, which consisted of the Phantom Stock Plan 2011 and

T 4.18 LONG-TERM INCENTIVE COMPONENTS
IN € THOUS

	Share-based compensation with cash settlement[1]	
	2019	2018[2]
Members of the Management Board serving as of December 31, 2019		
Rice Powell	2,232	2,391
Helen Giza[3]	865	–
Dr. Katarzyna Mazur-Hofsäß[3]	1,180	858
Dr. Olaf Schermeier	1,053	1,081
William Valle	1,133	1,402
Kent Wanzek	1,076	1,084
Harry de Wit	1,083	1,074
Former member of the Management Board who resigned during the fiscal year 2019[4]		
Michael Brosnan	1,160	1,307
TOTAL	**9,782**	**9,197**

[1] This includes Performance Shares pursuant to the MB LTIP 2019 (for fiscal year 2019) and to the LTIP 2016 (for fiscal year 2018) as well as Share Based Awards granted to the members of the Management Board during the respective fiscal year. The share-based compensation amounts are based on the fair value on the grant date.
[2] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Mses. Helen Giza and Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).
[3] Please note for purposes of comparison of the amounts indicated for the fiscal year that Ms. Helen Giza has been appointed as member of the Management Board only with effect as of November 1, 2019 and Dr. Katarzyna Mazur-Hofsäß with effect as of September 1, 2018 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[4] Mr. Michael Brosnan resigned from the Management Board with effect as of the end of October 31, 2019.

T 4.19 EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS
IN € THOUS

	Stock Options		Share-based compensation with cash settlement[1]		Share-based compensation	
	2019	2018	2019	2018	2019	2018
Members of the Management Board serving as of December 31, 2019						
Rice Powell	327	659	2,588	391	2,915	1,050
Helen Giza[2]	–	–	10	–	10	–
Dr. Katarzyna Mazur-Hofsäß[2]	–	–	224	9	224	9
Dr. Olaf Schermeier	109	236	1,226	229	1,335	465
William Valle[3]	–	–	731	114	731	114
Kent Wanzek	153	295	1,272	128	1,425	423
Harry de Wit	–	–	1,001	222	1,001	222
Former member of the Management Board who resigned during the fiscal year 2019[4]						
Michael Brosnan	164	330	3,552	245	3,716	575
TOTAL	**753**	**1,520**	**10,604**	**1,338**	**11,357**	**2,858**

[1] This includes expenses for Performance Shares under the MB LTIP 2019 (for fiscal year 2019 only) and under the LTIP 2016, expenses for Phantom Stock under the LTIP 2011 and expenses for the Share Based Award.
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Ms. Helen Giza has been appointed as member of the Management Board only with effect as of November 1, 2019 and Dr. Katarzyna Mazur-Hofsäß with effect as of September 1, 2018 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[3] The amounts indicated for stock options do not include the expenses from stock options which have been granted to the member of the Management Board William Valle prior to his appointment to the Management Board.
[4] Mr. Michael Brosnan resigned from the Management Board with effect as of the end of October 31, 2019. The expenses for long-term incentive components result from the compensation components granted to Mr. Michael Brosnan under the LTIP 2011, the LTIP 2016, the MB LTIP 2019 and the Share Based Award which are payable or can be exercised, as the case may be, on the relevant regular vesting date in accordance with the respective plan conditions.

the Stock Option Plan 2011, constituted an essential component of the compensation system for the members of the Management Board. As of the end of the fiscal year 2015 grants under the LTIP 2011 are no longer possible. However, individual members of the Management Board may exercise Phantom Stock or stock options which have already been granted, taking into consideration blackout periods, the achievement of defined performance targets as well as, subject to deviating stipulations in the individual case, the continuation of the service and/or employment relationship.

The members of the Management Board being in office on December 31 of the fiscal year held, by the end of the fiscal year, a total of 23,336 Phantom Stock (2018: 54,711) pursuant to the Phantom Stock Plan 2011. Moreover, at the end of the fiscal year the members of the Management Board being in office on December 31 of the fiscal year held a total of 452,989 stock options (2018: 602,389) originating from the Stock Option Plan 2011. For details regarding the conditional capital used to secure the Stock Option Plan 2011, please see the section "Conditional Capital" of the notes to the annual financial statements and consolidated financial statements of the Company.

The development and status of stock options in the fiscal year of the members of the Management Board serving at December 31 of the fiscal year are shown in more detail in TABLE 4.20.

T 4.20 **DEVELOPMENT AND STATUS OF THE STOCK OPTIONS**

		Rice Powell	Helen Giza	Dr. Katarzyna Mazur-Hofsäß	Dr. Olaf Schermeier	William Valle	Kent Wanzek	Harry de Wit	Total
Options outstanding January 1, 2019	Number	256,781	–	–	96,488	30,000	69,720	–	452,989
	Weighted average exercise price in €	66.06	–	–	63.88	76.99	76.99	–	68.00
Options exercised during the fiscal year	Number	–	–	–	–	–	–	–	–
	Weighted average exercise price in €	–	–	–	–	–	–	–	–
	Weighted average share price in €	–	–	–	–	–	–	–	–
Options outstanding December 31, 2019	Number	256,781	–	–	96,488	30,000	69,720	–	452,989
	Weighted average exercise price in €	66.06	–	–	63.88	76.99	76.99	–	68.00
	Weighted average remaining contractual life in years	2.97	–	–	2.99	3.57	3.57	–	3.11
	Range of exercise prices in €	49.76–76.99	–	–	49.76–76.99	76.99	76.99	–	49.76–76.99
Options exercisable December 31, 2019	Number	256,781	–	–	96,488	30,000	69,720	–	452,989
	Weighted average exercise price in €	66.06	–	–	63.88	76.99	76.99	–	68.00

III. Total Compensation

The amount of the total compensation of the Management Board for the fiscal year and for the previous year is shown in TABLE 4.21 ON PAGE 141.

IV. Commitments to members of the Management Board for the event of termination of their appointment

The following pension commitments and other benefits are also part of the compensation system for the members of the Management Board: Individual contractual pension commitments for the members of the Management Board Messrs. Rice Powell, Michael Brosnan (member of the Management Board until October 31, 2019), Dr. Olaf Schermeier, Mr. Kent Wanzek and Mr. Harry de Wit have been granted by Fresenius Medical Care Management AG. In addition, pension commitments from the participation in employee pension schemes of other Fresenius Medical Care companies exist for individual members of the Management Board.

Each of the pension commitments by Fresenius Medical Care Management AG provides for a pension and survivor benefit (Hinterbliebenenversorgung) as of the time of conclusively ending active work, at age 65 at the earliest or upon occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit) or of reduction of earning capacity (Erwerbsminderung), calculated by reference to the amount

of the recipient's most recent base salary. In deviation from this, individual members of the Management Board (Messrs. Rice Powell and Kent Wanzek) have this entitlement already upon reaching the age of the 63 if they have been members of the Management Board of Fresenius Medical Care Management AG for at least ten years at the time of their final retirement from active employment (early retirement); in this case, the benefits are reduced by 0.5 % per calendar month that the member leaves active employment before reaching the age of 65.

The retirement pension will be based on 30 % of the last base salary or the 5-year average of the last base salaries and will increase for each complete year of service by 1.5 percentage points up to a maximum of 45 %. Current pensions increase according to legal requirements (Sec. 16 of the German Act to improve company pension plans, "BetrAVG"). 30 % of the gross amount of any post-retirement income from an activity of the Management Board member is offset against the pension. Any amounts to which the members of the Management Board or their surviving dependents, respectively, are entitled to from other company pension rights of the Management Board member, even from employment contracts with other companies, are also to be set off. If a Management Board member dies, the surviving spouse receives a pension amounting to 60 % of the resulting pension claim at that time. Furthermore, the deceased Management Board member's own legitimate children (leibliche eheliche Kinder) receive an orphan's pension amounting to 20 % of the resulting pension claim at that time, until the completion of their education or they reach 25 years of age, at the latest. All orphans' pensions and the surviving spouse's pension together reach a maximum of 90 % of the Management Board member's pension, however. If a Management Board member leaves the Management Board of Fresenius Medical Care Management AG before reaching the age of 65, the rights to the aforementioned benefits remain, however the pension to be paid is reduced – unless the Management Board member is leaving because of the occurrence of an event insured against (occupational disability, incapacity to work, pension payments to surviving dependents in case of death or, if applicable, early retirement) – in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching the age of 65.

Based on individual contractual commitments, the members of the Management Board Messrs. Rice Powell, Michael Brosnan (member of the Management Board until October 31, 2019), William Valle and Kent Wanzek additionally participated in the U.S.-based 401(k) savings plan in the fiscal year; in this regard, contributions in the amount of $8,400 (2018: $8,250) were earned in the fiscal year in each case and allocated in January 2020 to the members of the Management Board mentioned above. This plan generally allows employees in the U.S. to invest a limited portion of their gross salaries in retirement pension programs. The Company supports its employees at this with contributions of up to 50 % of the yearly made payments.

T 4.21 TOTAL COMPENSATION
IN € THOUS

	Cash compensation (without long-term incentive components)		Components with long-term incentive effect		Total compensation (including long-term incentive components)	
	2019	2018[1]	2019	2018[1]	2019	2018[1]
Members of the Management Board serving as of December 31, 2019						
Rice Powell	3,566	3,841	2,232	2,391	5,798	6,232
Helen Giza[2]	707	–	865	–	1,572	–
Dr. Katarzyna Mazur-Hofsäß[2]	1,925	1,447	1,180	858	3,105	2,305
Dr. Olaf Schermeier	1,396	1,591	1,053	1,081	2,449	2,672
William Valle	2,138	2,517	1,133	1,402	3,271	3,919
Kent Wanzek	1,600	1,752	1,076	1,084	2,676	2,836
Harry de Wit	1,698	1,745	1,083	1,074	2,781	2,819
Former member of the Management Board who resigned during the fiscal year 2019[3]						
Michael Brosnan	1,961	2,076	1,160	1,307	3,121	3,383
TOTAL	**14,991**	**14,969**	**9,782**	**9,197**	**24,773**	**24,166**

[1] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Mses. Helen Giza and Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Ms. Helen Giza has been appointed as member of the Management Board only with effect as of November 1, 2019 and Dr. Katarzyna Mazur-Hofsäß with effect as of September 1, 2018 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[3] Mr. Michael Brosnan resigned from the Management Board with effect as of the end of October 31, 2019.

Furthermore, the members of the Management Board Messrs. Rice Powell and Michael Brosnan (member of the Management Board until October 31, 2019) have acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America, which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. In March 2002, the rights to receive benefits from the pension plans were frozen at the level then applicable.

Based on an individual contractual commitment, the member of the Management Board Mr. Harry de Wit additionally participated in the Hong Kong-based "Mandatory Provident Fund Scheme" until December 31, 2018. In this regard, contributions in the amount of 0 HKD (2018: 18,000 HKD) were earned in the fiscal year. This scheme enables employees to contribute a limited portion of their gross salaries in programs for retirement planning.

Additions to pension provisions in the fiscal year for the members of the Management Board being in office on December 31 of the fiscal year amounted to €6,751 THOUS (2018: €5,071 THOUS). The pension commitments are shown in TABLE 4.22.

A post-employment non-competition covenant was agreed upon with all members of the Management Board. If such covenant becomes applicable, the members of the Management Board for a period of up to two years receive compensation amounting to half of their respective annual base salary and an amount equivalent to half of 30 % of their respective base salary for each year of respective application of the non-competition covenant. The employment contracts of the members of the Management Board contain no express provisions that are triggered by a change of control.

The new or extended employment contracts concluded with individual members of the Management Board effective from or after January 1, 2018 provide for a severance payment cap. Under this cap, payments in connection with the early termination of a Management Board activity in the event of dismissal for cause (Abberufung aus wichtigem Grund) may not exceed the value of two years' compensation and may not compensate more than the remaining term of the contract. For the calculation of the relevant annual compensation, only the non-performance-based compensation components are applied. If there is good cause for the termination of the employment contract, no severance payments are made.

V. Miscellaneous

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of twelve months, although after six months of sick leave, insurance benefits may be set off against such payments. If a Management Board member dies, the surviving dependents will be paid three more monthly instalments after the month of death, not to exceed, however, the amount due between the time of death and the scheduled expiration of the respective employment contract.

Mr. Michael Brosnan was a member of the Management Board until the end of October 31, 2019. In his termination agreement, it was agreed with respect to the compensation components he is contractually entitled to for the period from November 1, 2019 to December 31, 2020 that he will receive a base salary of $850 THOUS p.a. (pro rata for the period from November 1, 2019 to December 31, 2019). For the period from January 1, 2020 to December 31, 2020 Mr. Michael Brosnan has an entitlement to fringe benefits in the form of contributions to financial planning, insurance benefits, contributions to pension, accident, life and health insurances and housing, rent and relocation supplements as well as tax burden compensation due to varying tax rates in Germany and the U.S. (net compensation) and a car allowance in the total amount of approximately $257 THOUS. For the period from November 1, 2019 to December 31, 2019 these fringe benefits amounted to $17 THOUS. Additionally, Mr. Michael Brosnan will participate in the U.S.-based 401(k) savings plan until December 31, 2020. For the period from January 1, 2020 to December 31, 2020, Mr. Michael Brosnan will

T 4.22 **DEVELOPMENT AND STATUS OF PENSION COMMITMENTS**
IN € THOUS

	As of January 1, 2019	Increase	As of December 31, 2019
Rice Powell	12,940	3,309	16,249
Helen Giza	–	–	–
Dr. Katarzyna Mazur-Hofsäß	–	–	–
Dr. Olaf Schermeier	974	549	1,523
William Valle	–	–	–
Kent Wanzek	3,587	1,191	4,778
Harry de Wit	–	1,702	1,702
TOTAL	**17,501**	**6,751**	**24,252**

also receive an amount equivalent to 30 % of his base salary. The compensation components granted to Mr. Michael Brosnan under the LTIP 2016, the MB LTIP 2019 and in the form of Share Based Awards are payable or exercisable in accordance with the respective plan conditions. With the exception of the Share Based Award for 2019, Mr. Michael Brosnan will no longer be granted any further components with long-term incentive effects as from (and including) the year 2020. As of January 1, 2021, Mr. Michael Brosnan will receive an annual compensation for the agreed post-employment non-competition covenant in the amount of $553 THOUS p.a. for a period of two years. It was agreed with Mr. Michael Brosnan that he is entitled to receive a company pension on the basis of the individual contractual pension commitment of Fresenius Medical Care Management AG in the annual amount of $405 THOUS from January 1, 2021. The compensation for the agreed post-employment non-competition covenant is credited against the company pension.

Mr. Dominik Wehner was a member of the Management Board until the end of December 31, 2017. In his termination agreement, it was agreed with respect to the compensation components he is contractually entitled to for the period from January 1, 2018 to March 31, 2022 that he will annually receive a base salary of €425 THOUS and an amount of 30 % of his base salary. In addition, Mr. Dominik Wehner is entitled to fringe benefits such as the private use of his company car, contributions to financial planning, insurance benefits and contributions to pension and health insurance in a total amount of approximately €30 THOUS p.a. The compensation components granted to Mr. Dominik Wehner under the LTIP 2011, the LTIP 2016 and in form of Share Based Awards are payable or can be exercised, as the case may be, upon the relevant regular vesting date in accordance with the respective plan conditions. Except for the Share Based Award for 2017, Mr. Dominik Wehner is no longer eligible to be granted any components with long-term incentive effects since the year 2018 (including). As of the completion of the age of 65, Mr. Dominik Wehner will receive a Company-funded retirement pension in accordance with the individual contractual pension commitment by Fresenius Medical Care Management AG, as described before.

Mr. Ronald Kuerbitz, who was a member of the Management Board until February 17, 2017, received an annual non-compete compensation from February 17, 2017 for a period of two years; this compensation amounted in the fiscal year to €90 THOUS (2018: €515 THOUS). It was also agreed with him that, after the end of his employment contract, he would act as an advisor to National Medical Care, Inc. from August 14, 2017 until the end of August 13, 2019. The consideration to be granted for such services (including reimbursement of expenses) amounts to €167 THOUS (2018: €212 THOUS) for the fiscal year. As of the completion of the age of 65, Mr. Ronald Kuerbitz will receive a Company-funded retirement pension of €130 THOUS per year.

Mr. Roberto Fusté, who was a member of the Management Board until March 31, 2016, received pension payments in the amount of approximately €274 THOUS (2018: €261 THOUS) in the fiscal year. On the occasion of the termination of his employment contract with effect as of December 31, 2016 as a member of the Management Board, it was agreed with Mr. Roberto Fusté that he would be subject to a post-employment non-compete obligation lasting until the end of December 31, 2018 and that he would act as an advisor to the Chairman of the Management Board. For this, he did neither receive a non-compete compensation (2018: €377 THOUS) nor an advisory fee (2018: €377 THOUS) in the fiscal year.

Prof. Emanuele Gatti, who was a member of the Management Board until March 31, 2014, received pension payments in the amount of €355 THOUS in the fiscal year (2018: €338 THOUS).

A consulting agreement was entered into with Dr. Rainer Runte, who was a member of the Management Board until March 31, 2014, effective March 1, 2017, the term of which in the meantime was extended until December 31, 2018. Under this consulting agreement, Dr. Rainer Runte provided consulting services on certain fields. The consideration (including the reimbursement of expenses) to be granted by Fresenius Medical Care Management AG for such services amounts to €0 THOUS for the fiscal year (2018: €226 THOUS).

Instead of a pension provision, a consulting agreement was entered into with Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, for the period January 1, 2013 to December 31, 2021. Under this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame and will be subject to a non-compete covenant. The consideration to be granted by Fresenius Medical Care Management AG for such services (including reimbursement of expenses) amounts for the fiscal year to €568 THOUS (2018: €522 THOUS). In 2019, an amendment to the agreement was made which provides for a one-off payment of €1,129 THOUS for the remaining term of the agreement. This payment was also made in the fiscal year. All payments for services to be performed by him under the consulting agreement have thus been made.

In the fiscal year, no loans or advance payments for future compensation components were made to the members of the Management Board of Fresenius Medical Care Management AG.

The payments to U.S. members of the Management Board Messrs. Rice Powell, Michael Brosnan (member of the Management Board until October 31, 2019) and Kent Wanzek were paid in part in the U.S. (in U.S. dollar) and in part in

Germany (in euro). For the part paid in Germany, the Company has agreed that due to varying tax rates in both countries, the increased tax burden to such members of the Management Board arising from German tax rates in comparison to U.S. tax rates will be balanced (net compensation). Pursuant to a modified net compensation agreement, these members of the Management Board will be treated as if they were taxed in their home country, the United States, only. Therefore, the gross amounts may be retroactively changed. Since the actual tax burden can only be calculated in connection with the preparation of the Management Board members' tax returns, subsequent adjustments may have to be made, which will then be retroactively covered in future compensation reports.

To the extent permitted by law, Fresenius Medical Care Management AG undertook to indemnify the members of the Management Board from claims against them arising out of their work for the Company and its affiliates, to the extent such claims exceed their liability under German law. To secure such obligations, a Directors & Officers liability insurance exists with a deductible that corresponds to the specifications according to the German Stock Corporation Act.

Former members of the Management Board did not receive any compensation in the fiscal year other than mentioned herein. As of December 31 of the fiscal year, pension obligations towards this group of persons exist in an amount of €37,373 THOUS (2018: €25,163 THOUS).

VI. Revision of the compensation system for the Management Board

The Supervisory Board attaches great importance to good corporate governance – also in the area of the compensation of the Management Board. This includes ensuring an effective system of incentives that is in line with the market. Therefore, the Supervisory Board also in 2019 intensively dealt with the system for the compensation of the General Partner's Management Board and continuously and closely monitored the further development of the standards of good corporate governance and identified suitable measures to adjust the existing compensation regulations. On the basis of intensive discussions also with external stakeholders and the now established statutory changes resulting from the implementation of the Second Shareholders' Rights Directive in the German Stock Corporation Act and the publication of a new version of the German Corporate Governance Code, the compensation system for the members of the Management Board of the General Partner shall now be comprehensively revised.

The Supervisory Board is convinced that the changes to the system for compensation will significantly contribute to creating further incentives to bring the long-term strategic business orientation, with due consideration of the amended regulatory framework, even more in line with the further evolved interests of the Company's shareholders. This includes in particular the introduction of non-financial sustainable performance parameters for compensation, with which the Company's commitment to its social and environmental responsibility is also reflected in the Management Board compensation. In addition, it is intended to adjust the basic systematics of the system for compensation, to reduce its complexity, and to orient it even more strongly on the long term. The compensation component that has so far been paid out as part of the one-year variable compensation, but irrespective of the target achievement, will in future be determined as part of the base salary. Further, the one-year variable compensation shall no longer partially be converted into a long-term performance-related compensation element (Share Based Award). Instead, a larger portion of the performance-related compensation than so far shall be granted in the long term under the future long-term incentive plan. Such plan is also intended to provide for mandatory share retention rules to promote share ownership. Overall, this results in a shift in compensation to a longer-term composition with comparable total compensation. The hypothetical possibility of paying a discretionary compensation component shall be expressly excluded. Furthermore, maximum payout limits (caps) shall be introduced for all performance-related compensation components granted in future.

The comprehensively revised compensation system for the members of the Management Board of the General Partner shall be submitted to the Annual General Meeting of the Company on May 19, 2020 for approval in accordance with the provisions of the Second Shareholders' Rights Directive as implemented in the German Stock Corporation Act.

VII. Tables of the value of benefits granted and received

The German Corporate Governance Code in the version dated February 7, 2017 provides that the compensation report shall include information for each member of the Management Board on the benefits granted and received as well as on the pension expenses for the fiscal year. The model tables provided in the appendix to the German Corporate Governance Code shall be used to present this information. TABLES 4.23 TO 4.25 starting on PAGE 146 include information on the value of benefits granted and received. They adhere to the structure and, to the greatest extent possible, the standards of the model tables of the German Corporate Governance Code.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the FMC AG & CO. KGAA Supervisory Board is set out in section 13 of the Articles of Association.

Each Supervisory Board member receives a base salary of $88 THOUS (2018: $88 THOUS) for each full fiscal year, payable in four equal instalments at the end of a calendar quarter. The Chairman of the Supervisory Board receives additional compensation of $88 THOUS (2018: $88 THOUS) and the Vice Chairman receives additional compensation of $44 THOUS (2018: $44 THOUS) per respective full fiscal year.

In addition, each member of the Supervisory Board receives as a variable performance-based compensation component (hereinafter also: "performance-based compensation") an additional remuneration which is based upon the respective average growth of earnings per share of the Company (EPS) during the period of the last three fiscal years prior to the payment date (3-year average EPS growth). The amount of the performance-based compensation is $60 THOUS in case of achieving a 3-year average EPS growth corridor from 8.00 % to 8.99 %, $70 THOUS in the corridor from 9.00 % to 9.99 % and $80 THOUS in case of a 3-year average EPS growth of 10.00 % or more. If the aforementioned targets are reached, the respective variable remuneration amounts of the performance-based compensation are earned to their full extent, i.e., within these margins there is no pro rata remuneration. In any case, this component is capped at the maximum amount of $80 THOUS per annum. Reciprocally, the members of the Supervisory Board are only entitled to the remuneration component if the 3-year average EPS growth of at least 8.00 % is reached. Provided that the relevant targets have been achieved, the remuneration is, in principle, disbursed on a yearly basis following approval of the Company's annual financial statements at the end of the calendar quarter in which the Company's annual financial statements are approved. For the fiscal year 2019, the 3-year average EPS growth for the years 2017, 2018 and 2019 was relevant.

In application of the principles above, for the fiscal year no entitlement to a payment of performance-based compensation was achieved (2018: $641 THOUS).

As a member of a committee, a Supervisory Board member of FMC AG & CO. KGAA additionally annually receives $44 THOUS (2018: $44 THOUS). A member of a committee who serves as chairman or vice chairman of a committee additionally receives $22 THOUS and $11 THOUS a year, respectively (2018: $22 THOUS and $11 THOUS, respectively), payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee of the Supervisory Board and in the Joint Committee of the Company as well as in the capacity of their respective chairmen and vice chairmen, no separate remuneration shall be granted to the members of the Supervisory Board. In accordance with section 13e para. 3 of the Articles of Association of FMC AG & CO. KGAA, the members of the Joint Committee are, however, entitled to receive an attendance fee in the amount of $3.5 THOUS.

Should a member of the FMC AG & CO. KGAA Supervisory Board at the same time be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG and receive compensation for his/her work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a FMC AG & CO. KGAA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the Chairman of the FMC AG & CO. KGAA Supervisory Board and the Vice Chairman, to the extent that they are at the same time chairman and vice chairman, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. To the extent the vice chairman of the FMC AG & CO. KGAA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as vice chairman of the FMC AG & CO. KGAA Supervisory Board.

The compensation of the members of the Supervisory Board of Fresenius Medical Care Management AG and the compensation of the members of its committees were charged to FMC AG & CO. KGAA in accordance with section 7 para. 3 of the Articles of Association of FMC AG & CO. KGAA.

The members of the Supervisory Board of FMC AG & CO. KGAA are to be reimbursed for the expenses incurred in the exercise of their office, which also include the applicable VAT.

For the benefit of the members of the Supervisory Board of FMC AG & CO. KGAA a Directors & Officers liability insurance exists with a deductible that corresponds to the specifications according to the German Stock Corporation Act.

The total compensation of the Supervisory Board of FMC AG & CO. KGAA, including the amount charged by Fresenius Medical Care Management AG to FMC AG & CO. KGAA, is stated in TABLE 4.26 starting on PAGE 151.

T 4.23 BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2019 (CONTINUATION SEE NEXT PAGE)
IN € THOUS

	Rice Powell Chairman of the Management Board Member of the Management Board since December 21, 2005[1]				**Helen Giza** Chief Financial Officer Member of the Management Board since November 1, 2019				**Dr. Katarzyna Mazur-Hofsäß** Member of the Management Board for EMEA Member of the Management Board since September 1, 2018				**Dr. Olaf Schermeier** Member of the Management Board for Global Research and Development Member of the Management Board since March 1, 2013			
	2019	**2019** Minimum	**2019** Maximum	**2018**[2]	**2019**	**2019** Minimum	**2019** Maximum	**2018**[2]	**2019**	**2019** Minimum	**2019** Maximum	**2018**[2]	**2019**	**2019** Minimum	**2019** Maximum	**2018**[2]
Base salary	1,340	1,340	1,340	1,270	108	108	108	–	700	700	700	233	510	510	510	490
Fringe benefits	256	256	256	195	440	440	440	–	94	94	94	844	136	136	136	131
TOTAL NON-PERFORMANCE-BASED COMPENSATION	**1,596**	**1,596**	**1,596**	**1,465**	**548**	**548**	**548**	**–**	**794**	**794**	**794**	**1,077**	**646**	**646**	**646**	**621**
One-year variable compensation	2,211	201	2,653	2,096	179	98	215	–	1,155	105	1,386	386	842	77	1,010	809
Multi-year variable compensation / components with long-term incentive effects	2,232	–	n.a.	2,390	865	–	n.a.	–	1,180	–	n.a.	857	1,053	–	n.a.	1,080
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/ 3-year vesting period)	657	–	n.a.	977	53	–	n.a.	–	377	–	n.a.	123	250	–	n.a.	323
thereof Performance Shares – LTIP 2016 (4-year term/ 4-year vesting period)	–	–	n.a.	1,413	–	–	n.a.	–	–	–	n.a.	734	–	–	n.a.	757
thereof Performance Shares – MB LTIP 2019 (4-year term/ 4-year vesting period)	1,575	–	n.a.	–	812	–	n.a.	–	803	–	n.a.	–	803	–	n.a.	–
TOTAL NON-PERFORMANCE-BASED COMPENSATION AND PERFORMANCE-BASED COMPENSATION	**6,039**	**1,797**	**n.a.**	**5,951**	**1,592**	**646**	**n.a.**	**–**	**3,129**	**899**	**n.a.**	**2,320**	**2,541**	**723**	**n.a.**	**2,510**
Pension expense	828	828	828	674	–	–	–	–	–	–	–	–	179	179	179	189
VALUE OF BENEFITS GRANTED	**6,867**	**2,625**	**n.a.**	**6,625**	**1,592**	**646**	**n.a.**	**–**	**3,129**	**899**	**n.a.**	**2,320**	**2,720**	**902**	**n.a.**	**2,699**

[1] The indicated date refers to the appointment as a member of the Management Board of the General Partner.
[2] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Mses. Helen Giza and Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2019 (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	William Valle Member of the Management Board for North America Member of the Management Board since February 17, 2017				**Kent Wanzek** Member of the Management Board for Global Manufacturing, Quality and Supply Member of the Management Board since January 1, 2010				**Harry de Wit** Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016			
	2019	**2019** Minimum	**2019** Maximum	**2018**[1]	**2019**	**2019** Minimum	**2019** Maximum	**2018**[1]	**2019**	**2019** Minimum	**2019** Maximum	**2018**[1]
Base salary	866	866	866	792	607	607	607	550	520	520	520	480
Fringe benefits	237	237	237	330	127	127	127	126	337	337	337	315
TOTAL NON-PERFORMANCE-BASED COMPENSATION	**1,103**	**1,103**	**1,103**	**1,122**	**734**	**734**	**734**	**676**	**857**	**857**	**857**	**795**
One-year variable compensation	1,430	130	1,716	1,306	1,002	91	1,203	908	858	78	1,030	792
Multi-year variable compensation / components with long-term incentive effects	1,133	–	n.a.	1,403	1,077	–	n.a.	1,084	1,083	–	n.a.	1,074
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/ 3-year vesting period)	345	–	n.a.	696	289	–	n.a.	377	280	–	n.a.	317
thereof Performance Shares – LTIP 2016 (4-year term/ 4-year vesting period)	–	–	n.a.	707	–	–	n.a.	707	–	–	n.a.	757
thereof Performance Shares – MB LTIP 2019 (4-year term/ 4-year vesting period)	788	–	n.a.	–	788	–	n.a.	–	803	–	n.a.	–
TOTAL NON-PERFORMANCE-BASED COMPENSATION AND PERFORMANCE-BASED COMPENSATION	**3,666**	**1,233**	**n.a.**	**3,831**	**2,813**	**825**	**n.a.**	**2,668**	**2,798**	**935**	**n.a.**	**2,661**
Pension expense	–	–	–	–	379	379	379	369	1,795	1,795	1,795	–
VALUE OF BENEFITS GRANTED	**3,666**	**1,233**	**n.a.**	**3,831**	**3,192**	**1,204**	**n.a.**	**3,037**	**4,593**	**2,730**	**n.a.**	**2,661**

[1] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Mses. Helen Giza and Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).

T 4.24 BENEFITS GRANTED TO A FORMER MEMBER OF THE MANAGEMENT BOARD WHO RETIRED IN FISCAL YEAR 2019
IN € THOUS

	Michael Brosnan Chief Financial Officer Member of the Management Board until October 31, 2019			
	2019[1]	**2019[1]** Minimum	**2019[1]** Maximum	**2018[2]**
Base salary	633	633	633	720
Fringe benefits	211	211	211	56
TOTAL NON-PERFORMANCE-BASED COMPENSATION	**844**	**844**	**844**	**776**
One-year variablecompensation	1,253	114	1,503	1,188
Multi-year variable compensation/components with long-term incentive effects	1,160	–	n.a.	1,307
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)	372	–	n.a.	600
thereof Performance Shares – LTIP 2016 (4-year term/4-year vesting period)	–	–	n.a.	707
thereof Performance Shares – MB LTIP 2019 (4-year term/4-year vesting period)	788	–	n.a.	–
TOTAL NON-PERFORMANCE-BASED COMPENSATION AND PERFORMANCE-BASED COMPENSATION	**3,257**	**958**	**n.a.**	**3,271**
Pension expense	1,494	1,494	1,494	667
VALUE OF BENEFITS GRANTED	**4,751**	**2,452**	**n.a.**	**3,938**

[1] The amounts for the base salary and the fringe benefits as set out herein for the fiscal year relate to the period until October 31, 2019.
[2] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Ms. Helen Giza, Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).

T 4.25 ALLOCATIONS (CONTINUATION SEE NEXT PAGE)
IN € THOUS

	Serving members of the Management Board as of December 31, 2019							
	Rice Powell Chairman of the Management Board Member of the Management Board since December 21, 2005[1]		**Helen Giza** Chief Financial Officer Member of the Management Board since November 1, 2019		**Dr. Katarzyna Mazur-Hofsäß** Member of the Management Board for EMEA Member of the Management Board since September 1, 2018		**Dr. Olaf Schermeier** Member of the Management Board for Global Research and Development Member of the Management Board since March 1, 2013	
	2019	**2018[2]**	**2019**	**2018[2]**	**2019**	**2018[2]**	**2019**	**2018[2]**
Base salary	1,340	1,270	108	–	700	233	510	490
Fringe benefits	256	195	440	–	94	844	136	131
TOTAL NON-PERFORMANCE BASED COMPENSATION	**1,596**	**1,465**	**548**	**–**	**794**	**1,077**	**646**	**621**
One-year variable compensation	1,970	2,376	159	–	1,131	370	750	970
Multi-year variable compensation/components with long-term incentive effects	494	2,777	–	–	–	–	740	277
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)								
Grant 2014	–	131	–	–	–	–	–	55
Grant 2015	150	–	–	–	–	–	53	–
thereof LTIP 2011 – Stock Option Plan 2011 (8-year term/4-year vesting period)								
Grant 2011	–	2,536	–	–	–	–	–	–
Grant 2012	–	–	–	–	–	–	–	–
Grant 2013	–	–	–	–	–	–	–	–
Grant 2014	–	–	–	–	–	–	–	–
thereof LTIP 2011 – Phantom Stock Plan 2011 (5-year term/4-year vesting period)								
Grant 2013	–	110	–	–	–	–	–	–
Grant 2014	344	–	–	–	–	–	–	222
Grant 2015	–	–	–	–	–	–	687	–
Total	–	–	–	–	–	–	–	–
TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION	**4,060**	**6,618**	**707**	**–**	**1,925**	**1,447**	**2,136**	**1,868**
Pension expense	828	674	–	–	–	–	179	189
ALLOCATION	**4,888**	**7,292**	**707**	**–**	**1,925**	**1,447**	**2,315**	**2,057**

Footer see next page

ALLOCATIONS (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	Serving members of the Management Board as of December 31, 2019						Former member of the Management Board (retired in fiscal year)	
	William Valle Member of the Management Board for North America Member of the Management Board since February 17, 2017		**Kent Wanzek** Member of the Management Board for Global Manufacturing, Quality and Supply Member of the Management Board since January 1, 2010		**Harry de Wit** Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016		**Michael Brosnan** Chief Financial Officer Member of the Management Board until October 31, 2019	
	2019	**2018**[2]	**2019**	**2018**[2]	**2019**	**2018**[2]	**2019**[3]	**2018**[2]
Base salary	866	792	607	550	520	480	633	720
Fringe benefits	237	330	127	126	337	315	211	56
TOTAL NON-PERFORMANCE BASED COMPENSATION	**1,103**	**1,122**	**734**	**676**	**857**	**795**	**844**	**776**
One-year variable compensation	1,035	1,395	866	1,076	841	950	1,117	1,300
Multi-year variable compensation/components with long-term incentive effects	207	2,693	459	5,401	–	–	1,505	131
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)								
Grant 2014	–	–	–	104	–	–	–	76
Grant 2015	–	–	115	–	–	–	82	–
thereof LTIP 2011 – Stock Option Plan 2011 (8-year term/4-year vesting period)								
Grant 2011	–	532[4]	–	1,573	–	–	1,251	–
Grant 2012	–	333[4]	–	786	–	–	–	–
Grant 2013	–	466[4]	–	786	–	–	–	–
Grant 2014	–	1,331[4]	–	2,097	–	–	–	–
thereof LTIP 2011 – Phantom Stock Plan 2011 (5-year term/4-year vesting period)								
Grant 2013	–	31	–	55	–	–	–	55
Grant 2014	207	–	344	–	–	–	172	–
Grant 2015	–	–	–	–	–	–	–	–
Total	–	–	–	–	–	–	–	–
TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION	**2,345**	**5,210**	**2,059**	**7,153**	**1,698**	**1,745**	**3,466**	**2,207**
Pension expense	–	–	379	369	1,795	–	1,494	667
ALLOCATION	**2,345**	**5,210**	**2,438**	**7,522**	**3,493**	**1,745**	**4,960**	**2,874**

[1] The indicated date refers to the appointment as a member of the Management Board of the General Partner.
[2] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Mses. Helen Giza and Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, William Valle, Kent Wanzek and Michael Brosnan).
[3] The amounts for the base salary and the fringe benefits as set out herein for the fiscal year relate to the period until October 31, 2019.
[4] The indicated amounts are allocations from multi-year variable compensation which have been granted to the member of the Management Board William Valle prior to his appointment to the Management Board: LTIP 2011 – Phantom Stock Plan 2011 – Grant 2011 – fair value at grant €81 THOUS, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2012 – fair value at grant €48 THOUS, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2013 – fair value at grant €47 THOUS, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2014 – fair value at grant €135 THOUS.

T 4.26 COMPENSATION OF THE SUPERVISORY BOARD (CONTINUATION SEE NEXT PAGE)
IN € THOUS [1]

	Base salary for Supervisory Board at FMC Management AG		Base salary for Supervisory Board at FMC AG & Co. KGaA		Compensation for committee services at FMC Management AG		Compensation for committee services at FMC AG & Co. KGaA		Total amount of non-performance-based compensation	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Dr. Dieter Schenk [2]	39	44	118	91	120	93	19	–	296	228
Stephan Sturm [3]	157	149	–	–	100	65	–	–	257	214
Rolf A. Classon [4]	39	37	79	41	118	112	49	47	285	237
Rachel Empey [5]	79	75	–	–	–	–	–	–	79	75
William P. Johnston	39	37	39	37	108	102	59	56	245	232
Dr. Gerd Krick [6]	79	60	–	42	59	56	–	14	138	172
Dr. Dorothea Wenzel [7]	–	–	45	–	–	–	–	–	45	–
Pascale Witz [8]	–	–	79	75	–	–	60	–	139	75
Prof. Dr. Gregor Zünd [9]	–	–	79	13	–	–	–	–	79	13
Deborah Doyle McWhinney [10]	–	–	–	62	–	–	–	31	–	93
TOTAL	432	**402**	**439**	**361**	**505**	**428**	**187**	**148**	**1,563**	**1,339**

[1] Shown without VAT and withholding tax; translation of U.S. dollar amounts at respective average exchange rates for the respective calendar year.
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Dieter Schenk was appointed at the same time as vice chairman of the Supervisory Board of FMC AG & Co. KGaA until May 17, 2018 and as chairman of the Supervisory Board of FMC AG & Co. KGaA since May 17, 2018.
[3] Chairman of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[4] Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. Rolf A. Classon was appointed at the same time as vice chairman of the Supervisory Board of FMC AG & Co. KGaA since November 30, 2018.
[5] Member of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[6] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Gerd Krick was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA until May 17, 2018, and, therefore, received compensation payments to be set out herein until this date. Dr. Gerd Krick is a member of the Supervisory Board of FMC Management AG; compensation for this paid by FMC Management AG.
[7] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Dorothea Wenzel was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA as of May 16, 2019, and, therefore, received compensation payments to be set out herein as of this date.
[8] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA.
[9] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Prof. Dr. Gregor Zünd was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA as of October 29, 2018, and, therefore, received compensation payments to be set out herein as of this date.
[10] Former member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Deborah Doyle McWhinney resigned as a member of the Supervisory Board of FMC AG & Co. KGaA effective November 1, 2018, and, therefore, received compensation payments to be set out herein until this date.

