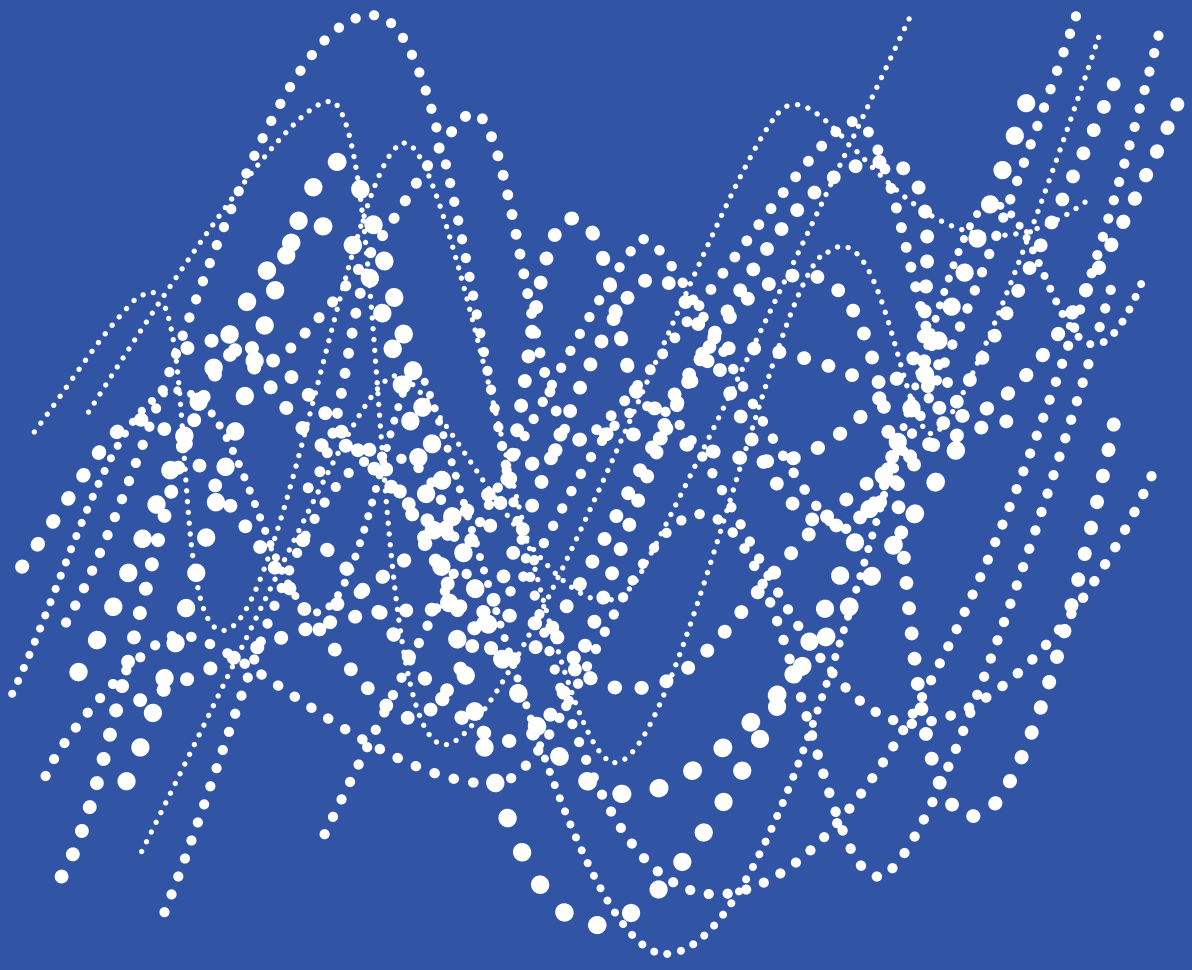
ANNUAL REPORT
2017

creating
ADDED VALUE



FRESENIUS
MEDICAL CARE

Fresenius Medical Care is the world's leading provider of products and services for people with chronic kidney failure. Some 3.2 million kidney patients worldwide regularly undergo dialysis treatment.

We have decades of experience in dialysis. Thanks to innovative technologies and holistic treatment concepts, we can offer patients coordinated care and the highest possible quality of life.

EMPLOYEES

2017
114,000
2016: 109,319
CHANGE OF +4%

PATIENTS

2017
320,960
2016: 308,471
CHANGE OF +4%

DIALYSIS CENTERS

2017
3,752
2016: 3,624
CHANGE OF +4%

REVENUE IN € M

2017
17,784
2016: 16,570
CHANGE OF +7%

NET INCOME[1] IN € M

2017
1,280
2016: 1,144
CHANGE OF +12%

DIVIDEND PER SHARE[2] IN €

2017
1.06
2016: 0.96
CHANGE OF +10%

SELECTED KEY FIGURES IN € M

	2017	2016	Change
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,098	3,110	0%
Net cash provided by (used in) operating activities	2,192	1,932	13%
Free cash flow[3]	1,351	1,017	33%
Capital expenditures, net	841	915	–8%
Acquisitions and investments, net	151	331	–55%
Operating income margin in %	13.3	14.5	
Return on invested capital (ROIC) in %	8.6	7.8	
Equity ratio (equity/total assets)[4] in %	45.1	43.3	

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *2017: Proposal to be approved by the Annual General Meeting on May 17, 2018.*
[3] *Net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments.*
[4] *As of December 31 of the respective year.*

creating

ADDED VALUE

creating ADDED VALUE

RICE POWELL
CEO and Chairman

Rice Powell, CEO of Fresenius Medical Care, looks back on fiscal year 2017 and discusses the Company's strategic and financial outlook.

Rice, how would you describe fiscal year 2017?

2017 was an eventful year. It was initially marked by uncertainty following the change of government in the U.S., as well as the discussion on potential regulatory adjustments to reimbursements for some U.S. dialysis patients. The devastating natural disasters in North America also impacted our business – and, to a much larger extent, our patients and employees in the regions affected. But there are also positive events that we can look back on. We continued to expand our business. The acquisition of the Cura Group in Australia enhanced our Care Coordination portfolio. And we are setting the course for the future with our planned acquisition of the medical technology company NxStage. The tax reform adopted in the U.S. in late 2017 is also having a positive impact on our business. We saw our net profit increase by around €240 million in the past fiscal year as a result.

In other words, Fresenius Medical Care continued to grow in 2017?

Exactly – and our successes brought us a record year. In numerical terms, our revenue adjusted for special items rose by nine percent on a constant currency basis. And we could also increase our net income by twelve percent to €1.28 billion. Adjusted for special items net income grew by seven percent at constant currency. We therefore met our targets for revenue growth as well as for net income growth.

"Care Coordination is a key element of our growth strategy."

But this is not only attributable to the core business of dialysis products and services, is it? What role did Care Coordination play?

Care Coordination is a key element of our growth strategy. We began restructuring our vascular clinics in the U.S. in early 2017, largely in response to reimbursement changes. We also continued to optimize our growth profile in Care Coordination by divesting the non-renal part of our laboratory business. In addition, we impressively demonstrated that our holistic approach to patient care is working.

How exactly?

In the U.S., we cooperate with both state-run and private players to offer our patients not only dialysis treatment, but also comprehensive coordination of their medical care. Everyone benefits as a result: In our largest program we run together with the public health care authority, we already achieved gross savings of $43 million and reduced the number of hospital stays by nine percent in the first year of the program. In this way, we are creating added value for all involved.

Is this why the motto for the 2017 Annual Report is "Creating added value"?

Yes, that is one of the reasons why we chose this title for our 2017 Annual Report. But it is not the only one. Our patients are at the heart of everything we do. Our primary objective is to provide them with the best possible care. We achieve this by setting high-quality standards for our products and services. And by harnessing our expertise as the world's largest dialysis provider to systematically expand and improve our services, as the results of our programs in the U.S. show. However, our 114,000 employees are incredibly important, too. They achieved great things in 2017, and I would like to thank each and every one of them for their dedication. They create the added value that makes Fresenius Medical Care what it is.

Can you give us an example?

I would like to highlight the efforts of many of our employees during the terrible storms in Texas, the Caribbean, Florida, and Puerto Rico and the earthquake in Mexico. These natural disasters presented our patients and us with considerable challenges. Many of our local employees were themselves affected, with some of them losing their homes. Nevertheless, they were there for our patients, ensuring that everyone continued to receive their life-saving dialysis treatment. This is just one of many examples that makes me proud of our Company and of everything that the employees do for our patients on a daily basis – not only in the regions affected by the disasters.

"However, our 114,000 employees are incredibly important, too. They achieved great things in 2017."

Returning to Care Coordination, what can Fresenius Medical Care offer in this area outside the U.S.?

To date, we have offered medical services that are not directly related to dialysis treatment almost exclusively in the U.S. In fiscal year 2017, we acquired the Cura Group, a company that operates various kinds of outpatient medical facilities in Australia. This shows that we are also in a position to offer Care Coordination services in health care systems outside the U.S.

NxStage is the next big acquisition in the pipeline. How does this company fit to Fresenius Medical Care?

NxStage is a U.S. company that develops, produces, and markets dialysis equipment and other products for use in home dialysis and intensive care. With this acquisition we intend to further expand our core business and place our activities on a broader footing. Together, we will be able to offer innovative treatments that are even more closely tailored to the changing needs of patients. The acquisition will internationally accelerate our growth in this promising area.

What are the benefits of home dialysis?

Home dialysis allows kidney patients to better combine dialysis therapy with their own individual lifestyle. Patients become more actively involved in their own care and are happier and healthier on the whole. Despite this, most patients are currently treated at dialysis clinics. Globally, home dialysis is only used by around eleven percent of all patients. This shows that home dialysis still offers considerable potential. Together with NxStage, we intend to expand the available options for optimal dialysis therapy that reflects the needs of individual patients, thereby creating added value for them.

Fresenius Medical Care looks after dialysis patients outside the U.S., too. What are your long-term growth plans for other regions?

The number of dialysis patients around the world is rising. There are currently some 3.2 million patients, and this figure is expected to increase to around 4.9 million by 2025. This also means that demand for dialysis products and services will rise, including, and perhaps especially, in growth markets like China and India. We will continue to invest in these emerging markets and expand our business in the future. That is the advantage of our business model: As the leading global dialysis provider – from products through to holistic patient care – we are ideally positioned to meet the individual requirements of the various regional markets and, by doing so, actively shape the future of dialysis.

"The number of dialysis patients around the world is rising. There are currently some 3.2 million patients, and this figure is expected to increase to around 4.9 million by 2025. This also means that demand for dialysis products and services will rise."

Does your strategy also include allowing shareholders to participate in the success of Fresenius Medical Care?

Of course, we want to show our shareholders that their commitment to the Company was a good decision. Consequently, we will be able to propose the highest dividend in our Company's history at the Annual General Meeting on May 17, 2018. This would be the 21st consecutive dividend increase, from €0.96 in 2016 to the current figure of €1.06 per share, corresponding to an increase of ten percent. Our share price also developed positively in 2017. With €87.78 at the end of the year, it was around nine percent higher than at the beginning of the year.

"Fresenius Medical Care is ideally positioned to continue growing sustainably in the future."

Looking to the future, what are your objectives for 2018 and beyond?

We intend to continue to grow and increase our revenue. In 2018, we aim to achieve significant growth in our core business with dialysis products and services as well as expanding our activities in the area of Care Coordination. Thereby we intend to increase our revenue adjusted for a change in the accounting standards by around eight percent on a constant currency basis. We also expect our net income to rise by between 13 and 15 percent at constant currency in the same period. The tax reform in the U.S. contributes to this extraordinary increase. 2018 will also see the start of the second phase of our Global Efficiency Program, with the aim of realizing additional potential efficiency improvements to further boost our competitiveness. We expect this to result in annual net savings of €100 to 200 million by 2020. The objectives of our growth strategy 2020 remain unchanged: Between 2014 and 2020, we want to increase our revenue by an average of ten percent every year to a total of €24 billion in 2020.

These are ambitious plans.

Fresenius Medical Care is ideally positioned to continue growing sustainably in the future. Everything we do is for our patients. As a company, we are developing continuously and are able to offer even better, safer, optimized care while simultaneously reducing treatment costs. This is how we create added value – for our patients, for our employees, for health care systems around the world, and also for our shareholders.

Rice, thank you for your time.

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MANAGEMENT BOARD

DR. OLAF SCHERMEIER
Research and Development

Member since March 1, 2013

KENT WANZEK
Production and Quality

Member since January 1, 2010

MICHAEL BROSNAN
Finance

Member since January 1, 2010

RICE POWELL
CEO and Chairman

Member since January 1, 2004
CEO since January 1, 2013

HARRY DE WIT
Asia-Pacific

Member since April 1, 2016

DOMINIK WEHNER
Europe, Middle East and Africa, and Labour Relations Director Germany

Member from April 1, 2014 until December 31, 2017

WILLIAM VALLE
North America

Member since February 17, 2017

CAPITAL MARKETS AND SHARES

Fresenius Medical Care's share price performed well in 2017 in a volatile environment. At the end of the year, it stood at €87.78, around 9% higher than it was at the beginning. We are confident that we can continue to grow Fresenius Medical Care's shareholder value in the long term with our strategic approach.

FRESENIUS MEDICAL CARE SHARES

2017 was a dynamic year on the stock markets. Driven by the expansive monetary policy of the central banks, the DAX and the Dow Jones Index reached record highs – despite latent conflicts in Europe, such as the Brexit negotiations, and uncertainty surrounding the direction of government policy in the U.S. These conditions chiefly benefit cyclical stocks, a group that does not include Fresenius Medical Care shares. At the end of the year, the adoption of tax reforms in the U.S. further boosted share prices.

A regulatory change on the U.S. health care market had a negative impact on our share price at the beginning of 2017. However, this change was never implemented. The share price rose again in the first half of 2017, reaching its high for the year as well as its all-time high of €88.90 in mid-June. In the second half of the year, the price initially fell, before recovering and ending the year at €87.78, up 9% on the closing price of the previous year. Further information on the share price and index performance can be found in table 1.1 as well as in charts 1.2, 1.3 and 1.4 starting on page 12.

A long-term comparison illustrates the strength and stability of Fresenius Medical Care shares: Over the past ten years, the Company's share price has risen by over 140%. This means that our shares considerably outperformed many other indices, such as the EURO STOXX Health Care, which only increased by 2% in the same period.

Fresenius Medical Care's market capitalization amounted to €26.9 BN at the end of the year under review, €2 BN higher than the prior-year figure of €24.7 BN.

DAX RANKINGS

At the end of 2017, our weighting in the DAX was 1.78%. We were also ranked 21st in terms of market capitalization and 25th in terms of trading volume. The rankings published by Deutsche Börse form the basis for the composition of the DAX. They are compiled every month taking into account the trading volume and market capitalization with respect to the free float.

In addition to the DAX, Fresenius Medical Care shares are included in a number of other important international share indices, such as the Dow Jones, the MSCI and the FTSE. For the ninth successive year, our shares were listed in the Dow Jones Sustainability Europe Index, which takes into account ecological and social as well as economic criteria.