COMPENSATION OF THE SUPERVISORY BOARD (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS [1]

	Performance-based compensation in FMC Management AG		Performance-based compensation in FMC AG & Co. KGaA		Performance-based compensation		Total compensation	
	2019	2018	2019	2018	2019	2018	2019	2018
Dr. Dieter Schenk [2]	–	34	–	34	–	68	296	296
Stephan Sturm [3]	–	68	–	–	–	68	257	282
Rolf A. Classon [4]	–	34	–	34	–	68	285	305
Rachel Empey [5]	–	68	–	–	–	68	79	143
William P. Johnston	–	34	–	34	–	68	245	300
Dr. Gerd Krick [6]	–	42	–	25	–	67	138	239
Dr. Dorothea Wenzel [7]	–	–	–	–	–	–	45	–
Pascale Witz [8]	–	–	–	68	–	68	139	143
Prof. Dr. Gregor Zünd [9]	–	–	–	12	–	12	79	25
Deborah Doyle McWhinney [10]	–	–	–	57	–	57	–	150
TOTAL	**–**	**280**	**–**	**264**	**–**	**544**	**1,563**	**1,883**

[1] Shown without VAT and withholding tax; translation of U.S. dollar amounts at respective average exchange rates for the respective calendar year.
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Dieter Schenk was appointed at the same time as vice chairman of the Supervisory Board of FMC AG & Co. KGaA until May 17, 2018 and as chairman of the Supervisory Board of FMC AG & Co. KGaA since May 17, 2018.
[3] Chairman of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[4] Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. Rolf A. Classon was appointed at the same time as vice chairman of the Supervisory Board of FMC AG & Co. KGaA since November 30, 2018.
[5] Member of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[6] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Gerd Krick was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA until May 17, 2018, and, therefore, received compensation payments to be set out herein until this date. Dr. Gerd Krick is a member of the Supervisory Board of FMC Management AG; compensation for this paid by FMC Management AG.
[7] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Dorothea Wenzel was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA as of May 16, 2019, and, therefore, received compensation payments to be set out herein as of this date.
[8] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA.
[9] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Prof. Dr. Gregor Zünd was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA as of October 29, 2018, and, therefore, received compensation payments to be set out herein as of this date.
[10] Former member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Deborah Doyle McWhinney resigned as a member of the Supervisory Board of FMC AG & Co. KGaA effective November 1, 2018, and, therefore, received compensation payments to be set out herein until this date.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

T 5.1 **CONSOLIDATED STATEMENTS OF INCOME**
IN € THOUS, EXCEPT PER SHARE DATA

	Note	2019	2018	2017
Revenue				
Health care services		13,872,219	13,264,289	14,531,636
Health care products		3,604,336	3,282,584	3,251,936
TOTAL	4A, 26	**17,476,555**	**16,546,873**	**17,783,572**
Costs of revenue				
Health care services		10,483,822	9,899,714	10,347,512
Health care products		1,596,882	1,492,416	1,417,806
TOTAL		**12,080,704**	**11,392,130**	**11,765,318**
GROSS PROFIT		**5,395,851**	**5,154,743**	**6,018,254**
Operating (income) expenses				
Selling, general and administrative	4B	3,060,732	2,885,220	3,637,780
(Gain) loss related to divestitures of Care Coordination activities	4C	(28,788)	(809,003)	(25,763)
Research and development	4D	168,028	114,074	110,997
Income from equity method investees	26	(73,679)	(73,346)	(67,199)
OPERATING INCOME		**2,269,558**	**3,037,798**	**2,362,439**

	Note	2019	2018	2017
Other (income) expense				
Interest income	4G	(61,617)	(147,409)	(51,375)
Interest expense	4G	491,061	448,471	416,199
INCOME BEFORE INCOME TAXES		**1,840,114**	**2,736,736**	**1,997,615**
Income tax expense	4H	401,614	511,079	443,081
NET INCOME		**1,438,500**	**2,225,657**	**1,554,534**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		**238,881**	**243,733**	**274,746**
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG &CO. KGAA		**1,199,619**	**1,981,924**	**1,279,788**
BASIC EARNINGS PER SHARE	19	**3.96**	**6.47**	**4.17**
DILUTED EARNINGS PER SHARE	19	**3.96**	**6.45**	**4.16**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

T 5.2 **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
IN € THOUS

	Note	2019	2018	2017
NET INCOME		**1,438,500**	**2,225,657**	**1,554,534**
Other comprehensive income (loss)				
Components that will not be reclassified to profit or loss:				
Actuarial gains (losses) on defined benefit pension plans	16, 24	(99,613)	(28,070)	6,840
Income tax (expense) benefit related to components of other comprehensive income not reclassified	24	30,245	7,713	(27,393)
TOTAL		**(69,368)**	**(20,357)**	**(20,553)**
Components that may be reclassified subsequently to profit or loss				
Gain (loss) related to foreign currency translation	24	263,835	327,317	(1,284,173)
Gain (loss) related to cash flow hedges[1]	23, 24	(11,633)	23,560	27,983
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	24	2,674	(6,734)	(8,407)
TOTAL		**254,876**	**344,143**	**(1,264,597)**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**185,508**	**323,786**	**(1,285,150)**
TOTAL COMPREHENSIVE INCOME		**1,624,008**	**2,549,443**	**269,384**
COMPREHENSIVE INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		**259,184**	**285,691**	**150,611**
COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA		**1,364,824**	**2,263,752**	**118,773**

[1] Including cost of hedging in the amount of €(1,962) and €(1,335) for the twelve months ended December 31, 2019 and 2018.
The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

T 5.3 **CONSOLIDATED BALANCE SHEETS**
IN € THOUS, EXCEPT SHARE DATA

	Note	Dec. 31, 2019	Dec. 31, 2018
Assets			
Cash and cash equivalents	6	1,007,723	2,145,632
Trade accounts and other receivables	7	3,421,346	3,231,500
Accounts receivable from related parties	5	159,196	198,868
Inventories	8	1,663,278	1,466,803
Other current assets	9	913,603	804,083
TOTAL CURRENT ASSETS		**7,165,146**	**7,846,886**
Property, plant and equipment	10	4,190,281	3,836,010
Right-of-use assets	21	4,325,115	–
Intangible assets	11	1,426,330	681,331
Goodwill	11	14,017,255	12,209,606
Deferred taxes	4H	361,196	345,686
Investment in equity method investees		696,872	649,780
Other non-current assets		752,540	672,969
TOTAL NON-CURRENT ASSETS		**25,769,589**	**18,395,382**
TOTAL ASSETS		**32,934,735**	**26,242,268**
Liabilities			
Accounts payable		716,526	641,271
Accounts payable to related parties	5	118,663	153,781
Current provisions and other current liabilities	12	2,812,419	2,904,288
Short-term debt	13	1,149,988	1,205,294
Short-term debt from related parties	13	21,865	188,900
Current portion of long-term debt	14	1,447,239	1,106,519
Current portion of long-term lease liabilities	21	622,227	–
Current portion of long-term lease liabilities from related parties	5	16,514	–
Income tax payable		101,793	68,229
TOTAL CURRENT LIABILITIES		**7,007,234**	**6,268,282**
Long-term debt, less current portion	14	6,458,318	5,045,515
Long-term lease liabilities, less current portion	21	3,959,865	–
Long-term lease liabilities from related parties, less current portion	5	106,432	–
Non-current provisions and other non-current liabilities	15	668,747	750,738
Pension liabilities	16	689,195	551,930
Income tax payable		78,005	97,324
Deferred taxes	4H	739,702	626,521
TOTAL NON-CURRENT LIABILITIES		**12,700,264**	**7,072,028**
TOTAL LIABILITIES		**19,707,498**	**13,340,310**
Shareholders' equity			
Ordinary shares, no par value, €1.00 nominal value, 374,165,226 shares authorized, 304,436,876 issued and 298,329,247 outstanding as of December 31, 2019 and 384,822,972 shares authorized, 307,878,652 issued and 306,878,701 outstanding as of December 31, 2018	17	304,437	307,879
Treasury stock, at cost	17	(370,502)	(50,993)
Additional paid-in capital	17	3,607,662	3,873,345
Retained earnings	17	9,454,861	8,831,930
Accumulated other comprehensive income (loss)	24	(1,038,545)	(1,203,750)
TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY		**11,957,913**	**11,758,411**
Noncontrolling interests	17	1,269,324	1,143,547
TOTAL EQUITY		**13,227,237**	**12,901,958**
TOTAL LIABILITIES AND EQUITY		**32,934,735**	**26,242,268**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

T 5.4 **CONSOLIDATED STATEMENTS OF CASH FLOWS**
IN € THOUS

	Note	2019	2018	2017
Operating activities				
Net income		1,438,500	2,225,657	1,554,534
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation, amortization and impairment loss	10,11,21,26	1,593,160	789,566	735,479
Change in deferred taxes, net		64,266	89,171	(203,046)
(Gain) loss from the sale of fixed assets, right-of-use assets, investments and divestitures		(99,074)	(807,106)	(94,123)
Compensation expense related to share-based plans	20	1,992	10,745	46,811
Cash inflow (outflow) from hedging		(12,744)	–	–
Investments in equity method investees, net		(27,657)	(28,369)	(57,009)
Interest expense, net	4G	429,444	301,062	364,824
Changes in assets and liabilities, net of amounts from businesses acquired				
Trade accounts and other receivables		(105,828)	(164,685)	(131,676)
Inventories		(117,504)	(157,092)	(62,692)
Other current and non-current assets		(46,132)	(12,561)	227,490
Accounts receivable from related parties		41,717	(5,805)	32,614
Accounts payable to related parties		(35,861)	4,480	(110,375)
Accounts payable, provisions and other current and non-current liabilities		(128,906)	(84,561)	222,302
Paid interest		(470,223)	(311,971)	(340,632)
Received interest		49,453	56,809	37,601
Income tax payable		380,067	514,957	644,866
Paid income taxes		(387,719)	(358,386)	(675,157)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**2,566,951**	**2,061,911**	**2,191,811**

	Note	2019	2018	2017
Investing activities				
Purchases of property, plant and equipment		(1,124,791)	(1,057,276)	(944,460)
Proceeds from sale of property, plant and equipment		11,535	54,529	103,225
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	3,25	(2,232,671)	(925,267)	(565,694)
Proceeds from divestitures	3,25	59,940	1,682,975	415,388
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(3,285,987)**	**(245,039)**	**(991,541)**
Financing activities				
Proceeds from short-term debt		737,409	650,634	443,996
Repayments of short-term debt		(807,807)	(205,790)	(241,309)
Proceeds from short-term debt from related parties		281,200	217,646	122,079
Repayments of short-term debt from related parties		(448,311)	(37,746)	(116,079)
Proceeds from long-term debt		3,460,805	612,388	582,311
Repayments of long-term debt		(2,217,005)	(1,076,204)	(1,099,329)
Repayments of lease liabilities		(671,403)	–	–
Repayments of lease liabilities from related parties		(16,340)	–	–
Increase (decrease) of accounts receivable securitization program		381,430	(298,912)	157,564
Proceeds from exercise of stock options		15,864	47,404	47,591
Purchase of treasury stock	17	(599,796)	(37,221)	(57,938)
Dividends paid	17	(354,636)	(324,838)	(293,973)
Distributions to noncontrolling interests		(296,168)	(296,293)	(386,340)
Contributions from noncontrolling interests		68,125	67,196	42,797
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(466,633)**	**(681,736)**	**(798,630)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**47,760**	**32,387**	**(132,413)**
Cash and cash equivalents				
Net increase (decrease) in cash and cash equivalents		(1,137,909)	1,167,523	269,227
Cash and cash equivalents at beginning of period		2,145,632	978,109	708,882
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**1,007,723**	**2,145,632**	**978,109**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

T 5.5 **CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUATION SEE NEXT PAGE)**
IN € THOUS, EXCEPT SHARE DATA

		Ordinary shares		Treasury stock				Accumulated other comprehensive income (loss)					
	Note	Number of shares	No par value	Number of shares	Amount	Additional paid in capital	Retained earnings	Foreign currency translation	Cash flow hedges	Pensions	Total FMC AG & Co. KGaA shareholders' equity	Non-controlling interests	Total equity
BALANCE AT DECEMBER 31, 2016		**307,221,791**	**307,222**	**(999,951)**	**(50,993)**	**3,960,115**	**6,085,876**	**(26,019)**	**(38,107)**	**(260,437)**	**9,977,657**	**1,073,475**	**11,051,132**
Proceeds from exercise of options and related tax effects	20	889,209	889			42,944					43,833		43,833
Compensation expense related to stock options	20					11,736					11,736		11,736
Purchase of treasury stock	17			(660,000)	(57,938)						(57,938)		(57,938)
Dividends paid	17						(293,973)				(293,973)		(293,973)
Purchase/sale of noncontrolling interests						(45,550)					(45,550)	28,421	(17,129)
Contributions from/to noncontrolling interests											–	(244,423)	(244,423)
Noncontrolling interests subject to put provisions	23						65,564				65,564		65,564
Net Income							1,279,788				1,279,788	274,746	1,554,534
Other comprehensive income (loss) related to:													
Foreign currency translation	24							(1,177,885)	195	17,652	(1,160,038)	(124,135)	(1,284,173)
Cash flow hedges, net of related tax effects	24								19,576		19,576		19,576
Pensions, net of related tax effects	16									(20,553)	(20,553)		(20,553)
Comprehensive income											118,773	150,611	269,384
BALANCE AT DECEMBER 31, 2017		**308,111,000**	**308,111**	**(1,659,951)**	**(108,931)**	**3,969,245**	**7,137,255**	**(1,203,904)**	**(18,336)**	**(263,338)**	**9,820,102**	**1,008,084**	**10,828,186**
Adjustment due to initial application of IFRS 9							(5,076)				(5,076)		(5,076)
ADJUSTED BALANCE AT DECEMBER 31, 2017		**308,111,000**	**308,111**	**(1,659,951)**	**(108,931)**	**3,969,245**	**7,132,179**	**(1,203,904)**	**(18,336)**	**(263,338)**	**9,815,026**	**1,008,084**	**10,823,110**
Proceeds from exercise of options and related tax effects	20	858,652	859			37,918					38,777		38,777
Compensation expense related to stock options	20					6,713					6,713		6,713
Purchase of treasury stock	17			(431,000)	(37,221)						(37,221)		(37,221)
Withdrawal of treasury stock	17	(1,091,000)	(1,091)	1,091,000	95,159	(94,068)					–		–
Dividends paid	17						(324,838)				(324,838)		(324,838)
Purchase/sale of noncontrolling interests						(46,463)					(46,463)	63,939	17,476

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (CONTINUATION OF THE PREVIOUS PAGE)

IN € THOUS, EXCEPT SHARE DATA

		Ordinary shares		Treasury stock				Accumulated other comprehensive income (loss)					
	Note	Number of shares	No par value	Number of shares	Amount	Additional paid in capital	Retained earnings	Foreign currency translation	Cash flow hedges	Pensions	Total FMC AG & Co. KGaA shareholders' equity	Non-controlling interests	Total equity
Contributions from/to noncontrolling interests											–	(214,167)	(214,167)
Noncontrolling interests subject to put provisions	23						42,665				42,665		42,665
Net Income							1,981,924				1,981,924	243,733	2,225,657
Other comprehensive income (loss) related to:													
Foreign currency translation	24							292,431	(18)	(7,054)	285,359	41,958	327,317
Cash flow hedges, net of related tax effects	24								16,826		16,826		16,826
Pensions, net of related tax effects	16									(20,357)	(20,357)		(20,357)
Comprehensive income											2,263,752	285,691	2,549,443
BALANCE AT DECEMBER 31, 2018		**307,878,652**	**307,879**	**(999,951)**	**(50,993)**	**3,873,345**	**8,831,930**	**(911,473)**	**(1,528)**	**(290,749)**	**11,758,411**	**1,143,547**	**12,901,958**
Adjustment due to initial application of IFRS 16							(120,809)				(120,809)	(15,526)	(136,335)
ADJUSTED BALANCE AT DECEMBER 31, 2018		**307,878,652**	**307,879**	**(999,951)**	**(50,993)**	**3,873,345**	**8,711,121**	**(911,473)**	**(1,528)**	**(290,749)**	**11,637,602**	**1,128,021**	**12,765,623**
Proceeds from exercise of options and related tax effects	20	328,996	329			16,866					17,195		17,195
Compensation expense related to stock options	20					1,992					1,992		1,992
Purchase of treasury stock	17			(8,878,450)	(589,305)						(589,305)		(589,305)
Withdrawal of treasury stock	17	(3,770,772)	(3,771)	3,770,772	269,796	(266,025)					–		–
Dividends paid	17						(354,636)				(354,636)		(354,636)
Purchase/sale of noncontrolling interests						(18,516)					(18,516)	102,341	83,825
Contributions from/to noncontrolling interests											–	(220,222)	(220,222)
Noncontrolling interests subject to put provisions	23						(101,243)				(101,243)		(101,243)
Net Income							1,199,619				1,199,619	238,881	1,438,500
Other comprehensive income (loss) related to:													
Foreign currency translation	24							246,486	27	(2,981)	243,532	20,303	263,835
Cash flow hedges, net of related tax effects	24								(8,959)		(8,959)		(8,959)
Pensions, net of related tax effects	16									(69,368)	(69,368)		(69,368)
Comprehensive income											1,364,824	259,184	1,624,008
BALANCE AT DECEMBER 31, 2019		**304,436,876**	**304,437**	**(6,107,629)**	**(370,502)**	**3,607,662**	**9,454,861**	**(664,987)**	**(10,460)**	**(363,098)**	**11,957,913**	**1,269,324**	**13,227,237**

The following notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, numbers are stated in thousands, except share data.

1. THE COMPANY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Fresenius Medical Care AG & Co. KGaA (FMC AG & Co. KGaA or the Company), a German partnership limited by shares (Kommanditgesellschaft auf Aktien) registered in the commercial registry of Hof an der Saale under HRB 4019, with its business address at Else-Kröner-Str. 1, 61352 Bad Homburg v. d. Höhe, is the world's largest kidney dialysis company, based on publicly reported revenue and number of patients treated. The Company provides dialysis treatment and related dialysis care services to persons who suffer from End-Stage Renal Disease (ESRD), as well as other health care services. The Company also develops, manufactures and distributes a wide variety of health care products, which includes dialysis and non-dialysis products. The Company's dialysis products include hemodialysis machines, peritoneal cyclers, dialyzers, peritoneal dialysis solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals and systems for water treatment. The Company's non-dialysis products include acute cardiopulmonary and apheresis products. The Company supplies dialysis clinics it owns, operates or manages with a broad range of products and also sells dialysis products to other dialysis service providers. The Company describes certain of its other health care services as "Care Coordination." Care Coordination currently includes, but is not limited to, value and risk-based arrangements, pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, physician nephrology services, urgent care services and ambulant treatment services. All of these Care Coordination services together with dialysis care and related services represent the Company's health care services.

In these notes, "FMC AG & Co. KGaA," the "Company" or the "Group" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires. "Fresenius SE" and "Fresenius SE & Co. KGaA" refer to Fresenius SE & Co. KGaA. "Management AG" and the "General Partner" refer to Fresenius Medical Care Management AG which is FMC AG & Co. KGaA's general partner and is wholly owned by Fresenius SE. "Management Board" refers to the members of the management board of Management AG and, except as otherwise specified, "Supervisory Board" refers to the supervisory board of FMC AG & Co. KGaA. The term "North America Segment" refers to the North America operating segment, the term "EMEA Segment" refers to the Europe, Middle East and Africa operating segment, the term "Asia-Pacific Segment" refers to the Asia-Pacific operating segment, and the term "Latin America Segment" refers to the Latin America operating segment. For further discussion of the Company's operating segments, SEE NOTE 26.

BASIS OF PRESENTATION

The FMC AG & Co. KGaA as a stock exchange listed company in a member state of the European Union (EU) fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), as adopted in the EU, applying section 315e of the German Commercial Code (HGB).

The consolidated financial statements of FMC AG & Co. KGaA at December 31, 2019 have been prepared and are published in accordance with the standards valid on the balance sheet date issued by the International Accounting Standards Board (IASB) and the mandatory Interpretations of the International Financial Reporting Interpretations Committee (IFRIC), which are binding to be applied in the EU.

Furthermore, the Company prepares consolidated financial statements in accordance with IFRS as issued by the IASB which is filed on Form 20-F with the Securities and Exchange Commission (SEC). At December 31, 2019, there were no IFRS or IFRIC interpretations as endorsed by the EU relevant for reporting that differed from IFRS as issued by the IASB.

Moreover, the notes include information required by HGB according to Section 315e (1) HGB. In addition to the IFRS consolidated financial statements, a group management report must be prepared according to section 315e HGB in conjunction with section 315 HGB.

The Company is included in the IFRS consolidated financial statements of Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, pursuant to Section 315e of the German Commercial Code (HGB), published in the Federal Gazette and drawn up for the smallest circle of companies. The consolidated financial statements for the largest circle of companies are drawn up by Fresenius Management SE, Bad Homburg v. d. Höhe, and also published in the Federal Gazette.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in all future periods affected.

In order to improve clarity of presentation, various items are aggregated in the consolidated balance sheets and consolidated statements of income. These items are analyzed separately in the notes where this provides useful information to the users of the consolidated financial statements.

The consolidated balance sheets contain all information required to be disclosed by IAS 1 (Presentation of Financial Statements) and are in accordance with Accounting Interpretation 1 (AIC 1, Balance Sheet Classification according to current / non-current Distinction in compliance with IAS 1) classified on the basis of the liquidity of assets and liabilities following the consolidated balance sheets. The consolidated statements of income are classified using the cost-of-sales accounting format.

Starting on July 1, 2018, the Company's subsidiaries in Argentina applied IAS 29, Financial Reporting in Hyperinflationary Economies, due to the inflation in Argentina. Pursuant to IAS 29, the Company recorded a loss on its net monetary position of €23,672 for the year ended December 31, 2019 (2018: €12,297). The Company calculated the loss with the use of the Consumer Price Index (Índice de precios al consumidor) as published by the Argentine Statistics and Census Institute for the year ended December 31, 2019, which lists the level at 283.4 index points, a 54 % increase since January 1, 2019.

As a result of the implementation of IFRS 16, Leases, the Company updated its accounting policies. Refer to "Significant accounting policies – F) Leases" and "– Y) Recent pronouncements" below for further details on the updated policies.

In the consolidated statements of income "Research and development" expense in the amount of €19,541 and €19,707 for the years ended December 31, 2018 and 2017, respectively, has been reclassified to "Selling, general and administrative" expense to conform to the current year's presentation.

In the consolidated balances sheets, receivables from ESRD Seamless Care Organizations (ESCOs) in the amount of €106,206 as of December 31, 2018 have been reclassified from line item "Trade accounts and other receivables" to line item "Accounts receivable from related parties" to conform to the current year's presentation. Additionally, the corresponding receivables have been reclassified within the consolidated statements of cash flows from line item "Trade accounts and other receivables" to line item "Accounts receivable from related parties" in the amount of €24,181 and €62,411 for the periods ended December 31, 2018 and 2017, respectively, to conform to the current year's presentation.

As of December 31, 2018, "Property, plant and equipment" included leased fixed assets of €36,402 recognized in accordance with IAS 17, Leases. These are transferred to the line item "Right-of-use assets" as of the beginning of fiscal year 2019.

As of December 31, 2018, "Current portion of long-term debt" included current lease liabilities from capital leases in accordance with IAS 17 of €9,387. From 2019, these are included in the balance sheet item "Current portion of long-term lease liabilities."

As of December 31, 2018, "Long-term debt, less current portion" included non-current lease liabilities from capital leases in accordance with IAS 17 of €26,757. From 2019, these are included in the balance sheet item "Long-term lease liabilities, less current portion."

In the consolidated statement of cash flows, in the comparative information for the period from January 1, 2018 to December 31, 2018, impairment losses in the amount of €64,719 have been reclassified from line item "Other current and non-current assets" to line item "Depreciation, amortization and impairment loss" to conform to the current year's presentation.

In the consolidated statement of cash flows, in the comparative information for the periods from January 1, 2018 to December 31, 2018, and from January 1, 2017 to December 31, 2017, the line item "Repayments of long-term debt" included repayments of lease liabilities from capital leases in accordance with IAS 17 of €10,015 and €11,717, respectively. In the previous periods this line item was labeled as "Repayments of long-term debt and capital lease obligations." From 2019, these repayments are included in the line item "Repayments of lease liabilities" in accordance with IFRS 16.

Certain other items in the prior year's comparative consolidated financial statements have been adjusted to conform to the current year's presentation.

At February 19, 2020, the Management Board authorized the consolidated financial statements for issue and passed it through to the Supervisory Board for review and authorization.

SIGNIFICANT ACCOUNTING POLICIES

A) Principles of consolidation and composition of the group

The financial statements of consolidated entities have been prepared using uniform accounting methods in accordance with IFRS 10, Consolidated Financial Statements (IFRS 10). Acquisitions of companies are accounted for under the purchase method.

Besides FMC AG & CO. KGAA, the consolidated financial statements include all material subsidiaries according to IFRS 10 and IFRS 11, Joint Arrangements (IFRS 11), over which the Company has control. FMC AG & CO. KGAA controls an entity if it has power over the entity through existing rights that give the Company the current ability to direct the activities that significantly affect the Company's return. In addition, the Company is exposed to, or has rights to, variable returns from the involvement with the entity and the Company has the ability to use its power over the entity to affect the amount of the Company's return.

The equity method is applied in accordance with IAS 28, Investments in Associates and Joint Ventures (IAS 28). Generally, equity method investees are entities in which FMC AG & CO. KGAA, directly or indirectly, holds 50 % or less of the voting power and can exercise significant influence over their financial and operating policies.

The disclosure of business acquisitions is performed according to IFRS 3, Business Combinations (IFRS 3) by offsetting investments in subsidiaries against the underlying revaluated equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries as well as the noncontrolling interests are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment. Any excess of the net fair value of identifiable assets and liabilities over cost still existing after reassessing the purchase price allocation is recognized immediately in profit or loss.

All significant intercompany revenues, expenses, income, receivables and payables are eliminated. Profits and losses on items of property, plant and equipment and inventory acquired from other group entities are also eliminated.

Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interest (NCI) is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent and is recognized at its fair value at the date of first consolidation. Profits and losses attributable to the noncontrolling interests are separately disclosed in the consolidated statements of income.

The Company writes put options on NCI mainly for dialysis clinics in which nephrologists or nephrology groups own an equity interest. While in certain of the dialysis clinics the Company is generally the majority owner, other non-affiliated parties, such as groups of nephrologists or a single nephrologist, hold an NCI position. Generally, the put options associated with this business model are valid for an unlimited time. Accordingly, they do not constrain a long-term investment into a dialysis clinic by the NCI holder. The put options provide for settlement in cash. For these put options, IAS 32, Financial Instruments: Presentation (IAS 32) paragraph 23 requires the Company to recognize a liability for the present value of the exercise price of the option. The potential purchase price liability is recorded in other current provisions and other current liabilities and other non-current provisions and other non-current liabilities at fair value at the balance sheet date. The exercise price of the option is generally based on fair value which is approximated by a multiple of earnings, e.g. a multiple of the proportionate earnings before interest, taxes, depreciation and amortization of the dialysis clinic, and is therefore affected by the periodic changes in the profitability of such a clinic. The Company believes the accounting treatment of the change in fair value of the put liability under IFRS to this date has not been finally clarified. In the absence of an IFRS that specifically applies to the accounting for put options on NCI, the Company, in line with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) paragraph 10, applied the present access method. According to the present access method, NCI are further recorded in equity. The initial recognition of the purchase price liability, as well as valuation differences, is recorded neutral to profit or loss in equity (SEE NOTE 1 H). This presentation results in information that is relevant to the economic decision-making needs of users and to provide reliable financial information as the Company sees these NCI with written put options as equity holders and accordingly attributes net income to NCI.

The consolidated financial statements for 2019 include FMC AG & CO. KGAA as well as 2,215 companies. In 2019, 51 companies were accounted for by the equity method. During 2019, 195 companies were first-time consolidations and 16 companies were deconsolidated.

The complete list of participations in affiliated and associated companies of FMC AG & CO. KGAA will be submitted to the electronic Federal Gazette and the electronic companies register.

For 2019, the fully consolidated German subsidiaries (SEE TABLE 5.6 ON PAGE 164) of the Company will apply the exemption provided in Section 264 (3) or Section 264b of the HGB and therefore will be exempt from applying certain legal requirements to prepare notes to the statutory standalone financial statements and a management report as well as the requirements of an independent audit and public disclosure.

B) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term investments with original maturities of up to three months. Short-term investments are highly liquid and readily convertible into known amounts of cash. The risk of changes in value is insignificant.

C) Trade accounts and other receivables

Trade accounts and other receivables are posted at the nominal value less individual allowances for doubtful accounts. For information regarding allowance for doubtful accounts SEE NOTE 2 C.

D) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or net realizable value (SEE NOTE 8). Costs included in inventories are based on invoiced costs and/or production costs as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

E) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation (SEE NOTE 10). Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspections if it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from four to 50 years for buildings and improvements with a weighted average life of 14 years and three to 19 years for machinery and equipment with a weighted average life of ten years. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment.

In fiscal years until 2018, prior to the implementation of IFRS 16, property, plant and equipment under capital leases was stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. Equipment held under capital leases and leasehold improvements was amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

T 5.6 COMPANIES EXEMPT FROM APPLYING CERTAIN LEGAL REQUIREMENTS

Name of the company	Registered office of the company
Ärztliches Versorgungszentrum Ludwigshafen GmbH im Lusanum	Ludwigshafen am Rhein, Germany
DiZ München Nephrocare GmbH	Munich, Germany
ET Software Developments GmbH	Heidelberg, Germany
Fresenius Medical Care Beteiligungsgesellschaft mbH	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care Deutschland GmbH	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care EMEA Management GmbH	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care Frankfurt am Main GmbH	Frankfurt am Main, Germany
Fresenius Medical Care GmbH	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care Investment GmbH	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care US Beteiligungsgesellschaft mbH	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care US Vermögensverwaltungs GmbH & Co. KG	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care US Zwei Vermögensverwaltungs GmbH & Co. KG	Bad Homburg v. d. Höhe, Germany
Fresenius Medical Care Ventures GmbH	Bad Homburg v. d. Höhe, Germany
Medizinisches Versorgungszentrum Berchtesgaden GmbH	Berchtesgaden, Germany
MVZ Gelsenkirchen-Buer GmbH	Gelsenkirchen, Germany
Nephrocare Ahrensburg GmbH	Ahrensburg, Germany
Nephrocare Augsburg GmbH	Augsburg, Germany
Nephrocare Berlin-Weißensee GmbH	Berlin, Germany
Nephrocare Betzdorf GmbH	Betzdorf, Germany
Nephrocare Bielefeld GmbH	Bielefeld, Germany
Nephrocare Buchholz GmbH	Buchholz, Germany
Nephrocare Daun GmbH	Daun, Germany
Nephrocare Deutschland GmbH	Bad Homburg v. d. Höhe, Germany
Nephrocare Döbeln GmbH	Döbeln, Germany
Nephrocare Dortmund GmbH	Dortmund, Germany
Nephrocare Friedberg GmbH	Friedberg, Germany
Nephrocare Grevenbroich GmbH	Grevenbroich, Germany
Nephrocare Hagen GmbH	Hagen, Germany
Nephrocare Hamburg-Altona GmbH	Hamburg, Germany
Nephrocare Hamburg-Barmbek GmbH	Hamburg, Germany
Nephrocare Hamburg-Süderelbe GmbH	Hamburg, Germany
Nephrocare Ingolstadt GmbH	Ingolstadt, Germany
Nephrocare Kaufering GmbH	Kaufering, Germany
Nephrocare Krefeld GmbH	Krefeld, Germany
Nephrocare Lahr GmbH	Lahr, Germany
Nephrocare Leverkusen GmbH	Leverkusen, Germany
Nephrocare Ludwigshafen GmbH	Ludwigshafen am Rhein, Germany
Nephrocare Mannheim GmbH	Mannheim, Germany
Nephrocare Mönchengladbach GmbH	Mönchengladbach, Germany
Nephrocare Mühlhausen GmbH	Mühlhausen, Germany
Nephrocare München-Ost GmbH	Munich, Germany
Nephrocare Münster GmbH	Münster, Germany
Nephrocare MVZ Aalen GmbH	Aalen, Germany
Nephrocare Oberhausen GmbH	Oberhausen, Germany
Nephrocare Papenburg GmbH	Papenburg, Germany
Nephrocare Pirmasens GmbH	Pirmasens, Germany
Nephrocare Püttlingen GmbH	Püttlingen, Germany
Nephrocare Recklinghausen GmbH	Recklinghausen, Germany
Nephrocare Rostock GmbH	Rostock, Germany
Nephrocare Salzgitter GmbH	Salzgitter, Germany
Nephrocare Schrobenhausen GmbH	Schrobenhausen, Germany
Nephrocare Starnberg GmbH	Starnberg, Germany
Nephrocare Wetzlar GmbH	Wetzlar, Germany
Nephrocare Witten GmbH	Witten, Germany
Nephrologisch-Internistische Versorgung Ingolstadt GmbH	Ingolstadt, Germany
Nova Med GmbH Vertriebsgesellschaft für medizinischtechnische Geräte und Verbrauchsartikel	Bad Homburg v. d. Höhe, Germany
VIVONIC GmbH	Sailauf, Germany
Zentrum für Nieren- und Hochdruckkrankheiten Bensheim GmbH	Bensheim, Germany

F) Leases

A lease is defined as a contract that conveys the right to use an underlying asset for a period of time in exchange for consideration. A contract is or contains a lease if:

› the underlying asset is identified in the contract, and
› the customer has both the right to direct the identified asset's use and to obtain substantially all the economic benefits from that use.

Under IFRS 16, the Company is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments for almost all leases.

The Company decided not to apply the guidance within IFRS 16 to leases with a total maximum term of twelve months (short-term leases) and leases for underlying assets of low-value. These leases are exempt from balance sheet recognition and lease payments will be recognized as expenses over the lease term.

IFRS 16 is not applied to leases of intangible assets.

Lease liabilities

Lease liabilities are initially recognized at the present value of the following payments:

› fixed lease payments (including in-substance fixed payments), less any lease incentives receivable,
› variable lease payments (linked to an index or interest rate),
› expected payments under residual value guarantees,
› the exercise price of purchase options, where exercise is reasonably certain,
› lease payments in optional renewal periods, where exercise of extension options is reasonably certain, and
› penalty payments for the termination of a lease, if the lease term reflects the exercise of the respective termination option.

Lease payments are discounted using the implicit interest rate underlying the lease if this rate can be readily determined. Otherwise, the incremental borrowing rate is used as the discount rate.

Lease liabilities are subsequently measured at amortised cost using the effective interest method. Furthermore, lease liabilities may be remeasured due to lease modifications or reassessments of the lease. A lease modification is any change in lease terms that was not part of the initial terms and conditions of the lease, including increases of the scope of the lease by adding the right to use one or more underlying assets or extending the contractual lease term, decreases of the scope of the lease by removing the right to use one or more underlying assets or shortening the contractual lease term or changes in the consideration. Reassessments are changes in estimates or changes triggered by a clause that was part of the initial lease contract, including changes in future lease payments arising from a change in an index or rate, change in the Company's estimate of the amount expected to be payable under residual value guarantees or change in the Company's assessment of whether it will exercise purchase, extension or termination options.

A lease modification is accounted for as a separate lease if the modification increases the scope of the lease by adding the right to use one or more underlying assets and the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope. Where a lease modification is accounted for as a separate lease, the respective new lease is recognized at the effective date of the modification based on the illustrated recognition and valuation principles with the initial lease remaining unchanged. Where a lease modification is not accounted for as a separate lease, the initial lease is remeasured.

For most reassessments and lease modifications that are not accounted for a separate lease, lease liabilities are remeasured by discounting the revised lease payments at a revised discount rate. For specific reassessments, the historical interest rate is used.

The revised discount rate is determined at the effective date of the lease modification or the reassessment. When lease liabilities are remeasured in this way, a corresponding remeasurement is made to the carrying amount of the right-of-use asset. Where a lease modification results in a decrease of the scope of the lease, any gain or loss is recognized in profit or loss to reflect the respective partial or full termination of the lease.

For lease contracts that include both lease and non-lease components that are not separable from lease components, no allocation is performed. Each lease component and any associated non-lease components are accounted for as a single lease.

Right-of-use assets

The Company recognizes right-of-use asset at the commencement date of the respective lease. Right-of-use asset are stated at cost less accumulated depreciation. Upon initial recognition, cost comprises of:

› the initial lease liability amount,
› initial direct costs incurred when entering into the lease,
› (lease) payments before commencement date of the respective lease, and
› an estimate of costs to dismantle and remove the underlying asset,
› less any lease incentives received.

Right-of-use assets are depreciated over the shorter of the lease term or the useful life of the underlying asset using the straight-line method. Where a lease agreement includes a transfer of ownership at the end of the lease term or the exercise of a purchase option is deemed reasonably certain, right-of-use assets are depreciated over the useful life of the underlying asset using the straight-line method. In addition, right-of-use assets are reduced by impairment losses, if any, and adjusted for certain remeasurements.

For reassessments and lease modifications that are not accounted for as separate leases, a remeasurement corresponding to the respective remeasurement of the lease liability is recognized (for lease modifications and reassessments, as well as for partial or full termination of a lease please see guidance on "Lease liabilities" on PAGE 165). If the carrying amount of a right-of-use asset is reduced to zero by such remeasurements, the exceeding amount is recorded in profit or loss.

Right-of-use assets are classified into right-of-use assets relating to land, buildings and improvements or machinery and equipment. In addition, prepayments on right-of-use assets are presented separately (SEE NOTE 21).

G) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution rights, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses, trade names, management contracts, application software, acute care agreements and customer relationships are recognized and reported apart from goodwill (SEE NOTE 11). Patient relationships, however, are not reported as separate intangible assets due to the missing contractual basis but are part of goodwill.

Goodwill and identifiable intangibles with indefinite useful lives are not amortized but tested for impairment annually or when an event becomes known that could trigger an impairment. The Company identified trade names and certain qualified management contracts as intangible assets with indefinite useful lives because, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company.

Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes non-compete agreements over their useful life which on average is eight years. Technology is amortized over its useful life of twelve years. Internally developed intangibles are amortized on a straight-line basis over a useful life of eight years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which on average is twelve years. Customer relationships are amortized over their useful life of ten years. All other intangible assets are amortized over their weighted average useful lives of seven years. The weighted average useful life of all amortizable intangible assets is ten years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment (SEE NOTE 1 O).

To perform the annual impairment test of goodwill, the Company identified its groups of cash generating units (CGUS) and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUS. CGUS reflect the lowest level on which goodwill is monitored for internal management purposes.

One CGU was identified in the North America Segment, in the EMEA Segment, in the Asia-Pacific Segment and in the Latin America Segment. For the purpose of goodwill impairment testing, all corporate assets and liabilities are allocated to the CGUS. At least once a year, the Company compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount (value in use) of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the carrying amount of the goodwill.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

For further information SEE NOTE 2 A.

H) Financial instruments

The Company classifies its financial instruments in accordance with IFRS 9 in the following measurement categories: at amortized cost, at fair value through profit and loss (FVPL) and at fair value through other comprehensive income (FVOCI).

Financial assets are classified depending on the business model in which the financial assets are held and the contractual terms of the cash flows. Financial assets are only reclassified when the business model for managing those assets changes. During the reporting period no financial instruments were reclassified. Purchases and sales of financial assets are accounted for on the trading day. The Company does not make use of the fair value option, which allows financial liabilities to be classified at FVPL upon initial recognition. At initial recognition financial asset and financial liabilities are measured at fair value. Excluded are trade accounts receivables. At initial recognition trade accounts receivables (in accordance with IFRS 15) are measured at their transaction price. Subsequent measurement is either at cost, FVPL or FVOCI.

In general, financial liabilities are classified and subsequently measured at amortized cost, with the exception of contingent considerations resulting from a business combination, noncontrolling interests subject to put provisions as well as derivative financial liabilities.

Investments in equity instruments are recognized and subsequently measured at fair value. The Company's equity investments are not held for trading. In general, changes in the fair value of equity investments are recognized in the income statement. However, at initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic equity investments in other comprehensive income (loss) (OCI).

The Company invested in several debt securities, with the objective to achieve both collecting contractual cash flows and selling the financial assets. All debt securities are consequently measured at fair value. Some of these securities give rise on specified dates to cash flows that are solely payments of principle and interest. These securities are subsequently measured at FVOCI. Other securities are measured at FVPL.

The Company, as option writer on behalf of existing put options, can be obligated to purchase the noncontrolling interests held by third parties. The 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 initial recognition and subsequent measurement are recognized in equity. For further information related to the estimation of these fair values SEE NOTE 23.

Derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet (SEE NOTE 23). From time to time, the Company may enter into other types of derivative instruments which are dealt with on a transaction by transaction basis.

Changes in the fair value of derivative financial instruments classified as cash flow hedges are recognized in accumulated OCI (AOCI) in shareholders' equity. The Company only designated the change in fair value of the spot element of foreign exchange forward contracts as the hedging instrument in cash flow hedging relationships. The forward elements are separately accounted for as cost of hedging in a separate component within AOCI. The ineffective portion of cash flow hedge is recognized in the income statement. The change in fair value of derivatives that do not qualify for hedge accounting is recorded in the income statement and usually offsets the changes in value recorded in the income statement for the underlying asset or liability.

Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

Before January 1, 2018, the following categories according to IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) were relevant for the Company: loans and receivables, financial liabilities measured at amortized cost, available for sale financial assets as well as financial assets / liabilities measured at fair value through profit or loss. All other categories were immaterial or not existing.

The Company regularly reviewed if objective substantial evidence occurred that would indicate an impairment of a financial asset or a portfolio of financial assets. After testing the

recoverability of these assets, a possible impairment loss was recorded in the consolidated statements of income. Gains and losses of available for sale financial assets were recognized in AOCI in shareholders' equity until the financial asset was disposed of or if it was considered to be impaired. In these cases, the accumulated net loss recorded in AOCI was transferred to the income statement.

Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlying assets and liabilities were recognized periodically in earnings, while the effective portion of changes in fair value of derivative financial instruments classified as cash flow hedges were recognized in AOCI in shareholders' equity. All amounts recorded in AOCI were subsequently reclassified and recorded in the consolidated statements of income.

I) Impairment of financial assets

The impairment of financial assets is based on the expected credit loss approach, as introduced by IFRS 9. Prior to the introduction of IFRS 9, the incurred loss model of IAS 39 required the recognition of an allowance once a loss event occurred. An additional allowance was recorded based on individual country risk for receivables overdue by more than one year. IFRS 9 replaces the incurred loss model under IAS 39 with an expected credit loss approach.

The expected credit loss approach requires that all impacted financial assets will carry a loss allowance based on their expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses over the contractual life of the financial assets.

This model comprises a three-stage approach. Upon recognition, the Company shall recognize losses that are expected within the next twelve months. If credit risk deteriorates significantly, from that time, impairment losses shall amount to lifetime expected losses. When assessing for significant increases in credit risk, the Company shall compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The Company should consider reasonable and supportable information including historic loss rates, present developments such as liquidity issues and information about future economic conditions, to ensure foreseeable changes in the customer-specific or macroeconomic environment are considered. Separately, there is the rebuttable presumption that the credit risk has increased significantly since the initial recognition when contractual payments are overdue by more than 30 days.

In case of objective evidence of impairment there is an assignment to stage 3. The assignment of a financial asset to stage 3 should rely on qualitative knowledge on the customers' unfavorable financial position (for example bankruptcy, lawsuits with private or public payers), or quantitative criteria, based on an individual maturity analysis. Independently, there is an assignment to stage 3 if the contractual payments are overdue by more than 360 days. When a counterpart defaults, all financial assets against this counterpart are considered impaired. The definition of default is mainly based on payment practices specific to individual regions and businesses.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, contract assets and lease receivables as well as in investments in debt securities measured at fair value through other comprehensive income. The financial assets mainly comprise trade accounts and other receivables as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument. Financial assets whose expected credit loss is not assessed individually are grouped on the basis of geographical regions and the impairment is generally assessed on the basis of macroeconomic indicators such as credit default swaps.

For trade accounts receivable, the Company uses the simplified method which requires recognizing lifetime expected credit losses at inception. However, expected credit losses on cash and cash equivalents are measured according to the general method which is based on twelve-month expected credit losses. Due to the short maturity term of the financial instruments this corresponds with the lifetime expected loss.

Based on the external credit ratings of the counterparties the Company considers that its cash and cash equivalents have a low credit risk.

J) Foreign currency translation

For purposes of these consolidated financial statements, the euro is the reporting currency. The requirement to report in euro arises from Section 315e and Section 244 HGB. Substantially all assets and liabilities of foreign subsidiaries, that use a functional currency other than the euro, are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net earnings and are reported in AOCI. In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are reported in AOCI.

The exchange rates of the U.S. dollar affecting foreign currency translation developed as shown in TABLE 5.7.

T 5.7 **EXCHANGE RATES**
1 U.S. DOLLAR IN EURO

December 31, 2019	December 31, 2018	2019	2018	2017
spot exchange rate in €	spot exchange rate in €	average exchange rate in €	average exchange rate in €	average exchange rate in €
0.89015	0.87336	0.89328	0.84678	0.88519

K) Revenue recognition

The Company has adopted IFRS 15 as of January 1, 2018, which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15, the new rules have been adopted only to those contracts that are not considered completed contracts as of January 1, 2018 following the cumulative effect method with no restatement of the comparative periods presented.

For both health care services revenue and health care products revenue, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

Health care services

Health care services revenue, other than the hospitalist and insurance revenues discussed below, are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for health care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. In the U.S., these arrangements are generally with third party payors, such as Medicare, Medicaid or commercial insurers. Outside the U.S., the reimbursement is usually made through national or local government programs with reimbursement rates established by statute or regulation.

Prior to the divestiture of the Company's controlling interest in Sound Inpatient Physicians, Inc. (Sound) on June 28, 2018, hospitalist revenues in the U.S. were reported at the estimated net realizable amount from third-party payors, client hospitals, and others at the time services were provided. Third-party payors included federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, and commercial insurance companies. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries were paid according to a fee-for-service schedule. These rates varied according to a patient classification system that was based on clinical, diagnostic and other factors. Inpatient acute services generated through payment arrangements with managed care health plans and commercial insurance companies were recorded on an accrual basis in the period in which services were provided at established rates.

For services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed the Company concludes that the consideration is variable ("implicit price concession") and records the difference between the billed amount and the amount estimated to be collectible as a reduction to health care services revenue, whereas prior to the adoption of IFRS 15 it was recorded as part of selling, general and administrative expenses as an allowance for doubtful accounts. Implicit price concessions include such items as amounts due from patients without adequate insurance coverage, patient co-payment and deductible amounts due from patients with health care coverage. The Company determines implicit price concessions based primarily upon past collection history. Upon receipt of new information relevant for the determination of the implicit price concession, the Company constrains, or adjusts the constraints for the variable consideration of the transaction price.

In the U.S., the Company generates revenue from insurance contracts in accordance with IFRS 4, Insurance Contracts (IFRS 4). Insurance premium revenue is recognized as earned each month and risk adjustments are offset against revenue. Prior to January 1, 2019, in the U.S. the Company provided Medicare Advantage ESRD Chronic Conditions Special Needs Plan products. These were Medicare Advantage health plans offered by the Company that contracted with the Centers for Medicare and Medicaid Services (CMS) to provide patients with Medicare benefits and receive capitated payments from CMS. Furthermore, the Company has also entered into sub-capitation and other shared savings arrangements with certain payors.

Revenue from insurance contracts is disclosed as part of "Other revenue" separately from "Revenue from contracts with customers" in the notes to the consolidated financial statements.

Health care products

In the health care product business, major revenues are generated from the sale of dialysis machines and water treatment systems, home hemodialysis products, disposable products and maintenance agreements for the Company´s health care products. Revenues from the sale of dialysis machines and water treatment system are typically recognized upon installation and provision of the necessary technical instructions as only thereafter the customer obtains control of the medical device whereas prior to the adoption of IFRS 15 revenues were recorded upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. A small portion of the Company´s revenue is recognized from sales of dialysis machines, home hemodialysis products and other products used for in-center hemodialysis treatment to distributors. When the distributor is the principal in the contract, the revenue allocated to the machine or the products will be recognized upon transfer of title to the distributor. In case the Company is committed to perform the installation, revenue allocated to the installation would be recorded separately upon installation of the machine at the end-customers' premises. In case the distributor is only an agent in the contract, revenue for sale of the machine would be recorded upon installation.

Under consignment arrangements revenue is recognized upon withdrawal of the products by the customer.

Maintenance is provided over time, and as such revenue is typically recognized on a straight-line basis.

All other dialysis and non-dialysis product revenues are recognized upon transfer of title to the customer. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

A portion of dialysis product revenues is generated from arrangements which give the customer, typically a health care provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. If the right to use the machine is conveyed through an operating lease and the customer agrees to purchase a minimum number of related treatment disposables, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables upon transfer of control with revenue for the use of dialysis machines recognized straight-line over the term of the lease contract. When there is no such agreement that the customer purchases a minimum number of related treatment disposables, revenue is recognized only on the sale of disposables unless the timing of the first purchase order of related treatment disposables justifies a combination of contracts according to IFRS 15.

If the lease of the machines is a finance lease, ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for finance leases.

For certain home dialysis products the Company offers month-to-month rental arrangements, where revenue is recognized on a monthly basis.

In addition, for some licensing agreements and equipment sales to dialysis clinic customers in the area of home dialysis, the Company recognizes upfront fees received as lease revenue on a straight-line basis over the term of the contract.

IFRS 15 specifically excludes leases from the scope of the revenue standard. Therefore, the transaction price is allocated in accordance with IFRS 15, and revenue is recognized separately for the lease and the non-lease components of the contract in accordance with IFRS 16.

Revenue from lease contracts is disclosed as part of "Other revenue" separately from "Revenue from contracts with customers" in the notes to the consolidated financial statements.

L) Capitalized interest

The Company includes capitalized interest as part of the cost of the asset if it is directly attributable to the acquisition, construction or manufacture of qualifying assets. For the fiscal years 2019, 2018 and 2017, interest of €7,240, €5,724 and €4,758, based on an average interest rate of 3.84 %, 4.03 % and 4.19 %, respectively, was recognized as a component of the cost of assets.

M) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge. Development is the technical and commercial implementation of research results and takes place before the start of commercial production or use. Research costs are expensed as incurred. Development costs that fully meet the criteria

for the recognition of an intangible asset set out in IAS 38, Intangible Assets (IAS 38) are capitalized as intangible asset.

N) Income taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the single entity's financial statement carrying amounts of existing assets and liabilities and their respective tax basis, tax credits and tax loss carryforwards which are probable to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. A change in tax rate for the calculation of deferred tax assets and liabilities is recognized in the period the new laws are enacted or substantively enacted. The effects of the adjustment are generally recognized in the income statement. The effects of the adjustment are recognized in equity, if the temporary differences are related to items directly recognized in equity.

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. In addition, deferred tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. A deferred tax asset is recognized to the extent that the utilization of parts or all of it is probable because sufficient taxable profit will be available (SEE NOTE 4 H). The determination of future taxable income is based on assumptions on future market conditions and future profits of FMC AG & CO. KGAA and considers all currently available information as well as the level of historical taxable income. In addition, the determination of the recoverable amount of deferred tax assets considers implemented tax strategies.

The Company recognizes assets and liabilities for uncertain tax treatments to the extent it is probable the tax will be recovered or that the tax will be payable, respectively.

In North America and Germany, interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37. All other jurisdictions account for interest and penalties related to income taxes in accordance with local tax rules of the respective tax jurisdiction either under IAS 37 or as income tax expense under IAS 12.

O) Impairment

The Company reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives, its right-of-use assets as well as other non-current assets for impairment whenever events or changes in circumstances indicate that the carrying amount is higher than the asset's net realizable value or its value in use in accordance with IAS 36, Impairment of Assets (IAS 36). The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant asset. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of the future cash flows of the corresponding CGUs.

Impairment losses, except impairment losses recognized on goodwill, are reversed up to the amount of the amortised acquisition cost, as soon as the reasons for impairment no longer exist.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

P) Debt issuance costs

Debt issuance costs related to a recognized debt liability are presented on the balance sheet as a direct deduction from the carrying amount of that debt liability. These costs are amortized over the term of the related obligation (SEE NOTE 14).

Q) Self-insurance programs

SEE NOTE 2 D.

R) Concentration of risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to health care providers throughout the world, and in providing kidney dialysis treatment. The Company also provides additional health care services under Care Coordination. The Company performs ongoing evaluations of its customers' financial condition and, generally, requires no collateral.

Revenues which were earned and subject to regulations under Medicare and Medicaid, governmental health care programs administered by the U.S. government, were approximately 33 %, 33 %, and 34 % of the Company's worldwide revenues in 2019, 2018 and 2017, respectively.

SEE NOTE 2 C for concentration risks of debtors or group of debtors as well as NOTE 8 for discussion of suppliers with long-term purchase commitments.

S) Legal contingencies

SEE NOTE 2 B.

T) Other provisions

In accordance with IAS 12 and IAS 37, accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the required amount can be reliably estimated. Provisions by their nature are more uncertain than most other items in the statement of financial position.

Tax accruals include obligations for the current year and for prior periods.

Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation.

U) Earnings per share

Basic earnings per share is calculated in accordance with IAS 33, Earnings per Share (IAS 33). Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on shares that would have been outstanding during the years presented had the dilutive instruments been issued. For the calculation of basic earnings per share, treasury stock is not considered outstanding and is therefore deducted from the number of shares outstanding.

Equity-settled awards granted under the Company's stock incentive plans (SEE NOTE 20), are potentially dilutive equity instruments.

V) Treasury stock

The Company may, from time to time, acquire its own shares (Treasury Stock) as approved by its shareholders. The acquisition, sale or retirement of its Treasury Stock is recorded separately in equity. The value of such Treasury Stock is shown as a reduction of the Company's equity.

W) Employee benefit plans

Pension obligations for post-employment benefits are measured in accordance with IAS 19 (revised 2011), Employee Benefits (IAS 19), using the projected unit credit method, taking into account future salary and trends for pension increase.

The Company uses December 31 as the measurement date when measuring the deficit or surplus of all plans.

For the Company's funded benefit plans the defined benefit obligation is offset against the fair value of plan assets (deficit or surplus). A pension liability is recognized in the consolidated balance sheet if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under "Other non-current assets" in the consolidated balance sheet) if the fair value of plan assets exceeds the defined benefit obligation and if the Company has a right of reimbursement against the fund or a right to reduce future payments to the fund.

Net interest costs are calculated by multiplying the benefit obligation (fair value of plan assets) at beginning of the year with the discount rate utilized in determining the benefit obligation.

Remeasurements include actuarial gains and losses resulting from the evaluation of the defined benefit obligation as well as from the difference between actual investment returns and the return implied by the net interest cost. In the event of a surplus for a defined benefit pension plan remeasurements can also contain the effect from asset ceiling, as far as this effect is not included in net interest costs.

Remeasurements are recognized in AOCI completely. It is not allowed to reclassify the remeasurements in subsequent periods. Components of net periodic benefit cost are recognized in profit and loss of the period.

X) Share-based plans

The grant date fair value of stock options and convertible equity instruments that are settled by delivering equity instruments granted to the Management Board and executive employees of the Group entities by FMC AG & CO. KGAA is measured in accordance with IFRS 2, Share-based Payment (IFRS 2) using the binominal option pricing model and recognized as expense over the vesting period of the stock option plans. For certain exceptions a shorter vesting period may apply after which the stock options will not forfeit in any way. In such cases the vesting period is shortened accordingly.

The balance sheet date fair value of cash-settled phantom stock granted to the Management Board and executive employees of the Company is calculated in accordance with IFRS 2 using the binominal option pricing model. The corresponding liability based on the balance sheet date fair value is accrued over the vesting period of the phantom stock plans. For certain exceptions a shorter vesting period may apply after which the phantom stock will not forfeit in any way. In such cases the vesting period is shortened accordingly.

The balance sheet date fair value of cash-settled performance shares granted to the Management Board and executive employees of the Company is calculated using the Monte Carlo pricing model in accordance with IFRS 2. The corresponding liability based on the balance sheet date fair value is accrued over the vesting periods of the performance share plans. For certain exceptions a shorter vesting period may apply after which the performance shares will not forfeit in any way. In such cases the vesting period is shortened accordingly.

Y) Recent pronouncements

Recently implemented accounting pronouncements

The Company has prepared its consolidated financial statements at December 31, 2019 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2019. In 2019, the Company applied the following new standard relevant for its business for the first time:

IFRS 16

In January 2016, the IASB issued IFRS 16, which supersedes the current standard on lease-accounting, IAS 17, as well as the interpretations IFRIC 4, Determining whether an arrangement contains a lease, Standard Interpretations Committee (SIC)-15, Operating leases - incentives and SIC-27, Evaluating the substance of transactions in the legal form of a lease.

IFRS 16 significantly changes lessee accounting. For almost all leases, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Leases with a total maximum term of twelve months (short-term leases) and leases for underlying assets of low-value may be exempt from balance sheet recognition by applying an accounting policy choice.

Depreciation of the right-of-use asset and interest on the lease liability must be recognized in the income statement for every on-balance lease contract. Therefore, straight-line rental expenses will no longer be shown for the vast majority of the leases. The lessor accounting requirements in IAS 17 are substantially carried forward.

The Company applies the modified retrospective method in accordance with IFRS 16 as the transition method. Accordingly, the cumulative effect from first-time application is recognized in the opening balance of retained earnings as of January 1, 2019 without adjustments to the comparative information of the previous period. In the application of the modified retrospective method, the carrying amount of the lease liability at the date of the initial application is determined by discounting the remaining lease payments of lease agreements that were classified as operating leases under IAS 17 using the term-, country-, and currency-specific incremental borrowing rate at date of initial application. Furthermore, right-of-use assets are to be recognized. In the application of the modified retrospective method, the carrying amount of the right-of-use asset equals the carrying amount of the lease liability adjusted for any prepaid

or accrued lease payments. For a part of the existing contracts, the Company recognizes the right-of-use asset with its carrying amount assuming the new standard had been applied since the commencement date of the lease discounted using its term-, country-, and currency-specific incremental borrowing rate at the date of initial application.

Regarding the options and exemptions available upon the initial application of IFRS 16, the Company adopted the following approach:

- IFRS 16 is only applied to contracts that were previously identified as leases under IAS 17 and IFRIC 4.
- Recognition, valuation and disclosure principles of IFRS 16 are not applied to lease contracts with a lease term ending in less than 12 months from the date of the initial application. The respective lease contracts are accounted for as if they were short term leases and recognized as an expense accordingly.
- Material initial direct costs are included in the measurement of a right-of-use asset with the carrying amount assuming the new standard was applied since the commencement date of the lease.
- Upon initial recognition no impairment review is performed. The right-of-use assets are adjusted for onerous contract provisions, recognized on the consolidated balance sheet immediately before the date of initial application.

Right-of-use assets from lease contracts are classified in accordance with the Company's classification of property, plant and equipment:

- Right-of-use assets: Land,
- Right-of-use assets: Buildings and improvements,
- Right-of-use assets: Machinery and equipment.

In addition to the right-of-use asset categories above, prepayments on right-of-use assets are presented separately. Right-of-use assets from lease contracts and lease obligations are presented separately from property, plant and equipment and other financial debt in the consolidated balance sheet.

For lease contracts that include both lease and non-lease components that are not separable from lease components, no allocation is performed. Each lease component and any associated non-lease components are accounted for as a single lease.

Upon the initial application of IFRS 16 as of January 1, 2019, the Company recognized right-of-use assets of €4,276,532 and lease liabilities from third and related parties of €4,552,431. The cumulative effect from the first-time application is recognized in the opening balance of retained earnings (€120,809) as well as in noncontrolling interests (€15,526) as of January 1, 2019.

TABLE 5.8 shows a reconciliation of the future minimum rental payments as of December 31, 2018 to the lease liabilities as of January 1, 2019.

T 5.8 RECONCILIATION OF LEASE LIABILITIES UPON THE INITIAL APPLICATION OF IFRS 16
IN € THOUS

Future minimum rental payments as of December 31, 2018 (IAS 17)	5,527,638
less short-term leases	(21,936)
less leases of low-value assets	(34,145)
other	(25,169)
GROSS LEASE LIABILITIES AS OF JANUARY 1, 2019	**5,446,388**
Discounting	(893,957)
LEASE LIABILITIES AS A RESULT OF THE INITIAL APPLICATION OF IFRS 16 AS OF JANUARY 1, 2019	**4,552,431**
Lease liabilities from capital leases as of December 31, 2018 (IAS 17)	36,144
LEASE LIABILITIES AS OF JANUARY 1, 2019	**4,588,575**

The lease liabilities were discounted using the term-, country-, and currency-specific incremental borrowing rate as of January 1, 2019. The weighted average discount rate was 3.69 %.

For the impacts of IFRS 16 please SEE NOTE 21.

Recent accounting pronouncements not yet adopted

The IASB issued the following new standard which is relevant for the Company:

IFRS 17, Insurance Contracts

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure related to the issuance of insurance contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was brought in as an interim

standard in 2004. IFRS 4 permitted the use of national accounting standards for the accounting of insurance contracts under IFRS. As a result of the varied application for insurance contracts there was a lack of comparability among peer groups. IFRS 17 eliminates this diversity in practice by requiring all insurance contracts to be accounted for using current values. The frequent updates to the insurance values are expected to provide more useful information to users of financial statements. IFRS 17 is effective for fiscal years beginning on or after January 1, 2021. Earlier adoption is permitted for entities that have also adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. The Company is evaluating the impact of IFRS 17 on the consolidated financial statements.

The EU Commission's endorsement of IFRS 17 is still outstanding.

In the Company's view, all other pronouncements issued by the IASB do not have a material impact on the consolidated financial statements, as expected.

2. DISCRETIONARY DECISIONS AND SOURCES OF ESTIMATION UNCERTAINTIES

The Company's reported results of operations, financial position and net assets are sensitive to discretionary decisions, assumptions and estimates that are the basis for its financial statements. The critical accounting policies, the judgements made in the creation and application of these policies and the sensitivities of reported results to changes in accounting policies, discretionary decisions and estimates are factors to be considered along with the Company's financial statements. In the opinion of the Management of the Company, the following accounting policies, discretionary decisions and sources of estimation uncertainties are critical for the consolidated financial statements in the present economic environment.

A) RECOVERABILITY OF GOODWILL AND INTANGIBLE ASSETS

The growth of the business through acquisitions has created a significant amount of intangible assets, including goodwill, trade names, management contracts, non-compete agreements, technology and customer relationships as well as licences and distribution agreements. In addition, the Company recognizes internally developed intangible assets related to research and development and software development projects. At December 31, 2019, the carrying amount of goodwill and non-amortizable intangible assets amounted to €14,247,709 (€12,395,641 at December 31, 2018) representing approximately 43 % and 47 % of the Company's total assets at December 31, 2019 and 2018, respectively.

In accordance with IAS 36, the Company performs an impairment test of goodwill and non-amortizable intangible assets at least once a year for each cash-generating unit or more frequently if the Company becomes aware of events that occur or if circumstances change that would indicate the carrying value may not be recoverable (SEE ALSO NOTE 1 G).

To comply with IFRS to determine possible impairments of these assets, the value in use of the CGUS is first compared to the CGUS' carrying amount.

The value in use of each CGU is determined using estimated future cash flows for the unit discounted by a weighted average cost of capital (WACC) specific to that CGU. The Company's WACC consists of a basic rate adjusted by a weighted average country risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions within each CGU, until they are appropriately integrated. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. The key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources. In determining discounted cash flows, the Company utilizes for every CGU its three-year budget, projections for years four to ten and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the non-discretionary nature of the health care services the Company provides, the need for health care products utilized to provide such services and the availability of government reimbursement for a substantial portion of its services.

A substantial portion of the Company´s profit is generated in North America. The Company expects a stable operating income margin with a higher margin in dialysis business compensating a lower margin in Care Coordination.

TABLE 5.9 ON PAGE 176 shows the key assumptions of value-in-use calculations.

An overview of the carrying amounts of goodwill and intangibles with indefinite useful life for each CGU is shown in NOTE 11. To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values and intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

T 5.9 **KEY ASSUMPTIONS**
IN %

	North America		EMEA		Asia-Pacific		Latin America	
	2019	2018	2019	2018	2019	2018	2019	2018
Average revenue growth in ten year projection period	mid-single-digit	mid-single-digit	mid-single-digit	mid-single-digit	high-single-digit	high-single-digit	mid-single-digit	mid-single-digit
Residual value growth	1.00	1.00	1.00	1.00	4.00	4.00	2.95	3.45
Pre-tax WACC	7.71	7.42	8.73	9.46	6.79	7.81	10.45–20.02	11.93–16.75
After-tax WACC	6.00	5.99	6.25	6.86	6.04	6.61	8.06–17.63	8.70–13.52

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services and for procuring and selling health care products could adversely affect the Company's estimated future cash flows. Future adverse changes in a cash-generating unit's economic environment of a CGU could affect the country specific risk rate and therefore the discount rate. Equally an increase of the general interest rate level could affect the base rate and therefore the discount rate. A decrease in the estimated future cash flows and/or a decline in the cash-generating units economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful life which could materially and adversely affect the Company's future financial position and operating results.

In 2019, the recoverable amount of Latin America exceeds the carrying amount by €217,815. TABLE 5.10 shows the amounts by which the key assumptions would need to change individually that the recoverable amount equals the carrying amount.

T 5.10 **SENSITIVITY ANALYSIS**
CHANGE IN PERCENTAGE POINTS

	Latin America	
	2019	2018
Pre-tax WACC	**1.87**	0.27
Operating income margin of each projection year	**(2.03)**	(0.32)
Residual value growth	**(2.13)**	(0.47)

B) LEGAL CONTINGENCIES

From time to time, during the ordinary course of operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business (SEE NOTE 22). The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

The outcome of these matters may have a material effect on the results of operations, financial position and net assets of the Company.

C) TRADE ACCOUNTS AND OTHER RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts and other receivables are a substantial asset of the Company and the allowance for doubtful accounts is based upon a significant estimate made by management. Trade accounts and other receivables were €3,421,346 and €3,231,500 at December 31, 2019 and

2018, respectively, net of allowances for doubtful accounts of €141,358 at December 31, 2019 and €118,015 at December 31, 2018.

The Company sells health care products directly or through distributors in around 150 countries and provides health care services in around 50 countries. Most payors are government institutions or government-sponsored programs with significant variations between the countries and even between payors within one country in local payment and collection practices.

Receivables resulting from health care services are recognized and billed at amounts estimated to be collectable under government reimbursement programs and reimbursement arrangements with third party payors. U.S. Medicare and Medicaid government programs are billed at pre-determined net realizable rates per treatment that are established by statute or regulation. Revenues for non-governmental payors with which the Company has contracts or letters of agreement in place are recognized at the prevailing contract rates. The remaining non-governmental payors are billed at the Company's standard rates for services and, in the Company's North America segment, a contractual adjustment is recorded to recognize revenues based on historic reimbursement. The contractual adjustment and the allowance for doubtful accounts are reviewed quarterly for their adequacy. No material changes in estimates were recorded for the contractual allowance in the periods presented. The collectability of receivables is reviewed locally on a regular basis, generally monthly. For further information SEE NOTE 1 K.

In the Company's North America Segment operations, the collection process is usually initiated shortly after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

Public health institutions in a number of countries outside the U.S. require a significant amount of time until payment is made because a substantial number of payors are government entities whose payments are often determined by local laws and regulations and budget constraints. Depending on local facts and circumstances, the period of time to collect can be quite lengthy. In those instances where there are commercial payors, the same type of collection process is initiated as in the North America Segment.

Due to the number of subsidiaries and different countries that the Company operates in, the Company's policy of determining when an individual allowance is required considers the appropriate individual local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low to moderate credit risks. It is the Company's policy to determine when receivables should be classified as bad debt on a local basis taking into account local payment practices and local collection experience. An individual allowance is calculated locally if specific circumstances indicate that amounts will not be collectible.

Receivables where the expected credit losses are not assessed individually are grouped based on geographical regions and the impairment is assessed based on macroeconomic indicators such as credit default swaps. For more information regarding the impairment on trade accounts and other receivables please refer to NOTE 1 I.

When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

Write offs are taken on a claim-by-claim basis. Due to the fact that a large portion of its reimbursement is provided by public health care organizations and private insurers, the Company expects that most of its accounts receivables will be collectible, albeit potentially more slowly outside the North America Segment. A significant change in the Company's collection experience, deterioration in the aging of receivables and collection difficulties could require that the Company increases its estimate of the allowance for doubtful accounts. Any such additional bad debt charges could materially and adversely affect the Company's future operating results.

If, in addition to the Company's existing allowances, 1 % of the gross amount of the Company's trade accounts receivable as of December 31, 2019 were uncollectible through either a change in the Company's estimated contractual adjustment or revised estimate of the collectability, the Company's operating income for 2019 would have been reduced by approximately 1.6 %.

TABLE 5.11 shows the portion of major debtors or debtor groups of trade accounts and other receivables as at December 31, 2019 and 2018. No single debtor, other than U.S. Medicare and Medicaid, accounted for more than 5 % of total trade accounts and other receivables in any of these years.

T 5.11 **COMPOSITION OF TRADE ACCOUNTS AND OTHER RECEIVABLES**

December 31,	2019	2018
U.S. Government health care programs	30 %	31 %
U.S. commercial payors	15 %	14 %
U.S. hospitals	4 %	4 %
Self-pay of U.S. patients	2 %	3 %
Other North America Segment payors	4 %	3 %
Product customers and health care payors outside the North America Segment	45 %	45 %
TOTAL	**100 %**	**100 %**

D) SELF-INSURANCE PROGRAMS

Under the Company's insurance programs for professional, product and general liability, auto liability, worker's compensation and medical malpractice claims, the Company's largest subsidiary which is located in the U.S. is partially self-insured for professional liability claims. For all other coverages, the Company assumes responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

E) LEVEL 3 FINANCIAL INSTRUMENTS

Noncontrolling interests subject to put provisions, variable payments outstanding for acquisitions and equity investments are recognized at their fair value. For further information related to the estimation of these fair values, SEE NOTES 1 H AND 23.

F) INCOME TAXES

The Company is subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. Different interpretations of tax laws may lead to potential additional tax payments or tax refunds for prior years. To consider income tax provisions or income tax receivables of uncertain tax assessments management's estimations are based on local tax rules of the respective tax jurisdiction and the interpretation of such. Estimates are revised in the period in which there is sufficient evidence to revise the assumption. For further information to estimates related to the recoverability of deferred taxes, SEE NOTE 1 N.

G) BUSINESS COMBINATIONS

The Company measures the noncontrolling interest in an acquisition at fair value and classifies costs related to its business combinations within general and administrative expense. In determining whether an intangible asset related to a business combination is identifiable and should be separated from goodwill, significant judgment is required. Additionally, estimation of the acquisition-date fair values of identifiable assets acquired and liabilities assumed also involves significant judgment. The applicable measurements and inputs used in this estimation (including revenue growth rates, gross profit margin adjusted for synergy assumptions associated with manufacturing savings and the discount rate) are based upon information available at the acquisition date using expectations and assumptions that management deems reasonable. Such judgments, estimates and assumptions could materially affect the Company's business, results of operations and financial condition, primarily due to:

- Fair values assigned to assets subject to depreciation and amortization directly impact the depreciation and amortization recorded in the Company's consolidated statements of income in periods subsequent to a related acquisition.
- Any subsequent measurement resulting in a decrease in the estimated fair values of assets acquired may result in impairment.
- Subsequent changes resulting in an increase or decrease to the estimated fair values of liabilities assumed may result in additional expense or income, respectively.

For further information on business combinations SEE NOTE 3.

3. ACQUISITIONS, INVESTMENTS, PURCHASES OF INTANGIBLE ASSETS AND DIVESTITURES

The Company completed acquisitions, investments and the purchase of intangible assets in the amount of €2,297,173, €956,803 and €682,676 in 2019, 2018 and 2017, respectively. In 2019, €2,232,671 was paid in cash and €64,502 were assumed obligations and non-cash consideration. In 2018, €925,267 was paid in cash and €31,536 were assumed obligations and non-cash consideration. In 2017, €565,694 was paid in cash and €116,982 were assumed obligations and non-cash consideration.

ACQUISITIONS

The Company made acquisitions of €2,224,599, €280,643 and €638,307 in 2019, 2018 and 2017, respectively in order to expand the scope of its services and to increase its market shares in the respective countries. In 2019, €2,160,097 was paid in cash and €64,502 were assumed obligations and non-cash consideration. In 2018, €249,965 was paid in cash and €30,678 were assumed obligations and non-cash consideration. In 2017, €521,325 was paid in cash and €116,982 were assumed obligations and non-cash consideration.

The Company's acquisition spending was driven primarily by the purchase of dialysis clinics in the normal course of its operations in 2019, 2018 and 2017 as well as the acquisition of NxStage Medical, Inc. (NxStage) in 2019 and the acquisition of an operator of day hospitals in Australia in 2017.

Impacts on consolidated financial statements from acquisitions

The assets and liabilities of all acquisitions were recorded at their estimated fair value at the date of the acquisition and are included in the Company's financial statements and operating results from the effective date of acquisition. The measurement period adjustments from the previous year's acquisitions did not have a significant impact on the consolidated financial statements in 2019.

The excess of the total acquisition costs over the fair value of the net assets acquired resulted in goodwill of €1,607,559 and €328,702 at December 31, 2019 and 2018, respectively.

The purchase price allocation for the acquisition of NxStage was finalized during the year. In 2019, the Company recorded €1,607,559 of goodwill and €685,047 of intangible assets, which represent the share of both controlling and noncontrolling interests. Goodwill arose principally due to the fair value of the established streams of future cash flows for these acquisitions versus building similar franchises.

Business combinations during 2019 decreased the Company's net income (net income attributable to shareholders of FMC AG & CO. KGAA) by €68,599, excluding the costs of the acquisitions, and revenue increased by €364,892. Total assets increased €2,639,432 due to business combinations.

Acquisition of NxStage Medical, Inc.

On February 21, 2019, the Company acquired all of the outstanding shares of NxStage for $30.00 per common share. The total acquisition value of this business combination, net of cash acquired, is $1,976,235 (€1,740,563 at date of closing). NxStage is a leading medical technology company that develops, produces and markets an innovative product portfolio of medical devices for use in home dialysis and in the critical care setting. This acquisition is part of the Company's stated strategy to expand and complement its existing business through acquisitions. Generally, these acquisitions do not change the Company's business model and can be integrated without disruption to its existing business, requiring little or no realignment of its structures. The NxStage acquisition is consistent in this regard as it supplements the Company's existing business.

TABLE 5.12 summarizes the fair values, as of the date of acquisition based upon information available, as of December 31, 2019, of assets acquired and liabilities assumed at the date of the acquisition.

T 5.12 FAIR VALUES OF ASSETS ACQUIRED AND LIABILITIES ASSUMED
IN $ THOUS

Cash and cash equivalents	47,203
Trade accounts and other receivables	34,062
Inventories	63,735
Other current assets	15,819
Property, plant and equipment	104,533
Right-of-use assets	21,603
Intangible assets and other assets	761,734
Goodwill	1,201,613
Accounts payable, current provisions and other current liabilities	(72,429)
Deferred taxes	(100,485)
Lease liabilities	(22,065)
Other liabilities	(27,822)
Noncontrolling interests	(4,063)
TOTAL ACQUISITION COST	**2,023,438**
Less: Cash acquired	(47,203)
NET CASH PAID	**1,976,235**

As of the acquisition date amortizable intangible assets (primarily technology in the amount of $660,300) acquired in this acquisition have weighted average useful lives of 13 years.

Goodwill in the amount of $1,201,613 was acquired as part of the NxStage acquisition and is allocated to the North America Segment.

NxStage's results have been included in the Company's consolidated statements of income since February 21, 2019. Specifically, NxStage has contributed revenue and an operating loss in the amount of $294,281 (€262,875) and $31,145 (€27,821) respectively, to the Company's consolidated operating income. This operating loss amount does not include synergies which may have resulted at consolidated entities outside NxStage since the acquisition closed.

Pro forma financial information

The following financial information, on a pro forma basis, reflects the consolidated results of operations for the twelve months ended December 31, 2019 as if the NxStage acquisition had been consummated on January 1, 2019 and excludes related transaction costs (SEE TABLE 5.13). The pro forma financial information is not necessarily indicative of the results of operations as it would have been had the transactions been consummated on January 1, 2019.

T 5.13 PRO FORMA FINANCIAL INFORMATION
IN € THOUS, EXCEPT PER SHARE DATA

	2019
Pro forma revenue	17,521,432
Pro forma net income attributable to shareholders of FMC AG & Co. KGaA	1,186,516
Basic earnings per share	3.92
Diluted earnings per share	3.92

INVESTMENTS AND PURCHASES OF INTANGIBLE ASSETS

Investments and purchases of intangible assets were €72,574, €676,160 and €44,369 in 2019, 2018 and 2017, respectively. These amounts were primarily driven by investments in debt securities as well as equity investments in 2019, investments in debt securities and an equity investment in Humacyte, Inc. (Humacyte) in 2018 as well as purchases of intangible assets and an investment in debt securities in 2017. Of this amount €72,574, €675,302 and €44,369 were paid in cash in 2019, 2018 and 2017, respectively.

DIVESTITURES

Proceeds from divestitures were €79,427, €1,683,292 and €437,031 in 2019, 2018 and 2017, respectively. These amounts mainly related to the divestment of MedSpring Urgent Care Centers in Texas, a California based cardiovascular business, sales of debt securities as well as B. Braun Medical Inc.'s purchase of NxStage's bloodlines business in connection with our acquisition of NxStage in 2019, the divestiture of the controlling interest in Sound (SEE NOTES 4 C AND 25) as well as divestitures of debt securities in 2018, the sale of a provider of non-dialysis laboratory testing services as well as a provider of outsourced clinical services in the North America Segment and divestitures of debt securities in 2017. In 2019, €59,940 was

received in cash and €19,487 were non-cash components. In 2018, €1,682,975 was received in cash and €317 were non-cash components. In 2017, €415,388 was received in cash and €21,643 were non-cash components.

4. NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

A) REVENUE

The Company has recognized revenue in the consolidated statements of income for the year ended December 31, 2019 and 2018 as shown in TABLE 5.14.

T 5.14 **REVENUE**
IN € THOUS

	2019			2018		
	Revenue from contracts with customers	Other revenue	Total	Revenue from contracts with customers	Other revenue	Total
Health care services						
Dialysis services	12,447,092	–	12,447,092	11,420,415	–	11,420,415
Care Coordination	1,176,227	248,900	1,425,127	1,622,862	221,012	1,843,874
	13,623,319	**248,900**	**13,872,219**	**13,043,277**	**221,012**	**13,264,289**
Health care products						
Dialysis products	3,402,987	125,519	3,528,506	3,115,753	93,068	3,208,821
Non-dialysis products	75,830	–	75,830	73,763	–	73,763
	3,478,817	**125,519**	**3,604,336**	**3,189,516**	**93,068**	**3,282,584**
TOTAL	**17,102,136**	**374,419**	**17,476,555**	**16,232,793**	**314,080**	**16,546,873**

TABLE 5.15 shows the amounts as receivables and contract liabilities relating to contracts with customers for the year ended December 31, 2019 and 2018.

T 5.15 **TRADE ACCOUNTS RECEIVABLES AND CONTRACT LIABILITIES**
IN € THOUS

	2019	2018
Trade accounts receivables	3,341,111	3,284,712
Contract liabilities	22,802	37,632

Impairment losses in the amount of €41,982 and €16,981 for the years ended December 31, 2019 and 2018, respectively, relate to receivables arising from contracts with customers.

The change in the contract liability balance during the period results from the ordinary course of business.

Contract liabilities primarily relate to advance payments from customers and to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer.

Contract liabilities are shown in the consolidated balance sheet in line item "Current provisions and other current liabilities".

At December 31, 2019, revenue recognized that was included in the contract liability balance at the beginning of the period was €12,608.

At December 31, 2019, performance obligations of €1,160,077 (2018: €1,157,314) are unsatisfied (or partially unsatisfied).

Expected recognition of the transaction price allocated to unsatisfied performance obligations as revenue for the next five years and in the aggregate for the five years thereafter are as shown in TABLE 5.16.

T 5.16 **UNSATISFIED PERFORMANCE OBLIGATIONS**
IN € THOUS

1 year	278,090
1–3 years	455,774
3–5 years	359,721
5–10 years	66,492
TOTAL	**1,160,077**

B) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are generated in the administrative, logistic and selling functions which are not attributable to production or research and development. Furthermore, general and administrative expenses included realized and unrealized foreign exchange gains and losses. In addition, in 2019 general and administrative expenses included net gains from changes in the fair value of investments of €97,375, mainly related to equity investments, income attributable to a consent agreement on certain pharmaceuticals of €60,471, a net gain related to variable payments outstanding for acquisitions of €41,537 mainly due to revaluation, a net loss from the sale of fixed assets of €28,911, a gain from the settlement of pension plans in the U.S. in the amount of €4,754 (SEE NOTE 16), an impairment loss on intangible assets of €932 as well as a net loss from the sale of investments of €68. General and administrative expenses also included costs for restructuring activities related to the Company's cost optimization program in the amount of €91,689, mainly for the impairment of right-of-use assets, the sale of fixed assets as well as severance payments. In 2018, general and administrative expenses included a Foreign Corrupt Practices Act (FCPA) related charge of €77,200 (SEE NOTE 22), an impairment loss on intangible assets of €64,719, income attributable to a consent agreement on certain pharmaceuticals of €53,283, a net gain from the revaluation of variable payments outstanding for acquisitions of €36,327, a net gain from the sale of fixed assets of €6,041, net losses from changes in the fair value of investment of €9,762 and a net gain from the sale of investments of €1,824. In 2017, general and administrative expenses included a FCPA related charge of €200,000 (SEE NOTE 22), a net gain from the sale of fixed assets of €31,959, a net gain from the sale of investments of €36,402 income attributable to a consent agreement on certain pharmaceuticals of €17,524 and a net gain from the revaluation of variable payments outstanding for acquisitions of €2,685.

C) (GAIN) LOSS RELATED TO DIVESTITURES OF CARE COORDINATION ACTIVITIES

On June 28, 2018, the Company divested its controlling interest in Sound to an investment consortium led by Summit Partners, L.P. The total transaction proceeds were $1,770,516 (€1,531,109), net of related tax payments. The pre-tax gain related to divestitures for Care Coordination activities was €809,003, which primarily related to this divestiture, the effect of the six month impact from the increase in valuation of Sound's share based payment program, incentive compensation expense and other costs caused by the divestment of Sound. Sound was included in Care Coordination within the North America Segment. The Company's history with Sound, prior to divestment, includes the following milestones:

- In July 2014, the Company made an investment for a majority interest in Sound, a physician services organization focused on hospitalist, emergency, intensivist and post-acute care services, furthering its strategic investments and expanding the health care services we offer.
- In November 2014, Sound acquired Cogent Healthcare, expanding Sound to serve over 180 hospitals in 35 states with more than 1,750 providers.
- In 2017, the Company increased its interest in Sound raising the Company majority interest to almost 100 % during the first half of 2017.

D) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €168,028 (2018: €114,074 and 2017: €110,997) included research and non-capitalizable development costs as well as depreciation and amortization expenses related to capitalized development costs of €3,052 (2018: €341 and 2017: €432).

E) COST OF MATERIALS

The cost of materials for the year ended December 31, 2019, 2018 and 2017 is shown in TABLE 5.17.

T 5.17 **COST OF MATERIALS**
IN € THOUS

	2019	2018	2017
Cost of raw materials, supplies and purchased components	4,031,371	3,395,895	3,605,316
Cost of purchased services	258,959	233,638	229,806
COST OF MATERIALS	**4,290,330**	**3,629,533**	**3,835,122**

F) PERSONNEL EXPENSES

Included within costs of revenue, selling, general and administrative expenses and research and development expenses are personnel expenses in the amount of €6,799,358, €6,439,653 and €6,900,023 for the year ended December 31, 2019, 2018 and 2017, respectively. Personnel expenses are shown in TABLE 5.18.

T 5.18 **PERSONNEL EXPENSES**
IN € THOUS

	2019	2018	2017
Wages and salaries	5,448,662	5,025,128	5,396,339
Social security contributions and cost of retirement benefits and social assistance	1,350,696	1,414,525	1,503,684
thereof retirement benefits	174,009	156,581	147,332
PERSONNEL EXPENSES	**6,799,358**	**6,439,653**	**6,900,023**

TABLE 5.19 shows the personnel the Company employed on a full-time equivalents basis, on average.

T 5.19 **EMPLOYEES BY FUNCTION**

	2019	2018	2017
Production and Services	103,896	97,971	98,547
Administration	11,634	10,510	9,962
Sales and Marketing	3,253	3,360	3,272
Research and Development	1,050	881	804
TOTAL EMPLOYEES	**119,833**	**112,722**	**112,585**

G) NET INTEREST

Net interest in the amount of €429,444 (2018: €301,062 and 2017: €364,824) included interest expense of €491,061 (2018: €448,471 and 2017: €416,199) and interest income of €61,617 (2018: €147,409 and 2017: €51,375). Interest expense resulted mainly from the Company's financial liabilities which are not accounted for at fair value through profit and loss (SEE NOTES 13 AND 14), lease liabilities and lease liabilities from related parties (SEE NOTE 21) as well as interest expense related to uncertain tax treatments. In 2019, interest income primarily results from the valuation of the derivatives embedded in the equity-neutral convertible bonds (Convertible Bonds), as well as interest on overdue receivables and lease receivables. In 2018, interest income primarily results from the valuation of the derivatives embedded in the Convertible Bonds, interest on overdue receivables and lease receivables as well as interest related to uncertain tax treatments. In 2017, interest income was mainly attributable to the valuation of the Share Options, interest on overdue receivables and lease receivables as well as interest income related to uncertain tax treatment.