PRICE DEVELOPMENT OF ADRS

In 2017, the price of Fresenius Medical Care shares listed on the New York Stock Exchange in the form of American Depositary Receipts (ADRS) rose by 24.5%. Two ADRS are equivalent to one Fresenius Medical

1.1 STOCK INDICES / SHARES

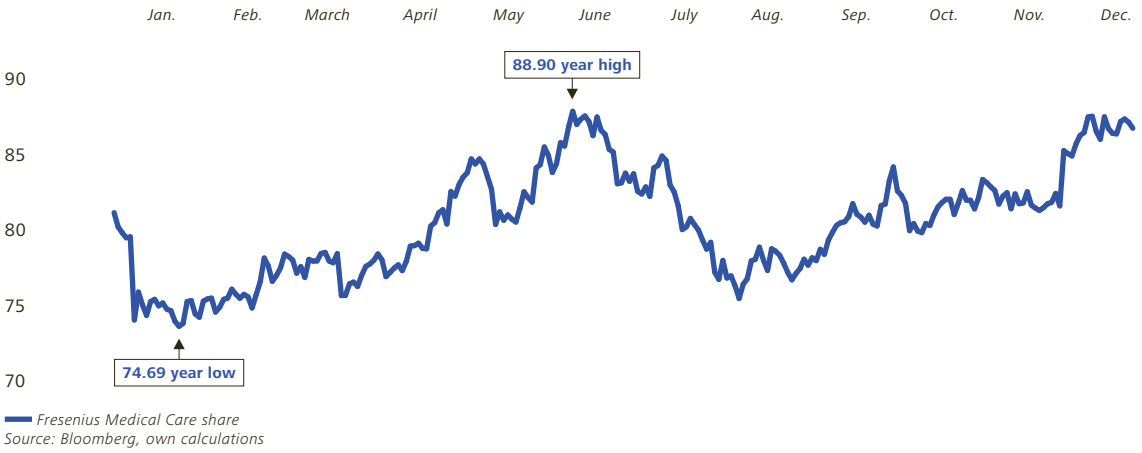
	Country/ region	*Dec 31, 2017*	*Dec 31, 2016*	*Change*	*High*	*Low*
DAX	DE	12,918	11,481	12.5%	13,479	11,481
Dow Jones	USA	24,719	19,763	25.1%	24,838	19,732
EURO STOXX Health Care	EUR	728	713	2.0%	805	690
Fresenius Medical Care share *in €*	DE	87.78	80.45	9.1%	88.90	74.69
Fresenius Medical Care ADR *in $*	USA	52.55	42.21	24.5%	52.72	39.70

Source: Bloomberg data, own calculations

Care share. The price movement of the ADR is tied to that of Fresenius Medical Care shares, taking into account the development of the euro/U.S. dollar exchange rate. ADRS account for around 23% of the entire trading volume, while our shares account for approximately 77%.

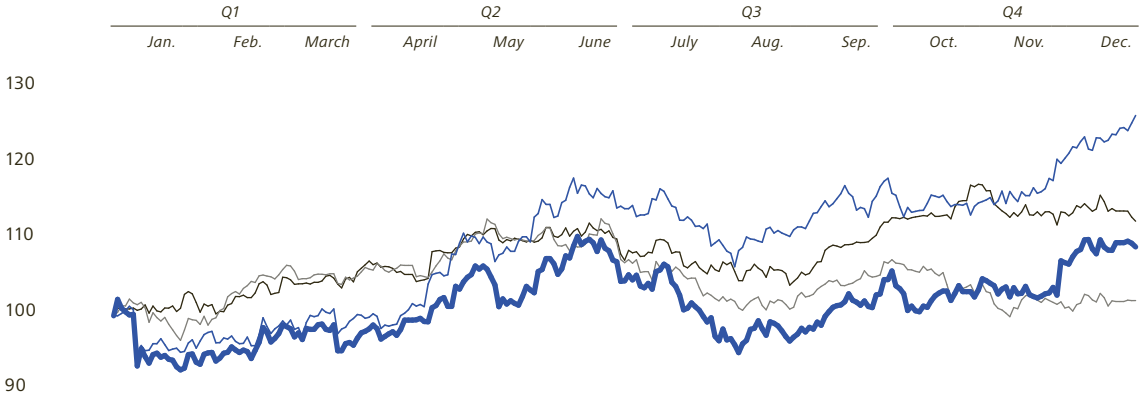
1.2 SHARE PRICE PERFORMANCE, ABSOLUTE JANUARY 1, 2017 – DECEMBER 31, 2017

in €



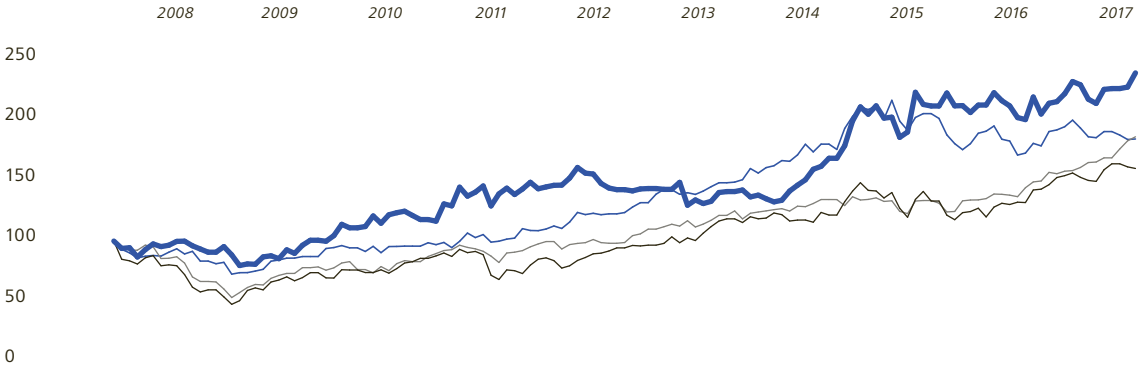
Fresenius Medical Care share
Source: Bloomberg, own calculations

1.3 INDEX AND SHARE PRICE PERFORMANCE, INDEXED, JANUARY 1, 2017 – DECEMBER 31, 2017



Fresenius Medical Care share (€) — *Fresenius Medical Care-ADR ($)* — *DAX* — *EURO STOXX Health Care*
Source: Bloomberg, own calculations

1.4 INDEX AND SHARE PRICE PERFORMANCE IN A TEN-YEAR COMPARISON, INDEXED, DECEMBER 31, 2007 – DECEMBER 31, 2017



Fresenius Medical Care share (€)* — *DAX** — *Dow Jones Industrial Average (DJIA)* — *EURO STOXX Health Care**
* *Dividends reinvested*
Source: Bloomberg, own calculations

DEVELOPMENT OF THE DIVIDEND

At the Annual General Meeting on May 17, 2018, the Management Board will propose a dividend to shareholders of €1.06 per share.

Based on the proposed dividend and the closing share price at the end of 2017, the dividend yield on the shares would be around 1.2% (2016: 1.2%). This would mean that the dividend has risen by around 10% each year on average since 1997.

If the dividend proposal is accepted, the total dividend payout for 2017 will amount to around €325 M. This represents a payout ratio of around 25%.

SHAREHOLDER STRUCTURE

Based on an analysis of the shareholder structure, we were able to match around 87% (previous year: 93%) of the approximately 306.5 M shares outstanding with their owners. As of December 31, 2017, the number of Fresenius Medical Care shares held by our largest shareholder, Fresenius SE & Co. KGaA, remained unchanged at around 94.4 M. This corresponds to 30.6% of the ordinary shares in our share capital. In the same analysis, we identified further 13 institutional investors with shareholdings of more than 1%.

According to the analysis, 638 institutional investors own Fresenius Medical Care shares, with the top 20 investors alone holding approximately 43% of identified shares in the free float (previous year: 40%).

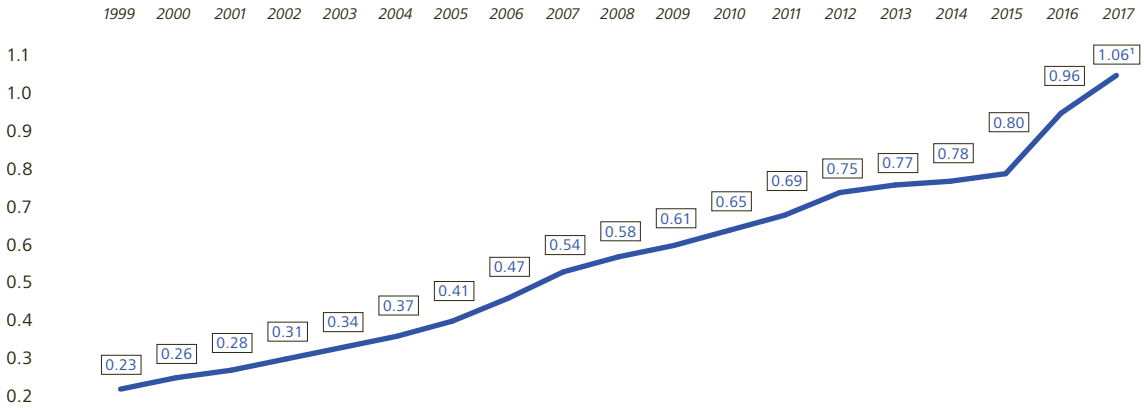
Regarding the regional distribution of shares owned by institutional investors, 36% of shares in the free float were held in Great Britain. With around 8% each of all shares identified in the free float were held in Germany and France, 4% in Norway. The shares held in North America remained stable at 28%.

VOTING RIGHTS NOTIFICATIONS

At the end of 2017, Fresenius Medical Care received notification that one shareholder (besides Fresenius SE & Co. KGaA) holds more than 5% of the voting rights in the Company: BlackRock Inc. All voting rights notifications as per sections 33, 38 and 39 of the

1.5 DEVELOPMENT OF THE DIVIDEND

in €



[1] *Proposal to be approved by the Annual General Meeting on May 17, 2018.*

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 of December 31, 2017	306.5	100.0	–
Identified shares	266.2	86.9	81.0
Unidentified shares	40.3	13.1	19.0
Shares in free float	212.1	69.2	–

German Securities Trading Act (WpHG) are published on our website at www.freseniusmedicalcare.com under "Investors".

ANALYSTS' ASSESSMENTS OF OUR SHARES

Financial analysts continued to show great interest in our Company. An average of 27 equity analysts, known as sell-side analysts, tracked our shares and covered our Company last year. At the end of 2017, 14 analysts rated our shares as "buy", and a further twelve recommended holding our shares. At the end of the year, there was one sell recommendation for our shares.

INVESTOR RELATIONS ACTIVITIES

Our investor relations activities in 2017 again focused on ensuring equal access to continuous and transparent information for all capital market participants. This included disclosing information on Fresenius Medical Care's strategy and management principles, its operational and financial business developments and the Company's outlook. These activities targeted a wide audience comprising not only shareholders, other capital market participants and analysts, 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 the year under review, we presented Fresenius Medical Care in more than 1,100 one-on-ones with analysts and investors and answered questions about our business performance and the Company's future. At a capital markets day in Frankfurt in June, the Management Board informed analysts and investors about the Company's further growth strategy, which includes a new efficiency program for the period from 2018 to 2020. We also presented the Company at 20 roadshows and 23 investment conferences around the globe. For further information, visit our website at www.freseniusmedicalcare.com.

1.7 GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES

in M

	Dec. 2017		Dec. 2016	
	Number of shares	in %	Number of shares	in %
North America	47.48	28	47.10	28
Germany	12.86	8	20.69	12
Great Britain	62.10	36	51.44	31
France	12.75	8	19.27	12
Norway	7.56	4	8.98	5
Rest of Europe	15.81	9	15.85	10
Remaining regions	13.30	7	4.01	2
▸ **REGIONALLY ATTRIBUTABLE SHARES**	**171.86**	**100**	**167.34**	**100**

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)

1.9 KEY FIGURES FOR FRESENIUS MEDICAL CARE SHARES

		2017	2016	2015	2014	2013
Number of shares[1]	in M	306.45	306.22	305.31	303.56	301.45
Share prices (Xetra trading)						
High for the year	in €	88.90	85.65	83.13	61.85	55.60
Low for the year	in €	74.69	71.62	60.57	47.15	47.00
Year-end	in €	87.78	80.45	77.73	61.85	51.73
Share prices (ADR NYSE)						
High for the year	in $	52.72	47.43	45.72	37.63	36.07
Low for the year	in $	39.70	38.37	35.96	32.06	31.02
Year-end	in $	52.55	42.21	41.84	37.14	35.58
Market capitalization[2]						
Year-end	in € M	26,900	24,716	23,732	18,775	15,594
Index weighting						
DAX	in %	1.78	1.80	1.87	1.62	1.37
Dividend						
Dividend per share	in €	1.06[3]	0.96	0.80	0.78	0.77
Dividend yield[4]	in %	1.2[3]	1.2	1.3	1.3	1.5
Total dividend payout	in € M	325[3]	294	244	237	232
Earnings per share (EPS)						
Number of shares[5]	in M	306.56	305.75	304.44	302.34	301.88
Earnings per share (EPS)	in $	4.17	4.07	3.38	3.46	3.65

[1] *Shares outstanding on December 31 of the respective year.*
[2] *Based on shares outstanding.*
[3] *Proposal to be approved by the Annual General Meeting on May 17, 2018.*
[4] *With reference to the respective year-end.*
[5] *Weighted average number of shares outstanding.*

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As of January 1, 2017, Fresenius Medical Care has changed its financial reporting to IFRS (International Financial Reporting Standards). As of this date, the Company no longer reports in U.S. dollars but exclusively in euros. The Annual Report therefore contains for the first time the Group Management Report and the consolidated financial statements in accordance with IFRS and also shows all financial key figures in euros as reporting currency for the first time.

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 315 e 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 (positively as well as negatively) 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 the "Outlook" starting on page 55 and in the "Risks and opportunities report" starting on page 59 as well as in notes 2 and 22 of the notes to the consolidated financial statements.

The non-financial group 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 78.

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

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 ABOUT 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 largest 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 internal health care service operations. Our dialysis business is therefore vertically integrated. We describe our other health care services as "Care Coordination". Together with dialysis services Care Coordination represents our health care services.

We generate most of our revenue with dialysis products and dialysis care services. In our 3,752 dialysis clinics in around 50 countries worldwide, we provide care for over 320,000 dialysis patients. We are continuously developing this network of clinics, which is the largest and most international in the world, to accommodate the ever rising number of dialysis patients. At the same time, we operate 41 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 is organized decentrally and 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 2.1 on page 20 shows 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. See chart 2.2 on page 21 for an overview of our services and products.

Approximately 3.2 M patients worldwide regularly underwent dialysis treatment in 2017. 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 for a lengthy period of time, this is known as chronic kidney failure. Many diseases can lead to chronic kidney failure, particularly diabetes, chronic nephritis, and high blood pressure. There are currently two treatment options for chronic kidney failure: a kidney transplant and dialysis.

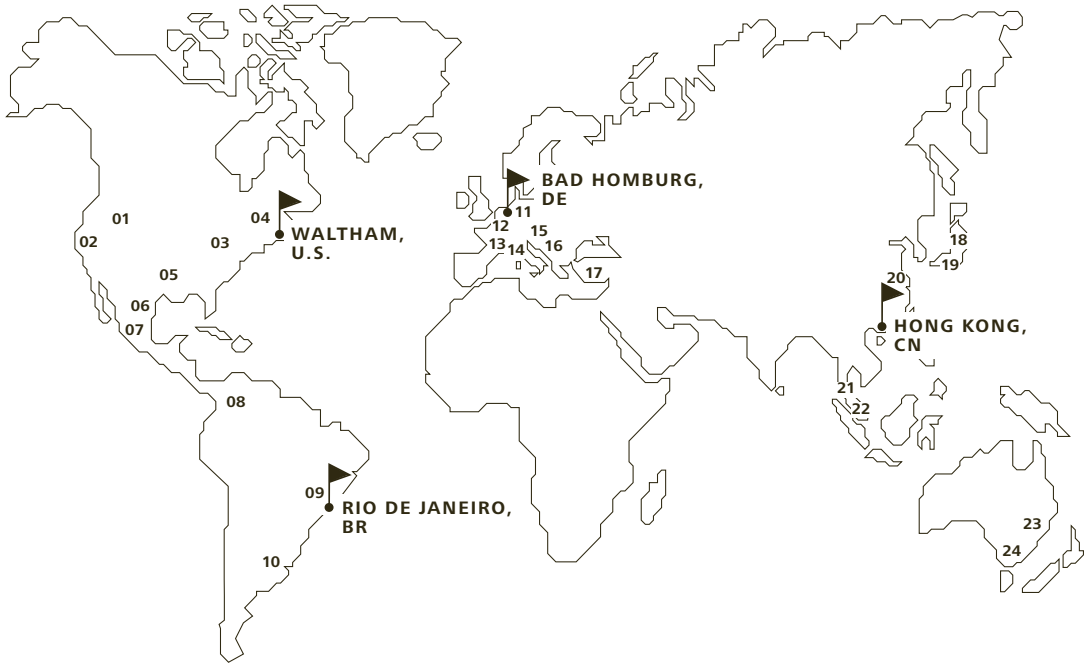
Our health care products

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

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

- 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, e. g. machines, dialyzers, bloodline systems, HD solutions and concentrates, water treatment systems, as well as data processing and analysis systems.