H) INCOME TAXES

Income before income taxes is attributable to the geographic locations shown in TABLE 5.20.

T 5.20 **INCOME BEFORE INCOME TAXES**
IN € THOUS

	2019	2018	2017
Germany	101,734	161,861	(20,363)
U.S.	1,149,149	2,191,834	1,589,501
Other	589,231	383,041	428,477
TOTAL	**1,840,114**	**2,736,736**	**1,997,615**

Income tax expense (benefit) for the years ended December 31, 2019, 2018 and 2017 are shown in TABLE 5.21.

T 5.21 **INCOME TAX EXPENSE (BENEFIT)**
IN € THOUS

	2019	2018	2017
Current			
Germany	(59,928)	45,136	77,934
U.S.	168,503	261,211	437,201
Other	228,773	115,561	130,992
	337,348	**421,908**	**646,127**
Deferred			
Germany	48,313	(34,685)	(36,022)
U.S.	57,352	145,700	(156,704)
Other	(41,399)	(21,844)	(10,320)
	64,266	**89,171**	**(203,046)**
TOTAL	**401,614**	**511,079**	**443,081**

A reconciliation between the expected and actual income tax expense is shown in TABLE 5.22. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the trade tax rate on income before income taxes. The German combined statutory tax rates were 30.21 %, 30.18 % and 29.90 % for the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

T 5.22 **RECONCILIATION OF INCOME TAXES**
IN € THOUS

	2019	2018	2017
Expected corporate income tax expense	555,898	825,810	597,187
Tax free income	(65,889)	(50,747)	(44,302)
Income from equity method investees	(23,683)	(18,185)	(18,706)
Tax rate differentials	(58,386)	(106,258)	139,122
Non-deductible expenses	44,283	60,721	106,125
Taxes for prior years	(5,454)	(91,138)	(20,573)
Noncontrolling partnership interests	(60,724)	(61,936)	(105,832)
Tax on divestitures	–	(74,560)	–
Tax rate changes	2,743	(219)	(238,130)
Change in realizability of deferred tax assets and tax credits	8,519	3,211	7,254
Withholding taxes	13,083	4,564	6,606
Other	(8,776)	19,816	14,330
INCOME TAX EXPENSE	**401,614**	**511,079**	**443,081**
Effective tax rate	21.8 %	18.7 %	22.2 %

The tax effects of the temporary differences and net operating losses that give rise to deferred tax assets and liabilities at December 31, 2019 and 2018, are presented in TABLE 5.23.

T 5.23 DEFERRED INCOME TAX ASSETS AND LIABILITIES
IN € THOUS

	2019	2018
Deferred tax assets		
Trade accounts receivable	13,392	25,090
Inventories	71,915	70,223
Intangible assets	4,994	6,980
Property, plant and equipment and other non-current assets	72,769	62,124
Lease liabilities	1,164,620	–
Provisions and other liabilities	50,819	93,637
Pension liabilities	135,356	98,278
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	175,394	93,890
Derivatives	3,027	2,160
Compensation expense related to stock options	3,426	3,732
Other	36,403	15,390
TOTAL DEFERRED TAX ASSETS	**1,732,115**	**471,504**
Deferred tax liabilities		
Trade accounts receivable	30,310	29,596
Inventories	19,324	12,598
Intangible assets	632,984	433,228
Property, plant and equipment and other non-current assets	165,082	136,392
Right-of-use assets	1,068,409	–
Provisions and other liabilities	92,756	14,678
Derivatives	372	1,978
Other	101,384	123,870
TOTAL DEFERRED TAX LIABILITIES	**2,110,621**	**752,340**
NET DEFERRED TAX LIABILITIES	**(378,506)**	**(280,836)**

In the consolidated balance sheets, the accumulated amounts of deferred tax assets and liabilities are shown in TABLE 5.24.

T 5.24 NET DEFERRED INCOME TAX ASSETS AND LIABILITIES
IN € THOUS

	2019	2018
Deferred tax assets	361,196	345,685
Deferred tax liabilities	739,702	626,521
NET DEFERRED TAX LIABILITIES	**(378,506)**	**(280,836)**

The change in the balance of deferred tax assets and deferred tax liabilities does not equal the deferred tax expense/(benefit). This is due to deferred taxes that are booked directly to equity, the effects of exchange rate changes on tax assets and liabilities denominated in currencies other than euro, the acquisition and disposal of entities as part of ordinary activities and the reclassification of deferred tax assets and liabilities which are presented on the face of the balance sheet as components of other assets and liabilities.

The net operating losses included in the table below reflect U.S. federal tax, German corporate income tax, and other tax loss carryforwards in the various countries in which the Company operates, and expire as shown in TABLE 5.25 ON PAGE 186.

Included in the balance of net operating loss carryforwards at December 31, 2019 are €204,476 not expected to be absorbed. Deferred tax assets regarding this portion are not recognized.

In assessing the realizability of deferred tax assets, management considers to which extent it is probable that the deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences and tax loss carryforwards become deductible. Management considers the expected reversal of deferred tax liabilities and projected future taxable income in making this assessment. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is probable the Company will realize the benefits of these deferred tax assets at December 31, 2019.

T 5.25 **NET OPERATING LOSS CARRYFORWARDS**
IN € THOUS

2020	11,264
2021	15,032
2022	7,476
2023	9,959
2024	42,970
2025	16,181
2026	61,553
2027	48,654
2028	29,091
2029 and thereafter	160,236
Without expiration date	238,203
TOTAL	**640,619**

The Company provides for income taxes and foreign withholding taxes on the cumulative earnings of foreign subsidiaries and foreign subsidiaries in which the Company has ownership of less than 100 % that will not be reinvested. At December 31, 2019, the Company provided for €6,645 (2018: €10,656) of deferred tax liabilities associated with earnings that are likely to be distributed in 2020 and the following years. Provision has not been made for additional taxes on €8,867,422 (2018: €8,240,031) undistributed earnings of foreign subsidiaries as these earnings are considered indefinitely reinvested. The earnings could become subject to additional tax if remitted or deemed remitted as dividends; however, calculation of such additional tax is not practicable. These taxes would predominantly comprise foreign withholding tax on dividends of foreign subsidiaries, and German income tax; however, those dividends and capital gains would generally be 95 % tax free for German tax purposes.

In the U.S., tax reform was enacted by the Tax Cuts and Jobs Act by signature of the president on December 22, 2017. The Act reduced the U.S. corporate income tax rate from 35 % to 21 % effective from January 1, 2018. Deferred tax assets and liabilities expected to reverse in 2018 and beyond, were remeasured using the corporate income tax rate that was enacted by the balance sheet date and will apply for future financial years. For the year ended December 31, 2017, the remeasurement of deferred tax assets and liabilities resulted in a deferred tax benefit of €235,692 which was recognized in tax expense affecting profit and loss and included in the balance of €238,130 in the reconciling item "tax rate changes" in TABLE 5.22 ON PAGE 184.

5. RELATED PARTY TRANSACTIONS

Fresenius SE is the Company's largest shareholder and owns 31.64 % of the Company's outstanding shares, excluding treasury shares held by the Company, at December 31, 2019. The Company has entered into certain arrangements for services and products with Fresenius SE or its subsidiaries and with certain of the Company's equity method investees as described in item A) below. The arrangements for leases with Fresenius SE or its subsidiaries are described in item B) 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 and the Company believes that these arrangements reflect fair market terms. The Company utilizes various methods to verify the commercial reasonableness of its related party arrangements. Financing arrangements as described in item C) 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 key management personnel who are considered to be related parties is described in item D) below. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

A) SERVICE 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 central purchasing services to the Fresenius SE Companies. These related party agreements generally have a duration of 1 to 5 years and are renegotiated on an as needed basis when the agreement comes due. The Company provides administrative services to one of its equity method investees.

The Company sold products to the Fresenius SE Companies and made purchases from the Fresenius SE Companies and equity method investees. 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 an indirect, 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.

In May 2019, the Company entered into a ten-year agreement with one of the Fresenius SE Companies for the manufacturing of infusion bags. In order to establish the new production line, the Company purchased machinery from one of the Fresenius SE Companies in the amount of €7,183 during the year ended December 31, 2019 and €4,497 during the year ended December 31, 2018.

In December 2010, the Company and Galenica Ltd. (now known as Vifor Pharma Ltd.) formed the renal pharmaceutical company Vifor Fresenius Medical Care Renal Pharma Ltd., an equity method investee of which the Company owns 45 %. The Company has entered into exclusive supply agreements to purchase certain pharmaceuticals from Vifor Fresenius Medical Care Renal Pharma Ltd. Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately €752,837 of pharmaceuticals, of which €423,545 is committed at December 31, 2019 for 2020. The terms of these agreements run up to five years.

Under the CMS' Comprehensive ESRD Care Model, the Company and participating physicians formed entities known as ESCOS as part of a payment and care delivery model that seeks to deliver better health outcomes for Medicare ESRD patients while lowering CMS' costs. The Company has entered into participation/services agreements with these ESCOS, which are accounted for as equity method investees.

TABLE 5.26 shows a summary, including the Company's receivables from and payables to the indicated parties resulting from the above described transactions with related parties.

T 5.26 SERVICE AGREEMENTS AND PRODUCTS WITH RELATED PARTIES
IN € THOUS

	2019		2018		2017		December 31, 2019		December 31, 2018	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
Service agreements[1]										
Fresenius SE	153	29,114	445	24,456	381	21,704	35	360	378	4,019
Fresenius SE affiliates	4,420	105,832	3,819	101,590	11,111	81,491	2,003	6,416	681	8,470
Equity method investees	49,052	–	58,362	–	82,628	–	68,300	–	108,655	–
TOTAL	**53,625**	**134,946**	**62,626**	**126,046**	**94,120**	**103,195**	**70,338**	**6,776**	**109,714**	**12,489**
Products										
Fresenius SE	3	–	–	–	1	–	–	–	–	–
Fresenius SE affiliates	44,771	37,279	33,564	39,181	30,529	40,467	16,803	3,405	8,750	3,658
Equity method investees	–	469,474	–	399,667	–	399,180	–	36,262	–	57,975
TOTAL	**44,774**	**506,753**	**33,564**	**438,848**	**30,530**	**439,647**	**16,803**	**39,667**	**8,750**	**61,633**

[1] In addition to the above shown accounts payable, accrued expenses for service agreements with related parties amounted to €8,352 at December 31, 2019 (December 31, 2018: €9,376).

T 5.27 **LEASE AGREEMENTS WITH RELATED PARTIES**
IN € THOUS

	2019			2018		2017		December 31, 2019	
	Depreciation	Interest expense	Lease expense[1]	Lease income	Lease expense	Lease income	Lease expense	Right-of-use asset	Lease liability
Fresenius SE	4,580	501	4,005	–	8,745	–	8,456	30,336	30,820
Fresenius SE affiliates	12,589	1,396	452	–	15,852	–	13,676	91,879	92,126
TOTAL	**17,169**	**1,897**	**4,457**	**–**	**24,597**	**–**	**22,132**	**122,215**	**122,946**

[1] Short-term leases and expenses relating to variable lease payments are exempted from balance sheet recognition.

B) LEASE AGREEMENTS

In addition to the above-mentioned product and service agreements, the Company is a party to real estate lease agreements with the Fresenius SE Companies, which mainly include leases for the Company's corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany. The majority of the leases expire at the end of 2026.

TABLE 5.27 shows a summary resulting from the above described lease agreements with related parties. For information on the implementation of IFRS 16 SEE NOTE 1.

C) 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 December 31, 2019 and December 31, 2018, the Company had accounts receivable from Fresenius SE related to short-term financing in the amount of €71,078 and €80,228, respectively. As of December 31, 2019 and December 31, 2018, the Company had accounts payable to Fresenius SE related to short-term financing in the amount of €38,050 and €32,454, 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, with a floor of zero, for the respective currencies.

On August 19, 2009, the Company borrowed €1,500 from the General Partner on an unsecured basis at 1.335 %. The loan repayment has been extended periodically and is currently due on August 21, 2020 with an interest rate of 0.930 %. On November 28, 2013, the Company borrowed an additional €1,500 with an interest rate of 1.875 % from the General Partner. The loan repayment has been extended periodically and is currently due on November 23, 2020 with an interest rate of 0.930 %.

At December 31, 2018, a subsidiary of Fresenius SE held unsecured bonds issued by the Company in the amount of €6,000. One bond was issued in 2012 with a coupon of 5.25 % and interest paid semiannually until maturity in 2019. At December 31, 2019, the subsidiary of Fresenius SE held another unsecured bond issued by the Company in the amount of €1,000. This bond was issued in 2011 with a coupon of 5.25 % and interest payable semiannually until maturity in 2021. For further information on these bonds SEE NOTE 14.

At December 31, 2019 and December 31, 2018, the Company borrowed from Fresenius SE in the amount of €18,865 at an interest rate of 0.930 % and €185,900 at an interest rate of 0.825 %, respectively. For further information on this loan agreement SEE NOTE 13.

D) KEY MANAGEMENT PERSONNEL

Due to the Company's legal form of a German partnership limited by shares, the General Partner holds a key management position within the Company. In addition, as key management personnel, members of the Management Board and the Supervisory Board, 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 Management Board. The aggregate amount reimbursed to the General Partner was €23,905, €14,612 and €25,995, respectively, for its management services during 2019, 2018 and 2017 and included an annual fee of €120 as compensation for assuming liability as gen-

eral partner. The annual fee is set at 4 % of the amount of the General Partner's share capital (€3,000 as of December 31, 2019). As of December 31, 2019 and December 31, 2018, the Company had accounts receivable from the General Partner in the amount of €977 and €176, respectively. As of December 31, 2019 and December 31, 2018, the Company had accounts payable to the General Partner in the amount of €34,170 and €47,205, respectively.

The Chairman of the Company's Supervisory Board, Dr. Dieter Schenk, is also Vice Chairman of the supervisory board of the general partner of Fresenius SE as well as the Vice Chairman of the supervisory board of the Company's General Partner. He is also Chairman of the Advisory Board of a charitable foundation that is the sole shareholder of the general partner of Fresenius SE. He was also a partner in a law firm which provided services to the Company and certain of its subsidiaries until December 31, 2017. While Dr. Dieter Schenk was a partner in the law firm, the Company incurred expenses in the amount of €2,337 for services during 2017. The Chairman of the supervisory board of Fresenius SE and of the general partner of Fresenius SE, Dr. Gerd Krick, is also a member of the supervisory board of the Company's General Partner. Three of the six members of the Company's Supervisory Board, including the Chairman Dr. Dieter Schenk and the Vice Chairman Rolf A. Classon, are also members of the supervisory board of the Company's General Partner.

The Chairman of the supervisory board of the Company's General Partner, Stephan Sturm, is also the Chairman of the management board of the general partner of Fresenius SE. Rachel Empey is a member of the supervisory board of the Company's General Partner as well as a member of the management board of the general partner of Fresenius SE. Additionally, the Chairman and Chief Executive Officer of the Management Board of the Company's General Partner, Rice Powell, is a member of the Management Board of the general partner of Fresenius SE.

For information regarding compensation of the Management Board and the Supervisory Board of the Company SEE NOTE 28.

6. CASH AND CASH EQUIVALENTS

As of December 31, 2019 and 2018, cash and cash equivalents are as shown in TABLE 5.28.

T 5.28 **CASH AND CASH EQUIVALENTS**
IN € THOUS

	2019	2018
Cash	768,706	831,885
Securities and time deposits	239,017	1,313,747
CASH AND CASH EQUIVALENTS	**1,007,723**	**2,145,632**

The cash and cash equivalents disclosed in the table above, and respectively in the consolidated statement of cash flows, include at December 31, 2019 an amount of €18,820 (2018: €5,002) from collateral requirements towards an insurance company in North America that are not available for use.

7. TRADE ACCOUNTS AND OTHER RECEIVABLES

As of December 31, 2019 and December 31, 2018, trade accounts and other receivables are as shown in TABLE 5.29.

T 5.29 **TRADE ACCOUNTS AND OTHER RECEIVABLES**
IN € THOUS

	December 31, 2019		December 31, 2018	
		thereof credit-impaired		thereof credit-impaired
Trade accounts and other receivables, gross	3,562,704	366,497	3,349,515	325,240
thereof finance lease receivables	57,398	–	28,726	–
less allowances	(141,358)	(102,269)	(118,015)	(85,775)
TRADE ACCOUNTS AND OTHER RECEIVABLES	**3,421,346**	**264,228**	**3,231,500**	**239,465**

The other receivables in the amount of €100,613 include receivables from finance leases, operating leases and insurance contracts (December 31, 2018: €66,496).

All trade accounts and other receivables are due within one year. A small portion of the trade account receivables are subject to factoring agreements.

Trade accounts receivables and finance lease receivables with a term of more than one year in the amount of €132,144 (December 31, 2018: €120,668) are included in the balance sheet item "Other non-current assets".

TABLE 5.30 shows the development of the allowance for doubtful accounts in the fiscal years 2019, 2018 and 2017.

T 5.30 DEVELOPMENT OF ALLOWANCE FOR DOUBTFUL ACCOUNTS
IN € THOUS

	2019	2018	2017
ALLOWANCE FOR DOUBTFUL ACCOUNTS AS OF JANUARY 1	**118,015**	**474,891**	**482,461**
Change in valuation allowances as recorded in the consolidated statements of income	42,315	19,112	549,631
Write-offs and recoveries of amounts previously written-off	(18,587)	(378,201)	(501,229)
Foreign currency translation	(385)	2,213	(55,972)
ALLOWANCE FOR DOUBTFUL ACCOUNTS AS OF DECEMBER 31	**141,358**	**118,015**	**474,891**

TABLES 5.31 AND 5.32 show the ageing analysis of trade accounts and other receivables and the allowance for doubtful accounts as of December 31, 2019 and as of December 31, 2018.

T 5.31 AGING ANALYSIS OF TRADE ACCOUNTS AND OTHER RECEIVABLES 2019
IN € THOUS

	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts and other receivables	1,997,671	899,987	229,012	184,768	251,266	3,562,704
less allowance for doubtful accounts	(9,385)	(8,411)	(6,267)	(13,325)	(103,970)	(141,358)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**1,988,286**	**891,576**	**222,745**	**171,443**	**147,296**	**3,421,346**

T 5.32 AGING ANALYSIS OF TRADE ACCOUNTS AND OTHER RECEIVABLES 2018
IN € THOUS

	not overdue	up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	more than 12 months overdue	Total
Trade accounts receivable	1,863,149	848,092	217,024	175,079	246,171	3,349,515
less allowance for doubtful accounts	(8,043)	(4,711)	(5,209)	(5,946)	(94,106)	(118,015)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**1,855,106**	**843,381**	**211,815**	**169,133**	**152,065**	**3,231,500**

8. INVENTORIES

TABLE 5.33 shows the inventories at December 31, 2019 and December 31, 2018.

T 5.33 INVENTORIES
IN € THOUS

	2019	2018
Finished goods	940,407	774,133
Health care supplies	399,585	391,593
Raw materials and purchased components	233,609	224,054
Work in process	89,677	77,023
INVENTORIES	**1,663,278**	**1,466,803**

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately €443,744 of materials, of which €208,841 is committed at December 31, 2019 for 2020. The terms of these agreements run 1 to 5 years. Further unconditional purchase agreements exist with an equity method investee of the Company. For further information on these agreements SEE NOTE 5.

Allowances on Inventories amounted to €69,427 and €62,990 for the years ended December 31, 2019 and 2018, respectively.

9. OTHER CURRENT ASSETS

Other current assets at December 31, 2019 and 2018 are shown in TABLE 5.34.

T 5.34 **OTHER CURRENT ASSETS**
IN € THOUS

	2019	2018
Income taxes receivable	209,545	159,290
Debt securities	133,322	99,592
Other taxes receivable	127,880	107,708
Payments on account	110,078	104,817
Receivables for supplier rebates	51,296	68,203
Prepaid rent	26,374	57,319
Deposit / Guarantee / Security	22,226	19,915
Prepaid insurance	19,796	23,632
Derivatives	2,513	7,837
Other	210,573	155,770
OTHER CURRENT ASSETS	**913,603**	**804,083**

The item "Other" in the table above primarily includes loans to customers, receivables from employees and notes receivables.

10. PROPERTY, PLANT AND EQUIPMENT

The acquisition or manufacturing costs and the accumulated depreciation of property, plant and equipment at December 31, 2019 and 2018 are shown in TABLES 5.35, 5.36 AND 5.37.

T 5.35 ACQUISITION OR MANUFACTURING COSTS
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2019
Land	58,887	802	2,824	466	3,153	(2,140)	63,992
Buildings and improvements	3,311,704	65,782	10,648	43,560	296,276	(83,533)	3,644,437
Machinery and equipment	4,541,906	59,529	86,743	569,352	127,613	(245,487)	5,139,656
Machinery, equipment and rental equipment under capitalized leases	89,734	2,151	–	–	(91,885)	–	–
Construction in progress	505,168	7,692	(1,167)	368,577	(366,895)	(4,093)	509,282
PROPERTY, PLANT AND EQUIPMENT	**8,507,399**	**135,956**	**99,048**	**981,955**	**(31,738)**	**(335,253)**	**9,357,367**

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2018
Land	56,540	2,299	358	605	490	(1,405)	58,887
Buildings and improvements	2,881,688	108,998	692	67,272	328,718	(75,664)	3,311,704
Machinery and equipment	4,174,027	96,766	(2,576)	465,117	29,325	(220,753)	4,541,906
Machinery, equipment and rental equipment under capitalized leases	80,916	3,880	(98)	6,259	665	(1,888)	89,734
Construction in progress	462,226	6,759	4,519	419,347	(387,131)	(552)	505,168
PROPERTY, PLANT AND EQUIPMENT	**7,655,397**	**218,702**	**2,895**	**958,600**	**(27,933)**	**(300,262)**	**8,507,399**

T 5.36 DEPRECIATION
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2019
Land	1,295	19	–	20	–	(2)	1,332
Buildings and improvements	1,818,053	32,818	(8,312)	255,683	8,805	(54,227)	2,052,820
Machinery and equipment	2,798,709	34,291	(7,023)	461,947	24,591	(199,581)	3,112,934
Machinery, equipment and rental equipment under capitalized leases	53,332	1,334	–	–	(54,666)	–	–
Construction in progress	–	–	–	–	–	–	–
PROPERTY, PLANT AND EQUIPMENT	**4,671,389**	**68,462**	**(15,335)**	**717,650**	**(21,270)**	**(253,810)**	**5,167,086**

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2018
Land	1,239	38	–	–	–	18	1,295
Buildings and improvements	1,580,103	65,251	(1,484)	221,866	(786)	(46,897)	1,818,053
Machinery and equipment	2,538,436	58,817	(4,278)	400,439	(13,986)	(180,719)	2,798,709
Machinery, equipment and rental equipment under capitalized leases	43,848	2,485	(289)	9,118	30	(1,860)	53,332
Construction in progress	–	–	–	–	–	–	–
PROPERTY, PLANT AND EQUIPMENT	**4,163,626**	**126,591**	**(6,051)**	**631,423**	**(14,742)**	**(229,458)**	**4,671,389**

T 5.37 BOOK VALUE
IN € THOUS

	December 31, 2019	December 31, 2018
Land	62,660	57,592
Buildings and improvements	1,591,617	1,493,651
Machinery and equipment	2,026,722	1,743,197
Machinery, equipment and rental equipment under capitalized leases	–	36,402
Construction in progress	509,282	505,168
PROPERTY, PLANT AND EQUIPMENT	**4,190,281**	**3,836,010**

Depreciation expense for property, plant and equipment amounted to €717,650, €631,423 and €622,706 for the years ended December 31, 2019, 2018, and 2017, respectively. These expenses are allocated within costs of revenue, selling, general and administrative and research and development expenses depending upon the area in which the asset is used.

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately €62,787 of property, plant and equipment, of which €60,190 is committed at December 31, 2019 for 2020. The terms of these agreements run one to five years.

Included in machinery and equipment at December 31, 2019 and 2018 were €775,601 and €731,427, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

The hyperinflationary effects on property, plant and equipment at December 31, 2019 and 2018 are shown in TABLE 5.38.

T 5.38 **EFFECT OF HYPERINFLATION IN ARGENTINA**
IN € THOUS

	Acquisition or manufacturing costs	Acquisition or manufacturing costs	December 31, 2018
Land	2,307	–	2,307
Buildings and improvements	20,652	7,802	12,850
Machinery and equipment	33,237	21,470	11,767
Machinery, equipment and rental equipment under capitalized leases	–	–	–
Construction in progress	1,108	–	1,108
PROPERTY, PLANT AND EQUIPMENT	**57,304**	**29,272**	**28,032**

	Acquisition or manufacturing costs	Acquisition or manufacturing costs	December 31, 2018
Land	1,581	–	1,581
Buildings and improvements	13,575	5,454	8,121
Machinery and equipment	21,821	15,321	6,500
Machinery, equipment and rental equipment under capitalized leases	–	–	–
Construction in progress	656	–	656
PROPERTY, PLANT AND EQUIPMENT	**37,633**	**20,775**	**16,858**

11. INTANGIBLE ASSETS AND GOODWILL

The acquisition or manufacturing costs and the accumulated amortization of intangible assets and goodwill at December 31, 2019 and 2018 are shown in TABLES 5.39 AND 5.40.

T 5.39 **ACQUISITION OR MANUFACTURING COSTS (CONTINUATION SEE NEXT PAGE)**
IN TSD €

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2019
Amortizable intangible assets							
Non-compete agreements	324,910	6,012	4,744	25	(274)	(2,695)	332,722
Technology	153,164	(376)	589,833	–	–	–	742,621
Licenses and distribution agreements	235,625	4,678	(38,126)	783	5,093	(5,766)	202,287
Customer relationships	23,847	(116)	47,880	–	(2,680)	–	68,931
Construction in progress	148,002	1,208	36,892	171,446	(86,898)	(3,247)	267,403
Internally developed intangibles	217,033	971	–	9,105	71,152	(222)	298,039
Other	381,390	6,852	(1,949)	11,007	17,763	(6,722)	408,341
TOTAL	**1,483,971**	**19,229**	**639,274**	**192,366**	**4,156**	**(18,652)**	**2,320,344**
Non-amortizable intangible assets							
Tradename	182,901	3,326	41,002	–	–	–	227,229
Management contracts	3,134	91	–	–	–	–	3,225
TOTAL	**186,035**	**3,417**	**41,002**	**–**	**–**	**–**	**230,454**
INTANGIBLE ASSETS	**1,670,006**	**22,646**	**680,276**	**192,366**	**4,156**	**(18,652)**	**2,550,798**
GOODWILL	**12,209,606**	**217,996**	**1,589,653**	**–**	**–**	**–**	**14,017,255**

ACQUISITION OR MANUFACTURING COSTS (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2018
Amortizable intangible assets							
Non-compete agreements	310,163	12,427	6,339	720	(2)	(4,737)	324,910
Technology	149,191	3,973	–	–	–	–	153,164
Licenses and distribution agreements	173,713	3,049	–	61,166	(3)	(2,300)	235,625
Customer relationships	147,096	2,015	(125,264)	–	–	–	23,847
Construction in progress	78,757	2,785	–	107,097	(23,050)	(17,587)	148,002
Internally developed intangibles	169,095	2,158	(9,763)	17,501	38,643	(601)	217,033
Other	358,092	9,490	(3,368)	9,881	12,883	(5,588)	381,390
TOTAL	**1,386,107**	**35,897**	**(132,056)**	**196,365**	**28,471**	**(30,813)**	**1,483,971**
Non-amortizable intangible assets							
Tradename	174,689	8,212	–	–	–	–	182,901
Management contracts	3,038	96	–	–	–	–	3,134
TOTAL	**177,727**	**8,308**	**–**	**–**	**–**	**–**	**186,035**
INTANGIBLE ASSETS	**1,563,834**	**44,205**	**(132,056)**	**196,365**	**28,471**	**(30,813)**	**1,670,006**
GOODWILL	**12,103,921**	**441,972**	**(336,287)**	**–**	**–**	**–**	**12,209,606**

T 5.40 **AMORTIZATION**
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Additions	Impairment loss	Reclassifications	Disposals	December 31, 2019
Amortizable intangible assets								
Non-compete agreements	282,296	5,235	(166)	11,868	–	26	(3,136)	296,123
Technology	124,605	1,140	–	49,265	–	–	–	175,010
Licenses and distribution agreements	131,492	2,607	–	14,293	–	–	(4,680)	143,712
Customer relationships	7,245	12	–	4,099	–	–	–	11,356
Construction in progress	–	–	–	–	–	–	–	–
Internally developed intangibles	138,343	1,328	–	28,722	932	360	(500)	169,185
Other	304,694	4,795	(3,606)	27,235	–	1,410	(5,446)	329,082
TOTAL	**988,675**	**15,117**	**(3,772)**	**135,482**	**932**	**1,796**	**(13,762)**	**1,124,468**

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Impairment loss	Reclassifications	Disposals	December 31, 2018
Amortizable intangible assets								
Non-compete agreements	262,381	11,338	(1,468)	14,675	–	17	(4,647)	282,296
Technology	64,563	2,995	(356)	10,740	46,663	–	–	124,605
Licenses and distribution agreements	119,819	577	–	12,673	726	(3)	(2,300)	131,492
Customer relationships	50,572	727	(53,247)	9,226	–	–	(33)	7,245
Construction in progress	–	–	–	–	16,750	–	(16,750)	–
Internally developed intangibles	108,906	2,927	(2,475)	20,357	–	9,202	(574)	138,343
Other	274,535	8,003	(6,375)	25,753	580	6,064	(3,866)	304,694
TOTAL	**880,776**	**26,567**	**(63,921)**	**93,424**	**64,719**	**15,280**	**(28,170)**	**988,675**

T 5.41 **BOOK VALUE**
IN € THOUS

	December 31, 2019	December 31, 2018
Amortizable intangible assets		
Non-compete agreements	36,599	42,614
Technology	567,611	28,559
Licenses and distribution agreements	58,575	104,133
Customer relationships	57,575	16,602
Construction in progress	267,403	148,002
Internally developed intangibles	128,854	78,690
Other	79,259	76,696
TOTAL	**1,195,876**	**495,296**
Non-amortizable intangible assets		
Tradename	227,229	182,901
Management contracts	3,225	3,134
TOTAL	**230,454**	**186,035**
INTANGIBLE ASSETS	**1,426,330**	**681,331**
GOODWILL	**14,017,255**	**12,209,606**

The amortization of intangible assets amounted to €135,482, €93,424 and €112,773 for the years ended December 31, 2019, 2018, and 2017, respectively. These expenses are allocated within costs of revenue, selling, general and administrative and research and development expenses depending upon the area in which the asset is used.

The hyperinflationary effects on intangible assets and goodwill at December 31, 2019 and 2018 are shown in TABLE 5.42.

T 5.42 **EFFECT OF HYPERINFLATION IN ARGENTINA**
IN € THOUS

	2019			2018		
	Acquisition or manufacturing costs	Accumulated depreciation	Dec. 31, 2019	Acquisition or manufacturing costs	Accumulated depreciation	Dec. 31, 2018
Amortizable intangible assets						
Internally developed intangibles	1,971	1,281	690	142	129	13
Other	1,697	727	970	1,889	1,209	680
INTANGIBLE ASSETS	**3,668**	**2,008**	**1,660**	**2,031**	**1,338**	**693**
GOODWILL	**28,057**	**2,926**	**25,131**	**20,197**	**2,118**	**18,079**

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The increase in the carrying amount of goodwill during 2019 is mainly a result of the acquisition of NxStage, the impact of foreign currency translations and the purchase of clinics in the normal course of operations.

The carrying amount of goodwill and intangibles with indefinite useful life is allocated to the CGUs at December 31, 2019 and 2018 as shown in TABLE 5.43 ON PAGE 199.

The recoverability of goodwill and other separable intangible assets with indefinite useful lives recorded in the Company's consolidated balance sheets was verified. As a result, the Company did not record any impairment losses in 2019 and 2018.

T 5.43 ALLOCATION OF THE CARRYING AMOUNT TO CGUS
IN € THOUS

	North America		EMEA		Asia-Pacific		Latin America	
	2019	2018	2019	2018	2019	2018	2019	2018
Goodwill	11,762,791	10,128,309	1,342,730	1,282,632	716,665	662,097	195,069	136,568
Management contracts with indefinite useful life	–	–	–	–	3,225	3,134	–	–
Trade name with indefinite useful life	226,692	182,329	–	–	–	–	537	572

12. CURRENT PROVISIONS AND OTHER CURRENT LIABILITIES

CURRENT PROVISIONS

TABLE 5.44 shows a reconciliation of the current provisions for 2019.

T 5.44 DEVELOPMENT OF CURRENT PROVISIONS
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Utilized	Reversed	Additions	Reclassifications	December 31, 2019
Self-insurance programs	198,307	3,751	–	–	–	17,808	–	219,866
Personnel expenses	42,430	359	215	(25,436)	(293)	32,487	40,764	90,526
Risk of lawsuit	32,304	246	507	(15,049)	(50)	3,023	–	20,981
FCPA related charge	223,980	–	–	(219,588)	(4,000)	3,844	–	4,236
Other current provisions	27,495	218	742	(3,976)	(839)	12,807	–	36,447
CURRENT PROVISIONS	**524,516**	**4,574**	**1,464**	**(264,049)**	**(5,182)**	**69,969**	**40,764**	**372,056**

Self-insurance programs

SEE NOTE 2 D.

Personnel expenses

Personnel expenses mainly refer to provisions for share-based plans, the current portion of the provisions for accrued severance payments and provisions for jubilee payments. As at December 31, 2019 and 2018 the provisions for share-based plans amounted to €63,447 and €15,478, respectively. SEE NOTE 20.

Risk of lawsuit

SEE NOTE 22.

FCPA related charge

On March 29, 2019, the Company entered into a non-prosecution agreement with the United States Department of Justice (DOJ) and a separate agreement with the Securities and Exchange Commission (SEC) intended to resolve fully and finally the government's claims against the Company arising from the investigations. The Company paid a combined total in penalties and disgorgement of approximately $231,700 to the DOJ and the SEC in connection with these agreements. For further information on these investigations SEE NOTE 22.

Other current provisions

The item "Other current provisions" in the table above includes provisions for warranties, physician compensation and return of goods.

Other current liabilities

TABLE 5.45 shows other current liabilities as at December 31, 2019 and 2018.

T 5.45 **OTHER CURRENT LIABILITIES**
IN € THOUS

	2019	2018
Personnel liabilities	647,508	654,457
Noncontrolling interests subject to put provisions	603,132	494,576
Unapplied cash and receivable credits	482,682	364,657
Invoices outstanding	178,209	160,112
Withholding tax and VAT	104,388	100,086
Interest liabilities	73,593	92,961
Variable payments outstanding for acquisitions	34,253	57,217
Legal matters, advisory and audit fees	27,979	38,778
Bonuses, commissions	27,510	26,831
Contract liabilities	22,795	37,628
Rent and lease obligations	176	138,210
Other liabilities	238,138	214,259
OTHER CURRENT LIABILITIES	**2,440,363**	**2,379,772**

Personnel liabilities

The personnel liabilities mainly refer to liabilities for wages and salaries, bonuses and vacation payments.

Contract liabilities

Contract liabilities primarily relate to advance payments from customers and to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer.

Other liabilities

The item "Other liabilities" in TABLE 5.45 ON PAGE 200 includes derivates, deferred income, the current portion of pension liabilities as well as liabilities for severance payments related to the Company's cost optimization program.

13. SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES

Short-term debt and short-term debt from related parties at December 31, 2019 and 2018 are shown in TABLE 5.46.

T 5.46 **SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES**
IN € THOUS

	2019	2018
Commercial paper program	999,732	999,873
Borrowings under lines of credit	143,875	204,491
Other	6,381	930
Short-term debt	1,149,988	1,205,294
Short-term debt from related parties (SEE NOTE 5 C)	21,865	188,900
SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES	**1,171,853**	**1,394,194**

COMMERCIAL PAPER PROGRAM

The Company maintains a commercial paper program under which short-term notes of up to €1,000,000 can be issued. At December 31, 2019 and 2018, the outstanding commercial paper amounted to €1,000,000 and €1,000,000, respectively.

BORROWINGS UNDER LINES OF CREDIT AND FURTHER AVAILABILITIES

Borrowings under lines of credit in the amount of €143,875 and €204,491 at December 31, 2019 and 2018, respectively, represented amounts borrowed by the Company and its subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2019 and 2018 were 0.86 % and 1.21 %, respectively.

Excluding amounts available under the Amended 2012 Credit Agreement (SEE NOTE 14), at December 31, 2019 and 2018, the Company had €517,926 and €386,619 available under other commercial bank agreements. In some instances, lines of credit are secured by assets of the Company's subsidiary that is party to the agreement or may require the Company's guarantee. In certain circumstances, the subsidiary may be required to meet certain covenants.

The Company and certain consolidated entities operate a multi-currency notional pooling cash management system. The Company met the conditions to offset balances within this cash pool for reporting purposes. At December 31, 2019 and 2018, cash and borrowings under lines of credit in the amount of €152,598 and €122,256 were offset under this cash management system.

OTHER

At December 31, 2019 and 2018, the Company had €6,381 and €930 of other debt outstanding related to fixed payments outstanding for acquisitions.

SHORT-TERM DEBT FROM RELATED PARTIES

On July 31, 2019, the Company and one of its subsidiaries, as borrowers, and Fresenius SE, as lender, amended and restated an unsecured loan agreement to increase the aggregate amount from $400,000 to €600,000. The Company and one of its subsidiaries may request and receive one or more short-term advances until maturity on July 31, 2022. For further information on short-term debt from related parties SEE NOTE 5 C.

14. LONG-TERM DEBT

Long-term debt and capital lease obligations as of December 31, 2019 and 2018 are shown in TABLE 5.47.

T 5.47 **LONG-TERM DEBT**
IN € THOUS

	2019	2018
Amended 2012 Credit Agreement	1,901,372	1,887,357
Bonds	4,966,619	3,700,446
Convertible Bonds	399,939	393,232
Accounts Receivable Facility	379,570	–
Capital lease obligations [1]	–	36,144
Other	258,057	134,855
Long-term debt [2]	7,905,557	6,152,034
Less current portion	(1,447,239)	(1,106,519)
LONG-TERM DEBT, LESS CURRENT PORTION [2]	**6,458,318**	**5,045,515**

[1] As of December 31, 2018, this line item included lease liabilities from capital leases in accordance with IAS 17. From 2019, these amounts are transferred to balance sheet items "Current portion of long-term lease liabilities" and "Long-term lease liabilities, less current portion" (SEE NOTE 1).
[2] Labeled as "Long-term debt and capital lease obligations, less current portion" as of December 31, 2018, this line item included lease liabilities from capital leases in accordance with IAS 17. From 2019, these amounts are transferred to balance sheet item "Long-term lease liabilities, less current portion" (SEE NOTE 1).

The Company's long-term debt as of December 31, 2019, all of which ranks equally in rights of payment, are described as follows:

AMENDED 2012 CREDIT AGREEMENT

The Company originally entered into a syndicated credit facility of $3,850,000 and a 5-year tenor (the "2012 Credit Agreement") on October 30, 2012. On November 26, 2014, the 2012 Credit Agreement was amended to increase the total credit facility to approximately $4,400,000 and extend the term for an additional two years until October 30, 2019 (Amended 2012 Credit Agreement). On July 11, 2017, the Company further amended and extended the Amended 2012 Credit Agreement.

As of December 31, 2019, the Amended 2012 Credit Agreement consists of:

› Revolving credit facilities of $900,000 and €600,000 which will be due and payable on July 31, 2022.
› A term loan of $1,230,000, also scheduled to mature on July 31, 2022. Quarterly repayments of $30,000 began on October 31, 2017 with the remaining balance outstanding due on the maturity date.
› A term loan of €287,000 scheduled to mature on July 31, 2022. Quarterly repayments of €7,000 began on October 31, 2017 with the remaining balance outstanding due on the maturity date.
› A non-amortizing term loan of €400,000 which is scheduled to mature on July 30, 2020.

Interest on the credit facilities is floating at a rate equal to EURIBOR / LIBOR (as applicable) plus an applicable margin. The applicable margin is variable and depends on the Company's consolidated net leverage ratio, which is a ratio of its consolidated funded debt less cash and cash equivalents to consolidated EBITDA (as these terms are defined in the Amended 2012 Credit Agreement). At December 31, 2019 and 2018, the dollar-denominated tranches outstanding under the Amended 2012 Credit Agreement had a weighted average interest rate of 3.24 % and 3.53 %, respectively. At December 31, 2019 and 2018, the euro-denominated tranches had a weighted average interest rate of 0.93 % and 0.81 %, respectively.

The Amended 2012 Credit Agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries. Under certain circumstances these covenants limit indebtedness and restrict the creation of liens. Under the Amended 2012 Credit Agreement the Company is required to comply with a maximum consolidated net leverage ratio.

TABLE 5.48 shows the available and outstanding amounts under the Amended 2012 Credit Agreement at December 31, 2019 and 2018.

T 5.48 **AMENDED 2012 CREDIT AGREEMENT – MAXIMUM AMOUNT AVAILABLE AND BALANCE OUTSTANDING**
IN THOUS

	Maximum amount available 2019		Balance outstanding 2019[1]	
Revolving credit USD 2017/2022	$900,000	€801,139	$138,700	€123,464
Revolving credit EUR 2017/2022	€600,000	€600,000	–	–
USD term loan 2017/2022	$1,230,000	€1,094,891	$1,230,000	€1,094,891
EUR term loan 2017/2022	€287,000	€287,000	€287,000	€287,000
EUR term loan 2017/2020	€400,000	€400,000	€400,000	€400,000
TOTAL		**€3,183,030**		**€1,905,355**

	Maximum amount available 2018		Balance outstanding 2018[1]	
Revolving credit USD 2017/2022	$900,000	€786,026	–	–
Revolving credit EUR 2017/2022	€600,000	€600,000	–	–
USD term loan 2017/2022	$1,350,000	€1,179,039	$1,350,000	€1,179,039
EUR term loan 2017/2022	€315,000	€315,000	€315,000	€315,000
EUR term loan 2017/2020	€400,000	€400,000	€400,000	€400,000
TOTAL		**€3,280,065**		**€1,894,039**

[1] Amounts shown are excluding debt issuance costs.

At December 31, 2019 and 2018, the Company had letters of credit outstanding in the amount of $1,135 and $1,690 (€1,010 and €1,476), respectively, under the USD revolving credit facility, which are not included above as part of the balance outstanding at those dates but which reduce available borrowings under the applicable revolving credit facility.

BONDS

The Company's bonds at December 31, 2019 and 2018 are shown in TABLE 5.49.

T 5.49 **BONDS**
IN THOUS

Issuer / Transaction	Face amount	Maturity	Coupon	Book value 2019 in €	Book value 2018 in €
FMC US Finance II, Inc. 2012	$800,000	July 31, 2019	5.625 %	–	698,167
FMC Finance VIII S.A. 2012	€250,000	July 31, 2019	5.25 %	–	249,773
FMC US Finance II, Inc. 2014	$500,000	October 15, 2020	4.125 %	444,507	435,376
FMC US Finance, Inc. 2011	$650,000	February 15, 2021	5.75 %	577,069	564,882
FMC Finance VII S.A. 2011	€300,000	February 15, 2021	5.25 %	299,498	299,035
FMC US Finance II, Inc. 2012	$700,000	January 31, 2022	5.875 %	622,135	609,532
Fresenius Medical Care AG & Co. KGaA, 2019	€650,000	November 29, 2023	0.25 %	646,936	–
FMC US Finance II, Inc. 2014	$400,000	October 15, 2024	4.75 %	354,338	347,297
Fresenius Medical Care AG & Co. KGaA, 2018	€500,000	July 11, 2025	1.50 %	496,138	496,384
Fresenius Medical Care AG & Co. KGaA, 2019	€600,000	November 30, 2026	0.625 %	593,216	–
FMC US Finance III, Inc. 2019	$500,000	June 15, 2029	3.75 %	435,673	–
Fresenius Medical Care AG & Co. KGaA, 2019	€500,000	November 29, 2029	1.25 %	497,109	–
TOTAL				**4,966,619**	**3,700,446**

All bonds issued before 2018, as well as the bonds issued by FMC US Finance III in 2019, are guaranteed by the Company and by FMCH and may be redeemed at the option of the respective issuers at any time at 100 % of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders of our bonds have the right to request that the issuers repurchase the bonds at 101 % of principal plus accrued interest upon the occurrence of a change of control of the Company followed by a decline in the ratings of the respective bonds.

The Company has agreed to a number of covenants to provide protection to the bond holders which, under certain circumstances and with certain exceptions for the bonds issued since 2018, limit the ability of the Company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. The limitation on incurrence of debt in the bonds issued before 2018 was suspended automatically as the rating of the respective bonds reached investment grade

status. At December 31, 2019, the Company was in compliance with all of its covenants under the bonds.

The bonds issued by FMC Finance VIII S.A. in the amount of €250,000 and the bonds issued by Fresenius Medical Care US Finance II, Inc. in the amount of $800,000, which were due on July 31, 2019, were redeemed at maturity.

CONVERTIBLE BONDS

On September 19, 2014, the Company issued €400,000 principal amount of equity-neutral convertible bonds with a coupon of 1.125 %. The bonds were issued at par and repaid as planned on January 31, 2020. In November 2019, the conversion feature expired and no conversions occurred. The call options on its shares that the Company purchased in 2014 to fully offset the economic exposure from the conversion feature also expired in November 2019.

ACCOUNTS RECEIVABLE FACILITY

The Company refinanced the Accounts Receivable Facility on December 20, 2018 increasing the facility to $900,000 and extending it until December 20, 2021.

TABLE 5.50 shows the available and outstanding amounts under the Accounts Receivable Facility at December 31, 2019 and December 31, 2018.

T 5.50 **ACCOUNTS RECEIVABLE FACILITY – MAXIMUM AMOUNT AVAILABLE AND BALANCE OUTSTANDING**
IN THOUS

	Maximum amount available 2019[1]		Balance outstanding 2019[2]	
Accounts Receivable Facility	$900,000	€801,139	$427,000	€380,096

	Maximum amount available 2018[1]		Balance outstanding 2018[2]	
Accounts Receivable Facility	$900,000	€786,026	–	–

[1] Subject to availability of sufficient accounts receivable meeting funding criteria.
[2] Amounts shown are excluding debt issuance costs.

The Company also had letters of credit outstanding under the Accounts Receivable Facility in the amount of $23,460 at December 31, 2019 and $26,631 at December 31, 2018 (€20,883 and €23,259). These letters of credit are not included above as part of the balance outstanding at December 31, 2019 and 2018; however, they reduce available borrowings under the Accounts Receivable Facility.

Under the Accounts Receivable Facility, certain receivables are sold to NMC Funding Corporation (NMC Funding), a wholly-owned subsidiary. NMC Funding then assigns percentage ownership interests in the accounts receivable to certain bank investors. Under the terms of the Accounts Receivable Facility, NMC Funding retains the right, at any time, to recall all the then outstanding transferred interests in the accounts receivable. Consequently, the receivables remain on the Company's consolidated balance sheet and the proceeds from the transfer of percentage ownership interests are recorded as long-term debt.

NMC Funding pays interest to the bank investors calculated based on the commercial paper rates for the particular tranches selected. At December 31, 2019, the interest rate was 1.98 %. At December 31, 2018, this facility was not utilized by the Company. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

OTHER

At December 31, 2019 and 2018, in conjunction with certain acquisitions and investments, the Company had fixed payments outstanding for acquisitions totaling approximately €27,611 and €16,713, respectively, of which €12,456 and €7,621, respectively, were classified as the current portion of long-term debt.

15. NON-CURRENT PROVISIONS AND OTHER NON-CURRENT LIABILITIES

Of the total amount of non-current provisions and other non-current liabilities amounting to €668,747 at December 31, 2019 (2018: €750,738), €219,129 (2018: €457,382) are due in between more than one and three years, €34,762 (2018: €107,080) are due in between three to five years and €414,856 (2018: €186,276) are due after five years.

T 5.51 **DEVELOPMENT OF NON-CURRENT PROVISIONS**
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Utilized	Reversed	Additions	Reclassifications	December 31, 2019
Personnel expenses	84,439	1,203	430	(3,294)	(713)	19,065	(40,764)	60,366
Interest payable related to income taxes	29,231	150	–	–	(5,447)	2,177	–	26,111
Other non-current provisions	14,777	66	6,066	(283)	(249)	1,949	–	22,326
NON-CURRENT PROVISIONS	**128,447**	**1,419**	**6,496**	**(3,577)**	**(6,409)**	**23,191**	**(40,764)**	**108,803**

The item "Other non-current liabilities" in the amount of €559,944 at December 31, 2019 (2018: €622,291) includes, among others, noncontrolling interests subject to put provisions of €331,293 (2018: €324,295), variable payments outstanding for acquisitions of €55,424 (2018: €115,061) and derivatives of €50 (2018: €11,820).

TABLE 5.51 shows the development of non-current provisions in the fiscal year.

Personnel expenses mainly refer to provisions for share-based plans and provisions for severance payments. As at December 31, 2019, the provisions for share-based plans amounted to €47,411 (2018: €71,784). SEE NOTE 20.

The item "Other non-current provisions" in TABLE 5.51 includes provisions for asset retirement obligations.

The increase during the period in the discounted amount arising from the passage over time and the effect of any change in the discount rate is not material.

16. EMPLOYEE BENEFIT PLANS

GENERAL

FMC AG & CO. KGAA recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Company. The Company's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in each country. The Company currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Company has five major defined benefit plans, one funded plan in the U.S. and one in France as well as one unfunded plan in Germany and two in France.

In the fourth quarter of 2019, FMC North America offered a lump-sum payout for its defined benefit pension plan to former employees. This settlement reduced the benefit obligation and resulted in a gain.

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under the Company's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefit obligations and the return on plan assets for that year. The Company's pension liability is impacted by these actuarial gains or losses.

Under defined contribution plans, the Company pays defined contributions to an independent third party as directed by the employee during the employee's service life, which satisfies all obligations of the Company to the employee. The employee retains all rights to the contribu-

tions made by the employee and to the vested portion of the Company paid contributions upon leaving the Company. The Company has a defined contribution plan in the U.S.

DEFINED BENEFIT PENSION PLANS

During the first quarter of 2002 FMCH, the Company's U.S. subsidiary, curtailed its defined benefit and supplemental executive retirement plans. Under the curtailment amendment for substantially all employees eligible to participate in the plan, benefits have been frozen as of the curtailment date and no additional defined benefits for future services will be earned. The Company has retained all employee benefit obligations as of the curtailment date. Each year FMCH contributes at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2019, FMCH did not have a minimum funding requirement. The Company voluntarily provided €1,131 to the defined benefit plan. Expected funding for 2020 is €1,139.

The benefit obligation for all defined benefit plans at December 31, 2019, was €976,467 (2018: €842,601) which consists of the gross benefit obligation of €399,339 (2018: €388,518) for the U.S. plan and of €5,498 (2018: €4,626) for the French plan, which are partially funded by plan assets, and the benefit obligation of €560,255 (2018: €439,677) for the German unfunded plan and the benefit obligation of €11,375 (2018: €9,780) for the two French unfunded plans.

Related to defined benefit plans the Company is exposed to certain risks. Besides general actuarial risks, e.g. the longevity risk and the interest rate risk, the Company is exposed to market risk as well as to investment risk.

TABLE 5.52 shows the changes in benefit obligations, the changes in plan assets and the deficit or surplus of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from the Company's funded benefit plan.

T 5.52 **DEFICIT OR SURPLUS**
IN € THOUS

	2019	2018
Change in benefit obligation		
Benefit obligation at beginning of year	842,601	792,739
Foreign currency translation (gains) losses	7,459	17,957
Changes in consolidation group	–	123
Current service cost	30,070	25,467
Interest cost	28,016	24,364
Transfer of plan participants	194	80
Actuarial (gains) losses arising from changes in financial assumptions	140,923	(9,760)
Actuarial (gains) losses arising from changes in demographic assumptions	(2,306)	3,497
Actuarial (gains) losses arising from experience adjustments	(4,873)	11,117
Remeasurements	133,744	4,854
Benefits paid	(60,863)	(22,983)
Settlements	(4,754)	–
BENEFIT OBLIGATION AT END OF YEAR	**976,467**	**842,601**
Change in plan assets		
Fair value of plan assets at beginning of year	317,585	291,256
Foreign currency translation gains (losses)	6,130	14,189
Interest income from plan assets	14,108	11,308
Actuarial gains (losses) arising from experience adjustments	34,131	(23,216)
Actual return on plan assets	48,239	(11,908)
Employer contributions	1,131	43,393
Benefits paid	(56,961)	(19,345)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**316,124**	**317,585**
DEFICIT (SURPLUS) AT END OF YEAR	**660,343**	**525,016**

For the years 2019 and 2018, there were no effects from the asset ceiling.

At December 31, 2019, the weighted average duration of the defined benefit obligation was 19 years (2018: 18 years).

The net pension liability as of December 31, 2019 and 2018 is calculated as shown in TABLE 5.53.

T 5.53 **NET PENSION LIABILITY**
IN € THOUS

	2019	2018
Deficit (surplus) at end of year	660,343	525,016
Benefit plans offered by other subsidiaries	39,147	35,424
NET PENSION LIABILITY	**699,490**	**560,440**

Benefit plans offered by the Company in the U.S., Germany and France contain a pension liability of €660,343 and €525,016 at December 31, 2019 and 2018, respectively. The pension liability consists of a current portion of €6,190 (2018: €5,384) which is recorded in the line item "Current provisions and other current liabilities" in the consolidated balance sheets. The non-current portion of €654,153 (2018: €519,632) is recorded in non-current liabilities as "Pension liabilities" in the consolidated balance sheets.

As of December 31, 2019, €83,323 related to the U.S. pension plan, €560,255 related to the German plan and €16,765 related to the French plans. At December 31, 2018, €71,031 related to the U.S. pension plan, €439,677 related to the German plan and €14,308 related to the French plans. Approximately 67 % of the beneficiaries are located in the U.S. and 7 % in France with the majority of the remaining 26 % located in Germany.

Benefit plans offered by other subsidiaries outside of the U.S., Germany and France contain separate benefit obligations. The total net pension liability for these other plans was €39,147 and €35,424 at December 31, 2019 and 2018 and consists of a current pension liability of €4,105 (2018: €3,126), which is recognized in the line item "Current provisions and other current liabilities." The non-current pension liability of €35,042 (2018: €32,298) for these plans is recorded in non-current liabilities as "Pension liabilities" in the consolidated balance sheets.

The discount rates for all plans are based upon yields of portfolios of highly rated debt instruments with maturities that mirror each plan's benefit obligation. The Company's discount rates at December 31, 2019 and 2018 are the weighted average of these plans based upon their benefit obligations.

Weighted-average assumptions that were utilized in determining benefit obligations at December 31, 2019 and 2018 are shown in TABLE 5.54.

T 5.54 **WEIGHTED AVERAGE ASSUMPTIONS**
IN %

	2019	2018
Discount rate	2.35	3.27
Rate of compensation increase	3.18	3.21
Rate of pension increase	1.70	1.69

SENSITIVITY ANALYSIS

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability at December 31, 2019 as shown in TABLE 5.55.

T 5.55 **SENSITIVITY ANALYSIS**
IN € THOUS

	0.5 % increase	0.5 % decrease
Discount rate	(89,298)	104,053
Rate of compensation increase	16,040	(15,793)
Rate of pension increase	46,089	(41,222)

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2019. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately.

The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

The defined benefit pension plans' net periodic benefit costs are comprised of the components for the years ended December 31, 2019, 2018 and 2017 that are shown in TABLE 5.56.

T 5.56 COMPONENTS OF NET PERIODIC BENEFIT COST
IN € THOUS

	2019	2018	2017
Service cost	30,070	25,467	28,607
Net interest cost	13,908	13,056	11,087
(Gains) losses from settlements	(4,754)	–	–
NET PERIODIC BENEFIT COSTS	**39,224**	**38,523**	**39,694**

Service cost and net interest cost are allocated as personnel expense within costs of revenues; selling, general and administrative expense; or research and development expense. This is depending upon the area in which the beneficiary is employed. The gain from settlement is included in selling, general and administrative expense.

The weighted-average assumptions shown in TABLE 5.57 were used in determining net periodic benefit cost for the years ended December 31, 2019, 2018 and 2017.

T 5.57 WEIGHTED AVERAGE ASSUMPTIONS
IN %

	2019	2018	2017
Discount rate	3.27	3.08	3.25
Rate of compensation increase	3.21	3.22	3.23
Rate of pension increase	1.69	1.45	1.45

Expected benefit payments are as shown in TABLE 5.58.

T 5.58 DEFINED BENEFIT PENSION PLANS: CASH OUTFLOWS
IN € THOUS

	2019	2019
1 year	28,706	24,111
1 – 3 years	56,577	53,662
3 – 5 years	62,441	61,415
5 – 10 years	183,896	184,929
TOTAL	**331,620**	**324,117**

PLAN ASSETS

TABLE 5.59 ON PAGE 209 presents the fair values of the Company´s pension plan assets at December 31, 2019 and 2018.

The methods and inputs used to measure the fair value of plan assets at the balance sheet date are as follows:

- Common stocks are valued at their market prices.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

PLAN INVESTMENT POLICY AND STRATEGY IN THE U.S.

The Company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-

T 5.59 FAIR VALUES OF PLAN ASSETS
IN € THOUS

	2019				2018		
Asset category	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**	**Significant unobservable inputs**	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**
		(Level 1)	(Level 2)	(Level 3)		(Level 1)	(Level 2)
Equity investments							
Index funds [1]	85,321	8,440	76,881	–	77,718	1,972	75,746
Fixed income investments							
Government securities [2]	2,875	2,547	328	–	9,241	8,880	361
Corporate bonds [3]	202,642	–	202,642	–	186,500	–	186,500
Other bonds [4]	10,179	–	2,762	7,417	3,518	–	3,518
U.S. treasury money market funds [5]	14,999	14,999	–	–	40,510	40,510	–
Other types of investments							
Cash, money market and mutual funds [6]	108	108	–	–	98	98	–
TOTAL	**316,124**	**26,094**	**282,613**	**7,417**	**317,585**	**51,460**	**266,125**

[1] This Category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.
[2] This Category comprises fixed income investments by the U.S. government and government sponsored entities.
[3] This Category primarily represents investment grade bonds of U.S. issuers from diverse industries.
[4] This Category comprises private placement bonds as well as collateralized mortgage obligations.
[5] This Category represents funds that invest in U.S. treasury obligations directly or in U.S. treasury backed obligations.
[6] This Category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.

term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class.

The Company´s overall investment strategy is to achieve a mix of approximately 99 % of investments for long-term growth and income and 1 % in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the plan investment policy and include well diversified index funds or funds targeting index performance.

The plan investment policy, utilizing a revised target investment allocation in a range around 26 % equity and 74 % fixed income investments, considers that there will be a time horizon for invested funds of more than 5 years. The total portfolio will be measured against a custom index that reflects the asset class benchmarks and the target asset allocation. The plan investment policy does not allow investments in securities of the Company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index, Barclays Capital Long-Corporate Bond Index, Bloomberg Barclays U.S. Corporate High Yield Index, and Bloomberg Barclays U.S. High Yield Fallen Angel 3 % Capped Index.

DEFINED CONTRIBUTION PLANS

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75 % of their pay up to a maximum of $19.5 if under 50 years old ($25.6 if 50 or over) under this savings plan. The Company will match 50 % of the employee deposit up to a maximum Company contribution of 3 % of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2019, 2018, and 2017, was €53,290, €53,872 and €48,746 respectively.

Additionally, the Company contributed for the years ended December 31, 2019, 2018, and 2017 €25,950, €24,721 and €24,329 to state pension plans.

17. SHAREHOLDERS' EQUITY

CAPITAL STOCK

At December 31, 2019, the Company's share capital consists of 304,436,876 bearer shares without par value (Stückaktien) and a nominal value of €1.00 each. The Company's share capital has been fully paid in.

The General Partner of FMC AG & CO. KGAA, Fresenius Medical Care Management AG, Hof an der Saale, is not obliged to make a capital contribution and has not made a capital contribution. It does not participate in the profits and losses or in the assets of the Company. The General Partner receives for the assumption of the management of the Company and the liability an annual remuneration independent of profit and loss in the amount of 4 % of its share capital (SEE NOTE 5 D). The General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, which includes remuneration of the members of its Management Board and its Supervisory Board.

Pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) any party subject to the notification requirement shall notify the Company when certain mandatory reportable thresholds for voting rights, also by taking account the attribution provisions, are reached, exceeded or fallen below. Section 38 WpHG also stipulates a notification requirement when certain thresholds are reached, exceeded or have fallen below through directly or indirectly held instruments and also, according to Section 39 WpHG when certain thresholds are reached, exceeded or have fallen below through the addition of voting rights according to Section 33 WpHG and instruments according to Section 38 WpHG. Notifications received by the Company subject to the notification requirements were published in accordance with the applicable legal provisions, including publication in the Investors section of the Company's website at www.freseniusmedicalcare.com.

In a notification dated February 8, 2011, Fresenius SE disclosed to the Company pursuant to Section 21 of the WpHG at the date of notification (predecessor provision to Section 33 of the WpHG) that it held 35.74 % of the voting rights in FMC AG & CO. KGAA. At December 31, 2019, Fresenius SE held 31.00 % of the Company's voting rights. Net of treasury shares held by FMC AG & CO. KGAA in accordance with Section 16 (2) sentence 2 of the German Stock Corporation Act (AktG), Fresenius SE held 31.64 % of the Company's voting rights. In addition, Fresenius SE is the sole stockholder of the General Partner.

On October 30, 2019, FIL Limited, Pembroke, Bermuda, including attributed subsidiaries, disclosed pursuant to Section 33, 34 of the WpHG that 2.98 % of the voting rights of FMC AG & CO. KGAA were held as of October 29, 2019. On May 13, 2019, BlackRock, Inc., Wilmington, DE, U.S., (BlackRock) including attributed subsidiaries disclosed pursuant to Section 33, 34 of the WpHG that 4.83 % of the voting rights of FMC AG & CO. KGAA and instruments relating to 0.07 % of the voting rights of FMC AG & CO. KGAA were held as of May 8, 2019.

The general meeting of a partnership limited by shares may approve Authorized Capital (genehmigtes Kapital). The resolution creating Authorized Capital requires the affirmative vote of a majority of three quarters of the capital represented at the vote and may authorize the General Partner and its Management Board to issue new shares up to a stated amount for a period of up to five years. The nominal value of any proposed increase of the Authorized Capital may not exceed half of the issued capital stock at the time of the authorization.

In addition, the general meeting of a partnership limited by shares may create Conditional Capital (bedingtes Kapital) for the purpose of issuing (i) new shares to holders of convertible bonds or other securities which grant a right to shares, (ii) new shares as the consideration in a merger with another company, or (iii) new shares offered to management or employees. In each case, the authorizing resolution requires the affirmative vote of a majority of three quarters of the capital represented at the vote. The nominal value for any proposed increase of the Conditional Capital may not exceed half or, in the case of Conditional Capital created for the purpose of issuing shares to management and employees, 10 % of the Company's issued capital at the time of the resolution.

All resolutions increasing the capital of a partnership limited by shares also require the consent of the General Partner in order for the resolutions to go into effect.

The subscribed capital comprised solely ordinary shares due to the conversion of all outstanding preference shares into ordinary shares (approved at FMC AG & CO. KGAA's Annual General Meeting and Preference Shareholder Meeting held on May 16, 2013) as well as the options associated with the preference shares on a 1:1 basis.

AUTHORIZED CAPITAL

By resolution of the Company's Annual General Meeting ("AGM") on May 19, 2015, the General Partner was authorized, with the approval of the Supervisory Board, to increase, on one or more occasions, the Company's share capital until May 18, 2020 up to a total of €35,000 through issue of new bearer ordinary shares for cash contributions, "Authorized Capital 2015/I". Additionally, the newly issued shares may be taken up by a credit and/or financial institution or a consortium of such credit and/or financial institutions retained by the General Partner with the obligation to offer them to the shareholders of the Company. The General Partner is entitled, subject to the approval of the supervisory board, to exclude the pre-emption rights of the shareholders. However, such an exclusion of pre-emption rights will be permissible only for fractional amounts. No Authorized Capital 2015/I has been issued at December 31, 2019.

In addition, by resolution of the AGM of shareholders on May 19, 2015, the General Partner was authorized, with the approval of the Supervisory Board, to increase, on one or more occasions, the share capital of the Company until May 18, 2020 up to a total of €25,000 through the issue of new bearer ordinary shares for cash contributions or contributions in kind, "Authorized Capital 2015/II". The new shares can also be obtained by a credit and/or financial institution or a consortium of such credit and/or financial institutions retained by the General Partner with the obligation to offer the shares to the Company's shareholders for subscription. The General Partner is entitled, subject to the approval of the Supervisory Board, to exclude the pre-emption rights of the shareholders. However, such exclusion of pre-emption rights will be permissible only if (i) in case of a capital increase against cash contributions, the nominal value of the issued shares does not exceed 10 % of the nominal share value of the Company's share capital and the issue price for the new shares is at the time of the determination by the General Partner not significantly lower than the stock price of the existing listed shares of the same class and with the same rights or, (ii) in case of a capital increase against contributions in kind, the purpose of such increase is to acquire an enterprise, parts of an enterprise or an interest in an enterprise. No Authorized Capital 2015/II has been issued at December 31, 2019.

Authorized Capital 2015/I and Authorized Capital 2015/II became effective upon registration with the commercial register of the local court in Hof an der Saale on June 10, 2015.

CONDITIONAL CAPITAL

By resolution of the Company's AGM on May 12, 2011, the Company's share capital was conditionally increased with regards to the Stock Option Plan 2011 (2011 SOP) by up to €12,000 subject to the issue of up to 12 million no par value bearer ordinary shares with a nominal value of €1.00 each (Conditional Capital 2011/I), (SEE NOTE 20). The Conditional Capital increase is only executed to the extent subscription rights were awarded under the 2011 SOP, the holders of the subscription rights exercise their right and the Company does not use treasury shares to fulfill the subscription rights with each stock option awarded exercisable for one ordinary share (SEE NOTE 20). The Company has the right to deliver ordinary shares that it owns or purchases in the market in lieu of increasing capital by issuing new shares.

At December 31, 2019, 3,488,989 options remained outstanding with a remaining average term of 3.23 years under the 2011 SOP. For the year ending December 31, 2019, 328,996 options had been exercised under the 2011 SOP (SEE NOTE 20).

Conditional capital at December 31, 2019 was €9,728 in total, all relating to the 2011 SOP (SEE NOTE 20).

A total of 328,996 shares were issued out of Conditional Capital 2011/I during 2019 (2018: 858,652 shares), increasing the Company's capital stock by €329 (2018: €859).

TREASURY STOCK

On the basis of the authorization granted by the Company's AGM on May 12, 2011 to conduct a share buyback program, the Company repurchased 7,548,951 shares in 2013 for an average weighted stock price of €51.00 per share. The Company redeemed 6,549,000 of these repurchased shares on February 16, 2016 in order to decrease its share capital at an average weighted price of €51.00 per share.

By resolution of the Company's AGM on May 12, 2016, the General Partner is authorized to purchase treasury shares up to a maximum amount of 10 % of the registered share capital existing at the time of this resolution until May 11, 2021. The shares acquired, together with other treasury shares held by the Company or attributable to the Company pursuant to sections 71a et seqq. AktG, must at no time exceed 10 % of the registered share capital. The purchase will be made through the stock exchange, by way of a public tender offer, or a public invitation to shareholders to submit an offer for sale. This authorization is not applicable for the purpose of trading in treasury shares. The General Partner is authorized to use treasury shares purchased on the basis of this authorization or any other earlier authorization for any legally permissible purpose, in particular (i) to redeem shares without requiring any further resolution by the General Meeting, (ii) to sell treasury shares to third parties against contributions in kind, (iii) to award treasury shares, in lieu of the utilization of conditional capital of the Company, to employees of the Company and companies affiliated with the Company, including members of the management of affiliated companies, and use them to service options or obligations to purchase shares of the Company, and (iv) to use treasury shares to service bonds carrying warrant and/or conversion rights or conversion obligations issued by the Company or companies affiliated with the Company pursuant to section 17 AktG.

On the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2016 to conduct a share buyback program, the Company repurchased treasury shares for the purpose of capital reduction. The total number of shares purchased as of December 31, 2019 will be used solely to either reduce the registered share capital of the Company by cancellation of the acquired shares, or to fulfill employee participation programs of the Company.

TABLE 5.60 provides the number of shares acquired in the context of the share buyback programs as well as the repurchased treasury stock.

T 5.60 TREASURY STOCK

Period	Average price per share in €	Total number of shares purchased and retired as part of publicly announced plans or programs	Total value of shares[1] in € THOUS
DECEMBER 31, 2016	**51.00**	**999,951**	**50,993**
Purchase of Treasury Stock			
December 2017	87.79	660,000	57,938
DECEMBER 31, 2017	**65.63**	**1,659,951**	**108,931**
Purchase of Treasury Stock			
May 2018	86.69	173,274	15,020
June 2018	86.14	257,726	22,201
Repurchased Treasury Stock	**86.37**	**431,000**	**37,221**
Retirement of repurchased Treasury Stock			
December 2018	87.23	1,091,000	95,159
DECEMBER 31, 2018	**51.00**	**999,951**	**50,993**
Purchase of Treasury Stock			
March 2019	69.86	1,629,240	113,816
April 2019	72.83	1,993,974	145,214
May 2019	72.97	147,558	10,766
Repurchased Treasury Stock	**71.55**	**3,770,772**	**269,796**
Retirement of repurchased Treasury Stock			
June 2019	71.55	3,770,772	269,796
Purchase of Treasury Stock			
June 2019	67.11	504,672	33,870
July 2019	66.77	1,029,655	68,748
August 2019	57.53	835,208	48,050
September 2019	59.67	627,466	37,445
October 2019	57.85	692,910	40,084
November 2019	64.78	852,859	55,245
December 2019	63.85	564,908	36,067
Repurchased Treasury Stock[2]	**62.55**	**5,107,678**	**319,509**
DECEMBER 31, 2019	**60.66**	**6,107,629**	**370,502**

[1] The value of shares repurchased in 2017, 2018 and 2019 is inclusive of fees (net of taxes) paid in the amount of approximately €12, €8 and €11 (in € THOUS), respectively, for services rendered.
[2] At December 31, 2019, the maximum number of shares that may be purchased pursuant to the buy-back program expiring on June 17, 2020 is 6,892,322.

ADDITIONAL PAID-IN CAPITAL

Additional paid-in capital is comprised of the premium paid on the issue of shares and stock options, the tax effects from stock options, the compensation expense from stock options, which is recognized according to IFRS 2 as well as changes in ownership interest in a subsidiary that does not result in a loss of control.

RETAINED EARNINGS

Retained earnings is comprised of earnings generated by group entities in prior years to the extent that they have not been distributed as well as changes of the noncontrolling interests subject to put provisions.

DIVIDENDS

Under German law, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of the Company as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch).

Cash dividends of €354,636 for 2018 in the amount of €1.17 per share were paid on May 21, 2019.

Cash dividends of €324,838 for 2017 in the amount of €1.06 per share were paid on May 23, 2018.

Cash dividends of €293,973 for 2016 in the amount of €0.96 per share were paid on May 16, 2017.

NONCONTROLLING INTERESTS

Noncontrolling interests represent the proportion of the net assets of consolidated subsidiaries owned by minority shareholders. The Company has purchase obligations under options held by the holders of noncontrolling interests in certain of its subsidiaries. These obligations result from contractual put options and are exercisable by the owners of the noncontrolling interests. In addition to noncontrolling interests the potential obligations under these put options are recognized at fair value in other current or non-current liabilities by profit or loss neutral reclassification from equity.

18. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The principle objectives of the Company's capital management strategy are to optimize the weighted average cost of capital and to achieve a balanced mix of total equity and debt. The dialysis industry, in which the Company has a strong market position in global, growing and largely non-cyclical markets, is characterized by stable cash flows. Due to the Company's payors' mostly high credit quality, it is able to generate high, stable, predictable and sustainable cash flows. These generated cash flows allow a reasonable proportion of debt, through the employment of an extensive mix of debt.

As of December 31, 2019 and December 31, 2018, total equity and debt were as shown in TABLE 5.61.

T 5.61 **TOTAL EQUITY, DEBT AND TOTAL ASSETS**
IN € THOUS

	2019	2018
Total equity including noncontrolling interests	13,227,237	12,901,958
Debt and lease liabilities	13,782,448	7,546,228
Total assets	32,934,735	26,242,268
Debt and lease liabilities in % of total assets	41.8	28.8
Total equity in % of total assets (equity ratio)	40.2	49.2

The Company is not subject to any capital requirements provided for in its Articles of Association. The Company has obligations to issue shares out of the conditional capital relating to the exercise of stock options on the basis of the existing 2011 SOP stock option plan (SEE NOTE 20).

The Company conducts a share buyback program. The repurchased shares will be used solely to either reduce the registered share capital of the Company by cancellation of the acquired shares or to fulfill employee participation programs (SEE NOTE 17).

Assuring financial flexibility is a top priority in the Company's financing strategy. This flexibility is achieved through a wide range of financing instruments and a high degree of diversification of investors. The Company's maturity profile displays a broad spread of maturities with a high

proportion of medium and long-term financings. In the choice of financing instruments market capacity, investor diversification, flexibility, credit conditions and the existing maturity profile are taken into account (SEE NOTE 14).

A key financial performance indicator for the Company is the net leverage ratio, defined as the ratio of net debt/EBITDA. To determine the net leverage ratio, debt and lease liabilities less cash and cash equivalents (net debt) is compared to EBITDA (adjusted for acquisitions and divestitures made during the year with a purchase price above a €50,000 threshold as defined in the Amended 2012 Credit Agreement, non-cash charges and impairment loss). At December 31, 2019 and December 31, 2018, this ratio was 3.2 and 1.8, respectively. Adjusted for the impact of the IFRS 16 implementation the net leverage ratio was 2.5 at December 31, 2019.

The Company's financing structure and business model are reflected in the investment grade ratings. The Company is covered and rated investment grade by the three leading rating agencies, Moody's, Standard & Poor's and Fitch (SEE TABLE 5.62).

T 5.62 **RATING** [1]

	Standard & Poor's	Moody's	Fitch
Corporate credit rating	BBB	Baa3	BBB-
Outlook	stable	stable	stable

[1] A rating is not a recommendation to buy, sell or hold securities of the Company, and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

19. EARNINGS PER SHARE

TABLE 5.63 contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for 2019, 2018 and 2017.

T 5.63 **RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE**
IN € THOUS, EXCEPT SHARE AND PER SHARE DATA

	2019	2018	2017
Numerators:			
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA	**1,199,619**	**1,981,924**	**1,279,788**
Denominators:			
Weighted average number of shares outstanding	302,691,397	306,541,706	306,563,400
Potentially dilutive shares	57,892	684,681	719,912
BASIC EARNINGS PER SHARE	**3.96**	**6.47**	**4.17**
DILUTED EARNINGS PER SHARE	**3.96**	**6.45**	**4.16**

20. SHARE-BASED PLANS

The Company accounts for its share-based plans in accordance with IFRS 2. As of December 31, 2019, the Company has various share-based compensation plans, which may either be equity- or cash-settled.

FRESENIUS MEDICAL CARE AG & CO. KGAA LONG-TERM INCENTIVE PLANS DURING 2016 – 2019

As of May 11, 2016, the issuance of stock options and Phantom Stock under the FMC AG & CO. KGAA Long-Term Incentive Program 2011 (LTIP 2011) is no longer possible. Furthermore, as of January 1, 2019, the issuance of Performance Shares under the FMC AG & CO. KGAA Long-Term Incentive Plan 2016 (LTIP 2016) is no longer possible. In order to continue to enable the members of the Management Board, the members of the management boards of affiliated companies and managerial staff members to adequately participate in the long-term, sustained success of the Company, successor programs effective January 1, 2019 were introduced. For members of the Management Board, the Supervisory Board of the Management

AG has approved and adopted the Fresenius Medical Care Management AG Management Board Long-Term Incentive Plan 2019 (MB LTIP 2019). For the members of the management boards of affiliated companies and managerial staff members, the Management Board of the Management AG has approved and adopted the Fresenius Medical Care AG & CO. KGAA Long-Term Incentive Plan 2019 (LTIP 2019). Additionally, the Management Board of the Management AG has approved and adopted the Fresenius Medical Care AG & CO. KGAA NxStage Long-Term Incentive Plan (NxStage LTIP) for the management board and managerial staff members of NxStage in the course of the integration of NxStage into the Company.

The MB LTIP 2019, the LTIP 2019, the NxStage LTIP and the LTIP 2016 are variable compensation programs with long-term incentive effects. Similar to the LTIP 2016, which granted so-called "Performance Shares" annually or semiannually from 2016 to 2018, pursuant to the MB LTIP 2019 and the LTIP 2019, plan participants may be granted Performance Shares once or twice during 2019 for the MB LTIP 2019 and throughout 2019 to 2021 for the LTIP 2019. Pursuant to the NxStage LTIP, plan participants were granted Performance Shares in February 2019. Performance Shares are non-equity, cash-settled virtual compensation instruments which may entitle plan participants to receive a cash payment depending on the achievement of pre-defined performance targets further defined below as well as the Company's share price development.

For members of the Management Board, the Supervisory Board of the Management AG will, in due exercise of its discretion and taking into account the individual responsibility and performance of each Management Board member, determine an initial value for each grant for any awards to Management Board members. For plan participants other than the members of the Management Board, such determination will be made by the Management Board. The initial grant value is determined in the currency in which the respective participant receives his or her base salary at the time of the grant. In order to determine the number of Performance Shares each plan participant receives, the respective grant value will be divided by the value per Performance Share at the time of the grant, which is mainly determined based on the average price of the Company's shares over a period of thirty calendar days prior to the respective grant date.

The number of granted Performance Shares may change over the performance period of three years, depending on the level of achievement of the following: (i) revenue growth at constant currency (Revenue Growth), (ii) growth of the net income attributable to the shareholders of FMC AG & CO. KGAA at constant currency (Net Income Growth) and (iii) return on invested capital (ROIC). For the LTIP 2019 exclusively, the level of achievement for Performance Shares granted in fiscal year 2019 may be subject to an increase if certain targets in relation to the second phase of the Company's Global Efficiency Program are achieved (GEP-II targets).

Revenue, net income and ROIC are determined according to the Company's consolidated reported and audited figures in Euro for the financial statements prepared in accordance with IFRS, applying the respective plan terms. Revenue Growth, Net Income Growth and the fulfillment of the GEP-II targets, for the purpose of the relevant plan, are determined at constant currency.

An annual target achievement level of 100 % will be reached for the Revenue Growth performance target if Revenue Growth is 7 % in each individual year of the three-year performance period; Revenue Growth of 0 % will lead to a target achievement level of 0 % and the maximum target achievement level of 200 % will be reached in case of Revenue Growth of at least 16 %. If Revenue Growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

An annual target achievement level of 100 % for the Net Income Growth performance target will be reached if Net Income Growth is 7 % in each individual year of the three-year performance period. In case of Net Income Growth of 0 %, the target achievement level will also be 0 %; the maximum target achievement of 200 % will be reached in the case of Net Income Growth of at least 14 %. Between these values, the degree of target achievement will be determined by means of linear interpolation.

With regard to ROIC, an annual target achievement level of 100 % will be reached if the target ROIC as defined for the respective year is reached. For the MB LTIP 2019 and the LTIP 2019, the target ROIC is 7.9 % for 2019 (LTIP 2016: 7.3 % in 2016 and increased by 0.2 percentage points for each consecutive year until 2020; NxStage LTIP: 7.7 % in 2018 and increased by 0.2 percentage points for each consecutive year until 2020). A target achievement level of 0 % will be reached if the ROIC falls below the target ROIC for the respective year by 0.2 percentage points or more, whereas the maximum target achievement level of 200 % will be reached if the target ROIC for the respective year is exceeded by 0.2 percentage points or more. The degree of target achievement will be determined by means of linear interpolation if the ROIC ranges between these values. In case the annual ROIC target achievement level in the third year of a performance period is equal or higher than the ROIC target achievement level in each of the two previous years of such performance period, the ROIC target achievement level of the third year is deemed to be achieved for all years of the respective performance period.

The achievement level for each of the three performance targets will be weighted annually at one-third to determine the yearly target achievement for each year of the three-year performance period. The level of overall target achievement over the three-year performance period will then be determined on the basis of the mean of these three average yearly target achievements. The overall target achievement can be in a range of 0 % to 200 %. For the LTIP 2019, the overall target achievement for Performance Shares granted in fiscal year 2019 shall be increased by 20 percentage points if the GEP-II targets achievement is 100 %. In case of a GEP-II targets achievement between 0 % and 100 %, the respective increase of the overall target achievement will be calculated by means of linear interpolation. The overall target achievement increased by the GEP-II targets achievement shall not exceed 200 %.

The number of Performance Shares granted to the plan participants at the beginning of the performance period will each be multiplied by the level of overall target achievement in order to determine the final number of Performance Shares.

For the MB LTIP 2019, the final number of Performance Shares is generally deemed earned four years after the day of a respective grant (the four-year vesting period). The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty days prior to the lapse of this four-year vesting period. The respective resulting amount will then be paid to the plan participants as cash compensation.

For plan participants of the LTIP 2019, the final number of Performance Shares is generally deemed earned three years after the day of a respective grant (the three-year vesting period). The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty days prior to the lapse of this three-year vesting period. The respective resulting amount, which is capped in total at an amount equaling 400 % of the grant value received by the participant, will then be paid to the plan participants as cash compensation.

For plan participants of the NxStage LTIP, the final number of Performance Shares granted in February 2019 is generally deemed earned in December 2022 (the vesting period). The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty days prior to the lapse of this vesting period. The respective resulting amount will then be paid to the plan participants as cash compensation.

For plan participants of the LTIP 2016, the final number of Performance Shares is generally deemed earned four years after the day of a respective grant (the four-year vesting period). The number of such vested Performance Shares is then multiplied by the average Company share price over a period of thirty days prior to the lapse of this four-year vesting period. The respective resulting amount will then be paid to the plan participants as cash compensation.

During 2019, the Company awarded 114,999 Performance Shares under the MB LTIP 2019 at a measurement date weighted average fair value of €60.70 each and a total fair value of €6,980, which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

During 2019, the Company awarded 817,089 Performance Shares under the LTIP 2019 at a measurement date weighted average fair value of €62.16 each and a total fair value of €50,790, which will be revalued if the fair value changes. The total fair value will be amortized over the three-year vesting period.

During 2019, the Company awarded 55,978 Performance Shares under the NxStage LTIP at a measurement date weighted average fair value of €62.17 each and a total fair value of €3,480, which will be revalued if the fair value changes. The total fair value will be amortized over the vesting period.