2.1 MAJOR LOCATIONS



North America

WALTHAM, U.S.
Regional headquarters
North America

01 Ogden, U.S.
Dialyzers

02 Concord, U.S.
Dialysis machines

03 Toledo, U.S.
HD concentrates

04 Montreal, CA
HD concentrates

05 Irving, U.S.
HD concentrates

06 Reynosa, MX
Bloodlines

07 Guadalajara, MX
Dialysis solutions, HD concentrates

Europe

BAD HOMBURG, DE
Company headquarters and regional headquarters for Europe, Middle East and Africa

11 Schweinfurt, DE
Dialysis machines

12 St. Wendel, DE
HD & PD disposable products

13 L'Arbresle, FR
HD disposable products

14 Palazzo Pignano, IT
HD & PD disposable products

15 Krems, AT
Adsorbers

16 Vršac, SRB
HD disposable products

17 Antalya, TR
HD disposable products

Asia-Pacific

HONG KONG, CN
Regional headquarters
Asia-Pacific

18 Inukai, JP
Fiber bundles

19 Buzen, JP
Dialyzers, dialysis solutions

20 Changshu, CN
Bloodlines, dialyzers

21 Ipoh, MY
Systems for water treatment

22 Enstek, MY
HD concentrates, dialysis solutions

23 Smithsfield, AU
HD concentrates

24 Scoresby, AU
Dialysis chairs, packs

Latin America

RIO DE JANEIRO, BR
Regional headquarters
Latin America

08 Santafé de Bogotà, CO
HD & PD disposable products

09 Jaguariúna, BR
HD & PD disposable products

10 Pilar, AR
HD concentrates

- 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 in dialysis centers as well as 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.

Additionally, we offer non-dialysis products that include acute cardiopulmonary products and products for the apheresis therapy. This therapy can be used to remove 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 3,752 (2016: 3,624) 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 medical support and training for home dialysis patients.

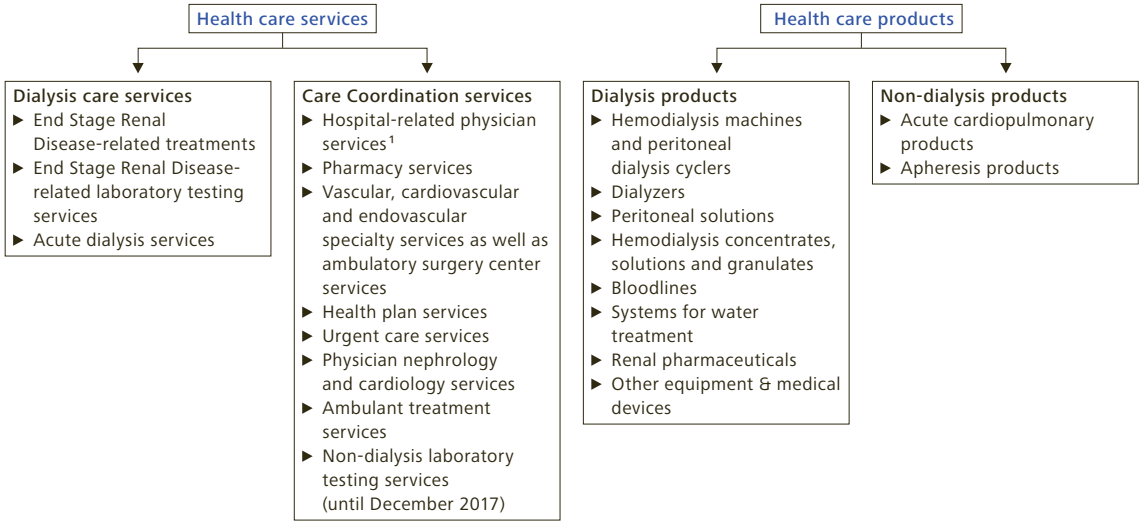
We treated most of our patients (62%) in the North America Segment, 19% in the EMEA Segment, 10% in the Latin America Segment and 9% in the Asia-Pacific Segment.

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 enables us to expand and grow 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 Care Coordination is a business with a global focus, we currently mainly provide non-dialysis services in our largest market, the U.S., and in Asia-Pacific. In recent years, the health care system in the U.S. has moved away from reimbursement of individual services towards holistic and coordinated care. Our activities in Care Coordination and our experience in dialysis mean that we can participate in the development of the U.S. health care system and use this as a basis for additional growth. At the same time, patients benefit from coordinated care, and health care systems from lower costs.

2.2 RANGE OF SERVICES



[1] *Includes the coordinated delivery of emergency, intensivist and hospitalist physician services as well as transitional care.*

MAJOR MARKETS AND COMPETITIVE POSITION

According to our estimates, the number of dialysis patients worldwide reached 3.2 M in 2017 (2016: 3.0 M) – a 6% growth rate. In the same period, 320,960 patients were treated in Fresenius Medical Care's network of dialysis centers (2016: 308,471). As such, Fresenius Medical Care holds the leading position worldwide in dialysis care. More information can be found in chart 2.3.

Dialysis products made by Fresenius Medical Care for use in our own dialysis centers or sale to third-party product customers represented a share of 35% in 2017 (2016: 34%). Fresenius Medical Care is therefore also the global market leader for dialysis products. For hemodialysis products, we had a market share of 39% worldwide (2016: 38%) and are the global market leader in this field as well.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of more than 300 M units in 2017. More than 140 M (around 45%) of these were made by Fresenius Medical Care, so that we hold 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 90,000 machines estimated to have been installed in 2017, more than 50,000, or more than 50% (2016: more than 50%), were produced by Fresenius Medical Care.

Furthermore, we hold a strong position in the market for peritoneal dialysis products: Around 17% (2016: around 17%) of all patients use products made by Fresenius Medical Care.

Fresenius Medical Care is also the worldwide leader in dialysis care, serving about 10% of all dialysis patients. In the U.S., Fresenius Medical Care treats around 38% of all dialysis patients.

Outside the U.S., dialysis services are considerably more fragmented. With more than 1,370 dialysis clinics and around 127,000 patients in around 50 countries, Fresenius Medical Care operates by far the largest and most international network of clinics.

PROCUREMENT AND PRODUCTION

The Global Manufacturing & Quality (GMQ) division centrally manages all of Fresenius Medical Care's activities worldwide in the procurement of raw materials and semi-finished goods, production including quality management, and distribution in North America. This centralized approach enables us to

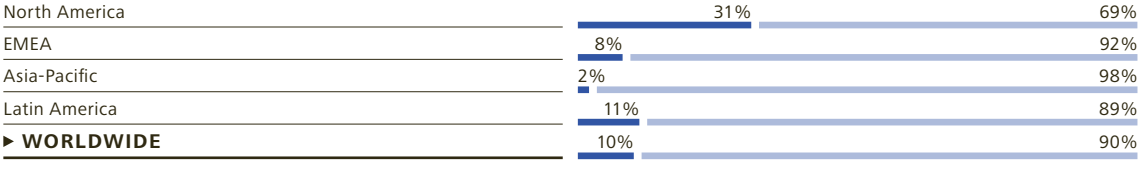
- continuously enhance the efficiency of our processes,
- optimize cost structures,
- improve returns on our capital invested in manufacturing,
- respond more flexibly and
- fulfill our commitment to meeting high-quality and safety standards.

The objective of our production strategy is to manufacture top-quality products in the right place at the right time on the best possible terms. We are able to successfully implement this strategy thanks to a network of large production sites, where we make technically sophisticated 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 2017, GMQ had 16,186 employees (full-time equivalents) (2016: 15,224). In total, we operate 41 production sites in more than 20 countries.

2.3 PATIENTS TREATED



Source: Company data and estimates

CORPORATE STRATEGY AND OBJECTIVES

"Fresenius Medical Care: Creating a future worth living. For patients. Worldwide. Everyday." This vision guides us in giving our patients around the world a better life by offering them high-quality products and outstanding health care. It is based on our core values: quality, honesty and integrity, innovation and progress, respect, and dignity. These values are enshrined in our Code of Ethics and Business Conduct, which describes our business standards and underlines our commitment to operating in accordance with the applicable laws and regulations and with our own company policies.

STRATEGIC CORE COMPETENCIES

Fresenius Medical Care aims to further consolidate its expertise as the world's largest provider of top-quality dialysis treatments and products and to apply them as a basis for sustainable, profitable growth. Moreover, by expanding our range of medical services in the area of Care Coordination, our goal is to provide holistic care and improve outcomes for patients as well as payers and at the same time sustainably increase the company value of Fresenius Medical Care. Our strategic plan is built around four core competencies – see chart 2.4 – that will support us in the years to come.

- **Innovating products**
  Developing innovative products to achieve even better outcomes for our patients is an inherent part of our strategy of sustainable, profitable growth and reinforces our technology leadership position in dialysis. In addition, we strive to identify new opportunities in value-added technologies and approaches on an ongoing basis, for example through our Fresenius Medical Care Ventures fund.
- **Standardizing medical procedures**
  Our goal is to standardize medical treatments and clinical processes while continuing to ensure high-quality clinical outcomes. We provided around 48 M dialysis treatments worldwide in 2017. Consequently, we have one of the largest renal patient databases in the world. We intend to use this information to standardize medical settings, ramp up new clinics and integrate acquired clinics based on proven and efficient concepts.
- **Coordinating patients efficiently**
  In an environment of increasing patient numbers and changing health care systems, Fresenius Medical Care sees significant potential in providing value-based care. 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 provided to create predictive analytics.
- **Operating outpatient facilities**
  By leveraging our experience gained in currently 3,752 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.

2.4 CORPORATE STRATEGY

GROWTH STRATEGY 2020

Based on our strategic core competencies, we set ourselves long-term targets in 2014 with our growth strategy 2020 (Vision 2020):

- Accelerate revenue growth: The aim is to increase Fresenius Medical Care's revenue to €24 BN by 2020 based upon exchange rates prevailing at the beginning of 2017 and excluding the effect from IFRS 15 implementation, corresponding to an average annual growth rate of around 10%. This increase in revenue should stem from both organic growth and acquisitions.
- Deliver sustainable and profitable growth: We expect high single-digit annual growth in net income based upon exchange rates prevailing at the beginning of 2017 and excluding the recurring impacts from the U.S. Tax Reform (€140 M to €160 M annually) in the years 2018-2020. In 2017, we also announced the second phase of our Global Efficiency Program (GEP II). Starting in 2018, GEP II targets to achieve sustained cost improvements of €100 M to €200 M per annum by 2020.
- Expand our Care Coordination business: Fresenius Medical Care intends to achieve an annual average revenue growth rate of 15 to 20% in Care Coordination by 2020, based upon exchange rates prevailing at the beginning of 2017, corresponding to 17% of total revenue in 2017.

For further information on our goals, see the "Outlook" starting on page 55.

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 covenants. Non-IFRS financial measures should not be viewed or interpreted as a substitute for financial information presented in accordance with IFRS.

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. Revenue is also benchmarked based on movement at constant exchange rates. For further information see the "Constant currency information" section starting on page 28.

OPERATING INCOME

Operating income is the most appropriate measure for evaluating the profitability of the operating segments and is therefore also a key performance indicator.

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 the Group as a whole.

DELIVERED EBIT (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 EBIT). Delivered EBIT approximates the operating income attributable to the shareholders of FMC AG & CO. KGAA. As such, we believe that operating income, or EBIT, is the closest comparable IFRS measure.

Table 2.5 on page 25 shows the reconciliation of operating income to Delivered EBIT for our reporting segments.

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

At Group 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. Please see the "Constant currency information" section starting on page 28 for more information on the use and calculation of financial measures at constant currency.

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. Please see the "Constant currency information" section starting on page 28 for more information on the use and calculation of financial measures at constant currency.

2.5 DELIVERED EBIT RECONCILIATION

in € M

	2017	*2016*
North America Segment		
Operating income (EBIT)	2,086	1,936
less noncontrolling interests	(263)	(267)
Delivered EBIT	1,823	1,669
Dialysis		
Operating income (EBIT)	1,942	1,882
less noncontrolling interests	(229)	(243)
Delivered EBIT	1,713	1,639
Care Coordination		
Operating income (EBIT)	144	54
less noncontrolling interests	(34)	(24)
Delivered EBIT	110	30
EMEA Segment		
Operating income (EBIT)	444	474
less noncontrolling interests	(4)	(3)
Delivered EBIT	440	471
Asia-Pacific Segment		
Operating income (EBIT)	313	289
less noncontrolling interests	(7)	(6)
Delivered EBIT	306	283
Dialysis		
Operating income (EBIT)	286	289
less noncontrolling interests	(6)	(6)
Delivered EBIT	280	283
Care Coordination		
Operating income (EBIT)	27	–
less noncontrolling interests	(1)	–
Delivered EBIT	26	–
Latin America Segment		
Operating income (EBIT)	58	59
less noncontrolling interests	0	0
Delivered EBIT	58	59
Total		
Operating income (EBIT)	2,362	2,409
less noncontrolling interests	(274)	(276)
Delivered EBIT	**2,088**	**2,133**

CAPITAL EXPENDITURES

We manage our investments using a detailed coordination and evaluation process. The Management Board sets the complete investment budget for the Group as well as the investment targets. Before realizing specific investment projects or acquisitions, our internal Acquisition & Investment Committee (AIC) examines the individual projects and measures, taking into account 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 (Non-IFRS Measure)

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 for 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. 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 significant cash flow key performance indicators for 2017 and 2016 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.

NET LEVERAGE RATIO (NON-IFRS MEASURE)

The net leverage ratio, defined as the ratio of net debt/EBITDA, is a key performance indicator used for internal management at Group level. In 2017, we revised this indicator from leverage ratio to net leverage ratio, which aligns to our covenant obligations under our Amended 2012 Credit Agreement as well as determines pricing under that agreement. See note 14 of the notes to the consolidated financial statements for more information on the Amended 2012 Credit Agreement. To determine the net leverage ratio, debt less cash and cash equivalents (net debt) is compared to

2.6 SIGNIFICANT CASH FLOW KEY PERFORMANCE INDICATORS

in € M

	2017	*2016*
Revenue	17,784	16,570
Net cash provided by (used in) operating activities	2,192	1,932
Capital expenditures	(944)	(931)
Proceeds from sale of property, plant and equipment	103	16
Capital expenditures, net	(841)	(915)
Free cash flow	1,351	1,017
Net cash provided by (used in) operating activities *in % of revenue*	12.3%	11.7%
Free cash flow *in % of revenue*	7.6%	6.1%

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, and non-cash charges). 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 more reliable information about the extent to which we are able to meet our payment obligations than considering only 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. This means that we can work with a relatively large share of debt capital compared with companies in other industries.

Table 2.7 shows the reconciliation of the net leverage ratio at December 31, 2017 and 2016.

RETURN ON INVESTED CAPITAL (NON-IFRS MEASURE)

Return on invested capital (ROIC) is the ratio of operating income after tax (net operating profit after tax, NOPAT) to the average invested capital of the last five quarter closing dates, 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.

Table 2.9 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.

Table 2.8 provides an overview of our key performance indicators.