During 2018, the Company awarded 632,804 Performance Shares under the LTIP 2016 including 73,315 Performance Shares to the members of the Management Board at a measurement date weighted average fair value of €51.99 each and a total fair value of €32,900, which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

During 2017, the Company awarded 614,985 Performance Shares under the LTIP 2016 including 73,746 Performance Shares to the members of the Management Board at a measurement date weighted average fair value of €83.40 each and a total fair value of €51,290, which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

FRESENIUS MEDICAL CARE AG & CO. KGAA LONG-TERM INCENTIVE PROGRAM 2011

On May 12, 2011, the 2011 SOP was established by resolution of the Company's AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and supervisory boards, forms the Company's LTIP 2011. Under the LTIP 2011, participants were granted awards, which consisted of a combination of stock options and Phantom Stock. The final grant under the LTIP 2011 was made in December 2015. Awards under the LTIP 2011 were subject to a four-year vesting period. Vesting of the awards granted was subject to achievement of pre-defined performance targets. The 2011 SOP was established with a conditional capital increase up to €12,000 subject to the issue of up to twelve million non-par value bearer ordinary shares with a nominal value of €1.00 per share.

Stock options granted under the LTIP 2011 have an eight-year term and can be exercised for the first time after a four-year vesting period. The exercise price of stock options granted under the LTIP 2011 shall be the average stock exchange price on the Frankfurt Stock Exchange of the Company's shares during the 30 calendar days immediately prior to each grant date. Stock options granted under the LTIP 2011 to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Stock options under the LTIP 2011 are not transferable by a participant or a participant's heirs, and may not be transferred, pledged, assigned, or disposed of otherwise.

Phantom Stock awards under the LTIP 2011 entitle the holders to receive payment in euro from the Company upon exercise of the Phantom Stock. The payment per Phantom Stock in lieu of the issuance of such stock shall be based upon the share price on the Frankfurt Stock Exchange of one of the Company's shares on the exercise date. Phantom Stock awards have a five-year term and can be exercised for the first time after a four-year vesting period. For participants who are U.S. taxpayers, the Phantom Stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

NEW INCENTIVE BONUS PLAN

In 2019, the members of the Management Board were eligible for performance-related compensation that depended upon achievement of pre-defined targets. The targets are measured based on the adjusted net income growth attributable to the shareholders of FMC AG & CO. KGAA at constant currency (Adjusted Net Income Growth), adjusted net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments (Adjusted Free Cash Flow) in percent of revenues and adjusted operating margin (Adjusted Operating Margin), and are derived from the comparison of targeted and actually achieved current year figures. Targets are divided into Group level targets and those to be achieved in individual regions and areas of responsibility.

Performance-related bonuses for 2019 consist proportionately of a cash component and a share-based component which will be paid in cash. Upon meeting the annual targets, the cash component for the year 2019 will be paid in the following year, after the consolidated financial statements for 2019 have been approved. The share-based component is subject to a three-year vesting period, although a shorter period may apply in special cases (e.g. occupational disability, retirement and employment contracts which were not extended by the Company). The amount of cash for the payment relating to the share-based component shall be based on the share price of Fresenius Medical Care AG & CO. KGAA ordinary shares upon exercise. For each of the members of the Management Board, the amount of the achievable pay component as well as of the allocation value of the cash-settled share-based compensation is capped.

Share-based compensation related to this plan for fiscal years ended 2019, 2018 and 2017 was €2,623, €3,414 and €3,418, respectively.

INFORMATION ON HOLDINGS UNDER SHARE-BASED PLANS

At December 31, 2019, the members of the Management Board held 102,435 Performance Shares under the MB LTIP 2019. Former members of the Management Board held 12,564 Performance Shares under the MB LTIP 2019.

At December 31, 2019, the plan participants held 797,659 Performance Shares under the LTIP 2019.

At December 31, 2019, the plan participants held 45,007 Performance Shares under the NxStage LTIP.

At December 31, 2019, the members of the Management Board held 211,878 Performance Shares and plan participants other than the members of the Management Board held 1,747,142 Performance Shares under the LTIP 2016.

At December 31, 2019, the members of the Management Board held 23,336 Phantom Stock and plan participants other than the members of the Management Board held 311,650 Phantom Stock under the LTIP 2011.

At December 31, 2019, the members of the Management Board held 452,989 stock options and plan participants other than the members of the Management Board held 3,036,000 stock options under the 2011 SOP.

ADDITIONAL INFORMATION ON SHARE-BASED PLANS

TABLE 5.64 below provides reconciliations for stock options outstanding at December 31, 2019, as compared to December 31, 2018.

T 5.64 **TRANSACTIONS**

	Options in THOUS	Weighted Average Exercise Price in €
Stock options for shares		
BALANCE AT DECEMBER 31, 2018	**3,896**	**68.85**
Granted	–	–
Exercised [1]	329	51.72
Forfeited	78	75.08
BALANCE AT DECEMBER 31, 2019	**3,489**	**70.32**

[1] The average share price at the date of exercise of the options was €67.62.

TABLE 5.65 provides a summary of fully vested options outstanding and exercisable at December 31, 2019.

At December 31, 2019, there were no total unrecognized compensation costs related to non-vested options.

During the fiscal years ended December 31, 2019, 2018, and 2017, the Company received cash of €17,014, €43,508 and €42,234, respectively, from the exercise of stock options (SEE NOTE 17). The intrinsic value of stock options exercised for the twelve-month periods ended December 31, 2019, 2018, and 2017 was €5,231, €29,440 and €31,580, respectively.

The compensation expense related to equity-settled stock option programs is determined based upon the fair value on the grant date and the number of stock options granted which will be recognized over the four-year vesting period. In connection with the 2011 SOP, the Company incurred compensation expense of €1,992, €6,713 and €11,736 for the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

T 5.65 **SHARE OPTIONS**

	Outstanding			Exercisable	
Range of exercise prices in €	Number of options	Weighted average remaining contractual life	Weighted average exercise price in €	Number of options	Weighted average exercise price in €
45.01 – 50.00	767,001	2.38	49.90	767,001	49.90
50.01 – 55.00	825	0.93	52.27	825	52.27
55.01 – 60.00	133,375	1.24	57.68	133,375	57.68
60.01 – 65.00	–	–	–	–	–
65.01 – 70.00	–	–	–	–	–
70.01 – 75.00	–	–	–	–	–
75.01 – 80.00	2,587,788	3.58	77.03	2,587,788	77.03
TOTAL	**3,488,989**	**3.23**	**70.32**	**3,488,989**	**70.32**

The compensation expense related to cash-settled share-based payment transactions is determined based upon the fair value at the measurement date and the number of Phantom Stock or Performance Shares granted which will be recognized over the vesting period. In connection with cash-settled share-based payment transactions, the Company recognized compensation expense of:

- €656, €0 and €0 related to Performance Shares under the MB LTIP 2019 for the fiscal years ended December 31, 2019, 2018 and 2017, respectively,
- €4,771, €0 and €0 related to Performance Shares under the LTIP 2019 for the fiscal years ended December 31, 2019, 2018 and 2017, respectively,
- €572, €0 and €0 related to Performance Shares under the NxStage LTIP for the fiscal years ended December 31, 2019, 2018 and 2017, respectively,
- €30,304, €4,152 and €38,882 related to Performance Shares under the LTIP 2016 for the fiscal years ended December 31, 2019, 2018 and 2017, respectively, and

› €5,724, -€8,799 and €21,576 related to Phantom Stock for the fiscal years ended December 31, 2019, 2018 and 2017, respectively.

CARE COORDINATION STOCK INCENTIVE PLANS

In 2014, the Company established two subsidiary stock incentive plans for the acquisitions of Sound and National Cardiovascular Partners. The Company divested its controlling interest in Sound on June 28, 2018, SEE NOTE 4 C for information. For the year ended December 31, 2019, the Company did not record stock compensation expense associated with the Sound subsidiary stock incentive plan (2018: €87,157 and 2017: €35,250). The remaining subsidiary stock incentive plan related to National Cardiovascular Partners is immaterial to the Company.

21. LEASES

The Company leases land, buildings and improvements, machinery and equipment, as well as IT- and office equipment under various lease agreements.

LEASING IN THE CONSOLIDATED STATEMENTS OF INCOME

TABLE 5.66 shows the effects from lease agreements on the consolidated statements of income for the year ended December 31, 2019.

T 5.66 **LEASING IN THE CONSOLIDATED STATEMENTS OF INCOME**
IN € THOUS

	2019
Depreciation on right-of-use assets	700,276
Impairments on right-of-use assets	38,820
Expenses relating to short-term leases	52,108
Expenses relating to leases of low-value assets	25,239
Expenses relating to variable lease payments	10,814
Income from subleasing right-of-use asset	4,367
Interest expense on lease liabilities	171,724

For information regarding leases with related parties, SEE NOTE 5 B.

LEASES IN THE CONSOLIDATED BALANCE SHEETS

The acquisition costs and the accumulated depreciation of right-of-use assets at December 31, 2019 are shown in TABLES 5.67 AND 5.68 ON PAGE 220.

Depreciation expense for right-of-use assets amounted to €700,276 for the year ended December 31, 2019. These expenses are allocated within costs of revenue, selling, general and administrative and research and development expenses depending upon the area in which the asset is used.

Impairment losses for right-of-use assets amounted to €38,820 for the year ended December 31, 2019. These losses are allocated within costs of revenue and selling, general and administrative expense, depending upon the area in which the asset is used.

For a maturity analysis of lease liabilities and lease liabilities from related parties SEE NOTE 23.

LEASING IN THE CONSOLIDATED STATEMENTS OF CASH FLOWS

Total cash outflows from leases were €945,169 for the year ended December 31, 2019.

Leases that the Company entered into as a lessee that have not yet begun will result in future cash outflows of €254,171.

Potential future cash outflows resulting from purchase options of €56,507 were not reflected in the measurement of the lease liabilities, as the exercise of the respective options is not reasonably certain.

Potential future cash outflows resulting from extension options of €6,691,551 were not reflected in the measurement of the lease liabilities, as the exercise of the respective options is not reasonably certain. The major part of these potential future cash outflows relates to extension options in real estate lease agreements, primarily for dialysis clinics in the North America Segment. Individual lease agreements include multiple extension options. The Company uses extension options to obtain a high degree of flexibility in performing its business. These extension options held are exercisable solely by the Company.

Potential future cash outflows resulting from termination options of €3,493 were not reflected in the measurement of the lease liabilities, as the exercise of the respective options is not reasonably certain.

T 5.67 ACQUISITION COSTS
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2019
Right-of-use assets: Land	28,717	447	(14)	2,300	512	(1,387)	30,575
Right-of-use assets: Buildings and improvements	3,840,380	65,603	(3,577)	694,031	15,074	(20,816)	4,590,695
Right-of-use assets: Machinery and equipment	407,436	7,639	3,257	23,243	18,002	(24,859)	434,718
Right-of-use assets: Advance Payments	–	–	–	24	–	–	24
RIGHT-OF-USE ASSETS	**4,276,533**	**73,689**	**(334)**	**719,598**	**33,588**	**(47,062)**	**5,056,012**

T 5.68 DEPRECIATION
IN € THOUS

	January 1, 2019	Foreign currency translation	Changes in consolidation group	Additions	Impairment loss	Reclassi-fications	Disposals	December 31, 2019
Right-of-use assets: Land	–	14	(4)	3,936	134	128	294	4,502
Right-of-use assets: Buildings and improvements	–	(1,364)	(1,768)	581,081	38,686	3,424	(6,133)	613,926
Right-of-use assets: Machinery and equipment	–	(291)	(105)	115,259	-	21,930	(24,324)	112,469
Right-of-use assets: Advance Payments	–	–	–	–	-	–	–	–
RIGHT-OF-USE ASSETS	**–**	**(1,641)**	**(1,877)**	**700,276**	**38,820**	**25,482**	**(30,163)**	**730,897**

T 5.69 BOOK VALUE
IN € THOUS

	December 31, 2019
Right-of-use assets: Land	26,073
Right-of-use assets: Buildings and improvements	3,976,769
Right-of-use assets: Machinery and equipment	322,249
Right-of-use assets: Advance Payments	24
RIGHT-OF-USE ASSETS	**4,325,115**

22. COMMITMENTS AND CONTINGENCIES

LEGAL AND REGULATORY MATTERS

The Company is routinely involved in claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Company currently deems to be material or noteworthy are described below. The Company records its litigation reserves for certain legal proceedings and regulatory matters to the extent that the Company determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. 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.

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the United States that might violate the Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Company conducted investigations with the assistance of outside counsel and, in a continuing dialogue, advised the SEC and the DOJ about these investigations. The DOJ and the SEC also conducted their own investigations, in which the Company cooperated.

In the course of this dialogue, the Company identified and reported to the DOJ and the SEC, and took remedial actions with respect to, conduct that resulted in the DOJ and the SEC seeking monetary penalties including disgorgement of profits and other remedies. This conduct revolved principally around the Company's products business in countries outside the United States.

The Company recorded charges of €200,000 in 2017 and €77,200 in 2018 encompassing estimates for the claims from the DOJ and the SEC for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation. The increase recorded in 2018 took into consideration preliminary understandings with the DOJ and the SEC on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totaled €223,980 as of December 31, 2018.

On March 29, 2019, the Company entered into a non-prosecution agreement with the DOJ and a separate agreement with the SEC intended to resolve fully and finally the claims against the Company arising from the investigations. The Company paid a combined total in penalties and disgorgement of approximately $231,700 to the DOJ and the SEC in connection with these agreements. The entire amount paid to the DOJ and the SEC was reserved for in charges that the Company recorded in 2017 and 2018 and announced in 2018. As part of the settlement, the Company agreed to retain an independent compliance monitor for a period of at least two years and to an additional year of self-reporting. As of July 26, 2019, the monitor was appointed and the monitorship period commenced.

In 2015, the Company self-reported to the German prosecutor conduct with a potential nexus to Germany and continues to cooperate with government authorities in Germany in their review of the conduct that prompted the Company's and government investigations.

Since 2012, the Company has made and continues to make further significant investments in its compliance and financial controls and in its compliance, legal and financial organizations. The Company's remedial actions included separation from those employees responsible for the above-mentioned conduct. The Company is dealing with post-FCPA review matters on various levels. The Company continues to be fully committed to compliance with the FCPA and other applicable anti-bribery laws.

Personal injury litigation involving the FMCH's acid concentrate product, labeled as Granuflo® or Naturalyte®, first arose in 2012 and was substantially resolved by settlement agreed in principle in February 2016 and consummated in November 2017. Remaining individual personal injury cases do not present material risk.

FMCH's affected insurers agreed to the settlement of the acid concentrate personal injury litigation and funded $220,000 of the settlement fund under a reciprocal reservation of rights encompassing certain coverage issues raised by insurers and the FMCH's claims for indemnification of defense costs. FMCH accrued a net expense of $60,000 in connection with the settlement, including legal fees and other anticipated costs. Following entry into the settlement, FMCH's insurers in the AIG group and FMCH each initiated litigation against the other relating to the AIG group's coverage obligations under applicable policies. In the coverage litigation, the

AIG group seeks to be indemnified by FMCH for some or all of its $220,000 outlay; FMCH seeks to confirm the AIG group's $220,000 funding obligation, to recover defense costs already incurred by FMCH, and to compel the AIG group to honor defense and indemnification obligations required for resolution of cases not participating in the settlement. As a result of decisions on issues of venue, the coverage litigation is proceeding in the New York state trial court for Manhattan. (National Union Fire Insurance v. Fresenius Medical Care, 2016 Index No. 653108 (Supreme Court of New York for New York County)).

Four institutional plaintiffs filed complaints against FMCH or its affiliates under state deceptive practices statutes resting on certain background allegations common to the GranuFlo®/NaturaLyte® personal injury litigation but seeking as a remedy the repayment of sums paid to FMCH that are attributable to the GranuFlo®/NaturaLyte® products. These cases implicate different legal standards, theories of liability and forms of potential recovery from those in the personal injury litigation and their claims were not extinguished by the personal injury litigation settlement described above. All of the institutional cases have been resolved by settlement except for the claims by the State of Louisiana through its Attorney General and Blue Cross Blue Shield Louisiana, which remain active in the combined proceeding. State of Louisiana ex re. Caldwell and Louisiana Health Service & Indemnity Company v. Fresenius Medical Care Airline, et al 2016 Civ. 11035 (U.S.D.C. D. Mass.). The Caldwell and Blue Cross Louisiana cases remain unresolved and are proceeding together in federal court in Boston but are subject to undecided motions for severance and remand. There is no trial date in either case. FMCH has increased its litigation reserves to account for anticipated resolution of these claims. However, at the present time there are no agreements in principle for resolving either case and litigation through final adjudication may be required in them.

On September 6, 2018, a special-purpose entity organized under Delaware law for the purpose of pursuing litigation filed a Pure Bill of Discovery in a Florida county court seeking discovery from FMCH related to the personal injury settlement, but no other relief. MSP Recovery Claims Series LLC v. Fresenius Medical Care Holdings, No. 2018-030366-CA-01 (11th Judicial Circuit, Dade County, Florida). The Pure Bill was thereafter removed to federal court and transferred into the multidistrict Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation in Boston. No.1:13-MD-02428-DPW (D. Mass. 2013). On March 12, 2019, plaintiff amended its Pure Bill by filing a complaint claiming rights to recover monetary damages on behalf of various persons and entities who are alleged to have assigned to plaintiff their rights to recover monetary damages arising from their having provided or paid for medical services for dialysis patients receiving treatments using FMCH's acid concentrate product. FMCH is responding to the amended complaint.

In August 2014, FMCH received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians involving contracts relating to the management of in-patient acute dialysis services. FMCH is cooperating in the investigation.

In July 2015, the Attorney General for Hawaii issued a civil complaint under the Hawaii False Claims Act alleging a conspiracy pursuant to which certain Liberty Dialysis subsidiaries of FMCH overbilled Hawaii Medicaid for Liberty's Epogen® administrations to Hawaii Medicaid patients during the period from 2006 through 2010, prior to the time of FMCH's acquisition of Liberty. Hawaii v. Liberty Dialysis–Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit). The State alleges that Liberty acted unlawfully by relying on incorrect and unauthorized billing guidance provided to Liberty by Xerox State Healthcare LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during the relevant period. The amount of the overpayment claimed by the State is approximately $8,000, but the State seeks civil remedies, interest, fines, and penalties against Liberty and FMCH under the Hawaii False Claims Act substantially in excess of the overpayment. After prevailing on motions by Xerox to preclude it from doing so, FMCH is pursuing third-party claims for contribution and indemnification against Xerox. The State's False Claims Act complaint was filed after Liberty initiated an administrative action challenging the State's recoupment of alleged overpayments from sums currently owed to Liberty. The civil litigation and administrative action are proceeding in parallel. Trial in the civil litigation is scheduled for July 13, 2020.

On August 31, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. FMCH continues to cooperate in the Denver United States Attorney's Office ("USAO") investigation, which has come to focus on purchases and sales of minority interests in ongoing outpatient facilities between FMCH and physician groups.

On November 25, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) also inquiring into FMCH's involvement in certain dialysis facility joint ventures in New York. On September 26, 2018, the Brooklyn USAO declined to intervene on the qui tam complaint filed under seal in 2014 that gave rise to this investigation. CKD Project LLC v. Fresenius Medical Care, 2014 Civ. 6646 (E.D.N.Y. November 12, 2014). The court unsealed the complaint, allowing the relator to serve and proceed on its own. The relator–a special-purpose entity formed by law firms to pursue qui tam proceedings–has served its complaint and litigation is proceeding.

Beginning October 6, 2015, the United States Attorney for the Eastern District of New York (Brooklyn) has led an investigation, through subpoenas issued under the False Claims Act, of utilization and invoicing by FMCH's subsidiary Azura Vascular Care for a period beginning after FMCH's acquisition of American Access Care LLC ("AAC") in October 2011. FMCH is cooperating in the Brooklyn USAO investigation. The Brooklyn USAO has indicated that its investigation is nationwide in scope and is focused on whether certain access procedures performed at Azura facilities have been medically necessary and whether certain physician assistants employed by Azura exceeded their permissible scope of practice. Allegations against AAC arising in districts in Connecticut, Florida and Rhode Island relating to utilization and invoicing were settled in 2015.

On June 30, 2016, FMCH received a subpoena from the United States Attorney for the Northern District of Texas (Dallas) seeking information under the False Claims Act about the use and management of pharmaceuticals including Velphoro®. The investigation encompasses DaVita, Amgen, Sanofi, and other pharmaceutical manufacturers and includes inquiries into whether certain compensation transfers between manufacturers and pharmacy vendors constituted unlawful kickbacks. FMCH understands that this investigation is substantively independent of the $63,700 settlement by DaVita Rx announced on December 14, 2017 in the matter styled United States ex rel. Gallian v. DaVita Rx, 2016 Civ. 0943 (N.D. Tex.). FMCH has cooperated in the investigation.

On November 18, 2016, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) seeking documents and information relating to the operations of Shiel Medical Laboratory, Inc. ("Shiel"), which FMCH acquired in October 2013. In the course of cooperating in the investigation and preparing to respond to the subpoena, FMCH identified falsifications and misrepresentations in documents submitted by a Shiel salesperson that relate to the integrity of certain invoices submitted by Shiel for laboratory testing for patients in long term care facilities. On February 21, 2017, FMCH terminated the employee and notified the United States Attorney of the termination and its circumstances. The terminated employee's conduct is expected to result in demands for FMCH to refund overpayments and to pay related penalties under applicable laws, but the monetary value of such payment demands cannot yet be reasonably estimated. FMCH contends that, under the asset sale provisions of its 2013 Shiel acquisition, it is not responsible for misconduct by the terminated employee or other Shiel employees prior to the date of the acquisition. The Brooklyn USAO continues to investigate a range of issues involving Shiel, including allegations of improper compensation (kickbacks) to physicians, and has disclosed that multiple sealed qui tam complaints underlie the investigation.

On December 12, 2017, FMCH sold to Quest Diagnostics certain Shiel operations that are the subject of this Brooklyn subpoena, including the misconduct reported to the United States Attorney. Under the Quest Diagnostics sale agreement, FMCH retains responsibility for responding to the Brooklyn investigation and for liabilities arising from conduct occurring after its 2013 acquisition of Shiel and prior to its sale of Shiel to Quest Diagnostics. FMCH is cooperating in the investigation.

On December 14, 2016, CMS, which administers the federal Medicare program, published an Interim Final Rule ("IFR") titled "Medicare Program; Conditions for Coverage for End-Stage Renal Disease Facilities-Third Party Payment." The IFR would have amended the Conditions for Coverage for dialysis providers, like FMCH and would have effectively enabled insurers to reject premium payments made by or on behalf of patients who received grants for individual market coverage from the American Kidney Fund ("AKF" or "the Fund"). The IFR could thus have resulted in those patients losing individual insurance market coverage. The loss of coverage for these patients would have had a material and adverse impact on the operating results of FMCH.

On January 25, 2017, a federal district court in Texas responsible for litigation initiated by a patient advocacy group and dialysis providers including FMCH preliminarily enjoined CMS from implementing the IFR. Dialysis Patient Citizens v. Burwell, 2017 Civ. 0016 (E.D. Texas, Sherman Div.). The preliminary injunction was based on CMS' failure to follow appropriate notice-and-comment procedures in adopting the IFR. The injunction remains in place and the court retains jurisdiction over the dispute.

On June 22, 2017, CMS requested a stay of proceedings in the litigation pending further rulemaking concerning the IFR. CMS stated, in support of its request, that it expects to publish a Notice of Proposed Rulemaking in the Federal Register and otherwise pursue a notice-and-comment process. Plaintiffs in the litigation, including FMCH, consented to the stay, which was granted by the court on June 27, 2017.

On January 3, 2017, FMCH received a subpoena from the United States Attorney for the District of Massachusetts under the False Claims Act inquiring into FMCH's interactions and relationships with the AKF, including FMCH's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH cooperated in the investigation, which was part of a broader investigation into charitable contributions in the medical industry. On August 1, 2019, the United States District Court for the District of Massachusetts entered an order announcing that the United States had declined to intervene on a qui tam complaint

underlying the USAO Boston investigation and unsealing the relator's complaint so as to permit the relator to serve the complaint and proceed on his own. The relator did not serve the complaint within the time allowed, but the court has not yet dismissed the relator's complaint.

On April 8, 2019, United Healthcare served a demand for arbitration against FMCH. The demand asserts that FMCH unlawfully "steered" patients by waiving co-payments and other means away from coverage under government-funded insurance plans including Medicare into United Healthcare's commercial plans, including Affordable Care Act exchange plans. FMCH is contesting United Healthcare's claims and demands. A final hearing date has been scheduled in the arbitration for August 23, 2021.

In early May 2017, the United States Attorney for the Middle District of Tennessee (Nashville) issued identical subpoenas to FMCH and two subsidiaries under the False Claims Act concerning FMCH's retail pharmaceutical business. The investigation is exploring allegations related to improper inducements to dialysis patients to fill oral prescriptions through FMCH's pharmacy service, improper billing for returned pharmacy products and other allegations similar to those underlying the $63,700 settlement by DaVita Rx in Texas announced on December 14, 2017. United States ex rel. Gallian, 2016 Civ. 0943 (N.D. Tex.). FMCH is cooperating in the investigation.

On March 12, 2018, Vifor Fresenius Medical Care Renal Pharma Ltd. and Vifor Fresenius Medical Care Renal Pharma France S.A.S. (collectively, "VFMCRP") (the joint venture between Vifor Pharma and FMC AG & CO. KGAA), filed a complaint for patent infringement against Lupin Atlantis Holdings SA and Lupin Pharmaceuticals Inc. (collectively, "Lupin"), and Teva Pharmaceuticals USA, Inc. ("Teva") in the U.S. District Court for the District of Delaware (Case 1:18-cv-00390-LPS). The patent infringement action is in response to Lupin and Teva's filings of Abbreviated New Drug Applications ("ANDA") with the U.S. Food and Drug Administration ("FDA") for generic versions of Velphoro®. Velphoro® is protected by patents listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book. The complaint was filed within the 45-day period provided for under the Hatch-Waxman legislation, and triggered a stay of FDA approval of the ANDAS for 30 months (2.5 years) (specifically, up to July 29, 2020 for Lupin's ANDA; and August 6, 2020 for Teva's ANDA), or a shorter time if a decision in the infringement suit is reached that the patents-at-issue are invalid or not infringed. In response to another ANDA being filed for a generic Velphoro®, VFMCRP filed a complaint for patent infringement against Annora Pharma Private Ltd., and Hetero Labs Ltd. (collectively, "Annora"), in the U.S. District Court for the District of Delaware on December 17, 2018. A 30-month stay of FDA approval of Annora's ANDA will run through to May 30, 2021.

On December 17, 2018, FMCH was served with a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) as part of an investigation of allegations against DaVita, Inc. involving transactions between FMCH and DaVita. The subject transactions include sales and purchases of dialysis facilities, dialysis-related products and pharmaceuticals, including dialysis machines and dialyzers, and contracts for certain administrative services. FMCH is cooperating in the investigation.

On June 28, 2019, certain FMCH subsidiaries filed a complaint against the United States seeking to recover monies owed to them by the United States Department of Defense under the Tricare program, and to preclude Tricare from recouping monies previously paid. Bio-Medical Applications of Georgia, Inc., et al. v. United States, CA 19-947, United States Court of Federal Claims. Tricare provides reimbursement for dialysis treatments and other medical care provided to members of the military services, their dependents and retirees. The litigation challenges unpublished administrative actions by Tricare administrators reducing the rate of compensation paid for dialysis treatments provided to Tricare beneficiaries based on a recasting or "crosswalking" of codes used and followed in invoicing without objection for many years. Tricare administrators have acknowledged the unpublished administrative action and declined to change or abandon it. The Tricare administrators have filed a motion to dismiss the complaint, but are not yet required to articulate, and have not yet presented, a substantive defense to the complaint. FMCH intends to oppose the motion to dismiss. FMCH has imposed a constraint on revenue for accounts receivable in legal dispute otherwise recognized from the Tricare program that it believes, in consideration of facts currently known, sufficient to account for the possibility of not prevailing in the litigation.

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 health care providers, insurance plans and suppliers, 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, dialysis clinics and other health care facilities, 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 signifi-

cant 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 one pending FDA warning letter. 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, the federal Civil Monetary Penalties 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 whistleblower 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 whistleblower actions, which are initially filed under court seal.

The Company operates many facilities and handles the personal data ("PD") of its patients and beneficiaries throughout the United States and other parts of the world and engages with other business associates to help it carry out its health care activities. 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 and its business associates. On occasion, the Company or its business associates may experience a breach under the Health Insurance Portability and Accountability Act Privacy Rule and Security Rules, the EU's General Data Protection Regulation and or other similar laws ("Data Protection Laws") when there has been impermissible use, access, or disclosure of unsecured PD or when the Company or its business associates neglect to implement the required administrative, technical and physical safeguards of its electronic systems and devices, or a data breach that results in impermissible use, access or disclosure of personal identifying information of its employees, patients and beneficiaries. On those occasions, the Company must comply with applicable breach notification requirements.

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 its 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, Data Protection Laws, the Health Information Technology for Economic and Clinical Health Act and the Foreign Corrupt Practices Act, among other laws and comparable state laws or laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The 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.

In Germany, the tax audits for the years 2006 through 2009 have been substantially completed. The German tax authorities have indicated a re-qualification of dividends received in connection with intercompany mandatorily redeemable preferred shares into fully taxable

interest payments for these and subsequent years until 2013. The Company has defended its position and will avail itself of appropriate remedies. The Company is also subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions in the ordinary course of business. Tax authorities routinely pursue adjustments to the Company's tax returns and disallowances of claimed tax deductions. When appropriate, the Company defends these adjustments and disallowances and asserts its own claims. A successful tax related claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition and results of operations.

Other than those individual contingent liabilities mentioned above, as well as in NOTE 8, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

23. FINANCIAL INSTRUMENTS

TABLES 5.70 AND 5.71 STARTING ON PAGE 227 show the carrying amounts and fair values of the Company's financial instruments at December 31, 2019 and December 31, 2018.

Derivative and non-derivative financial instruments are categorised in the following three-tier fair value hierarchy that reflects the significance of the inputs in making the measurements. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions. Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. Transfers between levels of the fair value hierarchy have not occurred as of December 31, 2018. The Company accounts for transfers at the end of the reporting period. At September 30, 2019 the Company transferred its Humacyte investment with a carrying amount of €186,427 from Level 2 to Level 3, because the Company remeasured the fair value using a discounted cash flow model after events or changes in circumstances were identified that had a significant effect on the fair value of the investment.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

The significant methods and assumptions used for the classification and measurement of non-derivative financial instruments are as follows:

The Company assessed its business models and the cash flow characteristics of its financial assets. The vast majority of the non-derivative financial assets are held in order to collect the contractual cash flows. The contractual terms of the financial assets allow the conclusion that the cash flows represent payment of principle and interest only. Trade accounts and other receivables, Accounts receivable from related parties and Other financial assets are consequently measured at amortized cost.

Cash and cash equivalents are comprised of cash funds and other short-term investments. Cash funds are measured at amortized cost. Short-term investments are highly liquid and readily convertible to known amounts of cash. Short-term investments are measured at FVPL. The risk of changes in fair value is insignificant.

Equity investments are not held for trading. At initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic investments in OCI. If equity instruments are quoted in an active market, the fair value is based on price quotations at the period-end-date. From time to time the Company engages external valuation firms to determine the fair value of Level 3 equity investments. The external valuation uses a discounted cash flow model, which includes significant unobservable inputs such as investment specific forecasted financial statements, weighted average cost of capital, that reflects current market assessments as well as a terminal growth rate.

The majority of the debt securities are held within a business model whose objective is achieving both contractual cash flows and sell the securities. The standard coupon bonds give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount. Subsequently these financial assets have been classified as FVOCI. The smaller part of debt securities do not give rise to cash flows that are solely payments of principle and interest. Consequently, these securities are measured at FVPL. In general most of the debt securities are quoted in an active market.

T 5.70 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS
IN € THOUS

	Carrying amount December 31, 2019					Fair value December 31, 2019		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents [1]	768,706	239,017			1,007,723		239,017	
Trade accounts and other receivables	3,343,873			77,473	3,421,346			
Accounts receivable from related parties	159,196				159,196			
Derivatives - cash flow hedging instruments				107	107		107	
Derivatives - not designated as hedging instruments		2,406			2,406		2,406	
Equity investments		186,273	50,975		237,248	13,110	41,084	183,054
Debt securities		107,988	261,833		369,821	365,170	4,651	
Other financial assets	141,355			111,649	253,004			
Other current and non-current assets	**141,355**	**296,667**	**312,808**	**111,756**	**862,586**			
FINANCIAL ASSETS	**4,413,130**	**535,684**	**312,808**	**189,229**	**5,450,851**			
Accounts payable	716,526				716,526			
Accounts payable to related parties	118,663				118,663			
Short-term debt and short-term debt from related parties	1,171,853				1,171,853			
Long-term debt	7,905,557				7,905,557	5,555,475	2,537,932	
Long-term lease liabilities and long-term lease liabilities from related parties				4,705,038	4,705,038			
Derivatives - cash flow hedging instruments				2,534	2,534		2,534	
Derivatives - not designated as hedging instruments		10,762			10,762		10,762	
Variable payments outstanding for acquisitions		89,677			89,677			89,677
Noncontrolling interest subject to put provisions				934,425	934,425			934,425
Other financial liabilities	1,414,464				1,414,464			
Other current and non-current liabilities	**1,414,464**	**100,439**		**936,959**	**2,451,862**			
FINANCIAL LIABILITIES	**11,327,063**	**100,439**		**5,641,997**	**17,069,499**			

[1] Highly liquid short-term investments are categorized in level 2 of the fair value hierarchy. Other cash and cash equivalents is not categorized.

T 5.71 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS
IN € THOUS

	Carrying amount December 31, 2018					Fair value December 31, 2018		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents [1]	831,885	1,313,747			2,145,632		1,313,747	
Trade accounts and other receivables	3,182,052			49,448	3,231,500			
Accounts receivable from related parties	198,868				198,868			
Derivatives – cash flow hedging instruments				1,492	1,492		1,492	
Derivatives – not designated as hedging instruments		18,222			18,222		18,222	
Equity investments		106,350	34,377		140,727	13,869	126,858	
Debt securities		83,213	250,822		334,035	329,821	4,214	
Other financial assets	144,838			107,125	251,963			
Other current and non-current assets	**144,838**	**207,785**	**285,199**	**108,617**	**746,439**			
FINANCIAL ASSETS	**4,357,643**	**1,521,532**	**285,199**	**158,065**	**6,322,439**			
Accounts payable	641,271				641,271			
Accounts payable to related parties	153,781				153,781			
Short-term debt and short-term debt from related parties	1,394,194				1,394,194			
Long-term debt and capital lease obligations	6,115,890			36,144	6,152,034	4,227,684	2,022,057	
Derivatives – cash flow hedging instruments				1,125	1,125		1,125	
Derivatives – not designated as hedging instruments		18,911			18,911		18,911	
Variable payments outstanding for acquisitions		172,278			172,278			172,278
Noncontrolling interest subject to put provisions				818,871	818,871			818,871
Other financial liabilities	1,467,767				1,467,767			
Other current and non-current liabilities	**1,467,767**	**191,189**	**–**	**819,996**	**2,478,952**			
FINANCIAL LIABILITIES	**9,772,903**	**191,189**	**–**	**856,140**	**10,820,232**			

[1] Highly liquid short-term investments are categorized in level 2 of the fair value hierarchy. Other cash and cash equivalents is not categorized.

Long-term debt is recognized at its carrying amount. The fair values of major long-term debt are calculated on the basis of market information. Liabilities for which market quotes are available are measured using these quotes. The fair values of the other long-term debt 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.

Variable payments outstanding for acquisitions are recognized at their fair value. The estimation of the individual fair values is based on the key inputs of the arrangement that determine the future contingent payment as well as the Company's expectation of these factors. The Company assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

Noncontrolling interests subject to put provisions are recognized at their fair value. The methodology the Company uses to estimate the fair values 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. From time to time the Company engages external valuation firms for the valuation of the put provisions. The external valuation estimates the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. When applicable, the obligations are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate, and the discounted cash flows as well as the implicit multiple of earnings and/or revenue at which these noncontrolling interest obligations may ultimately be settled could vary significantly from the Company's current estimates depending upon market conditions.

At December 31, 2019, 2018 and 2017 the Company's potential obligations under these put provisions, which are recorded in other current liabilities and other non-current liabilities, were €934,425, €818,871 and €830,773, respectively. At December 31, 2019, 2018 and 2017, put provisions with an aggregate purchase obligation of €385,924, €408,525 and €324,814, respectively, were exercisable. In the last three fiscal years ending December 31, 2019, 30 such put provisions have been exercised for a total consideration of €143,109.

TABLE 5.72 shows a roll forward of Level 3 financial instruments at December 31, 2019, 2018 and 2017.

T 5.72 **RECONCILIATION FROM BEGINNING TO ENDING BALANCE OF LEVEL 3 FINANCIAL INSTRUMENTS**
IN € THOUS

	2019			2018		2017	
	Equity investments	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions
Beginning balance at January 1	–	172,278	818,871	205,792	830,773	223,504	1,007,733
Transfer from Level 2	186,427	–	–	–	–	–	–
Increase	2,233	4,828	109,109	19,051	53,731	21,128	85,322
Decrease	–	(43,941)	(20,269)	(15,734)	(50,706)	(32,764)	(121,057)
(Gain) loss recognized in profit or loss	128	(41,537)	154,436	(36,327)	142,279	(2,685)	160,916
(Gain) loss recognized in equity	–	–	13,701	–	(50,612)	–	(20,012)
Dividends	–	–	(153,614)	–	(139,742)	–	(164,404)
Foreign currency translation and other changes	(5,734)	(1,951)	12,191	(504)	33,148	(3,391)	(117,725)
ENDING BALANCE AT DECEMBER 31	**183,054**	**89,677**	**934,425**	**172,278**	**818,871**	**205,792**	**830,773**

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial risks

The Company is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Company issues bonds and enters mainly into long-term credit agreements with banks. Due to these financing activities, the Company is exposed to changes in the interest rate as well as to price risks of balance sheet items with a fixed interest rate.

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 entered into 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.

These master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the statement of financial position as the offsetting criteria under IFRS are not satisfied.

At December 31, 2019 and December 31, 2018, the Company had €2,108 and €7,547 of derivative financial assets subject to netting arrangements and €12,355 and €8,111 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €137 and €4,048 as well as net liabilities of €10,384 and €4,612 at December 31, 2019 and December 31, 2018, respectively.

The Company calculates benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and reasonable market rates. Depending on the individual benchmarks, hedging strategies are agreed on and implemented.

In connection with the issuance of the Convertible Bonds in September 2014, the Company purchased Share Options. Any change in the Company's share price above the conversion price would be offset by a corresponding value change in the Share Options. The Share Options expired in November 2019.

Market risk

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 reports in euro pursuant to Section 315e and Section 244 HGB. Therefore, changes in the rate of exchange between the euro 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.

Additionally, individual subsidiaries are exposed to transactional risks mainly resulting from intercompany purchases between production sites and other subsidiaries with different functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the invoicing currencies 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.

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 AOCI. Additionally, in connection with intercompany loans in foreign currency, the

Company uses foreign exchange swaps to assure that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. The Company only designates the change in fair value of the spot element of foreign exchange forward contracts as the hedging instrument in cash flow hedging relationships and uses a hedge ratio for designated risks of 1:1. The forward elements are separately accounted for as cost of hedging in a separate component within AOCI.

The amounts recorded in AOCI are subsequently reclassified into earnings as a component of revenue for those contracts that hedge sales or as an adjustment of cost of revenue for those contracts that hedge intercompany product purchases. Foreign exchange forward contracts that hedge loans are subsequently reclassified from AOCI to interest income/expense. The amounts recorded in AOCI are reclassified in the same period in which the hedged transaction affects earnings. Amounts recorded in AOCI for cash flow hedges related to product purchases from third parties are removed from AOCI and included directly in the carrying amount of the asset at initial recognition. Product purchases and sales designated in a cash flow hedging relationship are expected to affect profit and loss in the same period in which the cash flows occur.

The critical terms of the forward exchange contracts generally align with the hedged item. The economic relationship between forward exchange contracts and the hedged forecast transaction is based on the timing, currency and amount of the hedged cash flows. Ineffectiveness could arise in case the timing of the hedged transaction or the credit default risk changes. Earnings of the Company were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives matched mainly the critical terms of the underlying exposures. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totalled €115,263 and €129,153 at December 31, 2019 and December 31, 2018, respectively. At December 31, 2019, the Company had foreign exchange derivatives with maturities of up to 14 months.

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currencies which 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 totalled €626,585 and €913,683 at December 31, 2019 and December 31, 2018, respectively.

The Company uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following twelve months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95 % and a holding period of up to one year. The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i.e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. Based on a net exposure of €1,381,399, the Company's CFaR amounts to €41,342 at December 31, 2019, this means with a probability of 95 % a potential loss in relation to the forecasted foreign exchange cash flows of the next twelve months will be not higher than €41,342.

TABLE 5.73 shows the average hedging rate and the nominal amount of the foreign exchange forward contracts for the currencies with highest hedging volume at December 31, 2019.

T 5.73 SIGNIFICANT CURRENCY PAIRS
IN € THOUS

	Nominal amount	Average hedging rate
EUR/AUD	168,395	1.6314
EUR/USD	122,305	1.1373
EUR/GBP	49,308	0.8798

Interest rate risk management

The Company's interest rate risks mainly arise from money market and capital market transactions of the group for financing its business activities.

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 Company determines the existence of an economic relationship between the hedging

instrument and hedged item based on the reference interest rates, maturities and the notional amounts. The effective portion of gains and losses of derivatives designated as cash flow hedges is deferred in AOCI; the amount of gains and losses reclassified from AOCI are recorded in interest income and interest expenses.