2.7 RECONCILIATION OF NET LEVERAGE RATIO

in € M

	2017	2016
Debt	7,448	8,132
Cash and cash equivalents	978	709
Net debt	6,470	7,423
Operating income[1]	2,372	2,398
Depreciation and amortization[1]	731	710
Non-cash charges	51	65
EBITDA[1]	3,154	3,173
▸ **LEVERAGE RATIO[1]**	**2.4**	**2.6**
▸ **NET LEVERAGE RATIO[1]**	**2.1**	**2.3**

[1] *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.*

2.8 KEY PERFORMANCE INDICATORS

	2017	2016
Revenue	€17,784 M	€16,570 M
Operating income	€2,362 M	€2,409 M
Operating income margin	13.3%	14.5%
Delivered EBIT	€2,088 M	€2,133 M
Net income growth at Constant Currency[1]	14%	20%
Basic earnings per share growth at Constant Currency[1]	14%	19%
Capital expenditures	€0.8 BN	€0.9 BN
Acquisitions and investments	€0.6 BN	€0.5 BN
Net cash provided by (used in) operating activities *in % of revenue*	12.3	11.7
Free cash flow *in % of revenue*	7.6	6.1
Net leverage ratio	2.1	2.3
ROIC *in %*	8.6	7.8

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

CONSTANT CURRENCY INFORMATION

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.

2.9 RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC

in € M, except ROIC

2017	*December 31, 2017*	*September 30, 2017*[2]	*June 30, 2017*[2]	*March 31, 2017*[2]	*December 31, 2016*[2]
Total assets	24,025	24,156	24,617	26,016	25,825
Plus: Cumulative goodwill amortization	394	400	413	439	444
Minus: Cash and cash equivalents	(978)	(729)	(721)	(678)	(716)
Minus: Loans to related parties	(92)	(146)	(169)	(220)	(220)
Minus: Deferred tax assets	(315)	(334)	(308)	(311)	(292)
Minus: Accounts payable	(590)	(518)	(484)	(505)	(584)
Minus: Accounts payable to related parties	(147)	(224)	(216)	(271)	(264)
Minus: Provisions and other current liabilities[1]	(2,791)	(2,763)	(2,822)	(2,791)	(2,866)
Minus: Income tax payable	(194)	(251)	(234)	(277)	(242)
▸ **INVESTED CAPITAL**	**19,312**	**19,591**	**20,076**	**21,402**	**21,085**
Average invested capital as of December 31, 2017	20,293				
Operating income[2]	2,372				
Income tax expense[3,4]	(617)				
▸ **NOPAT**	**1,755**				
▸ **ROIC** *in %*	**8.6**				

2016	*December 31, 2016*	*September 30, 2016*[2]	*June 30, 2016*[2]	*March 31, 2016*[2]	*December 31, 2015*[2]
Total assets	25,504	24,074	24,108	23,262	23,680
Plus: Cumulative goodwill amortization	444	422	424	413	431
Minus: Cash and cash equivalents	(709)	(566)	(653)	(466)	(516)
Minus: Loans to related parties	(199)	(144)	(152)	(197)	(182)
Minus: Deferred tax assets	(291)	(262)	(248)	(245)	(261)
Minus: Accounts payable	(576)	(473)	(518)	(495)	(585)
Minus: Accounts payable to related parties	(264)	(231)	(196)	(208)	(141)
Minus: Provisions and other current liabilities[1]	(2,857)	(2,573)	(2,583)	(2,341)	(2,470)
Minus: Income tax payable	(242)	(228)	(228)	(245)	(216)
▸ **INVESTED CAPITAL**	**20,810**	**20,019**	**19,954**	**19,478**	**19,740**
Average invested capital as of December 31, 2016	20,000				
Operating income[2]	2,398				
Income tax expense[3]	(840)				
▸ **NOPAT**	**1,558**				
▸ **ROIC** *in %*	**7.8**				

[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] *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.*
[3] *Adjusted for noncontrolling partnership interests.*
[4] *Includes the remeasurement of deferred tax balances as a result of U.S. tax reform (U.S. Tax Reform) of approximately €236 M.*

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 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 (Non-IFRS measure) 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. 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 Constant Currency period over period changes in Non-IFRS revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items and changes in revenue, operating income, net income attributable to shareholders of FMC AG & CO. KGAA and other items prepared in accordance with IFRS. 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 IFRS measures next to the growth rate derived from Non-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.

RESEARCH AND DEVELOPMENT

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

GLOBAL RESEARCH & DEVELOPMENT STRATEGY

Health care systems face major financial challenges now and in the long term. With regard to our research and development activities, this confirms our intention to develop innovative products that are not only of high-quality, but are also affordable. Based on our experience in operating our own dialysis clinics, we do not consider these to be incompatible aims.

Our R&D strategy is globally oriented. This enables 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 future, we intend to deliver innovative, competitive products even more efficiently and strengthen our focus on developing countries.

In addition to R&D activities carried out at our company, we collaborate with external partners with the aim of building a comprehensive innovation and technology network. These include numerous academic institutions, such as research institutes at renowned 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 leading institution in the field of clinical research into chronic kidney failure. Together we are working on fundamental issues relating to dialysis treatment. We are increasingly collaborating with start-ups to encourage an open culture that promotes innovation and to gain access to the latest technologies both in our core business as well as in adjacent areas that are of future strategic interest to us.

R&D RESOURCES

In the past financial year, Fresenius Medical Care spent a total of around €131 M on research and development (2016: €147 M). R&D expenditure corresponded to around 4% (2016: 5%) of our health care product revenue. Around a quarter of our R&D expenditure went into funding advance developments, laying the foundation for future product innovations. At the end of 2017, our patent portfolio comprised some 8,396 property rights in approximately 1,253 patent families, i. e. groups of patents linked to the same invention. Our R&D work in the financial year produced around 126 additional patent families. A broad portfolio of patents will provide us with a wide range of treatment options in this competitive area in future.

In 2017, 825 highly qualified employees (full-time equivalents) worked for Fresenius Medical Care in R&D worldwide (2016: 794). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams. Around 530 employees – the

majority of our R&D staff – are based in Europe. Most activities are carried out at our facilities in Schweinfurt and Bad Homburg v.d. Höhe (Germany). Other R&D sites are in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). In the U.S. the Company maintains centers of excellence for the development of devices in Concord (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 R&D organization coordinates collaboration and technology exchange among the various sites. As part of our innovation culture, we also strive to carry out research and development responsibly. More information can be found in tables 2.10, 2.11 and 2.12.

EMPLOYEES

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

As at December 31, 2017, Fresenius Medical Care employed a total of 114,000 members of staff (full-time equivalents) in 60 countries. Our workforce therefore grew by 4%, or more than 4,600 in absolute terms, compared to the previous year. This was primarily due to organic growth in our business and to acquisitions.

Table 2.13 on page 31 shows the breakdown of employees by operating segment as well as offered services and products.

Staff costs at Fresenius Medical Care rose to €6,900 M in 2017 (2016: €6,291 M). This corresponds to 39% (2016: 38%) of revenue. Average staff costs per employee (average full-time equivalents) stood at €61,287 (2016: €58,596).

More information about our employees can be found in the non-financial group report starting on page 78 and about diversity in the Corporate Governance Report starting on page 102.

QUALITY MANAGEMENT

At Fresenius Medical Care, we believe in supplying high-quality and reliable products and therapies to ensure the best possible medical care for our patients and customers.

QUALITY MANAGEMENT AT OUR PRODUCTION SITES

Our quality management systems in production combine internal regulations, processes, and procedures with the demands of generally recognized external standards and guidelines. Our plants apply recognized quality management tools such as Lean Six Sigma for optimizing production and testing processes as well as general workflows.

2.10 EXPENDITURES FOR R&D
in € M

	2017	2016	2015	2014	2013
▸ TOTAL	131	147	128	94	96

2.11 NUMBER OF PATENTS

	2017	2016	2015	2014	2013
▸ TOTAL	8,396	7,748	6,643	6,133	5,560

2.12 EMPLOYEES IN R&D
Full-time equivalents

	2017	2016	2015	2014	2013
▸ TOTAL	825	794	649	599	552

QUALITY MANAGEMENT IN OUR DIALYSIS CLINICS

We have established special quality management systems in our dialysis clinics. We regularly check whether they are applied, but transfer some of the tasks involved to third parties, for instance the technical inspection association TÜV in Europe. Its experts inspect our clinics in standardized annual audits to monitor compliance with the ISO 9001 norm for quality management and the ISO 14001 norm for environmental management. In the U.S., our clinics are inspected by the Centers for Medicare and Medicaid Services (CMS), a public health care authority.

More information about our quality management including our quality data can be found in the non-financial group report starting on page 78.

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" starting on page 33.

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY

For Fresenius Medical Care, sustainability means acting responsibly to achieve commercial success as well as to ensure environmental and social progress and secure the Company's future.

In 2017, we enhanced our sustainability reporting in a company-wide project. A significant part of this project was a materiality analysis. Information about the results of the materiality analysis and our understanding of corporate responsibility can be found in the non-financial group report starting on page 78.

2.13 EMPLOYEES BY OPERATING SEGMENT

Full-time equivalents

	2017	*2016*	*Change*	*Share*
▸ **NORTH AMERICA**	**58,265**	**56,792**	**1,473**	**51%**
Health care services	57,098	55,653		
Health care products	1,167	1,139		
▸ **EMEA**	**18,903**	**18,066**	**837**	**17%**
Health care services	15,214	14,597		
Health care products	3,689	3,469		
▸ **ASIA-PACIFIC**	**10,117**	**9,121**	**996**	**9%**
Health care services	7,910	7,082		
Health care products	2,207	2,039		
▸ **LATIN AMERICA**	**9,516**	**9,201**	**315**	**8%**
Health care services	8,581	8,332		
Health care products	935	869		
▸ **WORLDWIDE**	**114,000**	**109,319**	**4,681**	**100%**
Health care services	88,803	85,664		
Health care products	7,998	7,516		
Corporate[1]	17,199	16,139	1,060	15%

[1] *Including the divisions Global Manufacturing & Quality as well as Global Research & Development.*

ECONOMIC REPORT

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

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

MACROECONOMIC ENVIRONMENT

Dependency on economic cycles

Our business is exposed to economic cycles to a relatively small extent only. 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

As Fresenius Medical Care operates worldwide, the results of its operations are impacted by exchange rate developments. Movements in the U.S. dollar and the euro in relation to one another are especially crucial as we generate a major part of our revenues in the U.S. The euro remained constant in relation to the U.S. dollar at the annual average rate in 2017.

In addition, Fresenius Medical Care's operating results are influenced by changes in the exchange rate between the euro and local currencies, partly due to large production sites in the eurozone selling to Group companies with different functional currencies, but also because the euro is the currency we use for financial reporting. Regarding the sales within the Group, individual subsidiaries are exposed to transactional risks due to fluctuations in the rate of exchange 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 towards demand in the Company's dialysis product business. Often, the production facilities are based in the markets they serve. Therefore, costs are incurred in the same currency in which Fresenius Medical Care generates revenue. The risk of exchange rate fluctuations for health care services is relatively low because services 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 2017, approximately 3.9 M patients underwent dialysis treatment or received a donor organ. More information can be found in table 2.14.

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.

2.14 PATIENTS WITH CHRONIC KIDNEY FAILURE

	2017	*Share*
Patients with chronic kidney failure	**3,920,000**	**100 %**
Of which patients with transplants	760,000	19 %
Of which dialysis patients	**3,160,000**	**81 %**
Hemodialysis (HD)	2,810,000	72 %
Peritoneal dialysis (PD)	349,000	9 %

Source: Company information and estimates

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 is still restricted in many countries, meaning that many patients suffering from kidney failure are not treated and therefore do not appear in prevalence statistics.
- Cultural factors such as nutrition play a role.

The number of dialysis patients rose by around 6% in 2017. In the U.S., Japan, and Western and Central Europe, patient growth was slower than in economically weaker regions, where it is generally above 6%.

Comparison of dialysis treatment methods

In 2017, most dialysis patients have been treated in one of the approximately 41,300 dialysis centers worldwide, with an average of 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 89% of dialysis patients have been treated with this therapy 2017 – mostly in a dialysis center. Home hemodialysis is an alternative to treatment in a dialysis center. It is still rarely used. In the reporting period, 11% of all dialysis patients were treated with peritoneal dialysis, usually at home.

Volume of the dialysis market

According to our estimates, the volume of the global dialysis market increased to around €70 BN in 2017 (2016: €69 BN). The market grew by 4% over the past year at Constant Currency. We expect the following approximate breakdown for this market volume: around €13 BN for dialysis products and approximately €57 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 almost 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., have started reimbursing coordinated, holistic care rather than individual services.

As the range of services we offer in the area of Care Coordination varies widely, we cannot provide a meaningful estimate of the market volume. We currently offer medical services in Care Coordination mainly in the U.S. and the Asia-Pacific Segment and have adapted our activities to these markets. The extent to which our Care Coordination services are rolled out outside the U.S. may vary in individual countries and regions depending on the respective reimbursement system and market environment.

Our customers are mostly health insurers and companies

Fresenius Medical Care's most important customers are state-owned or public health insurers, private health insurers, and companies. Approximately 34% of the Company's consolidated revenues in 2017 were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement.

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 reimburse dialysis services – differ from country to country and sometimes even within countries. The business activities and reimbursement of dialysis therapy are affected by various factors including regional conditions, the treatment method, regulatory issues, and the type of dialysis service 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 ancillary services significantly influences our business. In the U.S. – currently our biggest market – most of our patients are covered by the governmental health authority, called Centers for Medicare and Medicaid (CMS), which pays for treatment. It also determines the reimbursement rates for its patients (Medicare/Medicaid patients). Due to pressure to reduce health care costs, increases in the reimbursement rate by the U.S. government have been limited in the past. As a consequence, the reimbursement rate in CMS' prospective payment system (PPS) for ESRD treatments (so-called ESRD PPS rate) has not changed material year-on-year. The ESRD PPS rate for 2017 was $231.55, just 0.5% above the 2016 base rate of $230.39. For 2018 the ESRD PPS rate is $232.37 which represents a 0.3% increase from the 2017 base rate including the adjustment for the wage index budget-neutrality factor. There is uncertainty regarding possible future changes in health care regulation in the U.S., including the regulation of reimbursement for dialysis services. 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, this could have an impact on our product business, too. To the extent that inflation, triggered for example by labor and supply costs resulting in higher operating costs, 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 38.

In the U.S., reimbursement by government institutions is lower than reimbursement by private insurers and managed care organizations. The payments we receive from private insurers generate a substantial portion of the profits we report. In 2017, 35% of the health care revenue of the Group was related to private insurers in the North America Segment. Our business is therefore influenced by a change in the share of reimbursements by private insurers in the U.S. A decrease in these payments would have a negative impact on our results of operations, cash flow and earnings.

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. The ESRD PPS rate in the U.S. is influenced by our established quality management system. We manage the impact of the ESRD PPS with three broad measures:

- We work with medical directors and physicians to find efficiencies that are consistent with the ESRD PPS's quality incentive program (QIP) and good clinical practices.
- We negotiate cost savings through pharmaceutical acquisitions.
- We achieve greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care at the start of dialysis.

The ESRD PPS's QIP has affected payments since January 1, 2012. Dialysis facilities that do not achieve established quality standards receive reduced payments by up to 2% for a particular year, based on their year-on-year performance. CMS updates the set of quality measures each year, adding, revising or withdrawing measures. The QIP payment adjustment for 2017 takes into account the performance of each facility in 2015 based on a set of measures with a focus on:

- anemia management,
- dialysis adequacy,
- reporting dialysis events to the Centers for Disease Control and Prevention (CDC),
- administration of patient satisfaction surveys and
- reporting mineral metabolism on a monthly basis.

Reimbursement in Care Coordination in the U.S.

We are also working closely with CMS in the area of reimbursement for Care Coordination. For example, our subsidiary Sound Physicians has participated in the Bundled Payments for Care Improvement (BPCI) initiative since April 2015. BPCI is a pilot initiative, extended through September 30, 2018, that offers bundled payments for individual services, including acute inpatient hospital services, physician services, and post-acute

services. They are granted to Medicare beneficiaries in the course of a single episode of an illness or course of treatment. As a participant in this project, we can be entitled to additional reimbursement if we provide high-quality care at a cost that is below a set threshold. In January 2018, CMS announced the launch of a new bundled payment model named Bundled Payments for Care Improvement Advanced (BPCI Advanced). BPCI Advanced starts on October 1, 2018 and continues to December 31, 2023. Under BPCI Advanced, participants can earn additional payment if expenditures for a beneficiary's episode of care do not exceed spending targets which includes measures for quality.