For purposes of analysing the impact of changes in the relevant reference interest rates on the Company's results of operations, the Company calculates the portion of financial debt which bears variable interest rate and which has not been hedged by means of interest rate swaps or options against rising interest rates. For this particular part of its liabilities, the Company assumes an increase in the reference rates of 0.5 % compared to the actual rates as of the balance sheet date. The corresponding additional annual interest expense is then compared to the Company's net income. This analysis shows that an increase of 0.5 % in the relevant reference rates would have an effect of approximately 1 % on the consolidated net income and less than 1 % on the shareholder's equity of the Company.

At December 31, 2019 no interest rate swaps were in place. At December 31, 2018, the notional amount of the euro-denominated interest rate swaps in place was €204,000.

In addition, the Company also enters into interest rate hedges ("pre-hedges") in anticipation of future long-term debt issuance. These pre-hedges are used to hedge interest rate exposures with regard to interest rates which are relevant for the future long-term debt issuance and which could rise until the respective debt is actually issued. These pre-hedges were settled at the issuance date of the corresponding long-term debt with the settlement amount recorded in AOCI amortized to interest expense over the life of the debt. At December 31, 2019 and December 31, 2018, the Company had €9,249 and €1,131, respectively, related to settlements of pre-hedges deferred in AOCI, net of tax.

Derivative financial instruments valuation

TABLE 5.74 shows the carrying amounts of the Company's derivatives at December 31, 2019 and December 31, 2018.

T 5.74 **DERIVATIVE FINANCIAL INSTRUMENTS VALUATION**
IN € THOUS

	2019		2018	
	Assets	Liabilities	Assets	Liabilities
Current				
Foreign exchange contracts	107	(2,484)	1,434	(711)
Interest rate contracts	–	–	–	(414)
Non-current				
Foreign exchange contracts	–	(50)	58	–
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	**107**	**(2,534)**	**1,492**	**(1,125)**
Current				
Foreign exchange contracts	2,406	(10,762)	6,402	(7,091)
Non-current				
Derivatives embedded in the Convertible Bonds	–	–	–	(11,820)
Share Options to secure the Convertible Bonds	–	–	11,820	–
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	**2,406**	**(10,762)**	**18,222**	**(18,911)**

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 fair value of the embedded derivative of the Convertible Bonds is calculated using the difference between the market value of the Convertible Bonds and the market value of an adequate straight bond discounted with the market interest rates as of the reporting date.

The Company's own credit risk is incorporated in the fair value estimation of derivatives that are liabilities. Counterparty credit risk adjustments are factored into the valuation of derivatives that are assets. The Company monitors and analyses the credit risk from derivative financial instruments on a regular basis. For the valuation of derivative financial instruments, the credit risk is considered in the fair value of every individual instrument. The default probability is based upon the credit default swap spreads of each counterparty appropriate for the duration. The calculation of the credit risk considered in the valuation is performed by multiplying the default probability appropriate for the duration with the expected discounted cash flows of the derivative financial instrument.

The effect of financial instruments on the consolidated statements of income

The effects of financial instruments recorded in the consolidated statements of income consist of interest income of €59,448 (2018: €141,491), interest expense of €486,039 (2018: €437,957) as well as allowances for doubtful accounts of €42,315 (2018: €19,112).

In the fiscal year 2019 net losses from foreign currency transactions amount to €4,901 (2018: net losses €21,391).

TABLE 5.75 ON PAGE 234 shows the effect of derivatives in cash flow hedging relationships on the consolidated financial statements.

TABLE 5.76 ON PAGE 234 shows the effect of derivatives not designated as hedging instruments on the consolidated financial statements.

TABLE 5.77 ON PAGE 234 shows when the cash flow from derivative financial instruments is expected to occur.

Credit risk

The Company is exposed to potential losses in the event of non-performance by counterparties. With respect to derivative financial instruments it is not expected that any counterparty fails to meet its obligations as the counterparties are highly rated financial institutions. The maximum credit exposure of derivatives is represented by the fair value of those contracts with a positive fair value at the balance sheet date. The maximum credit exposure of all derivatives amounted to €2,513 at December 31, 2019 (2018: €19,714). The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all financial assets. In order to control this credit risk, the Management of the Company carries out an ageing analysis of trade accounts and other receivables. For details on the ageing analysis and on the allowance for doubtful accounts, please SEE NOTE 7.

Liquidity risk

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Company manages the liquidity of the group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Company believes that existing credit facilities, net cash provided by operating activities and additional short-term debt are sufficient to meet the Company's foreseeable demand for liquidity (SEE NOTE 13).

TABLE 5.78 ON PAGE 235 shows all non-discounted payments agreed by contract concerning financial liabilities and derivative financial instruments recorded in the consolidated balance sheets.

T 5.75 THE EFFECT OF DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS ON THE CONSOLIDATED FINANCIAL STATEMENTS
IN € THOUS

	Fair value gain (loss) recognized in AOCI on hedging instrument (hedge reserve)		Fair value gain (loss) recognized in AOCI on hedging instrument (cost of hedging)		Location of reclassified amounts from AOCI	Amount reclassified from hedge reserve		Amount reclassified from cost of hedging	
	2019	2018	2019	2018		2019	2018	2019	2018
Interest rate contracts	(12,807)	(105)	–	–	Interest income/expense	2,753	22,249	–	–
Foreign exchange contracts	(3,189)	5,029	(1,473)	(2,244)	thereof:				
					Revenue	1,331	(423)	1,480	132
					Costs of revenue	2,509	(1,839)	(1,913)	799
					Inventories	(269)	(17)	(55)	(21)
TOTAL	**(15,996)**	**4,924**	**(1,473)**	**(2,244)**		**6,324**	**19,970**	**(488)**	**910**

T 5.76 THE EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS
IN € THOUS

	Location of (gain) loss recognized in income on derivatives	Amount of (gain) loss recognized in income on derivatives	
		2019	2018
Foreign exchange contracts	Selling, general and administrative expenses	7,686	(12,841)
Foreign exchange contracts	Interest income/expense	16,491	14,809
Derivatives embedded in the Convertible Bonds	Interest income/expense	(11,820)	(90,614)
Share Options to secure the Convertible Bonds	Interest income/expense	11,820	90,614
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		**24,177**	**1,968**

T 5.77 CASH FLOW FROM DERIVATIVE FINANCIAL INSTRUMENTS
IN € THOUS

	Expected cash flow in period of			
	Less than 1 year	1–3 years	3–5 years	Over 5 years
2019				
Designated as hedging instrument	(2,377)	(50)	–	–
Not designated as hedging instrument	(8,356)	–	–	–
2018				
Designated as hedging instrument	87	58	–	–
Not designated as hedging instrument	(689)	–	–	–

T 5.78 PAYMENTS AGREED BY CONTRACTS
IN € THOUS

	Payments due by period of			
	Less than 1 year	1–3 years	3–5 years	Over 5 years
2019				
Accounts payable	716,526	–	–	–
Accounts payable to related parties	118,663	–	–	–
Other current financial liabilities	1,414,464	–	–	–
Short-term debt [1]	1,171,853	–	–	–
Amended 2012 Credit Agreement [2]	577,115	1,424,798	–	–
Bonds and Convertible Bonds	1,004,042	1,686,586	1,109,894	2,166,434
Accounts Receivable Facility [2]	7,518	387,468	–	–
Other long-term debt	68,078	66,531	74,131	49,467
Long-term lease liabilities [1]	789,145	1,479,119	1,112,401	2,190,926
Variable payments outstanding for acquisitions	34,253	26,710	26,325	9,503
Noncontrolling interests subject to put provisions	603,132	114,950	136,163	121,021
Letters of credit	21,893	–	–	–
Derivative financial instruments – in cash flow hedging relationships	2,484	50	–	–
Derivative financial instruments – not designated as hedging instrument	10,762	–	–	–
2018				
Accounts payable	641,271	1	–	–
Accounts payable to related parties	153,781	–	–	–
Other current financial liabilities	1,467,766	–	–	–
Short-term debt [1]	1,394,194	–	–	–
Amended 2012 Credit Agreement [2]	178,170	740,024	1,126,183	–
Bonds and Convertible Bonds	1,132,032	1,917,239	677,500	880,939
Accounts Receivable Facility [2]	–	–	–	–
Other long-term debt and capital lease obligations [2]	26,519	68,976	19,796	63,734
Variable payments outstanding for acquisitions	57,217	69,918	33,221	30,576
Noncontrolling interests subject to put provisions	494,576	183,396	66,324	107,857
Letters of credit	12,413	12,322	–	–
Derivative financial instruments – in cash flow hedging relationships	1,347	–	–	–
Derivative financial instruments – not designated as hedging instrument	7,091	11,820	–	–

[1] Includes amounts from related parties.
[2] Future interest payments for financial liabilities with variable interest rates were calculated using the latest interest rates fixed prior to December 31, 2019 and 2018.

24. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2019, 2018, and 2017 are as shown in TABLE 5.79.

T 5.79 **OTHER COMPREHENSIVE INCOME (LOSS)**
IN € THOUS

	2019			2018			2017		
	Pretax	Tax effect	Net	Pretax	Tax effect	Net	Pretax	Tax effect	Net
Components that will not be reclassified to profit or loss									
Actuarial gain (loss) on defined benefit pension plans	(99,613)	30,245	(69,368)	(28,070)	7,713	(20,357)	6,840	(27,393)	(20,553)
Components that may be reclassified subsequently to profit or loss									
Foreign currency translation adjustment	263,835	–	263,835	327,317	–	327,317	(1,284,173)	–	(1,284,173)
Other comprehensive income (loss) relating to cash flow hedges:									
Changes in fair value of cash flow hedges during the period	(17,469)	4,352	(13,117)	2,680	(698)	1,982	1,613	(430)	1,183
Reclassification adjustments	5,836	(1,678)	4,158	20,880	(6,036)	14,844	26,370	(7,977)	18,393
Total other comprehensive income (loss) relating to cash flow hedges	(11,633)	2,674	(8,959)	23,560	(6,734)	16,826	27,983	(8,407)	19,576
OTHER COMPREHENSIVE INCOME (LOSS)	**152,589**	**32,919**	**185,508**	**322,807**	**979**	**323,786**	**(1,249,350)**	**(35,800)**	**(1,285,150)**

25. SUPPLEMENTARY CASH FLOW INFORMATION

The additional information in TABLE 5.80 is provided with respect to net cash provided by (used in) investing activities for the years ended December 31, 2019, 2018 and 2017.

T 5.80 DETAILS FOR NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES
IN € THOUS

	2019	2018	2017
Details for acquisitions			
Assets acquired	(2,639,432)	(360,375)	(758,720)
Liabilities assumed	260,120	21,122	128,552
Noncontrolling interests subject to put provisions	72,151	11,901	68,069
Noncontrolling interests	65,217	45,319	14,293
Non-cash consideration	26,637	28,530	8,851
CASH PAID	**(2,215,307)**	**(253,503)**	**(538,955)**
Less cash acquired	55,210	3,538	17,630
NET CASH PAID FOR ACQUISITIONS	**(2,160,097)**	**(249,965)**	**(521,325)**
Cash paid for investments	(34,602)	(590,199)	(17,999)
Cash paid for intangible assets	(37,972)	(85,103)	(26,370)
TOTAL CASH PAID FOR ACQUISITIONS AND INVESTMENTS, NET OF CASH ACQUIRED, AND PURCHASES OF INTANGIBLE ASSETS	**(2,232,671)**	**(925,267)**	**(565,694)**
Details for divestitures			
Cash received from sale of subsidiaries or other businesses, less cash disposed[1]	43,317	1,532,724	157,025
Cash received from divestitures of debt securities	16,623	150,172	256,136
Cash received from repayment of loans	–	79	2,227
PROCEEDS FROM DIVESTITURES	**59,940**	**1,682,975**	**415,388**

[1] In 2018, cash received from sale of subsidiaries or other businesses, less cash disposed included a cash payment of €142,593 relating to tax payments in connection with the divestiture of Sound.

In connection with divestitures which occurred during 2018, the Company divested, in aggregate, assets, excluding cash, of €1,100,315, liabilities of €296,857, noncontrolling interests subject to put provisions of €469 and noncontrolling interests of €16,540.

TABLE 5.81 ON PAGE 238 shows a reconciliation of debt to net cash provided by (used in) financing activities for 2019.

TABLE 5.82 ON PAGE 238 shows a reconciliation of debt to net cash provided by (used in) financing activities for 2018.

T 5.81 RECONCILIATION OF DEBT TO NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
IN € THOUS

			Non-cash changes				
	January 1, 2019[1]	Cash Flow	Acquisitions (net of divestitures)	Foreign currency translation	Amortization of debt issuance costs	Other[2]	December 31, 2019
Short-term debt	1,205,294	(70,398)	14,611	618	–	(137)	1,149,988
Short-term debt from related parties	188,900	(167,111)	–	–	–	76	21,865
Long-term debt (excluding Accounts Receivable Facility)[3]	6,115,890	1,285,603	22,815	85,424	15,147	1,108	7,525,987
Accounts Receivable Facility	–	381,430	–	(2,435)	575	–	379,570
Lease liabilities	4,451,081	(671,403)	2,141	81,817	–	718,456	4,582,092
Lease liabilities from related parties	137,494	(16,340)	–	35	–	1,757	122,946

[1] Line item "Long-term Debt (excluding Accounts Receivable Facility)" as of December 31, 2018, was labeled as "Long-term debt and capital lease obligations (excluding Accounts Receivable Facility)" and included liabilities from capital leases in accordance with IAS 17 of €36,144; As of January 1, 2019, these liabilities have been transferred to the line item "Lease liabilities". Furthermore, upon the initial application of IFRS 16 as of January 1, 2019, Lease liabilities of €4,414,937 and Lease liabilities from related parties of €137,494 were recognized.
[2] Includes newly concluded leases, lease modifications and reassessments of leases with third parties and related parties.
[3] Cash Flow excluding repayments of variable payments outstanding for acquisitions in the amount of €41,803.

T 5.82 RECONCILIATION OF DEBT TO NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
IN € THOUS

			Non–cash changes					
	January 1, 2018	Cash Flow	Acquisitions (net of divestitures)	Foreign currency translation	Amortization of debt issuance costs	New leases	Other	December 31, 2018
Short-term debt	760,279	444,844	3,046	(2,860)	–	–	(15)	1,205,294
Short-term debt from related parties	9,000	179,900	–	–	–	–	–	188,900
Long-term debt (excluding Accounts Receivable Facility)[1]	6,384,734	(453,717)	8,652	188,165	15,975	6,517	1,708	6,152,034
Accounts Receivable Facility	293,673	(298,912)	–	4,883	356	–	–	–

[1] Cash Flow excluding repayments of variable payments outstanding for acquisitions in the amount of €10,099.

26. SEGMENT AND CORPORATE INFORMATION

The Company's operating segments are the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment. The operating segments are determined based upon how the Company manages its businesses with geographical responsibilities. All segments are primarily engaged in providing health care services and the distribution of products and equipment for the treatment of ESRD and other extracorporeal therapies.

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 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, 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 related to production are centrally managed. The Company's global research and development is also centrally managed. These corporate activities (Corporate) do not fulfill the definition of a segment according to IFRS 8, Operating Segments. Products are transferred to the segments at cost; therefore, no internal profit is generated. The associated internal revenue for the product transfers and their elimination are recorded as corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as Corporate.

Information pertaining to the Company's segment and Corporate activities for the twelve-month periods ended December 31, 2019, 2018 and 2017 is shown in TABLE 5.83.

T 5.83 **SEGMENT AND CORPORATE INFORMATION (CONTINUATION SEE NEXT PAGE)**
IN € THOUS

	North America Segment	EMEA Segment	Asia-Pacific Segment	Latin America Segment	Total Segment	Corporate	Total
2019							
Revenue from contracts with customers	11,931,396	2,652,943	1,792,020	705,636	17,081,995	20,141	17,102,136
Other revenue external customers	263,777	40,530	66,750	3,362	374,419	–	374,419
Revenue external customers	12,195,173	2,693,473	1,858,770	708,998	17,456,414	20,141	17,476,555
Inter - segment revenue	3,067	686	504	251	4,508	(4,508)	–
REVENUE	**12,198,240**	**2,694,159**	**1,859,274**	**709,249**	**17,460,922**	**15,633**	**17,476,555**
OPERATING INCOME	**1,794,101**	**448,062**	**328,996**	**42,508**	**2,613,667**	**(344,109)**	**2,269,558**
Interest							(429,444)
INCOME BEFORE INCOME TAXES							**1,840,114**
Depreciation and amortization	(992,526)	(188,580)	(98,599)	(33,352)	(1,313,057)	(240,351)	(1,553,408)
Impairment loss	(36,411)	(3,341)	–	–	(39,752)	–	(39,752)
Income (loss) from equity method investees	75,941	(4,414)	2,551	1,152	75,230	(1,551)	73,679
Total assets	21,700,202	4,058,523	2,852,271	917,184	29,528,180	3,406,555	32,934,735
thereof investment in equity method investees	400,514	171,704	99,815	24,839	696,872	–	696,872
Additions of property, plant and equipment, intangible assets and right-of-use assets	1,097,517	212,282	190,591	36,595	1,536,985	356,934	1,893,919

SEGMENT AND CORPORATE INFORMATION (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	North America Segment	EMEA Segment	Asia-Pacific Segment	Latin America Segment	Total Segment	Corporate	Total
2018							
Revenue from contracts with customers	11,347,963	2,559,485	1,627,715	682,894	16,218,057	14,736	16,232,793
Other revenue external customers	221,769	27,073	61,638	3,600	314,080	–	314,080
Revenue external customers	11,569,732	2,586,558	1,689,353	686,494	16,532,137	14,736	16,546,873
Inter - segment revenue	1,609	304	633	240	2,786	(2,786)	–
REVENUE	**11,571,341**	**2,586,862**	**1,689,986**	**686,734**	**16,534,923**	**11,950**	**16,546,873**
OPERATING INCOME	**2,665,187**	**398,683**	**303,956**	**28,848**	**3,396,674**	**(358,876)**	**3,037,798**
Interest							(301,062)
INCOME BEFORE INCOME TAXES							**2,736,736**
Depreciation and amortization	(377,836)	(116,384)	(45,475)	(22,344)	(562,039)	(162,808)	(724,847)
Impairment loss	–	(64,719)	–	–	(64,719)	–	(64,719)
Income (loss) from equity method investees	75,279	(4,322)	2,125	264	73,346	–	73,346
Total assets	16,936,646	3,612,800	2,322,284	719,334	23,591,064	2,651,204	26,242,268
thereof investment in equity method investees	348,096	178,886	98,741	24,057	649,780	–	649,780
Additions of property, plant and equipment and intangible assets	598,988	158,974	53,962	26,894	838,818	316,147	1,154,965
2017							
Revenue from contracts with customers	12,878,665	2,547,055	1,623,312	719,792	17,768,824	14,748	17,783,572
Inter - segment revenue	1,898	16	356	374	2,644	(2,644)	–
REVENUE	**12,880,563**	**2,547,071**	**1,623,668**	**720,166**	**17,771,468**	**12,104**	**17,783,572**
OPERATING INCOME	**2,086,391**	**443,725**	**313,042**	**58,349**	**2,901,507**	**(539,068)**	**2,362,439**
Interest							(364,824)
INCOME BEFORE INCOME TAXES							**1,997,615**
Depreciation and amortization	(398,235)	(119,044)	(45,401)	(17,929)	(580,609)	(154,870)	(735,479)
Income (loss) from equity method investees	71,739	(7,159)	1,919	700	67,199	–	67,199
Total assets	15,556,146	3,585,486	2,074,150	670,126	21,885,908	2,139,307	24,025,215
thereof investment in equity method investees	342,462	181,870	98,281	24,396	647,009	–	647,009
Additions of property, plant and equipment and intangible assets	526,652	130,755	52,861	41,637	751,905	241,052	992,957

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in TABLE 5.84.

T 5.84 **GEOGRAPHIC PRESENTATION**
IN € THOUS

	Germany	North America	Rest of the world	Total
2019				
Revenue external customers	474,750	12,195,173	4,806,632	17,476,555
Long-lived assets	1,311,786	19,112,827	4,335,569	24,760,182
2018				
Revenue external customers	426,327	11,569,732	4,550,814	16,546,873
Long-lived assets	948,355	13,260,913	3,290,930	17,500,198
2017				
Revenue external customers	433,105	12,878,665	4,471,802	17,783,572
Long-lived assets	905,571	13,037,452	3,122,590	17,065,613

27. SUBSEQUENT EVENTS

No significant activities have taken place subsequent to the balance sheet date December 31, 2019 that have a material impact on the key figures and earnings presented. Currently, there are no other significant changes in the Company's structure, management, legal form or personnel.

28. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

COMPENSATION OF THE MANAGEMENT BOARD OF THE GENERAL PARTNER

The total compensation of the members of the Management Board of Fresenius Medical Care Management AG for the fiscal year 2019 amounted to €24,773 (2018: €24,166) and consisted of non-performance-based compensation (including fringe benefits) in the total amount of €7,122 (2018: €6,532), short-term performance-based compensation in the total amount of €7,869 (2018: €8,437) and components with long-term incentive effects (multi-year variable compensation) in the total amount of €9,782 (2018: €9,197). Components with long-term incentive effects, which were granted in or for the fiscal year 2019, include exclusively share-based compensation with cash settlement.

Under the MB LTIP 2019, in the fiscal year 2019, a total of 114,999 Performance Shares (2018: 73,315 under the LTIP 2016) were granted to the members of the Management Board of Fresenius Medical Care Management AG. The fair value of the Performance Shares granted in July of the fiscal year 2019 was on the grant date €62.10 (2018: €80.55 under the LTIP 2016) each for grants denominated in euro and $69.71 (2018: $94.11 under the LTIP 2016) for grants denominated in US-Dollar. Ms. Helen Giza (member of the Management Board since November 1, 2019) was granted Performance Shares in December of the fiscal year 2019 whose fair value on the grant date was €60.58 (2018: €69.05 for Dr. Katarzyna Mazur-Hofsäß under the LTIP 2016).

Based on the target achievement in the fiscal year 2019, in addition to the Performance Shares granted under the MB LTIP 2019, the Management Board members of Fresenius Medical Care Management AG were entitled to further share-based compensation with cash settlement (so-called Share Based Award) in the amount of €2,623 (2018: €3,414).

At the end of fiscal year 2019, the members of the Management Board of Fresenius Medical Care Management AG being in office on December 31 of the fiscal year held a total of 314,313 Performance Shares (2018: 204,693) and 23,336 Phantom Stock (2018: 54,711). In addition, they held a total of 452,989 stock options at the end of the fiscal year 2019 (2018: 602,389 stock options).

As of December 31, 2019, aggregate pension obligations of €24,252 (December 31, 2018: €24,535) existed relating to existing pension commitments. In the fiscal year 2019, the appropriation to the pension reserves amounted to €6,751 (2018: €5,071).

In the fiscal year, no loans or advance payments for future compensation components were made to the members of the Management Board of Fresenius Medical Care Management AG.

To the extent permitted by law, Fresenius Medical Care Management AG undertook to indemnify the members of the Management Board from claims against them arising out of their work for the Company and its affiliates, to the extent such claims exceed their liability under German law. To secure such obligations, a Directors & Officers liability insurance exists with a deductible that corresponds to the specifications according to the German Stock Corporation Act.

Mr. Michael Brosnan was a member of the Management Board until the end of October 31, 2019. In his termination agreement, it was agreed with respect to the compensation components he is contractually entitled to for the period from November 1, 2019 to December 31, 2020 that he will receive a base salary of $850 p.a. (pro rata for the period from November 1, 2019 to December 31, 2019). For the period from January 1, 2020 to December 31, 2020 Mr. Michael Brosnan has an entitlement to fringe benefits in the form of contributions to financial planning, insurance benefits, contributions to pension, accident, life and health insurances and housing, rent and relocation supplements as well as tax burden compensation due to varying tax rates in Germany and the U.S. (net compensation) and a car allowance in the total amount of approximately $257. For the period from November 1, 2019 to December 31, 2019 these fringe benefits amounted to $17. Additionally, Mr. Michael Brosnan will participate in the U.S.-based 401(k) savings plan until December 31, 2020. For the period from January 1, 2020 to December 31, 2020, Mr. Michael Brosnan will also receive an amount equivalent to 30 % of his base salary. The compensation components granted to Mr. Michael Brosnan under the LTIP 2016, the MB LTIP 2019 and in the form of Share Based Awards are payable or exercisable in accordance with the respective plan conditions. With the exception of the Share Based Award for 2019, Mr. Michael Brosnan will no longer be granted any further components with long-term incentive effects as from (and including) the year 2020. As of January 1, 2021, Mr. Michael Brosnan will receive an annual compensation for the agreed post-employment non-competition covenant in the amount of $553 p.a. for a period of two years. It was agreed with Mr. Michael Brosnan that he is entitled to receive a company pension on the basis of the individual contractual pension commitment of Fresenius Medical Care Management AG in the annual amount of $405 from January 1, 2021. The compensation for the agreed post-employment non-competition covenant is credited against the company pension.

Mr. Dominik Wehner was a member of the Management Board until the end of December 31, 2017. In his termination agreement, it was agreed with respect to the compensation components he is entitled to by contract for the period from January 1, 2018 to March 31, 2022 that he will annually receive a base salary of €425 and an amount of 30 % of his base salary. In addition, Mr. Dominik Wehner is entitled to fringe benefits such as the private use of his company car, contributions to financial planning, insurance benefits and contributions to pension and health insurance in a total amount of approximately €30 p.a. The compensation components granted to Mr. Dominik Wehner under the LTIP 2011, the LTIP 2016 and in form of Share Based Awards are payable or can be exercised, as the case may be, upon the relevant regular vesting date in accordance with the respective plan conditions. Except for the Share Based Award for 2017, Mr. Dominik Wehner is no longer eligible to be granted any components with long-term incentive effects since the year 2018 (including). As of the completion of the age of 65, Mr. Dominik Wehner will receive a Company-funded retirement pension in accordance with the individual contractual pension commitment by Fresenius Medical Care Management AG.

Mr. Ronald Kuerbitz, who was a member of the Management Board until February 17, 2017, received an annual non-compete compensation from February 17, 2017 for a period of two years; this compensation amounted in the fiscal year 2019 to €90 (2018: €515). It was also agreed with him that, after the end of his employment contract, he would act as an advisor to National Medical Care, Inc. from August 14, 2017 until the end of August 13, 2019. The consideration to be granted for such services (including reimbursement of expenses) amounts to €167 (2018: €212) for the fiscal year 2019. As of the completion of the age of 65, Mr. Ronald Kuerbitz will receive a Company-funded retirement pension of €130 per year.

Mr. Roberto Fusté, who was a member of the Management Board until March 31, 2016, received pension payments in the amount of approximately €274 (2018: €261) in the fiscal year 2019. On the occasion of the termination of his employment contract with effect as of December 31, 2016 as a member of the Management Board, it was agreed with Mr. Roberto Fusté that he would be subject to a post-employment non-compete obligation lasting until the end of December 31, 2018 and that he would act as an advisor to the Chairman of the Management Board. For this, he did neither receive a non-compete compensation (2018: €377) nor an advisory fee (2018: €377) in the fiscal year 2019.

Prof. Emanuele Gatti, who was a member of the Management Board until March 31, 2014, received pension payments in the amount of €355 in the fiscal year 2019 (2018: €338).

A consulting agreement was entered into with Dr. Rainer Runte, who was a member of the Management Board until March 31, 2014, effective March 1, 2017, the term of which in the meantime was extended until December 31, 2018. Under this consulting agreement, Dr. Rainer Runte provided consulting services on certain fields. The consideration (including the reimbursement of expenses) to be granted by Fresenius Medical Care Management AG for such services amounts to €0 for the fiscal year 2019 (2018: €226).

Instead of a pension provision, a consulting agreement was entered into with Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, for the period January 1, 2013 to December 31, 2021. Under this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame and will be subject to a non-compete covenant. The consideration to be granted by Fresenius Medical Care Management AG for such services (including reimbursement of expenses) amounts for the fiscal year to €568 (2018: €522). In 2019, an amendment to the agreement was made which provides for a one-off payment of €1,129 for the remaining term of the agreement. This payment was also made in the fiscal year. All payments for services to be performed by him under the consulting agreement have thus been made.

Former members of the Management Board did not receive any compensation in the fiscal year other than mentioned herein. As of December 31 of the fiscal year 2019, pension obligations towards this group of persons exist in an amount of €37,373 (December 31, 2018: €25,163).

A post-employment non-competition covenant was agreed upon with all members of the Management Board. If such covenant becomes applicable, the members of the Management Board for a period of up to two years receive compensation amounting to half of their respective annual base salary and an amount equivalent to 30 % of their respective base salary for each year of respective application of the non-competition covenant. The employment contracts of the members of the Management Board contain no express provisions that are triggered by a change of control.

The new or extended employment contracts concluded with individual members of the Management Board effective from or after January 1, 2018 provide for a severance payment cap. Under this cap, payments in connection with the early termination of a Management Board activity in the event of dismissal for cause (Abberufung aus wichtigem Grund) may not exceed the value of two years' compensation and may not compensate more than the remaining term of the contract. For the calculation of the relevant annual compensation, only the non-performance-based compensation components are applied. If there is good cause for the termination of the employment contract, no severance payments are made.

In addition, already earned and paid compensation components, in particular in case of relevant violations of internal guidelines or undutiful conduct, can be reclaimed (claw back) on the basis of the MB LTIP 2019 and the LTIP 2016 plan conditions and in accordance with the employment contracts concluded with individual members of the Management Board as from January 1, 2018.

FMC AG & CO. KGAA publishes detailed and also individualized information for each member of the Management Board of Fresenius Medical Care Management AG on the compensation of the Management Board in its Compensation Report, which is part of the management report and which can be accessed on Company's website under https://www.freseniusmedicalcare.com/en/investors/corporate-governance/declaration-on-corporate-governance/.

COMPENSATION OF THE SUPERVISORY BOARD

In the fiscal year the total compensation fees to all members of the Supervisory Board of FMC AG & CO. KGAA amounted to €626 (2018: €773). This includes a fixed compensation of €439 (2018: €361) and compensation components for the work in the Committees of €187 (2018: €148). For the fiscal year, no entitlement to a payment of variable performance-related compensation (2018: €264) was achieved. In accordance with section 13e para. 3 of the Articles of Association of FMC AG & CO. KGAA, the members of the Joint Committee are entitled to receive an attendance fee in the amount of $3.5.

The compensation of the supervisory board of the Fresenius Medical Care Management AG and the compensation of its Committees was, in compliance with article 7 para. 3 of the Articles of Association of FMC AG & CO. KGAA, charged to FMC AG & CO. KGAA. In the fiscal year the total compensation for the members of the supervisory board of the Fresenius Medical Care Management AG amounted to €937 (2018: €1,110). This includes fixed compensation components for the work in the supervisory board in the amount of €432 (2018: €402) and compensation components for the work in the Committees of €505 (2018: €428). For the fiscal year, no entitlement to a payment of variable performance-related compensation (2018: €280) was achieved.

For the benefit of the members of the Supervisory Board of FMC AG & CO. KGAA a Directors & Officers liability insurance exists with a deductible that corresponds to the specifications according to the German Stock Corporation Act.

29. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In 2019, 2018 and 2017, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and its affiliates were expensed as shown in TABLE 5.85.

T 5.85 **FEES**
IN € THOUS

	2019		2018		2017	
	Consolidated group	thereof Germany	Consolidated group	thereof Germany	Consolidated group	thereof Germany
Audit fees	10,113	1,665	7,845	1,322	8,629	1,232
Audit-related fees	615	525	320	316	59	18
Tax fees	318	–	1,069	115	830	169
Other fees	41	–	251	234	716	110

The current lead engagement partner for the audit of the consolidated financial statements assumed responsibility in 2017.

Audit fees are the aggregate fees billed by KPMG for the audit of the Company's consolidated financial statements and the statutory financial statements of FMC AG & CO. KGAA and certain of its subsidiaries, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. Fees related to the audit of internal control over financial reporting are included in audit fees. Audit-related fees are fees charged by KPMG for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under audit fees. This category comprises fees billed for comfort letters, consultation on accounting issues, agreed-upon procedure engagements and other attestation services subject to regulatory requirements. Tax fees are fees for professional services rendered by KPMG for tax compliance, tax advice on implications for actual or contemplated transactions, tax consulting associated with international transfer prices, and expatriate employee tax services, as well as support services related to tax audits. Other fees include amounts related to services in regard to the harmonization of the IT-landscape as well as amounts related to supply chain consulting fees.

Fees billed by KPMG for non-audit services in Germany include fees for the services described above within the audit-related fees, tax fees and other fees.

30. CORPORATE GOVERNANCE

The Management Board of the General Partner, represented by Fresenius Medical Care Management AG, and the Supervisory Board of Fresenius Medical Care AG & CO. KGAA issued a compliance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG). The Company has frequently made this declaration available to the public by publishing it on its website.

The Company's declaration of compliance can be found at the following address: https://www.freseniusmedicalcare.com/en/investors/corporate-governance/declaration-of-compliance/.

31. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

It is proposed that the earnings of Fresenius Medical Care AG & CO. KGAA for the fiscal year 2019 will be distributed as shown in TABLE 5.86.

T 5.86 **PROPOSAL FOR THE DISTRIBUTION OF EARNINGS**
IN € THOUS, EXCEPT FOR SHARE DATA

Payment of a dividend of €1.20 per share on share capital of €298,329 entitled to receive dividends	357,995
Balance to be carried forward	3,038,532
TOTAL	**3,396,527**

The proposal for the allocation of distributable earnings reflects the 6,107,629 treasury shares that were held by the Company at the end of fiscal year 2019 and that are not entitled to a dividend pursuant to section 71b AktG. To the extent the number of shares entitled to a dividend for fiscal year 2019 will change, the Annual General Meeting will be presented with a proposal that will be adjusted accordingly with an unchanged dividend of €1.20 for each share entitled to a dividend as well as accordingly amended amounts for the dividend sum and the earnings carried forward to new account.

Hof an der Saale, February 19, 2020

Fresenius Medical Care AG & CO. KGAA

Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

R. POWELL **H. GIZA** **F. W. MADDUX, MD** **DR. K. MAZUR-HOFSÄSS**

DR. O. SCHERMEIER **W. VALLE** **K. WANZEK** **H. DE WIT**

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Dr. Dieter Schenk
Chairman
Attorney and Tax Advisor

Member of the Supervisory Board of:
Fresenius Management SE (Vice Chairman)
Fresenius Medical Care Management AG (Vice Chairman)
HWT invest AG (formerly Bank Schilling & Co. AG) (Chairman)
Gabor Shoes AG (Chairman)
TOPTICA Photonics AG (Chairman)

Member of the Foundation Board of:
Else Kröner-Fresenius-Stiftung (Chairman)

Rolf A. Classon
Vice Chairman

Member of the Supervisory Board of:
Fresenius Medical Care Management AG

Member of the Board of Directors of:
Catalent, Inc., U.S. (Non-Executive Director)
Perrigo Company plc, Ireland (Non-Executive Director)

William P. Johnston
Operating Executive of The Carlyle Group Inc., U.S.

Member of the Supervisory Board of:
Fresenius Medical Care Management AG

Member of the Board of Directors of:
The Hartford Mutual Funds, Inc., U.S. (Chairman) (until August 7, 2019)

Dr. Dorothea Wenzel (since May 16, 2019)
Executive Vice President and Head of the Global Business Unit Surface Solutions of Merck KGAA

Pascale Witz
President of PWH Advisors SASU, France, and CEO of PWH Advisors LLC, U.S.

Member of the Board of Directors of:
Horizon Pharma plc, U.S. (Non-Executive Director)
Regulus Therapeutics, Inc., U.S. (Non-Executive Director)
Perkin Elmer, Inc., U.S. (Non-Executive Director)
Tesaro, Inc., U.S. (Non-Executive Director) (until January 22, 2019)

Prof. Dr. Gregor Zünd
Chief Executive Officer of the University Hospital of Zurich

SUPERVISORY BOARD COMMITTEES

Audit and Corporate Governance Committee
William P. Johnston (Chairman until December 31, 2019) (Vice Chairman since January 1, 2020)
Rolf A. Classon (Vice Chairman until December 31, 2019) (Chairman since January 1, 2020)
Pascale Witz (since February 11, 2019)

Nomination Committee
Rolf A. Classon (Chairman since December 4, 2019)
Dr. Dieter Schenk (Vice Chairman)

Joint Committee [1]
Rolf A. Classon
William P. Johnston

Special Joint Committee [2]
Dr. Dieter Schenk (Chairman)
Pascale Witz

[1] Further members of the Joint Committee are Mr. Sturm (Chairman) and Dr. Krick as representatives of Fresenius Medical Care Management AG. Mr. Sturm and Dr. Krick are not members of the Supervisory Board of FMC AG & Co. KGaA.
[2] Further member of the Special Joint Committee is Mr. Sturm. The committee was founded on May 15, 2019.

MANAGEMENT BOARD OF THE GENERAL PARTNER FRESENIUS MEDICAL CARE MANAGEMENT AG

Rice Powell
Chairman and Chief Executive Officer

Member of the Management Board of:
Fresenius Management SE, General Partner of Fresenius SE & CO. KGAA

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S. (Chairman)

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Vice Chairman)

Michael Brosnan (until October 31, 2019)
Chief Financial Officer

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S. (until October 31, 2019)

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (until October 31, 2019)

Member of the Supervisory Board of:
MorphoSys AG

Helen Giza (since November 1, 2019)
Chief Financial Officer

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S. (since November 8, 2019)

Franklin W. Maddux, MD (since January 1, 2020)
Global Chief Medical Officer

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Dr. Katarzyna Mazur-Hofsäß
Chief Executive Officer for Europe, Middle East and Africa

Dr. Olaf Schermeier
Chief Executive Officer for Research and Development

Member of the Supervisory Board of:
Xenios AG (Chairman)
Medos Medizintechnik AG (Chairman)

William Valle
Chief Executive Officer for North America

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S.

Kent Wanzek
Chief Executive Officer for Global Manufacturing, Quality and Supply

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S.

Harry de Wit
Chief Executive Officer for Asia-Pacific

Member of the Board of Directors of:
New Asia Investments Pte Ltd., Singapore

INDEPENDENT AUDITOR'S REPORT

To Fresenius Medical Care AG & CO. KGAA, Hof an der Saale

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

OPINIONS

We have audited the consolidated financial statements of Fresenius Medical Care AG & CO. KGAA and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2019, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies. In addition, we have audited the group management report of Fresenius Medical Care AG & CO. KGAA for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content of those components of the management report specified in the "Other Information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

› the accompanying consolidated financial statements comply, in all material respects, with the IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315e (1) HGB [Handelsgesetzbuch: German Commercial Code] and, in compliance with these requirements, give a true and fair view of the assets, liabilities, and financial position of the Group as of December 31, 2019, and of its financial performance for the financial year from January 1 to December 31, 2019, and

› the accompanying group management report as a whole provides an appropriate view of the Group's position. In all material respects, this group management report is consistent with the consolidated financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other Information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any reservations relating to the legal compliance of the consolidated financial statements and of the group management report.

BASIS FOR THE OPINIONS

We conducted our audit of the consolidated financial statements and of the group management report in accordance with Section 317 HGB and EU Audit Regulation No 537/2014 (referred to subsequently as "EU Audit Regulation") and in compliance with the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the group management report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Impairment testing of goodwill of the cash-generating unit Latin America

Please refer to NOTE 1 G to the consolidated financial statements for information on the accounting policies applied. Information on the assumptions used can be found under NOTE 2 A to the consolidated financial statements. Please SEE NOTE 11 to the consolidated financial statements for information on the amount of goodwill.

The financial statement risk

Goodwill recognized in the consolidated financial statements of Fresenius Medical Care AG & CO. KGAA as of December 31, 2019, amounts to EUR 14.0 billion, represents approximately 43 % of total assets and thus has a material effect on the Group's financial position.

Impairment testing of goodwill is conducted annually at the level of the business segments North America, EMEA, Asia-Pacific and Latin America, which each represent a cash-generating unit (CGU). For this purpose, the carrying amount is compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, there is a need for impairment. The recoverable amount is determined as value in use using a discounted cash flow method based on the expected cash flows of the CGU. Goodwill was tested for impairment as of September 30, 2019.

Impairment testing of goodwill is complex and greatly dependent on Fresenius Medical Care's assessment of future business performance. Impairment testing is based on a multitude of assumptions. These assumptions particularly include future reimbursement rates and sales prices, the number of treatments, sales volumes and costs, as well as future growth rates of the respective cash-generating unit. Furthermore, an interest rate must be defined to discount future cash flows. These assumptions are subject to uncertainty by their very nature.

Based on the impairment tests conducted, the Company did not identify any need to recognize impairment losses. However, the Company's sensitivity analysis indicated that for the Latin America segment a reasonably possible change in the discount rate, operating margin or the long-term growth rate would lead to the value in use being impaired.

There is the risk for the consolidated financial statements that a need to recognize impairment losses for the Latin America CGU is not identified. There is also the risk that the required disclosures in the notes on the key assumptions and sensitivities for this unit are not appropriate.

Our audit approach

To test impairment of goodwill for the Latin America CGU, we verified the appropriateness of the key value-determining assumptions and parameters used for the budget. We assessed the controls established by the Company to ensure that the underlying assumptions and parameters (including the budget and projections) are up to date based on developments of the respective relevant markets and assessed the design and effectiveness of these controls. We reconciled the budgets used for discounted cash flow calculations with the budget prepared by management and submitted to the Supervisory Board for 2020–2022 and discussed the projections with those responsible for planning. We also confirmed the accuracy of the Company's previous forecasts by comparing the previous year's budget for Latin America with actual earnings generated in financial year 2019 and by analyzing deviations.