In addition, we participate in CMS's Comprehensive ESRD Care Model (CEC Model) through ESRD Seamless Care Organizations (ESCOS) since October 1, 2015, which also has an impact on reimbursement. The aim of the CEC Model is to deliver better health outcomes for ESRD patients while cutting costs for Medicare. ESCOS that achieve the minimum quality thresholds specified by the program and generate reductions in the cost of care above certain thresholds for ESRD patients covered by the model receive a portion of the cost savings. Our ESCOS also share in the risk of cost increases and are obligated to reimburse part of any such increases to CMS if the actual costs exceed these thresholds. As of January 1, 2018, the existing 24 ESCOS expanded by adding new physician practice partners and dialysis facilities, growing the number of patients participating from approximately 26,000 in 2017 to 41,000 in 2018.

In November 2017, we announced the results from the first performance year from our ESCOS. The results, which cover the period from October 2015 through December 2016, show improved health outcomes for patients receiving care coordination through the ESCOS. This success was validated by an independent report, which showed a nearly 9% decrease in hospitalization rates for these patients during the same time. As a result, the Company's ESCOS together generated more than $43 M in gross savings, an average 5.47% reduction in expenditures per patient, with all six of its first-year ESCOS exceeding the shared savings benchmark.

Furthermore, we have entered into various arrangements with both government and private sector health care insurers, in which we assume the risk for the overall care of certain ESRD patients in exchange for set payments. We have been operating the Medicare Advantage ESRD Chronic Special Needs Plan (MA-CSNP) in five U.S. states since January 1, 2017. MA-CSNPS are Medicare Advantage health plans offered by private companies that have contracts with Medicare to provide patients with Medicare benefits. Enrollment in these plans is limited to individuals with specific severe or disabling chronic conditions, such as ESRD. Our MA-CSNPS provide services, including Care Coordination services, and receive capitated payments from Medicare for taking care of enrolled ESRD patients.

We also participate in sub-capitation with commercial insurers as well as in other shared savings and risk arrangements with certain Medicare Advantage plans, Accountable Care Organizations (ACOS) and other integrated care organizations.

OVERALL BUSINESS DEVELOPMENT

HIGHLIGHTS

Optimizing Care Coordination

In implementing our investment strategy, we continue to address activities aimed at a holistic, coordinated care approach in 2017. In this context, Fresenius Medical Care acquired a majority stake in Cura Group, a leading operator of day hospitals in Australia. Cura runs 19 private day hospitals across Australia, where it provides a variety of specialized outpatient services, such as ophthalmology and orthopedic surgery. This step allows Fresenius Medical Care to further leverage its core competence in operating outpatient facilities, extend its dialysis network, and in doing so lay the foundation for future growth in the Australian market.

In line with our strategic goal to further optimize the Company's Care Coordination portfolio, Fresenius Medical Care divested Shiel Medical Laboratory to Quest Diagnostics. Shiel provides non-dialysis laboratory services in the New York City and New Jersey metropolitan area. Fresenius Medical Care's dialysis-related laboratory services business, Spectra Labs, is not affected by the divestiture.

Financing

We refinanced our existing senior secured credit agreement, originally due to mature in 2019, ahead of schedule. The amended agreement now reflects a simplified, unsecured structure consistent with our investment grade rating and lower tiered pricing. It has an aggregate amount of approximately $3.9 BN and consists of revolving facilities and term loans, denominated in both U.S. dollar and euro, with maturities in 2020 and 2022.

Agreement with the United States Departments of Veterans Affairs and Justice

On January 31, 2017, the Company announced an agreement with the United States Departments of Veterans Affairs and Justice resolving litigation commenced in 2014 regarding reimbursement for services provided to veterans by the Company's clinics during the period January 2009 through February 15, 2011 (VA Agreement). The agreement led to increase the Company's recognition of revenue in 2017 by approximately €94 M. The positive impact on the Company's net income (net income attributable to shareholders of FMC AG & CO. KGAA) was approximately €51 M.

Natural disasters

In the second half of 2017, our business in the North America Segment was influenced by the hurricanes Harvey, Irma and Maria as well as an earthquake in Mexico. The costs related to these natural disasters net of anticipated recoveries (Natural Disaster Costs) had a negative impact on our operating income in the amount of €18 M. Net income decreased by €11 M.

Foreign Corrupt Practices Act related charge

The Company recorded a provision of €200 M in regards to Foreign Corrupt Practices Act (FCPA) investigations. The provision is based on the ongoing settlement negotiations that would avoid litigation between the Company and the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) (government agencies) and represents an estimate from the range of potential outcomes estimated from current discussions. FCPA Related Charge encompasses government agencies' claims for profit disgorgement, as well as accruals for fines and penalties, certain legal expenses and other related costs or asset impairments (FCPA Related Charge). For further information on these investigations, see note 22 of the notes to the consolidated financial statements.

U.S. tax reform

As a result of the U.S. tax reform effective since January 1, 2018, the corporate income tax rate in the U.S. decreased from 35% to 21%. Due to the new law, Fresenius Medical Care remeasured its deferred tax balances. This resulted in a deferred tax benefit of €236 M for 2017, which increased net income accordingly in 2017.

Acquisitions and divestitures

To strengthen our vertically integrated dialysis business, Fresenius Medical Care signed an agreement to acquire NxStage Medical, Inc. (NxStage), a U.S.-based medical technology and service company. NxStage develops, produces and markets medical devices for use in home dialysis and in the critical care setting. This acquisition enables Fresenius Medical Care to further leverage manufacturing, supply chain and marketing competencies across the dialysis products, services and Care Coordination businesses in a care setting that requires less labor and capital.

Fresenius Medical Care intends to acquire all outstanding shares of NxStage for $30 per common share. As a result, the transaction would be valued at approximately $2 BN. The merger is subject to additional regulatory approvals and other customary closing conditions.

COMPARISON OF ACTUAL BUSINESS RESULTS WITH THE OUTLOOK

The environment for our core business of dialysis remained largely stable in 2017. We met the outlook we set ourselves for the financial year 2017 to a great extent.

Our 2017 outlook did not include the effects related to the VA Agreement, the effects of Natural Disaster Costs, the impact of the FCPA Related Charge and the effects of the U.S. tax reform. We have therefore adjusted the actual results for 2017 accordingly to make them comparable with the 2017 outlook. For a reconciliation of results 2017 to results 2017 adjusted please see table 2.15 on page 37.

The outlook for the 2017 financial year was based on the prevailing exchange rates at the beginning of the year 2017. We expected revenue growth of 8 to 10% at Constant Currency. We generated revenue of €17.8 BN. Excluding contributions from the VA Agreement we generated revenue of €17.7 BN, up 7% on the previous year. Revenue excluding contributions from the VA Agreement increased by 9% at Constant Currency. We therefore met our expectations.

All operating segments, but above all the North America Segment and the Asia-Pacific Segment, contributed to the expansion of our business. Further details on the development of revenue can be found in the "Results of operation, financial position and net assets" section starting on page 38.

We expected the growth of our operating income to exceed that of revenue in the 2017 financial year, or at least reach the same level. The operating income for 2017 was €2.4 BN. Adjusted for the VA Agreement, Natural Disaster Costs and the impact of the FCPA Related Charge the operating income for 2017 was up by 5% at Constant Currency to €2.5 BN. We were below our expectations mainly due to higher than expected personnel and supply expenses in the North America Segment as well as cost of acquisitions for the acquisition of NxStage that were not included in the outlook.

We expected Delivered EBIT to perform similar to revenue in 2017. Delivered EBIT for 2017 was €2.1 BN. Adjusted for the VA Agreement, the Natural Disaster Costs and the impact of the FCPA Related Charge the Delivered EBIT for 2017 increased by 6% at Constant Currency to €2.2 BN. We also did not meet this expectation mainly due to higher than expected personnel and supply expenses in the North America Segment as well as cost of acquisitions for the acquisition of NxStage that were not included in the outlook.

At the beginning of the year, we set a target range for net income growth of 7 to 9% at Constant Currency for the 2017 financial year. The effects related to the VA Agreement, the Natural Disaster Costs, the impact of the FCPA Related Charge and the effects of the U.S. Tax Reform have not been included in this range. Adjusted net income for 2017 increased by 7% at Constant Currency to €1.2 BN, which is within the range of our expectations.

Adjusted earnings per share increased by 7% at Constant Currency. This increase is in line with the development of net income, as we expected.

We earmarked €1.1 BN to €1.2 BN for capital expenditures. During 2017 we adjusted this expectation to €0.9 BN. With an outlay of €0.8 BN, we almost remained within our outlook. We expected to spend around €0.75 BN on acquisitions and investments. This number was adjusted during the year to €0.6 BN. The actual figure was €0.6 BN with respect to acquisitions and investments and we therefore met our expectations. For further information, see the "Results of operation, financial position and net assets" section starting on page 38.

Driven by earnings development and good development in Days Sales Outstanding, net cash provided by (used in) operating activities in percent of revenue was high at 12.3%, meeting our expectation of greater than 10%.

Free cash flow in percent of revenue was 7.6% in 2017, which is also in line with our expectation of greater than 4%.

According to our forecast, the leverage ratio should have been below 2.5 at the end of 2017. The actual leverage ratio was down to 2.4 at the balance sheet date and is therefore as expected.

On Group level the ROIC increased to 8.6% thus meeting our expectation of at least 8.0%.

The number of employees at Fresenius Medical Care (full-time equivalents) grew from 109,319 at the end of 2016 to 114,000 at the end of 2017 due to organic growth and acquisitions. We therefore were below our forecast of more than 117,000.

Research and development expenditures aimed at boosting Fresenius Medical Care's ability to adapt to future requirements amounted to €131 M, so that we did not achieve our expected range of €150 M to €160 M. Our research and development activities are focused on further developing existing product groups.

Table 2.16 on page 38 shows the actual results and our outlook for 2017.

2.15 RECONCILIATION OF RESULTS 2017 TO RESULTS 2017 ADJUSTED

in € M

	Results 2017	*VA Agreement*	*Natural Disaster Costs*	*U.S. Tax Reform*	*FCPA Related Charge*	*Results 2017 adjusted*
Revenue	17,784	(94)	–	–	–	17,690
Operating income	2,362	(87)	18	–	200	2,493
Delivered EBIT	2,088	(85)	18	–	200	2,221
Net income[1]	1,280	(51)	11	(236)	200	1,204

[1] *Net income attributable to shareholders of Fresenius Medical Care 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 using a management approach, consistent with the manner in which management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance.

RESULTS OF OPERATIONS

Information about our segment data can be found in table 2.17 on page 39.

Revenue and operating income generated in countries outside the eurozone are subject to currency fluctuations. The twelve months ended December 31, 2017 and 2016 were negatively impacted by the development of the euro against the U.S. dollar. For the respective twelve-month period ended December 31, 2017 approximately 72% of revenue and approximately 88% of operating income were generated in U.S. dollars.

Consolidated financial statements

Information about our key indicators for the consolidated financial statements can be found in table 2.18 on page 40.

Health care services revenue increased by 8% including a 2% negative impact from foreign currency translation. At Constant Exchange Rates, health care services revenue increased by 10% driven by increases in organic revenue per treatment (4%), growth in same market treatments (3%) and contributions from acquisitions (3%).

Dialysis treatments increased by 4% as a result of growth in same market treatments (3%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (1%).

At December 31, 2017, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 3,752 dialysis clinics compared to 3,624 dialysis clinics at December 31, 2016. For the year ended December 31, 2017, we acquired 67 dialysis clinics, opened 109 dialysis clinics and combined or closed 48 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 320,960 at December 31, 2017 from 308,471 at December 31, 2016.

Health care product revenue increased by 6% including a 1% negative impact from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 7%. Dialysis product

2.16 RESULTS AND OUTLOOK FOR 2017

	Results 2017	*Results 2017 adjusted*	*Outlook 2017*
Revenue growth at Constant Currency[1]	9%	9%	8 – 10%
Operating income growth at Constant Currency[1,2]	0%	5%	growth ≥ revenue growth
Delivered EBIT growth at Constant Currency[1,2]	0%	6%	growth ~ revenue growth
Net income growth at Constant Currency[1,2,3,4]	14%	7%	7 – 9%
Basic earnings per share growth at Constant Currency[1,2,3,4]	14%	7%	based on development of net income
Capital expenditures	€0.8 BN		€0.9 BN
Acquisitions and investments	€0.6 BN		~ €0.6 BN
Net cash provided by (used in) operating activities *in % of revenue*	12.3%		>10%
Free cash flow *in % of revenue*	7.6%		>4%
Leverage ratio	2.4		<2.5
ROIC	8.6%		≥8.0%
Employees[5]	114,000		>117,000
Research and development expenses	€131 M		€150 – €160 M

[1] *"Outlook 2017" and "Results 2017 adjusted" exclude the effects of the agreement with the United States Departments of Veterans Affairs and Justice.*
[2] *"Outlook 2017" and "Results 2017 adjusted" exclude Natural Disaster Costs and the FCPA Related Charge.*
[3] *"Outlook 2017" and "Results 2017 adjusted" exclude the effects of the U.S. Tax Reform.*
[4] *Net income attributable to shareholders of FMC AG & Co. KGaA.*
[5] *Full-time equivalents.*

revenue increased by 5% including a 1% negative impact from foreign currency translation. At Constant Exchange Rates, dialysis product revenues increased by 6% due to higher sales of dialyzers, machines, peritoneal dialysis products, renal pharmaceuticals, products for acute care treatments, hemodialysis solutions and concentrates and bloodlines. Non-dialysis product revenue increased by 59% to €79 M from €49 M with no foreign currency translation effects. The increase of 59% was due to the acquisition of Xenios AG (Xenios).

The decrease period over period in the gross profit margin was 0.1 percentage points. Foreign currency translation effects represented a 0.1 percentage point increase in the gross profit margin. The decrease primarily reflects a decrease in the EMEA Segment, the Asia-Pacific Segment and Corporate, partially offset by an increase in the North America Segment. The gross profit margin decrease in the EMEA Segment was primarily driven by unfavorable impacts from acquisitions largely due to the development of cardiopulmonary products at Xenios, pressure on reimbursement in some countries and the impact from two fewer dialysis days, partially offset by a favorable impact from manufacturing. The gross profit margin decrease in the Asia-Pacific Segment was primarily driven by an unfavorable mix effect related to acquisitions with lower margins and unfavorable foreign currency transaction effects, partially offset by a favorable impact from business growth, mainly in China. The gross profit margin decrease in Corporate was mainly driven by sustaining engineering costs. The increase in gross profit margin in the North America Segment was primarily due to a favorable impact driven by the initial recognition in the calendar year 2017 of earnings (including earnings from prior periods) from the BPCI initiative combined with increased volumes for hospital-related physician services, impact of revenue recognized from the VA Agreement, lower costs for health care supplies and a favorable impact from the increase in the ESRD PPS rate for 2017, partially offset by higher costs in our pharmacy services business, higher personnel expense and the impact from lower revenue for vascular services.

The increase period over period in selling, general and administrative (SG&A) expenses as a percentage of revenue was 1.3 percentage points with virtually no impact from foreign currency translation in the current period. The increase was driven by increases at Corporate as well as in the EMEA Segment, the Latin America Segment and the North America

2.17 SEGMENT DATA (INCLUDING CORPORATE)

in € M

	2017	2016
Total revenue		
North America	12,879	12,030
EMEA	2,547	2,409
Asia-Pacific	1,623	1,474
Latin America	720	643
Corporate	15	14
▸ **TOTAL**	**17,784**	**16,570**
Operating income		
North America	2,086	1,936
EMEA	444	474
Asia-Pacific	313	289
Latin America	58	59
Corporate	(539)	(349)
▸ **TOTAL**	**2,362**	**2,409**
Interest income	43	42
Interest expense	(397)	(408)
Income tax expense	(454)	(623)
▸ **NET INCOME**	**1,554**	**1,420**
▸ **LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS**	**(274)**	**(276)**
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**	**1,280**	**1,144**

Segment, partially offset by a decrease in the Asia-Pacific Segment and a favorable impact of varying margins across our four reporting segments. The increase at Corporate was mainly driven by the FCPA Related Charge in the amount of €200 M. The increase in the EMEA Segment was due to unfavorable foreign currency transaction effects, unfavorable impacts from acquisitions largely due to the development of cardiopulmonary products at Xenios, higher overhead costs and costs related to a change in the Management Board, partially offset by decreased bad debt expense and a favorable impact from a legal settlement in Germany. The increase in the Latin America Segment was due to unfavorable foreign currency transaction effects and higher overhead costs, partially offset by reimbursement rate increases which mitigated inflationary cost increases in the region. The increase in the North America Segment was mainly driven by higher bad debt expense, higher personnel expense and the impact from lower revenue for vascular services, partially offset by gains on the sale of fixed assets and investments, the impact from higher revenue including the initial recognition in the calendar year 2017 of earnings (including earnings from prior periods) from the BPCI initiative combined with increased volumes for hospital-related physician services and a positive impact from income attributable to a consent agreement on certain pharmaceuticals. The decrease in the Asia-Pacific Segment was due to a favorable impact from acquisitions largely due to Cura and the prior year impact from costs associated with changes in the Management Board.

Research and development expenses decreased by 11% to €131 M from €147 M. The decrease period over period, as a percentage of revenue, was 0.2 percentage points, largely driven by capitalized development costs, partially offset by expenses incurred related to the development of cardiopulmonary products at Xenios and an increased project portfolio.

Income from equity method investees increased by 15% to €67 M from €59 M. The increase was driven by increased income from Vifor Fresenius Medical Care Renal Pharma Ltd., an entity in which we have ownership of 45%, due to increased sales in North America, partially offset by increased costs to support the launch and development of new projects.

The decrease period over period operating income margin was 1.2 percentage points with virtually no impact from foreign currency translation in the current period. Operating income margin decreased as a result of increased SG&A, as a percentage of revenue and decreased gross profit margin, partially offset by decreased research and development expenses, as a percentage of revenue, and increased income from equity method investees, as discussed above. Excluding (I) the impact of the FCPA Related Charge of €200 M, (II) the effect of the VA Agreement

2.18 KEY INDICATORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

			Change in %	
	2017	2016	as reported	Constant Currency[1]
Revenue *in € M*	17,784	16,570	7	9
Health care services *in € M*	14,532	13,506	8	10
Health care products *in € M*	3,252	3,064	6	7
Number of dialysis treatments	48,269,144	46,529,154	4	
Same market treatment growth *in %*	2.7	3.2		
Gross profit *as a % of revenue*	33.8	33.9		
Selling, general and administrative costs *as a % of revenue*	20.1	18.8		
Operating income *in € M*	2,362	2,409	−2	0
Operating income margin *in %*	13.3	14.5		
Delivered EBIT[2] *in € M*	2,088	2,133	−2	0
Net income[3] *in € M*	1,280	1,144	12	14
Basic earnings per share *in €*	4.17	3.74	12	14

[1] *For further information on Constant Currency, see the "Performance management system" section starting on page 24.*
[2] *For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see the "Performance management system" section starting on page 24.*
[3] *Net income attributable to shareholders of FMC AG & Co. KGaA.*

of approximately €87 M as of December 31, 2017 and (III) Natural Disaster Costs of approximately €18 M, operating income margin decreased by 0.4 percentage points to 14.1% from 14.5% with virtually no impact from foreign currency translation in the current period.

Delivered EBIT decreased by 2% including a 2% negative impact from foreign currency translation. At Constant Exchange Rates, Delivered EBIT remained flat largely a result of operating income at Constant Exchange Rates remaining stable.

Net interest expense decreased by 3% to €354 M from €366 M. Foreign currency translation had a positive impact of 1% in the current period. At Constant Exchange Rates, net interest expense decreased by 2% largely due to the replacement of interest bearing Bonds, repaid in 2016 and 2017, by debt instruments at lower interest rates.

Income tax expense decreased by 27% to €454 M from €623 M. The effective tax rate decreased to 22.6% from 30.5% for the same period of 2016 driven by the impact, €236 M, of U.S. Tax Reform. Excluding U.S. Tax Reform impacts, the effective tax rate increased to 34.3% from 30.5% largely due to the FCPA Related Charge of €200 M which was not tax effected, prior year related taxes, a lower portion of tax-free income attributable to noncontrolling interests compared to income before taxes and higher tax expense related to the VA Agreement, approximately €34 M, as the tax rate in the U.S. is higher than the average tax rate outside of the U.S., partially offset by tax benefits from financing structures. Excluding (I) the effect on earnings before taxes due to the FCPA Related Charge of €200 M, (II) the impact from the VA Agreement, pre-tax of approximately €87 M, (tax expense of approximately €34 M), (III) the tax effects associated with Natural Disaster Costs, pre-tax of approximately €18 M (tax expense of approximately €7 M) and (IV) U.S. Tax Reform of approximately €236 M, the effective tax rate increased to 31.0% from 30.5%.

Net income attributable to noncontrolling interests decreased slightly to €274 M from €276 M including a 2% negative impact from foreign currency translation. At Constant Exchange Rates, net income attributable to noncontrolling interests increased by 2% primarily driven by the portion of the VA Agreement reimbursement of approximately €2 M attributable to noncontrolling interests and increased noncontrolling interest expense related to Care Coordination, partially offset by decreased noncontrolling interest expense related to dialysis in the North America Segment driven by lower operating income in less than wholly-owned clinics.

Net income attributable to shareholders of FMC AG & CO. KGAA increased by 12% to €1,280 M from €1,144 M including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, the increase of 14% was driven by the combined effects of the items discussed above. Excluding (I) the impact from the FCPA Related Charge of €200 M, (II) the impact of the VA Agreement of approximately €51 M, after tax, (III) Natural Disaster Costs of approximately €11 M, and (IV) U.S. Tax Reform of approximately €236 M, net income attributable to shareholders of FMC AG & CO. KGAA increased by 5% including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, excluding the effects noted above, net income attributable to shareholders of FMC AG & CO. KGAA increased by 7%.

Basic earnings per share increased by 12% including a 2% negative impact from foreign currency translation. At Constant Exchange Rates, basic earnings per share increased by 14% primarily due to the increase in net income attributable to shareholders of FMC AG & CO. KGAA described above. The average weighted number of shares outstanding for the period was approximately 306.6 M in 2017 (2016: 305.7 M).

We employed 114,000 people (full-time equivalents) as of December 31, 2017 compared to 109,319 as of December 31, 2016, an increase of 4%, primarily due to organic growth in our business and acquisitions.

Segment reporting

The following discussions pertain to the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment as well as the measures we use to manage these segments. Starting in the fiscal year 2017 these measures are based on IFRS. In previous years U.S. GAAP-based figures were used to manage the segments. Thus, the segment information was presented in accordance with U.S. GAAP. To conform to the current year's presentation, the previous year's values are adjusted accordingly.

In regards to our Care Coordination services we use additional business metrics, which will be defined below.

Business metrics for Care Coordination

The measures for the North America Segment and the Asia-Pacific Segment discussed below include 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, BPCI, ESCO programs, MA-CSNPS and other shared savings programs are included within the member months and medical cost under management calculations below. In the future, other programs may be included in the metrics below. Note that due to the timing required by CMS to review the BPCI and ESCO program data that we provide, estimates have been used in order 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 of 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, ESCO and BPCI 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 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

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, 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 2.19.

Dialysis

Revenue

Dialysis care revenue increased by 3% to €9,227 M from €8,975 M including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis care revenue increased by 5% mainly due to same market treatment growth (2%), an increase related to the VA Agreement, approximately €94 M as of December 31, 2017 (1%), increases in organic revenue per treatment (1%) and contributions from acquisitions (1%).

Dialysis treatments increased by 3% primarily due to same market treatment growth (2%) and contributions from acquisitions (1%). At December 31, 2017, 197,356 patients (4% increase from December 31, 2016) were being treated in the 2,393 dialysis clinics that we own or operate in the North America Segment, compared to 188,987 patients treated in 2,306 dialysis clinics at December 31, 2016.

In the U.S., the average revenue per treatment, excluding the VA Agreement of approximately $4 per treatment, increased to $353 (€319 at Constant Exchange Rates) from $351 (€318). The increase was mainly attributable to a favorable impact from the increase in the ESRD PPS rate for 2017.

Cost per treatment in the U.S. excluding Natural Disaster Costs of $0.70 per treatment, increased to $282 (€255 at Constant Exchange Rates) from $278 (€251). This increase was largely driven by higher personnel expense, higher bad debt expense as well as increased property and other occupancy related costs including depreciation, partially offset by decreased costs for health care supplies and a gain from the sale of fixed assets.

Health care product revenue increased by 3% including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 5% was driven by higher sales of renal pharmaceuticals, peritoneal dialysis products, hemodialysis solutions and concentrates, machines and dialyzers.

2.19 KEY INDICATORS AND BUSINESS METRICS FOR THE NORTH AMERICA SEGMENT

			Change in %	
	2017	2016	as reported	Constant Currency[1]
Total North America Segment				
Revenue *in € M*	12,879	12,030	7	9
Health care services *in € M*	12,036	11,214	7	10
Health care products *in € M*	843	816	3	5
Operating income *in € M*	2,086	1,936	8	10
Operating income margin *in %*	16.2	16.1		
Delivered EBIT[2] *in € M*	1,823	1,669	9	11
Dialysis				
Revenue *in € M*	10,070	9,791	3	5
Number of dialysis treatments	29,804,196	28,882,107	3	
Same market treatment growth *in %*	2.5	3.1		
Operating income *in € M*	1,942	1,882	3	5
Operating income margin *in %*	19.3	19.2		
Delivered EBIT[2] *in € M*	1,713	1,639	4	6
Care Coordination				
Revenue *in € M*	2,809	2,239	25	28
Operating income *in € M*	144	54	168	173
Operating income margin *in %*	5.1	2.4		
Delivered EBIT[2] *in € M*	110	30	264	271
Member months under medical cost management[3,4]	604,244	387,244	56	
Medical cost under management[3,4] *in € M*	3,994	2,542	57	60
Care Coordination patient encounters[3,4]	6,934,300	5,539,703	25	

[1] *For further information on Constant Currency, see the "Performance management system" section starting on page 24.*
[2] *For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see the "Performance management system" section starting on page 24.*
[3] *For further information on these metrics, please see the "Segment reporting – Business metrics for Care Coordination" section starting on page 42.*
[4] *The metrics may be understated due to a physician mapping issue related to the BPCI program within a CMS system which has not yet been resolved. Additionally, data presented for the BPCI and ESCO metrics are subject to finalization by CMS, which may result in changes from previously reported metrics.*

Operating income margin

The increase period over period in the dialysis operating income margin was 0.1 percentage points with virtually no impact from foreign currency translation in the current period. The increase was largely driven by the VA Agreement, approximately €94 M, a favorable impact from the increase in the ESRD PPS rate for 2017, lower costs for health care supplies, gains from the sale of fixed assets and investments as well as a positive impact from income attributable to a consent agreement on certain pharmaceuticals, partially offset by higher personnel expense, higher bad debt expense and higher costs such as other supplies and rent expense. Excluding (I) the VA Agreement impact of approximately €94 M and (II) Natural Disaster Costs of approximately €17 M, operating income margin decreased by 0.5 percentage points to 18.7% from 19.2% in the prior period with virtually no impact from foreign currency translation.

Delivered EBIT

Dialysis Delivered EBIT increased by 4% including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis Delivered EBIT increased by 6% mainly as the result of increased operating income coupled with decreased income from noncontrolling interests.

Care Coordination

Revenue

Care Coordination revenue increased by 25% including a 3% negative impact resulting from foreign currency translation. At Constant Exchange Rates, Care Coordination revenue increased by 28% driven by increases in organic revenue growth (21%) and contributions from acquisitions (7%).

Operating income margin

The increase period over period in the Care Coordination operating income margin was 2.7 percentage points with virtually no impact from foreign currency translation in the current period. The increase was mainly driven by the impact from higher revenue including the initial recognition in the calendar year 2017 of earnings (including earnings from prior periods) from the BPCI initiative combined with increased volumes for hospital related physician services, increased earnings recognized related to ESCOs, a gain from the sale of an investment as well as the impact from the improved margin contribution for laboratory services, partially offset by the impact from lower revenue for vascular services, higher bad debt expense, increased costs for pharmacy services and the change in fair value of subsidiary stock based compensation.

Delivered EBIT

Care Coordination Delivered EBIT increased by 264% including a 7% negative impact resulting from foreign currency translation. At Constant Exchange Rates, Care Coordination Delivered EBIT increased by 271% mainly a result of increased operating income, partially offset by the corresponding increase in noncontrolling interest expense.

Care Coordination business metrics

The increase in member months under medical cost management was primarily attributable to an increase in our participation in ESCO programs from 6 to 24 ESCOs in 2017 as well as the addition of new payor shared savings and sub-capitation agreements, partially offset by a decrease in BPCI due to our voluntary elimination of certain non-performing risks from our BPCI portfolio. **See note 4 to the table 2.19 on page 43**.

Care Coordination cost under management increased by 57%, including a 3% negative impact from foreign currency translation in the current period. At Constant Exchange Rates, Care Coordination's medical cost under management increased by 60% primarily due to an increase in our participation in ESCO programs from 6 to 24 ESCOs in 2017 as well as the addition of new payor shared savings and sub-capitation agreements. **See note 4 to the table 2.19 on page 43**.

The increase in patient encounters was primarily driven by increased encounters for hospital related physician services. **See note 4 to the table 2.19 on page 43**.

EMEA Segment

Information about key indicators for the EMEA Segment can be found in table 2.20.

Revenue

In the EMEA Segment, health care service revenue increased by 6% with virtually no impact from foreign currency translation in the current period. The increase was due to contributions from acquisitions (4%) and same market treatment growth (4%), partially offset by decreases in organic revenue growth per treatment (2%).

Dialysis treatments increased by 5% mainly due to same market treatment growth (4%), contributions from acquisitions (3%), partially offset by the effect of closed or sold clinics (1%) and a decrease in dialysis days (1%). As of December 31, 2017, we had 62,490 patients (5% increase from December 31, 2016) being treated at the 746 dialysis clinics that we own, operate or manage in the EMEA Segment compared to 59,767 patients treated at 711 clinics at December 31, 2016.

Health care product revenue increased by 6% with virtually no impact from foreign currency translation in the current period. Dialysis product revenue increased by 3% including negative foreign currency translation effects of 1%. At Constant Exchange Rates, dialysis product revenue increased by 4% due to higher sales of peritoneal dialysis products, products for acute care treatments, dialyzers and renal pharmaceuticals, partially offset by lower sales of hemodialysis solutions and concentrates. Non-dialysis product revenue increased by 59% to €79 M from €49 M with virtually no foreign currency translation effects. The increase of 59% was due to the acquisition of Xenios.

Operating income margin

The decrease period over period in the operating income margin was 2.3 percentage points with virtually no impact from foreign currency translation in the current period. The decrease was mainly due to unfavorable impacts from acquisitions largely due to the development of cardiopulmonary products at Xenios and foreign currency transaction effects, higher overhead costs, costs related to the change in the Management Board, pressure on reimbursement in some countries as well as lower income from equity method investees as a result of increased costs to support the launch and development of new projects, partially offset by decreased bad debt expense.

Delivered EBIT

Delivered EBIT decreased by 7% including a 1% negative impact resulting from foreign currency translation. At Constant Exchange Rates, Delivered EBIT decreased by 6% primarily due to decreased operating income coupled with slightly increased income from noncontrolling interests.

2.20 KEY INDICATORS FOR THE EMEA SEGMENT

			Change in %	
	2017	2016	as reported	Constant Currency[1]
Revenue *in € M*	2,547	2,409	6	6
Health care services *in € M*	1,237	1,169	6	6
Health care products *in € M*	1,310	1,240	6	6
Number of dialysis treatments	9,350,024	8,872,231	5	
Same market treatment growth *in %*	3.5	3.6		
Operating income *in € M*	444	474	–6	–6
Operating income margin *in %*	17.4	19.7		
Delivered EBIT[2] *in € M*	440	471	–7	–6

[1] *For further information on Constant Currency, see the "Performance management system" section starting on page 24.*
[2] *For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see the "Performance management system" section starting on page 24.*

Asia-Pacific Segment

Information about key indicators and business metrics for the Asia-Pacific Segment can be found in table 2.21.