We referred to market data and market analyses conducted by Fresenius Medical Care AG & CO. KGAA to assess the key value-determining assumptions and parameters used for determining the discount rate (WACC) and growth rates of the Latin America CGU. To ensure the computational accuracy of impairment testing including the valuation model used, we verified the Company's calculations on the basis of selected risk-based elements. To this end, we also assessed whether the valuation methods are consistent with the applicable accounting policies. In order to take account of forecast uncertainty, we examined how changes in individual assumptions and parameters impact on value in use by calculating alternative scenarios and comparing them with the values stated by the Company (sensitivity analysis).

Finally, we assessed whether the disclosures in the notes on the key assumptions are appropriate. This also included in particular an assessment of the appropriateness of the disclosures in the notes according to IAS 36.134(f) on sensitivities in the event of a reasonably possible change in the key assumptions used for measurement.

Our observations

The valuation methods are consistent with the applicable accounting policies. The assumptions and parameters used for the measurement of the Latin America CGU are appropriate overall. The disclosures in the notes on the key assumptions are appropriate.

Acquisition of NxStage

Please refer to NOTE 2 G to the consolidated financial statements for information on the accounting policies applied. Disclosures on the acquisition of NxStage Medical, Inc. (NxStage) are presented in the notes to the consolidated financial statements under NOTE 3.

The financial statement risk

On February 21, 2019, Fresenius Medical Care acquired all the outstanding shares in NxStage at a price of USD 30 per ordinary share. The total purchase price for the acquisition less the cash funds acquired amounted to approximately USD 1,976 million (EUR 1,741 million as of the acquisition date). Taking into account the acquired net assets of USD 774 million (EUR 683 million as of the acquisition date), goodwill amounts to USD 1,202 million (EUR 1,058 million as of the acquisition date).

The acquired identifiable assets and assumed liabilities are usually recognized at fair value pursuant to IFRS 3 on the date of acquisition. Fresenius Medical Care engaged an external expert to determine and measure the identifiable assets acquired and the liabilities assumed.

The identification and measurement of acquired assets and assumed liabilities is complex and based on assumptions of management that require judgment. The key assumptions relate to revenue growth, the gross margin adjusted for synergies from savings effects in production, and the discount rate.

There is the risk for the consolidated financial statements that the assets acquired and liabilities assumed are identified improperly or measured inaccurately. There is also the risk that the disclosures in the notes to the consolidated financial statements are not sufficiently detailed and appropriate.

Our audit approach

We assessed the process for identifying the assets acquired and liabilities assumed in terms of conformity with the requirements of IFRS 3 using our knowledge of Fresenius Medical Care's business model. Fresenius Medical Care has implemented controls to ensure that the acquired assets and liabilities are fully identified and measured correctly and that the disclosures in the notes to the consolidated financial statements are sufficiently detailed and appropriate. We reviewed the design and effectiveness of these controls.

With the involvement of our own valuation experts, we assessed the appropriateness of the key assumptions as well as the identification and calculation methods used, among other things. We initially obtained an understanding of the acquisition by interviewing employees in the Finance and M&A departments as well as by assessing the relevant contracts.

We assessed the competence, professional skills and impartiality of the independent expert engaged by Fresenius Medical Care. We investigated the measurement methods used for their compliance with the accounting policies.

We evaluated the rates used by Fresenius Medical Care for revenue growth and for the gross margin by comparing these with the historical revenue and gross margins of NxStage and of comparable companies from the medical device industry and health care sector. We verified the planned synergies from savings effects in production based on an inspection of invoices and unit costs for products selected based on risk criteria. In addition, we reviewed presentations from Fresenius Medical Care discussing detailed plans for product improvements and compared the expected future production volumes with the production volumes of the current reporting year. With the involvement of our own valuation experts, we assessed the appropriateness of the discount rate.

We recalculated the valuation model to assess the computational accuracy. Finally, we assessed whether the disclosures in the notes regarding the acquisition of NxStage were sufficiently detailed and appropriate.

Our observations

The approach used for identifying and measuring the assets acquired and liabilities assumed is appropriate and in line with the accounting policies to be applied. The key assumptions are appropriate and they are properly presented in sufficient detail in the notes to the consolidated financial statements.

First-time application of the new financial reporting standard "IFRS 16 – Leases"

Please refer to NOTE 1 F to the consolidated financial statements for information on the accounting policies applied. Please refer to NOTE 1 Y to the consolidated financial statements for disclosures on the effects of the first-time application as well as reconciliations.

The financial statement risk

As of December 31, 2019, right-of-use assets of EUR 4,325 million and lease liabilities of EUR 4,705 million are recognized in the consolidated financial statements of Fresenius Medical Care AG & CO. KGAA. Lease liabilities account for 14 % of total equity and liabilities and thus have a material effect on the Company's financial position.

The first-time application of the new financial reporting standard "IFRS 16 – Leases" had a material effect on the opening balance sheet figures for the financial year and how they were updated as of the reporting date. Fresenius Medical Care applies the modified retrospective method for the new standard.

Determination of the lease term and the incremental borrowing rate used as the discount rate can require judgment and be based on estimates. Furthermore, determining the first-time application effect of IFRS 16 and the updated lease liabilities and right-of-use assets in accordance with the standard requires the recording of extensive data from the lease agreements. These data form the basis for the measurement and recognition of lease liabilities and right-of-use assets.

There is the risk for the consolidated financial statements that the lease liabilities and right-of-use assets are not recorded in full in the consolidated balance sheet. There is also the risk that the lease liabilities and right-of-use assets have been measured inaccurately.

Our audit approach

In an initial step, we gained an understanding of the process used by Fresenius Medical Care to implement the new IFRS 16 accounting standard. We then analyzed the accounting instructions underlying the implementation in terms of completeness and compliance with IFRS 16.

For some lease agreements selected as a representative sample and some selected based on risk criteria, we assessed whether the relevant data was correctly and fully recorded. To the extent that accounting judgments were made for determining the lease term, we examined whether – in light of the prevailing market conditions and risks in the industry – the underlying assumptions are comprehensible and consistent with other assumptions made in the financial statements.

We assessed the appropriateness of the calculation model for determining the incremental borrowing rate and verified the calculation of the incremental borrowing rate with a view to risk.

We verified the carrying amounts calculated by Fresenius Medical Care for lease liabilities and right-of-use assets. For this purpose, we assessed the measurement and recognition of lease liabilities and right-of-use assets by the IT system for leases selected in part on the basis of representative sampling and in part selected according to risk. The evaluation taking account of risk criteria included assessing the correct measurement in the event of changes or reassessments with regard to the underlying contractual agreement.

Where IT processing systems were used to determine and collect relevant data, we tested the effectiveness of the rules and procedures of the underlying accounting-related IT system, with the involvement of our IT experts.

Our observations

Fresenius Medical Care has established appropriate procedures to record leases for the purposes of IFRS 16. The assumptions and parameters used to measure the lease liabilities and right-of-use assets are appropriate overall.

OTHER INFORMATION

The Parent Company's management and/or the Supervisory Board are/is responsible for the other information. The other information comprises the following parts of the management report, which were not audited for content:

› the corporate governance statement referred to in the group management report,

The other information also includes:

› the separate Non-Financial Group Report, which is published with the Group Management Report, and
› the remaining parts of the annual report that are expected to be made available after the date of this auditor's report.

The other information does not include the consolidated financial statements, the group management report information audited for content and our auditor's report thereon.

Our opinions on the consolidated financial statements and on the group management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

› is materially inconsistent with the consolidated financial statements, with the audited information in the Group Management Report or our knowledge obtained in the audit, or
› otherwise appears to be materially misstated.

In accordance with our engagement, we conducted a separate assurance engagement of the separate Non-Financial Group Report. Please refer to our assurance report dated February 19, 2020, for information on the nature, scope and findings of this assurance engagement.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the group management report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a group management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the group management report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the group management report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the group management report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this group management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the group management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the group management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the group management report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial

statements and on the group management report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

› Evaluate the consistency of the group management report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.

› Perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor by the annual general meeting on May 16, 2019. We were engaged by the Supervisory Board on December 3, 2019. We have been the group auditor of Fresenius Medical Care AG & CO. KGAA without interruption since the initial public offering in 1996 of Fresenius Medical Care AG, which was the legal predecessor of Fresenius Medical Care AG & CO. KGAA.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Alexander Bock.

Frankfurt am Main, February 19, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

BOCK
Wirtschaftsprüfer
[German Public Auditor]

KAST
Wirtschaftsprüfer
[German Public Auditor]

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hof an der Saale,
February 19, 2020

Fresenius Medical Care AG & CO. KGAA

Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

R. POWELL **H. GIZA** **F. W. MADDUX, MD**

DR. K. MAZUR-HOFSÄSS **DR. O. SCHERMEIER**

W. VALLE **K. WANZEK** **H. DE WIT**

REGIONAL ORGANIZATION

T 6.1 **REGIONAL ORGANIZATION OF FRESENIUS MEDICAL CARE (CONTINUATION SEE NEXT PAGE)**

Europe, Middle East and Africa

Austria	FMC Austria GmbH	Vienna	100 %
Belgium	FMC Belgium N.V.	Willebroek	100 %
Bosnia and Herzegovina	FMC BH d.o.o.	Sarajevo	100 %
Bulgaria	FMC Bulgaria EOOD	Gabrovo	100 %
Croatia	FMC-Nephro d.o.o.	Zagreb	100 %
Czech Republic	FMC-DS, s.r.o.	Prague	100 %
Denmark	FMC Danmark A/S	Taastrup	100 %
Estonia	OÜ FMC Estonia	Tallinn	100 %
Finland	FMC Suomi Oy	Helsinki	100 %
France	FMC France S.A.S.	Fresnes	100 %
Germany	FMC Deutschland GmbH	Bad Homburg v.d.H.	100 %
Great Britain	FMC (U.K.) Ltd.	Nottinghamshire	100 %
Hungary	FMC Dializis Center Kft. *	Budapest	100 %
Ireland	FMC (Ireland) Ltd.	Dublin	100 %
Israel	FMC Israel Ltd.	Raanana	100 %
Italy	FMC Italia S.p.A.	Palazzo Pignano	100 %
Kazakhstan	FMC Kazakhstan LLP	Almaty	100 %
Kyrgyzstan	FMC KGZ LLC	Bishkek	100 %
Lebanon	FMC Lebanon S.a.r.l.	Beirut	100 %
Morocco	FMC Nord Ouest et Centre Afrique S.A.	Casablanca	100 %
Poland	FMC Polska S.A.	Poznań	100 %
Portugal	NephroCare Portugal, S.A.	Lisbon	100 %
Romania	FMC Romania S.r.l.	Bucharest	100 %
Russian Federation	ZAO Fresenius SP	Moscow	100 %
Serbia	FMC Srbija d.o.o.	Vršac	100 %
Slovakia	FMC Slovensko, spol. s.r.o.	Pieštany	100 %

REGIONAL ORGANIZATION OF FRESENIUS MEDICAL CARE (CONTINUATION OF THE PREVIOUS PAGE)

Europe, Middle East and Africa

Slovenia	FMC Slovenija d.o.o.	Celje	100 %
South Africa	FMC South Africa (Pty.) Ltd.	Johannesburg	100 %
Spain	NMC of Spain, S.A.U.	Madrid	100 %
Sweden	FMC Sverige AB	Sollentuna	100 %
Switzerland	FMC (Schweiz) AG	Oberdorf	100 %
The Netherlands	FMC Nederland B.V.	Nieuwkuijk	100 %
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	100 %
Ukraine	FMC Ukraine TOV	Kiev	100 %
United Arab Emirates	FMC Middle East FZ-LLC	Dubai	100 %

North America

Mexico	FMC de México, S.A. de C.V.	Zapopan	100 %
U.S.	FMC Holdings, Inc.	New York	100 %

Latin America

Argentina	FMC Argentina S.A.	Buenos Aires	100 %
Brazil	FMC Ltda.	Jaguariúna	100 %
Chile	FMC Chile S.A.	Santiago de Chile	100 %
Colombia	FMC Colombia S.A.	Bogotá	100 %
Curaçao	Caribbean Medic Health Care System N.V.	Willemstad	100 %
Ecuador	NEFROCONTROL S.A.	Quito	100 %
Peru	FMC del Perú S.A.	Lima	100 %
Uruguay	Casarelio S.A.	Montevideo	100 %

Asia-Pacific

Australia	FMC Australia Pty. Ltd.	Sydney	100 %
Bangladesh	FMC Bangladesh Ltd.	Dhaka	100 %
China	FMC (Shanghai) Co., Ltd.	Shanghai	100 %
Hong Kong	FMC Hong Kong Ltd.	Wan Chai	100 %
India	FMC India Private Ltd.	Gurugram	100 %
Indonesia	PT FMC Indonesia	Jakarta	100 %
Japan	Fresenius-Kawasumi Co., Ltd.	Tokyo	70 %
Malaysia	FMC Malaysia Sdn. Bhd.	Petaling Jaya	100 %
Myanmar	FMC Myanmar Company Ltd.	Yangon	100 %
Pakistan	FMC Pakistan (Private) Ltd.	Lahore	100 %
Philippines	FMC Philippines, Inc.	Manila	100 %
Singapore	Asia Renal Care (SEA) Pte. Ltd.	Singapore	100 %
South Korea	FMC Korea Ltd.	Seoul	100 %
Sri Lanka	FMC Lanka (Private) Ltd.	Colombo	100 %
Taiwan	FMC Taiwan Co., Ltd.	Taipei	100 %
Thailand	FMC (Thailand) Ltd.	Bangkok	100 %
Vietnam	FMC Vietnam LLC	Ho Chi Minh City	100 %

Production Sales Service

Simplified chart of Fresenius Medical Care's regional organization. Line of business in respective country in 2019.
We use FMC for Fresenius Medical Care except for all susidiaries marked with *.
Some percentages of subsidiaries represent direct and indirect shareholdings.

MAJOR SUBSIDIARIES

T 6.2 **MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE (CONTINUATION SEE NEXT PAGE)**
IN € M, EXCEPT EMPLOYEES

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income / (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Europe, Middle East and Africa						
Austria	FMC Austria GmbH, Vienna	100	31.6	1.4	6.1	47
Belgium	FMC Belgium N.V., Willebroek	100	32.9	1.9	9.9	38
Czech Republic	FMC-CR, s.r.o., Prague	100	41.5	2.1	4.2	72
Denmark	FMC Danmark A/S, Taastrup	100	11.0	0.1	3.5	24
Estonia	OÜ FMC Estonia, Tallin	100	5.3	(0.5)	1.7	58
Finland	FMC Suomi Oy, Helsinki	100	21.5	0.9	7.2	23
France	FMC France S.A.S., Fresnes	100	129.0	1.7	27.9	208
	FMC SMAD S.A.S., Savigny	100	197.6	10.0	111.5	629
Germany	FMC Deutschland GmbH, Bad Homburg v. d. H.	100	2,009.4	0.0	526.7	3,931
	FMC GmbH, Bad Homburg v. d. H.	100	287.3	0.0	40.3	416
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	90.4	7.0	56.9	194
Hungary	FMC Dializis Center Kft., Budapest *	100	31.2	3.9	3.8	619
	FMC Magyarország Egészségügyi Kft., Budapest	100	18.4	2.0	9.1	74
Israel	FMC Israel Ltd., Raanana	100	14.0	(1.9)	50.5	378
Italy	FMC Italia S.p.A., Palazzo Pignano	100	113.1	7.2	82.7	219
	SIS-TER S.p.A., Palazzo Pignano	100	127.1	7.4	32.7	369
Lebanon	FMC Lebanon S.a.r.l., Beirut	100	7.9	0.5	8.7	42
Morocco	FMC Nord Ouest et Centre Afrique S.A., Casablanca	100	14.8	0.4	10.3	71
Poland	FMC Polska S.A., Poznań	100	56.5	3.1	153.6	77
	Fresenius Nephrocare Polska Sp.z.o.o., Poznań	100	98.7	2.3	131.1	938
Portugal	FMC Portugal, S.A., Lisbon	100	37.7	1.8	8.0	43
	NephroCare Portugal, S.A., Lisbon	100	110.4	12.9	78.9	961
Romania	FMC Romania S.r.l., Bucharest	100	31.2	1.9	24.8	65
Russian Federation	ZAO Fresenius SP, Moscow	100	106.7	14.0	54.7	243
Serbia	FMC Srbija d.o.o., Vršac	100	87.3	8.0	44.2	1,204

MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE (CONTINUATION OF THE PREVIOUS PAGE)

IN € M, EXCEPT EMPLOYEES

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income / (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Europe, Middle East and Africa						
Slovakia	FMC Slovensko, spol. s.r.o., Piešťany	100	17.8	1.4	7.3	25
Slovenia	FMC Slovenija d.o.o., Celje	100	6.5	0.2	3.7	15
	NEFRODIAL d.o.o., Zreče	100	13.2	0.6	1.9	106
South Africa	FMC South Africa (Pty.) Ltd., Johannesburg	100	59.3	(5.5)	31.4	750
Spain	FMC España, S.A.U., Madrid	100	96.5	28.1	159.1	195
	NMC of Spain, S.A.U., Madrid	100	0.0	34.9	84.4	1,194
Sweden	FMC Sverige AB, Sollentuna	100	20.0	0.6	7.8	36
Switzerland	FMC (Schweiz) AG, Oberdorf	100	40.5	1.9	16.7	60
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	18.3	1.0	8.4	43
	RKZ Dialysecentrum B.V., Beverwijk	90	2.3	(0.1)	0.7	14
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	51.8	7.2	57.1	189
Ukraine	FMC Ukraine TOV, Kiev	100	2.3	0.3	(3.4)	86
North America						
Mexico	FMC de México, S.A. de C.V., Zapopan[5]	100	94.6	5.5	45.4	4,390
U.S.	FMC Holdings, Inc., New York	100	9,583.7	599.4	9,550.1	64,508
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	175.8	(3.3)	45.7	2,803
Brazil	FMC Ltda., Jaguariúna	100	142.5	(5.7)	21.4	773
Chile	Pentafarma S.A., Santiago de Chile	100	26.6	2.0	19.9	90
Colombia	FMC Colombia S.A., Bogotá	100	102.3	0.6	109.9	1,744
Ecuador	MANADIALISIS S.A., Portoviejo	100	23.5	2.1	12.1	863
Peru	FMC del Perú S.A., Lima	100	18.2	0.3	9.5	192

MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE (CONTINUATION OF THE PREVIOUS PAGES)

IN € M, EXCEPT EMPLOYEES

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income / (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Asia-Pacific						
Australia	FMC Australia Pty. Ltd., Sydney	100	114.0	2.0	143.3	437
	FMC Day Hospitals Holding Pty Ltd., Sydney	68	108.7	3.8	106.6	607
China	FMC (Jiangsu) Co. Ltd., Changshu	100	74.5	3.7	120.1	792
	FMC (Shanghai) Co., Ltd., Shanghai	100	421.7	20.4	174.6	598
Hong Kong	Biocare Technology Company Ltd., Hong Kong	100	30.6	0.6	(2.6)	22
	Excelsior Renal Service Co., Ltd., Hong Kong	51	37.0	4.7	21.0	1,096
	FMC Hong Kong Ltd., Wan Chai	100	31.8	4.9	85.8	59
India	FMC India Private Ltd., Gurugram	100	66.4	3.3	33.4	361
Indonesia	PT FMC Indonesia, Jakarta	100	35.5	1.5	17.2	136
Japan	FMC Japan K.K., Tokyo	100	57.3	2.6	80.3	352
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	12.9	0.4	17.9	56
Malaysia	FMC Malaysia Sdn. Bhd., Petaling Jaya	100	33.2	0.8	24.8	228
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	14.7	(0.7)	2.2	59
Philippines	FMC Philippines, Inc., Manila	100	31.3	0.9	38.1	142
	FMC Renalcare Corp., Makati City*	100	(5.7)	0.4	(0.1)	206
Singapore	Asia Renal Care (SEA) Pte. Ltd., Singapore	100	0.1	0.5	27.3	264
South Korea	FMC Korea Ltd., Seoul	100	167.2	6.4	140.4	230
	NephroCare Korea Inc., Seoul	100	5.0	(0.2)	4.8	8
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	66.9	4.6	28.7	113
Thailand	FMC Ltd., Bangkok	100	5.1	(2.7)	15.3	77
	NephroCare (Thailand) Co., Ltd., Bangkok	100	5.2	0.4	2.8	50
Vietnam	FMC Vietnam LLC, Ho Chi Minh City	100	9.2	0.9	2.9	38

[1] We use FMC for Fresenius Medical Care except for all subsidiaries marked with *.
[2] Direct and indirect interest.
[3] Except for FMC Day Hospitals Holding Pty Ltd., these figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the consolidated financial statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.
[4] Full-time equivalents.
[5] Included in the consolidated financial statements, (IFRS) of FMC Holdings, Inc.

GLOSSARY

A

ALBUMIN

A protein with two important functions: On the one hand, it binds water and therefore ensures that the fluid contained in the ► **blood** remains in the bloodstream and does not pass through the arterial walls into the surrounding tissue; on the other, it transports various important substances, for example, numerous drugs as well as free fatty acids and hormones that are bound to albumin and carried throughout the body with the blood. The level of this protein provides information about a patient's general nutritional condition.

AMERICAN DEPOSITARY RECEIPT (ADR)

A certificate issued by an American depositary bank allowing U.S. investors to have an indirect stake in a non-U.S. company (rather than holding actual shares). Fresenius Medical Care shares are listed on the New York Stock Exchange (NYSE) in the form of American depositary receipts (ADR).

ANEMIA

Reduced ability of the ► **blood** to transport oxygen, measured as a lower ► **hemoglobin** concentration in the blood.

ANTICOAGULANT

An agent (e.g. heparin) that prevents ► **blood coagulation**.

AUTOMATED PERITONEAL DIALYSIS (APD)

Machine-supported version of ► **peritoneal dialysis** treatment that is usually performed at night.

B

BIOFINE

Environmentally friendly material for producing foils, tubing and other components for ► **peritoneal dialysis** and acute dialysis (► **kidney failure, acute**). Biofine is recyclable and PVC-free.

BLOOD

Fluid circulating in the body consisting of blood plasma and blood cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the body's cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps ward off contaminants as part of the immune system.

BLOOD CELLS, RED – ERYTHROCYTES

Blood cells that are responsible for transporting oxygen. They are produced by erythropoietin, a hormone formed in the kidneys.

BLOOD CELLS, WHITE – LEUKOCYTES

Blood cells that are responsible for defending the human body against infections. They are involved in allergic reactions and destroy damaged, old or dead cells in the body.

BLOOD COAGULATION

A complex process in which solid clots are formed that stem the flow of ► **blood**. The damaged wall of a blood vessel is covered by a fibrin clot that stops hemorrhaging and helps repair the damaged vessel. Coagulation disorders can lead to increased hemorrhaging and/or thrombosis, and even embolism. During dialysis treatment, blood coagulation is inhibited by administering ► **anticoagulants** (such as heparin).

BLOODLINE SYSTEM

Tubing system connecting a patient's blood circulation to a ► **dialyzer** during dialysis treatment.

C

CALCIMIMETICS

Drugs that have a positive effect on the bone and mineral metabolism, which is often disturbed in chronically ill kidney patients. Calcimimetics supplement treatment of chronic kidney failure (► **kidney failure, chronic**).

CATHETER

A flexible tube inserted surgically through the skin into a blood vessel or a body cavity to transport fluid into or out of the body. In ► **peritoneal dialysis**, a catheter is used to infuse ► **dialysate** into the abdominal cavity and drain it out again. In ► **hemodialysis**, a catheter can be used as a vascular access for dialysis treatment. In this case, it is usually inserted into the superior vena cava, or occasionally the femoral vein.

CONTINUOUS AMBULATORY PERITONEAL DIALYSIS (CAPD)

A treatment method in which the ► **dialysate** is exchanged manually, generally four times a day.

CSR DIRECTIVE IMPLEMENTATION ACT

A law that became effective in April 2017 to change the German Commercial Code with the aim of strengthening non-financial reporting by certain major capital market companies in their (group) management reports.

CYCLER

A device that automatically exchanges the ► **dialysis solution** that flows through the peritoneum and removes excess water and harmful substances from the patient's body over a period of several hours, typically at night.

D

DAX

The German stock index, calculated on the basis of the weighted prices of the 30 largest German companies listed on the stock exchange in terms of market capitalization and trading volume.

DAYS SALES OUTSTANDING (DSO)

A ratio indicating the average number of days it takes for a receivable to be paid. A shorter DSO results in lower interest charges for the creditor and a lower risk of default.

DEBT / EBITDA RATIO

An important indicator in corporate management. It is calculated by putting a company's debt in relation to its earnings before interest, tax, depreciation and amortization (► **EBITDA**) and other non-cash charges.

DELIVERED OPERATING INCOME

Operating income less noncontrolling interests. We consider delivered operating income to be an important indicator for investors because of the significance of noncontrolling interests in our operating activities. Delivered operating income is roughly equivalent to the operating income attributable to the shareholders of Fresenius Medical Care AG & CO. KGAA.

DIABETES

An increased blood sugar level resulting from the body's inability to regulate glucose efficiently in the body's cells. Insulin, the main regulatory hormone in sugar metabolism, usually helps in this process.

DIALYSATE

Dialysis solution – a fluid used in ► **dialysis** to remove the substances filtered out during treatment and excess water from the ► **blood**.

DIALYSIS

A form of renal replacement therapy where a semi-permeable membrane – the patient's peritoneum in ► **peritoneal dialysis** or the membrane of the ► **dialyzer** in ► **hemodialysis** – is used to clean a patient's ► **blood**.

DIALYSIS SOLUTION

► **Dialysate**

DIALYZER

A special filter used in ► **hemodialysis** to remove toxic substances, waste products of metabolic processes, and excess water from the ► **blood**. The dialyzer is frequently referred to as an "artificial kidney".

DIVIDEND

A portion of a company's profit. The profit to be distributed is divided by the number of outstanding shares to produce the dividend per share, which is paid to shareholders usually once a year in the form of cash.

E

EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION)

A financial ratio to describe a company's operating performance before capital expenditure.

EMERGING MARKETS

Term for countries that have grown increasingly in recent years and whose economic markets are on the way to becoming developed.

ERYTHROPOIESIS-STIMULATING AGENTS (ESA)

Recombinant (artificially produced) human EPO that is commonly prescribed to patients on dialysis who suffer from ► **anemia**.

F

FDA

U.S. Food and Drug Administration.

FREE FLOAT

The total number of shares of a stock corporation that are available for trading. According to the definition by Deutsche Börse, the free float includes all shares that are not held by major shareholders (with more than 5 % of the registered share capital), and can therefore be acquired and traded by the general public.

G

GLOBAL REPORTING INITIATIVE (GRI)

The Global Reporting Initiative has defined guidelines for sustainability reporting. Companies as well as governments and non-governmental organizations worldwide report on their economic, environmental and social strategy based on these data and indicators.

GLOMERULAR FILTRATION RATE (GFR)

Indicates the volume of liquid filtered by the ► **kidneys** from the ► **blood** per minute (primary urine). If the GFR is less than 15 ml/min (stage 5), dialysis or a kidney transplant is needed. Patients with stage 4 chronic kidney disease (GFR of 15 to 29 ml/min) have advanced kidney damage; it is highly likely that these patients will need dialysis or a kidney transplant in the near future.

Stages of chronic kidney disease according to the U.S. National Kidney Foundation:

- Stage 1 – kidney damage with normal or increased GFR ≥ 90 GFR (ml/min)
- Stage 2 – kidney damage with slightly decreased GFR 60 – 89 GFR (ml/min)
- Stage 3 – kidney damage with moderately decreased GFR 30 – 59 GFR (ml/min)
- Stage 4 – kidney damage with greatly decreased GFR 15 – 29 GFR (ml/min)
- Stage 5 – kidney failure (or dialysis) < 15 GFR (ml/min)

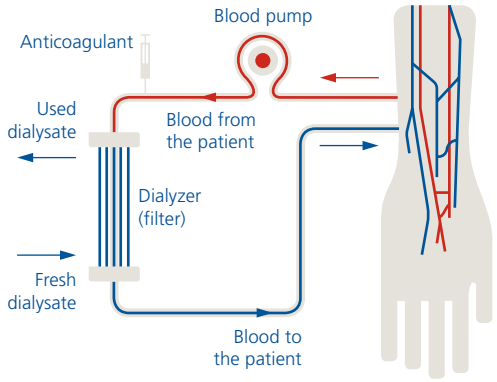
H

HEMODIAFILTRATION (HDF)

A process combining ► **hemodialysis** and ► **hemofiltration**. The theoretical basis for the combination of both methods is the fact that low-molecular substances such as urea and creatinine are predominantly removed by diffusive transportation as in hemodialysis, whereas larger molecules are mainly removed by convective transportation as in hemofiltration. In hemodiafiltration (HDF), the total amount of toxins removed is greater than in the individual processes, since convection and diffusion are not cumulative, but run in parallel and influence each other. HDF uses synthetic membranes that are more permeable (high-flux dialyzers) and have a better ultrafiltration performance.

HEMODIALYSIS (HD)

A treatment method for dialysis patients in which the patient's ► **blood** flows through plastic bloodlines into a special filter, the ► **dialyzer**. In the dialyzer, waste products from metabolic processes and excess water are removed from the blood and transported away in the ► **dialysate**. Afterwards, the purified blood is returned to the patient's body. The process is controlled by a hemodialysis machine that pumps blood, adds anti-coagulants, regulates the purification process, and controls the mixing of the dialysate and its flow rate through the system. A patient typically receives three treatments per week, each lasting between three and six hours.



HEMOFILTRATION (HF)

A form of treatment for patients with chronic kidney failure (► **kidney failure, chronic**) that does not use ► **dialysate**. The solutes are removed by filtering the plasma water through a semi-permeable membrane by means of convective forces. A substitution fluid is infused to replace the volume removed by filtration.

HEMOGLOBIN

Component of red blood cells that binds oxygen and carries it through the body. It also gives blood its color (blood pigment).

HEPARIN

Universal anticoagulant substance administered during ► **hemodialysis** to slow down ► **blood coagulation**.

HIGHVOLUMEHDF

A form of ► **hemodiafiltration** (HDF). With HighVolumeHDF, the volume of fluid substituted by convective transport is greater than with HDF. Recent studies show that HighVolumeHDF significantly increases patient survival rates compared to conventional dialysis treatment methods.

HOME DIALYSIS

Form of ► **dialysis** performed at home after completing professional training. In principle, ► **peritoneal dialysis** as well as ► **hemodialysis** (as home hemodialysis) can be performed at home.

I

IFRS (INTERNATIONAL FINANCIAL REPORTING STANDARDS)

Accounting standards issued by the International Accounting Standards Board (IASB).

ISO

International Organization for Standardization.

K

KIDNEY FAILURE, ACUTE

Acute loss of renal function. Depending on the severity of renal function loss, dialysis treatment may be necessary temporarily. Unlike chronic kidney failure ► **kidney failure, chronic**), ► **dialysis** can help to completely restore ► **kidney** function in many patients with acute kidney failure.

KIDNEY FAILURE, CHRONIC (END-STAGE RENAL DISEASE, ESRD)

Permanent failure of the ► **kidney** (terminal kidney failure) resulting from a slow and progressive loss of kidney function (no more detoxification of the body) over several years. Since the renal function cannot be recovered, patients must be treated with renal replacement therapy, i.e. a kidney transplantation or dialysis. Chronic kidney failure is accompanied by long-term complications such as renal ► **anemia**, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

KIDNEYS

Two vital organs located at the rear of the abdominal cavity, one each on the right and left side of the spinal column. They are approximately 10 to 12 cm long and weigh around 160 grams each. The kidneys guarantee a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,700 liters of blood pass through an adult's kidneys every 24 hours.

KIDNEY TRANSPLANTATION

A surgical procedure to implant a kidney from a donor.

KOMMANDITGESELLSCHAFT AUF AKTIEN (KGAA)

A German entity with its own legal identity in which at least one general partner (personally liable shareholder, or "Komplementär") has unlimited liability toward the company's creditors, while the other shareholders ("Kommanditaktionäre") participate in the capital stock that has been broken down into shares, without being personally liable for the company's debts.

KT / V

Indicator to evaluate treatment quality. It is calculated by putting the product of urea clearance through dialysis (K) and the duration of treatment (t) in relation to the filtration rate of certain toxins (V).

M

MARKET CAPITALIZATION

The total value of all outstanding shares of a company. It is calculated by multiplying the number of outstanding shares by the share price.

MEDICARE / MEDICAID

A health care program developed by the U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for the cost of medical care to individuals over 65, patients with chronic kidney failure (► **kidney failure, chronic**), the disabled or needy.

MEMBRANE

A semi-permeable barrier in the ► **dialyzer** that separates the ► **blood** from the ► **dialysate**.

O

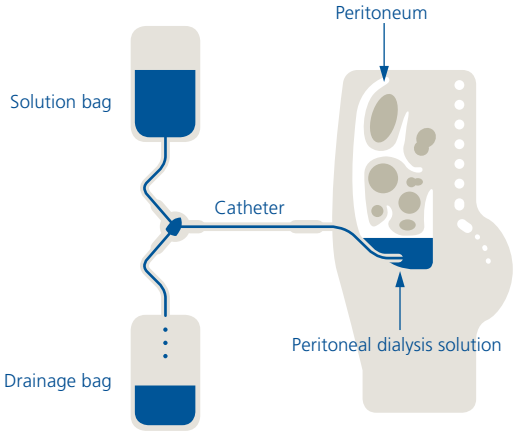
OPERATING INCOME

A financial ratio to describe a company's profitability, irrespective of regional taxation and different forms of financing.

P

PERITONEAL DIALYSIS (PD)

A treatment method that uses the patient's peritoneum, i.e. the lining covering the inner wall of the abdominal cavity and the abdominal organs, as the dialyzing membrane. A sterile ► **dialysate** is introduced into the patient's abdominal cavity and removed through a ► **catheter** that has been surgically implanted. The dialysis solution absorbs toxins and removes them together with excess water. Most treatments are administered by patients themselves at home or at work several times a day or during the night using a machine – the ► **cycler**.



PHOSPHATE BINDERS

Drugs that bind excess phosphate in the intestine that has been ingested via food. Excess phosphate is normally discharged by healthy ► **kidneys**. In patients with chronic kidney failure (► **kidney failure, chronic**), this filtering process can only partially be replaced by ► **dialysis**. Too much phosphate in the ► **blood** can cause numerous adverse effects, such as bone disease, thyroid problems and vascular calcification.

POLYSULFONE

A polymer (plastic) used to produce ► **dialyzer membranes**. It is characterized by extreme thermal stability, chemical resistance and blood compatibility.

PREVALENCE

Number of patients suffering from a specific disease within a defined period.

R

RATING

A classification of the creditworthiness of a company recognized by the international capital markets. It is published by independent rating agencies such as Standard & Poor's, Moody's, or Fitch based on a company analysis.

REGENERATIVE MEDICINE

Approach to completely restore diseased tissue to its original, healthy, and functional state. New technologies include lab-grown biomaterials, tissue engineering, stem cell or gene therapies.

ROIC (RETURN ON INVESTED CAPITAL)

Ratio showing operating income after adapted income taxes in relation to the average invested capital of the last five quarterly balance sheet dates. It provides information on how efficiently a company works with its available capital or how efficiently the capital is employed for a specific investment project. Fresenius Medical Care calculates its ROIC in euros based on annual figures in accordance with ► **IFRS**.

S

SARBANES-OXLEY ACT (SOX)

A law aimed at corporations and their auditors with the objective of improving financial accounting. The goal is to strengthen the confidence of shareholders and other stakeholders in a company by extending regulations relating to financial reporting and internal monitoring systems. The law strengthens the obligation of company management to provide complete and correct information. The rules apply to all companies listed on U.S. stock exchanges.

SECURITIES AND EXCHANGE COMMISSION (SEC)

A federal agency that regulates and monitors the U.S. financial markets.

SLEEP.SAFE HARMONY

A system offering the full range of ► **automated peritoneal dialysis** options while ensuring maximum safety and comfort for the patient, physician and nursing staff.

U

U.S. GAAP

United States Generally Accepted Accounting Principles

V

VASCULAR ACCESS, ARTERIOVENOUS (AV)

A direct, surgically created connection between an artery (blood vessel carrying ► **blood** from the heart to the body) and a vein (blood vessel carrying blood to the heart) in the patient's forearm. This connection forms one large blood vessel with an increased blood flow that provides access for ► **hemodialysis**. Adequate vascular access is a prerequisite for hemodialysis.

VOLATILITY

Price fluctuation of a security or currency.

FIVE-YEAR SUMMARY

T 6.3 **FIVE-YEAR SUMMARY (CONTINUATION SEE NEXT PAGE)**
IN € M EXCEPT PER SHARE DATA

	2019	2018	2017	2016	2015
Statements of income					
Revenue	17,477	16,547	17,784	16,570	15,455
Earnings before interest, taxes, depreciation, amortization and impairment loss (EBITDA)	3,863	3,827	3,098	3,110	2,777
Operating income	2,270	3,038	2,362	2,409	2,129
Delivered operating income [1]	2,031	2,794	2,088	2,133	1,873
Net income (attributable to shareholders of FMC AG & Co. KGaA)	1,200	1,982	1,280	1,144	955
Basic earnings per share in €	3.96	6.47	4.17	3.74	3.14
Balance sheets					
Current assets	7,165	7,847	6,374	6,884	6,172
Non-current assets [2]	25,770	18,395	17,651	18,620	17,074
Total assets [2]	32,935	26,242	24,025	25,504	23,246
Current liabilities	7,007	6,268	5,300	5,299	4,139
Non-current liabilities [2]	12,701	7,072	7,897	9,154	9,301
Equity	13,227	12,902	10,828	11,051	9,806
Total liabilities and equity [2]	32,935	26,242	24,025	25,504	23,246
Total debt and lease liabilities	13,782	7,546	7,448	8,132	7,943
Cash flow					
Net cash provided by (used in) operating activities	2,567	2,062	2,192	1,932	1,767
Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments)	1,454	1,059	1,351	1,017	924

FIVE-YEAR SUMMARY (CONTINUATION OF THE PREVIOUS PAGE)

	2019	2018	2017	2016	2015
Share data					
Year-end share price Frankfurt, Xetra in €	65.96	56.64	87.78	80.45	77.73
Year-end share price (ADS) New York in $	36.83	32.39	52.55	42.21	41.84
Weighted average number of shares	302,691,397	306,541,706	306,563,400	305,748,381	304,440,184
Total dividend amount[3] in € M	358	355	325	294	244
Dividend per share[3] in €	1.20	1.17	1.06	0.96	0.80
Employees					
Full-time equivalents	120,659	112,658	114,000	109,319	104,033
Operational ratios in %					
Operating income margin	13.0	18.4	13.3	14.5	13.8
Basic earnings per share growth	-38.7	54.9	11.6	19.3	21.4
Organic revenue growth	5.2	3.9	6.6	7.0	6.5
Return on invested capital (ROIC)[2, 4]	6.1	12.4	8.6	7.8	7.1
Net leverage ratio[4]	3.2	1.8	2.1	2.3	2.6
Net cash provided by (used in) operating activities in % of revenue	14.7	12.5	12.3	11.7	11.4
Free cash flow in % of revenue	8.3	6.4	7.6	6.1	6.0
Equity ratio (equity / total assets)[2]	40.2	49.2	45.1	43.3	42.2
Dialysis care data					
Treatments in M	52.1	50.0	48.3	46.5	44.6
Patients	345,096	333,331	320,960	308,471	294,381
Dialysis clinics	3,994	3,928	3,752	3,624	3,418

[1] Operating income less noncontrolling interests.
[2] As a result of deferred tax netting, non-current assets and liabilities were adjusted to conform to the current year's presentation (2015: €154 M).
[3] 2019: Proposal to be approved by the Annual General Meeting on May 19, 2020.
[4] See calculation in the Group Management Report, chapter "Overview of the group", section "Performance management system"starting on PAGE 24.

FINANCIAL CALENDAR 2020

Subject to change.

MAY 6
REPORT ON FIRST QUARTER 2020

MAY 19
ANNUAL GENERAL MEETING FRANKFURT AM MAIN, GERMANY

MAY 25
PAYMENT OF DIVIDEND
Subject to the approval by the Annual General Meeting.

JULY 30
REPORT ON SECOND QUARTER 2020

OCTOBER 29
REPORT ON THIRD QUARTER 2020

IMPRINT AND CONTACT

PUBLISHED BY
Fresenius Medical Care AG & CO. KGAA

EDITORIAL OFFICE
Corporate Communications

CONCEPT AND DESIGN
MPM Corporate Communication Solutions

CONTACT
Fresenius Medical Care
61352 Bad Homburg v. d. H.
Germany
P + 49 6172 609 0
www.freseniusmedicalcare.com

CORPORATE COMMUNICATIONS
P + 49 6172 609 25 25
F + 49 6172 609 23 01
corporate-communications@fmc-ag.com

INVESTOR RELATIONS
P + 49 6172 609 25 25
F + 49 6172 609 23 01
ir@fmc-ag.com

DATE OF PUBLICATION
March 23, 2020

PICTURE CREDITS
Katrin Binner: p. 6, 8, 10, 111
Matthias Haslauer: p. 3

FORWARD-LOOKING STATEMENTS
This Annual Report contains forward-looking statements that are based on plans, projections and estimates and subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors. The risks and uncertainties are detailed in the reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this Annual Report.

PUBLICATION SERVICE
This Annual Report of Fresenius Medical Care is available in both German and English. Annual Reports, Interim Reports, and further information on the Company are also available on our website: www.freseniusmedicalcare.com.

FRESENIUS MEDICAL CARE
Else-Kroener-Str. 1
61352 Bad Homburg v. d. H.
Germany
P + 49 6172 609 0
www.freseniusmedicalcare.com

Corporate Communications
P + 49 6172 609 25 25
F + 49 6172 609 23 01
corporate-communications@fmc-ag.com

Investor Relations
P + 49 6172 609 25 25
F + 49 6172 609 23 01
ir@fmc-ag.com

fmc_ag

freseniusmedicalcare.corporate

freseniusmedicalcare