Key indicators are now provided separately for dialysis and Care Coordination in the Asia-Pacific Segment due to an acquisition in Australia during the second quarter of 2017. Previously, there were immaterial amounts of services performed in Care Coordination within the Asia-Pacific Segment. We are presenting our Care Coordination activities in Asia-Pacific starting in 2017 as the data collected and presented during the period is now reliable. For comparative purposes in our 2017 analysis, the Asia-Pacific Segment will be discussed on an overall segment basis. Care Coordination services include ambulant treatment services in day care hospitals where we provide treatment infrastructure, comprehensive and specialized health check-ups, inpatient and outpatient services, vascular access and other chronic treatment services.

Revenue

In the Asia-Pacific Segment, health care service revenue increased by 13%, including a 3% negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care service revenue increased by 16% as a result of contributions from acquisitions (12%), same market treatment growth (3%) and increases in organic revenue growth per treatment (2%), partially offset by the effect of closed or sold clinics (1%).

Dialysis treatments increased by 6% mainly due to contributions from acquisitions (4%) and same market treatment growth (3%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2017, we had 29,739 patients (1% increase from December 31, 2016) being treated at the 381 dialysis clinics that we own, operate or manage in the Asia-Pacific Segment compared to 29,328 patients treated at 374 clinics at December 31, 2016.

Health care product revenue increased by 8%, including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 10% as a result of increased sales of dialyzers, machines, bloodlines, peritoneal dialysis products and products for acute care treatments.

2.21 KEY INDICATORS AND BUSINESS METRICS FOR THE ASIA-PACIFIC SEGMENT

			Change in %	
	2017	2016	as reported	Constant Currency[1]
Total Asia-Pacific Segment				
Revenue *in € M*	1,623	1,474	10	13
Health care services *in € M*	744	659	13	16
Health care products *in € M*	879	815	8	10
Operating income *in € M*	313	289	8	10
Operating income margin *in %*	19.3	19.6		
Delivered EBIT[2] *in € M*	306	283	8	10
Dialysis				
Revenue *in € M*	1,455	1,474	–1	1
Number of dialysis treatments	4,249,878	4,003,957	6	
Same market treatment growth *in %*	3.3	4.7		
Operating income *in € M*	286	289	–1	1
Operating income margin *in %*	19.7	19.6		
Delivered EBIT[2] *in € M*	280	283	–1	1
Care Coordination				
Revenue *in € M*	168	–	not applicable	
Operating income *in € M*	27	–	not applicable	
Operating income margin *in %*	15.8	–		
Delivered EBIT[2] *in € M*	26	–	not applicable	
Care Coordination patient encounters[3]	784,054	–	not applicable	

[1] *For further information on Constant Currency, see the "Performance management system" section starting on page 24.*
[2] *For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see the "Performance management system" section starting on page 24.*
[3] *For further information on patient encounters, please see the "Segment reporting – Business metrics for Care Coordination" section starting on page 42.*

Operating income margin

The decrease period over period in the operating income margin was 0.3 percentage points. Foreign currency translation had a positive impact of 0.1 percentage points. The decrease was largely due to unfavorable impacts from foreign currency transaction effects and an unfavorable mix effect related to acquisitions with lower margins, partially offset by a favorable impact from business growth, mainly in China, and the prior year impact from costs associated with changes in the Management Board.

Delivered EBIT

Delivered EBIT increased by 8%, including a 2% negative impact resulting from foreign currency translation. At Constant Exchange Rates, Delivered EBIT increased by 10% mainly due to increased operating income at Constant Currency, partially offset by increased income from noncontrolling interests.

Latin America Segment

Information about key indicators for the Latin America Segment can be found in table 2.22.

Revenue

In the Latin America Segment, health care service revenue increased by 11%, including a 5% negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care service revenue increased by 16% as a result of increases in organic revenue per treatment (15%), contributions from acquisitions (1%), and same market treatment growth (1%), partially offset by the effect of closed or sold clinics (1%).

Dialysis treatments increased by 2% mainly due to contributions from acquisitions (2%) and same market treatment growth (1%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2017, we had 31,375 patients (3% increase from December 31, 2016) being treated at the 232 dialysis clinics that we own, operate or manage in the Latin America Segment compared to 30,389 patients treated at 233 clinics at December 31, 2016.

Health care product revenue increased by 14%. Foreign currency translation effects represented 3% of the increase. At Constant Exchange Rates, health care product revenue increased by 11% driven by higher sales of dialyzers, machines, hemodialysis solutions and concentrates as well as bloodlines, partially offset by lower sales of peritoneal dialysis products.

Operating income margin

The decrease period over period in the operating income margin was 1.1 percentage points, including a negative foreign currency translation effect of 0.2 percentage points in the current period. The decrease was mainly due to unfavorable foreign currency transaction effects, higher overhead costs and increased costs for manufacturing, partially offset by reimbursement rate increases, which mitigated inflationary cost increases in the region.

Delivered EBIT

Delivered EBIT decreased by 1%, including a 4% negative impact resulting from foreign currency translation. At Constant Exchange Rates, Delivered EBIT increased by 3% due to increased operating income at Constant Currency.

2.22 KEY INDICATORS FOR THE LATIN AMERICA SEGMENT

			Change in %	
	2017	2016	as reported	Constant Currency[1]
Revenue *in € M*	720	643	12	15
Health care services *in € M*	515	464	11	16
Health care products *in € M*	205	179	14	11
Number of dialysis treatments	4,865,046	4,770,859	2	
Same market treatment growth *in %*	1.5	1.9		
Operating income *in € M*	58	59	–1	3
Operating income margin *in %*	8.1	9.2		
Delivered EBIT[2] *in € M*	58	59	–1	3

[1] *For further information on Constant Currency, see the "Performance management system" section starting on page 24.*
[2] *For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see the "Performance management system" section starting on page 24.*

FINANCIAL POSITION

Our investment and financing strategy did not change substantially in the past financial year. One of the reasons is our business model, which is based on stable and high cash flows, allowing a more consistent and higher level of debt than might be the case in other industries. We still regard our refinancing options as being very stable and flexible. 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, financial flexibility takes top priority within our financing strategy. We ensure this flexibility by using a wide range of financial instruments and securing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide range of maturities up to 2024.

The main financing instrument is the syndicated credit agreement with revolving credit facilities as well as long-term loans in U.S. dollar and euro. In addition, we use other mid- and long-term financing instruments, mainly bonds in U.S. dollar and euro, and Convertible Bonds. Short-term financing needs are covered by issuances under our commercial paper program in euro and the Accounts Receivable Facility.

In our long-term financial planning, we focus primarily on the net leverage ratio. At the end of 2017 and 2016, the net leverage ratio was 2.1 and 2.3, respectively.

The key financial risks we are exposed to include are foreign exchange risks and interest rate risks. In order 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 the "Risks and opportunities report" starting on page 59 and note 23 of the notes to the consolidated financial statements.

Fresenius SE & Co. KGaA (Fresenius SE), under a service agreement, conducts financial instrument activity 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 one side and administration, accounting and controlling on the other.

We also utilize Fresenius SE's cash management system for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties.

Rating

Our corporate credit rating is covered by the three leading rating agencies, Moody's, Standard & Poor's and Fitch.

In the course of 2017, Moody's raised the corporate credit rating from Ba1 to Baa3 with a stable outlook and Standard & Poor's raised the outlook from stable to positive. We are now rated investment grade by all three rating agencies. More information can be found in table 2.23.

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.

2.23 RATING[1]

	Standard & Poor´s	*Moody´s*	*Fitch*
Corporate credit rating	BBB–	Baa3	BBB–
Outlook	positive	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.*

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, as well as proceeds from the issuance of long-term debt and equity securities. We require this capital primarily to finance working capital needs, fund acquisitions and clinics in which we have ownership of less than 100%, 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. For more information, see the "Net cash provided by (used in) investing activities" section starting on page 50 and the "Net cash provided by (used in) financing activities" section starting on page 51.

At December 31, 2017, we had cash and cash equivalents of €978 M compared to €709 M at December 31, 2016.

Free cash flow (net cash provided by (used in) operating activities, after capital expenditures, before acquisitions and investments) amounted to €1,351 M in 2017 (2016: €1,017 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 the section "Performance management system" starting on page 24. Free cash flow in percent of revenue was 7.6% in 2017 (2016: 6.1%).

Net cash provided by (used in) operating activities

During 2017 and 2016 we generated net cash provided by operating activities of €2,192 M and €1,932 M, respectively. Net cash provided by operating activities in percent of revenue was 12% for 2017 (2016: 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 payment related to the VA Agreement, the impact of the 2016 discretionary contribution of €90 M to pension plan assets in the U.S. and the timing of other working capital items, partially offset by higher income tax payments.

The profitability of our business depends significantly on reimbursement rates. Approximately 82% 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 2017, approximately 34% of our consolidated revenue was attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide, as well as the scope of Medicare coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow.

While we have generally experienced stable reimbursement globally, including the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries, the stability of reimbursement in the U.S. has been affected by (I) the implementation of the ESRD PPS in January 2011, (II) the U.S. federal government across the board spending cuts in payments to Medicare providers commonly referred to as "U.S. Sequestration", (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 2016 final rule on the Physician Fee Schedule with material decreases in reimbursement for certain procedures.

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 the commercial paper program (see note 13 of the notes to the consolidated financial statements) as well as the utilization of the Accounts Receivable Facility. In addition, when funds are required for acquisitions or to meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of 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 governments 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 some countries' legal systems and due to the economic conditions in some countries. Accounts receivable balances, net of valuation allowances, represented Days Sales Outstanding (DSO) of 67 days at December 31, 2017, a decrease as compared to 70 days at December 31, 2016.

DSO by segment is calculated by dividing the segment's accounts receivable, converted to euro using the average exchange rate for the period presented, less any value added tax included in the receivables, by the average daily sales for the last twelve months of that segment, converted to euro using the average exchange rate for the period. Receivables and sales 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.

Table 2.24 on page 50 shows the development of DSO by reporting segment.

The DSO decrease in the North America Segment was largely due to the impact of the VA Agreement, partially offset by an influx of accounts receivable following the assignment of new billing numbers for the 18 added ESCOs as of January 1, 2017. The DSO increase in the EMEA Segment was due to payment fluctuations in the region. The Asia-Pacific Segment's DSO decrease primarily reflects an improvement of payment collections in China. The Latin America Segment's DSO decrease reflects collections from public health care organizations in certain countries.

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.

Net cash provided by (used in) investing activities

Net cash used in investing activities was €992 M and €1,246 M for 2017 and 2016, respectively. Table 2.25 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 2017 and 2016.

The majority of our capital expenditures were used for maintaining existing clinics, equipping new clinics, maintenance and expansion of production facilities (primarily in the North America Segment, France and Germany), capitalization of machines provided to our customers and for Care Coordination as well as capitalization of certain development costs. Development costs were incurred and capitalized. Capital expenditures were approximately 5% of total revenue in 2017 (2016: 6%).

The investments during 2017 were mainly driven by acquisitions of clinics in the North America Segment and a Care Coordination acquisition in the Asia-Pacific Segment. Additionally, in 2017, we received €415 M from divestitures mainly related to the

2.24 DEVELOPMENT OF DAYS SALES OUTSTANDING

in days, December 31

	2017	2016
North America Segment	52	54
EMEA Segment	103	101
Asia-Pacific Segment	97	105
Latin America Segment	128	143
▸ **FMC AG & CO. KGAA AVERAGE DAYS SALES OUTSTANDING**	**67**	**70**

2.25 CAPITAL EXPENDITURES (NET), ACQUISITIONS, INVESTMENTS AND PURCHASES OF INTANGIBLE ASSETS

in € M

	Capital expenditures, net		*Acquisitions, investments and purchases of intangible assets*	
	2017	2016	**2017**	2016
North America Segment	437	514	328	314
EMEA Segment	107	107	66	166
Asia-Pacific Segment	38	35	156	13
Latin America Segment	35	31	7	8
Corporate	224	228	9	21
▸ **TOTAL**	**841**	**915**	**566**	**522**

sale of available for sale financial assets and the divestment of our non-dialysis laboratory testing services business in December of 2017.

The investments during 2016 were primarily related to acquisitions of dialysis clinics, available for sale financial assets, acquisitions in our hospitalist and intensivist business, and a loan provided to an equity method investee in the North America Segment. In the EMEA Segment, we acquired a medical technology company focusing on the treatment of lung and cardiac failure as well as dialysis clinics. In the Asia-Pacific Segment and Latin America Segment, we acquired dialysis clinics. During 2016, we received €191 M from divestitures, mainly related to available for sale financial assets of approximately €117 M and a repayment of unsecured loans provided to an equity method investee in 2015 and 2016 of approximately €72 M.

We anticipate capital expenditures of €0.9 BN to €1.0 BN and expect to make acquisitions of approximately €1.0 BN to €1.2 BN in 2018. For more information, see the "Outlook" starting on page 55.

Net cash provided by (used in) financing activities

Net cash used in financing activities was €799 M during 2017 compared to €520 M during 2016.

During 2017, cash was mainly used to repay long-term debt and capital lease obligations including the repayment of Bonds due in July 2017 and partial repayment of a USD term loan under the Amended

2.26 INTEREST RATE EXPOSURE

in € M

	2018	*2019*	*2020*	*2021*	*2022*	*Thereafter*	*Total*	*Fair value Dec. 31, 2017*
Floating rate U.S. dollar debt								
Principal payments on Amended 2012 Credit Agreement Variable interest rate = 2.48%	100	100	100	100	884	–	1,284	1,276
Accounts Receivable Facility Variable interest rate = 1.40%	–	294	–	–	–	–	294	294
Floating rate euro debt								
Principal payments on Amended 2012 Credit Agreement Variable interest rate = 0.81%	28	28	428	28	231	–	743	741
Fixed rate U.S. dollar debt								
Bonds 2011/2018; Fixed interest rate = 6.50%	334	–	–	–	–	–	334	343
Bonds 2011/2021; Fixed interest rate = 5.75%	–	–	–	542	–	–	542	587
Bonds 2012/2019; Fixed interest rate = 5.625%	–	667	–	–	–	–	667	698
Bonds 2012/2022; Fixed interest rate = 5.875%	–	–	–	–	584	–	584	643
Bonds 2014/2020; Fixed interest rate = 4.125%	–	–	417	–	–	–	417	429
Bonds 2014/2024; Fixed interest rate = 4.75%	–	–	–	–	–	334	334	359
Fixed rate euro debt								
Bonds 2011/2018 Fixed interest rate = 6.50%	400	–	–	–	–	–	400	418
Bonds 2011/2021 Fixed interest rate = 5.25%	–	–	–	300	–	–	300	346
Bonds 2012/2019 Fixed interest rate = 5.25%	–	250	–	–	–	–	250	270
Equity-Neutral Convertible Bonds 2014/2020 Fixed interest rate = 1.125%	–	–	400	–	–	–	400	511
Interest rate derivatives								
Euro payer swaps notional amount	24	204	–	–	–	–	228	(1)
Average fixed pay rate = 0.32% Receive rate = 3-month EURIBOR	0.32%	0.32%	–	–	–	–	0.32%	–

All variable interest rates depicted above are as of December 31, 2017.

2012 Credit Agreement, distributions to noncontrolling interests, the payment of dividends as well as the repayment of short-term debt, partially offset by proceeds from long-term debt and capital lease obligations including the issuance of a euro term loan under the Amended 2012 Credit Agreement, proceeds from short-term debt including issuances of commercial papers as well as drawings under the Accounts Receivable Facility. During 2016, cash was mainly used for the repayments of long-term debt and capital lease obligations, repayments of short-term debt, distributions to noncontrolling interests as well as the payment of dividends, partially offset by proceeds from short-term debt and the increase in the utilization of our Accounts Receivable Facility.

On May 16, 2017, we paid a dividend with respect to 2016 of €0.96 per share (dividend for 2015 paid in 2016: €0.80). The total dividend payment was €294 M and €244 M in 2017 and 2016, respectively.

Table 2.26 on page 51 summarizes our significant long-term financing instruments as well as their maturity, currency and interest rate structure at December 31, 2017.

For a description of our short-term debt 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 2.27 summarizes our available sources of liquidity at December 31, 2017.

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, 2017 and 2016 €680 M and €476 M, respectively, was outstanding under the commercial paper program.

The amount of guarantees and other commercial commitments at December 31, 2017 was not significant.

At December 31, 2017, 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 €769 M.

Table 2.28 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, 2017.

2.27 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]	313	–	313	–	–
Amended 2012 Credit Agreement[2]	1,291	–	–	1,291	–
Other unused lines of credit	258	258	–	–	–
▸ **TOTAL**	**1,862**	**258**	**313**	**1,291**	**–**

[1] *Subject to availability of sufficient accounts receivable meeting funding criteria. At December 31, 2017, the Company had letters of credit outstanding in the amount of $71 M (€60 M) which reduces the availability under the Accounts Receivable Facility to the amount shown in this table.*

[2] *At December 31, 2017, the Company had letters of credit outstanding in the amount of $2 M (€1 M) which reduces the availability under the revolving credit facility to the amount shown in this table.*

2.28 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]	7,469	1,135	3,061	2,855	418
Capital lease obligations	47	10	17	6	14
Operating leases	4,505	728	1,247	935	1,595
Unconditional purchase obligations for inventory	379	209	169	1	–
Other long-term obligations[3]	302	151	139	12	–
Letters of credit	61	–	60	1	–
▸ **TOTAL**	**12,763**	**2,233**	**4,693**	**3,810**	**2,027**

[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 the discount rate, 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 2018 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 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.*

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-lease backs – although 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 maintain a maximum consolidated leverage ratio (ratio of consolidated funded debt less cash and cash equivalents to consolidated EBITDA) as these terms are defined in these financing agreements.

A breach of any of the covenants in any of the instruments or agreements governing our long-term debt could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the Amended 2012 Credit Agreement becomes due at the option of the lenders under that agreement and the "cross default" provisions in our other long-term debt permit the lenders to accelerate the maturity of other debt upon such a default. As of December 31, 2017, 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, the 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 are 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. For further information, see the "Results of operations" section starting on page 38. If the conditions in the capital markets worsen, they could also increase our financing costs and limit our financial flexibility.

Our General Partner and our Supervisory Board will propose to the shareholders at our Annual General Meeting on May 17, 2018, a dividend with respect to 2017 and payable in 2018, of €1.06 per share (for 2016 paid in 2017: €0.96). The total expected dividend payment is approximately €325 M compared to dividends of €294 M paid in 2017 with respect to 2016.

Our 2018 principal financing needs are the payments outstanding for the planned acquisition of NxStage, repayment of bonds in September 2018 as well as quarterly payments under our Amended 2012 Credit Agreement Term Loans. These payments as well as our dividend payment of approximately €325 M in May 2018, and the anticipated capital expenditures, and further acquisition payments are expected to be covered by our cash flows, 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 assets were €24,025 M, a decrease of €1,478 M (6%) over the prior year. At Constant Exchange Rates, total assets would have increased by €1,120 M (4%) to €26,624 M.

Non-current assets decreased by €969 M (5%) to €17,651 M in 2017 and remained stable at 73% of total assets. At Constant Exchange Rates, they would have increased by 5% to €19,565 M compared to prior year. This was primarily a result of the increase in goodwill due to business combinations and capital expenditures.

Current assets decreased by 7% to €6,374 M (an increase of 3% at Constant Exchange Rates). The increase at Constant Exchange Rates was mainly the result of an increase in cash and cash equivalents due to the reinvestment of sold available for sale financial assets, trade accounts receivable and higher inventories due to increased finished goods. This increase was partially offset by a decrease in other current assets due to divestitures of available for sale financial assets and due to the repayment of insurance recovery receivables in relation to the NaturaLyte® and GranuFlo® agreement in principle.

On the liability side of the balance sheet our total liabilities were €13,197 M at December 31, 2017, a decrease of €1,256 M (9%) from €14,453 M in 2016. At Constant Exchange Rates total liabilities decreased by 1%. The decrease in long-term debt at Constant Exchange Rates was partially offset by higher short-term debt and an increase in current portion of long-term debt. Additionally, deferred tax liabilities decreased due to the remeasurement of deferred tax balances as a result of the U.S. Tax Reform. Current provisions and other current liabilities increased at Constant Exchange Rates due to additions related to the impact of the FCPA Related Charge. An offsetting effect resulted from utilization of the provision in relation to the NaturaLyte® and GranuFlo® agreement in principle.

€1,653 M of our debt are current liabilities, an increase of €354 M (€425 M at Constant Exchange Rates) as compared to €1,299 M last year. The increase was mainly a result of the reclassification of euro- and U.S. dollar-denominated Bonds to current portion of long-term debt, as these Bonds will mature during the third quarter of 2018, as well as the additional issuance of Commercial Paper. This was partially offset by the repayment of U.S. dollar-denominated Bonds that matured in the third quarter of 2017 and a reduction of the quarterly repayments of the Amended 2012 Credit Agreement. Long-term debt decreased to €5,795 M from €6,833 M in the prior year, a decrease of €1,038 M (€474 M at Constant Exchange Rates). This decrease at Constant Exchange Rates was mainly a result of the reclassification of euro- and U.S. dollar-denominated Bonds to current portion of long-term debt. The decrease was partially offset by additional drawings under the Accounts Receivable Facility. See also note 14 of the notes to the consolidated financial statements.

Shareholders' equity decreased by 2% to €10,828 M. At Constant Exchange Rates, equity increased by €1,218 M. This increase at Constant Exchange Rates is mainly due to the net income, the valuation of noncontrolling interests subject to put provisions at fair value and proceeds from exercised stock options. This increase was partially offset by dividend payments, contributions to noncontrolling interests, purchase of treasury stock and effects from purchase/sale of noncontrolling interests. The equity to assets ratio increased to 45% at December 31, 2017 from 43% at December 31, 2016.

On Group level the ROIC increased from 7.8% at December 31, 2016 to 8.6% at December 31, 2017. Within the position invested capital the goodwill had a significant impact on the calculation of the ROIC. In 2017 the ROIC on Group level substantially exceeded our cost of capital. The Weighted Average Cost of Capital was 6.2%.

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

THE MANAGEMENT'S GENERAL ASSESSMENT

In 2017 we continued the success story of Fresenius Medical Care with another record year. We managed an unusual number of severe natural disasters, have delivered on our revenue and net income growth targets, and again we are able to propose the highest dividend in our Company's history at the Annual General Meeting in May 2018. With the acquisition of the Cura Group in Australia and our planned acquisition of NxStage we are setting the course for the future. We also intend to continue the profitable growth track among other things with the second phase of our Global Efficiency Program that we announced in 2017.

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 2018.

THE MANAGEMENT'S GENERAL ASSESSMENT

In the financial year 2018 and beyond, we intend to continue the profitable growth track of Fresenius Medical Care. In the future, we plan to further optimize our portfolio in the core dialysis as well as in the Care Coordination business. By implementing the second phase of our Global Efficiency Program, we will continue to improve our profitability in the coming years. We expect these activities to lead to further net income growth in the future.

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 2018. As in the past, we are committed to achieving and, if possible, exceeding our targets.

BUSINESS POLICY

Fresenius Medical Care is the world's leading dialysis company. We aim to further expand this position in the years ahead. As always, the 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 expand our activities in the area of Care Coordination and offer supplementary medical services for the treatment of our patients in the future.

We have no plans to make significant changes to our business policy.

SECTOR-SPECIFIC ENVIRONMENT – DIALYSIS MARKET

The Company expects the number of dialysis patients worldwide to grow by about 6% in 2018. Some significant regional differences are likely to remain: The Company anticipates an increase in the U.S., Japan and Western and Central Europe of 0 to 4%. The number of patients with chronic kidney disease is already relatively high in these regions and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates will be higher. We expect patient numbers to continue growing in the coming years – see table 2.29.

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

- Demographic change: 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. The future number of dialysis patients is therefore expected to increase from around 3.2 M worldwide in 2017 to 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.

2.29 EXPECTED GROWTH IN PATIENT NUMBERS

	Growth in 2018
North America	~4%
EMEA	~4%
Asia-Pacific	~9%
Latin America	~4%
WORLDWIDE	**~6%**

Source: Internal estimates

- 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.

We do not expect any significant changes regarding treatment methods. 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 €70 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 €72 BN by 2018.

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 and managed care organizations. Therefore a change in the portion of reimbursements by private insurers in the U.S. influences our business.

THE COMPANY'S BUSINESS PERFORMANCE IN 2018

Fresenius Medical Care's outlook for 2018 is based on the prevailing exchange rates at the beginning of the year. The outlook 2018 is excluding the impacts from the acquisition of NxStage.

The expected developments might be influenced by developments described in the "Risks and opportunities report" starting on page 59.

Our "Outlook" for the financial year 2018 is summarized in table 2.30 on page 58.

REVENUE

We aim to further increase our revenue at Constant Currency by approximately 8% in 2018. This growth rate is based on 2017 revenue adjusted for the impacts from the IFRS 15 implementation of €486 M.

RESULT OF OPERATIONS

Operating income

We expect operating income to grow by 12 to 14% at Constant Currency and Delivered EBIT to grow by 13 to 15% at Constant Currency in 2018.

Net income

Including the recurring effects of the U.S. Tax Reform in 2018 in the amount of €140 M to €160 M, we aim to achieve an increase in net income (net income attributable to shareholders of FMC AG & CO. KGAA) by 13 to 15% in 2018 at Constant Currency.

Earnings per share

Basic earnings per share are expected to develop in the same way as net income in 2018 compared to 2017.

CAPITAL EXPENDITURES AND ACQUISITIONS AND INVESTMENTS

In 2018, we intend to spend around €1.9 BN to €2.2 BN on capital expenditures, acquisitions and investments. Capital expenditures should account for €0.9 BN to €1.0 BN. Around 40% of this amount is earmarked for expansion investments. Approximately €1.0 BN to €1.2 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 worldwide production capacities and rationalize production processes, to equip new dialysis clinics and distributors as well as for maintenance.

LIQUIDITY

Cash flow

In 2018, net cash provided by operating activities in percent of revenue is again expected to account for more than 10%.

In 2018, free cash flow in percent of revenue is again expected to account for more than 4% of revenue.

Net leverage ratio

Fresenius Medical Care uses the net leverage ratio as a guideline in its long-term financial planning. The ratio was 2.1 at the end of 2017. The target figure is expected to be better than 2.5 at the end of 2018.

PROFITABILITY

We expect ROIC to be at least 8.0% compared to 8.6% in 2017.

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 starting on page 51.

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 2018, particularly in the area of health care. By the end of 2018, the number of employees working for Fresenius Medical Care is estimated to increase to more than 117,000 (full-time equivalents).

Research and development

We aim to spend €140 M to €150 M on research and development in 2018. The number of personnel concerned (currently 825 full-time equivalents) should not change significantly.

GLOBAL EFFICIENCY PROGRAM

In 2017, we announced phase II of our Global Efficiency Program (GEP II). The program's objectives are to identify and realize further efficiency potential and enhance our overall competitiveness. Starting in 2018, GEP II targets to achieve sustained cost improvements of €100 M to €200 M per annum by 2020.

GROWTH STRATEGY 2020

In 2014, we set ourselves new long-term targets with our growth strategy 2020 (Vision 2020). The goal of this growth strategy was to increase revenue to €24 BN by fiscal year 2020, based upon exchange rates prevailing at the beginning of 2017. In addition, we indicated an average annual revenue growth rate of approximately 10% and average annual growth of net income attributable to shareholders of FMC AG & CO. KGAA in the high single-digit range, based upon exchange rates prevailing at the beginning of 2017. Excluding the effect from the implementation of IFRS 15 and excluding the recurring impacts from the U.S. Tax Reform (€140 M to €160 M annually) in the years 2018 to 2020 we reconfirm these goals.

2.30 OUTLOOK 2018

	Results 2017	***Outlook 2018 (at Constant Currency)*** [1]
Revenue [2]	€17.3 BN	Growth ~8%
Operating income	€2.4 BN	Growth 12 – 14%
Delivered EBIT	€2.1 BN	Growth 13 – 15%
Net income [3]	€1.3 BN	–
Net income growth at Constant Currency [3,4]	14%	13 – 15%
Basic earnings per share growth at Constant Currency [3,4]	14%	based on development of net income
Capital expenditures	€0.8 BN	€0.9 – €1.0 BN
Acquisitions and investments	€0.6 BN	€1.0 – €1.2 BN
Net cash provided by (used in) operating activities *in % of revenue*	12.3%	> 10%
Free cash flow *in % of revenue*	7.6%	> 4%
Net leverage ratio	2.1	< 2.5
ROIC	8.6%	≥ 8.0%
Dividend per share [5]	€1.06	based on development of net income
Employees [6]	114,000	> 117,000
Research and development expenses	€131 M	€140 – €150 M

[1] *Outlook 2018: Excluding the effects from the acquisition of NxStage.*
[2] *Results 2017: Adjusted for impacts from IFRS 15 implementation of €486M.*
[3] *Net income attributable to shareholders of FMC AG & Co. KGaA.*
[4] *Outlook 2018: Including recurring impacts from U.S. Tax Reform in the amount of €140 to €160M.*
[5] *Results 2017: Proposal to be approved by the Annual General Meeting on May 17, 2018.*
[6] *Full-time equivalents.*

RISKS AND OPPORTUNITIES REPORT

As an enterprise with global operations, the Company is naturally exposed to risks associated with its business activities. Ultimately, the Company can only leverage opportunities for its business if it is willing to take certain risks. Many years of expertise and the Company's extensive knowledge of the markets enable it to uncover and assess risks and opportunities for its business.

RISKS AND OPPORTUNITIES MANAGEMENT

The Company sees risk management as the ongoing task of determining, analyzing and evaluating the spectrum of actual and potential risks within the Company's operations and its environment, and, where possible, taking corrective measures. The risk management system provides the Company 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 the Company's management and governance.

Long-term success for the Company is secured by actively managing opportunities. The aim here is to identify and assess opportunities as early as possible, and to initiate appropriate measures so that opportunities can be turned into business successes for the Company. Identified long-term and medium-term opportunities are taken into account in our strategy and budget planning. Short-term opportunities, provided that they are aligned with business interests and targets, are seized by on-going business operations.

RISK MANAGEMENT

RISK MANAGEMENT SYSTEM

Risk management is part of the Company's integrated management system. The main objective 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, Group-wide risk management continued to adjust the Company's risk management approach with focus on organizational anchoring as well as a more detailed design of processes and will continue with these activities in 2018.

The structure of the internal risk monitoring 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 monitoring 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. In addition, risk coordinators are responsible for reporting risks to the finance boards of the regions or functions. Twice a year, the central risk management function collects risk management reports from the regions and functions. These reports are analyzed, consolidated and communicated to the executive management board. The focus during this process is on significant risks, which are above a defined threshold.

The executive management board and central risk management are promptly informed of 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 2.31 on page 60.

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.

Part of the risk management system is the Global Internal Audit department, which 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. 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 documented in the reports. The Management Board is informed about the implementation status on a quarterly basis. The Audit and Corporate Governance Committee of the Supervisory Board is also informed of the audit results. In 2017, a total of 54 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.

2.31 RISK REPORTING

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 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 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, 2017, management assessed the Company's internal control system over financial reporting and deemed it effective.

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

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 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 2.32 on page 62**. The depicted risk areas as well as measures for mitigating the impact or the probability of occurrence of risks within these areas are described in the following section.

The risk situation of Fresenius Medical Care is described in detail on the following pages.

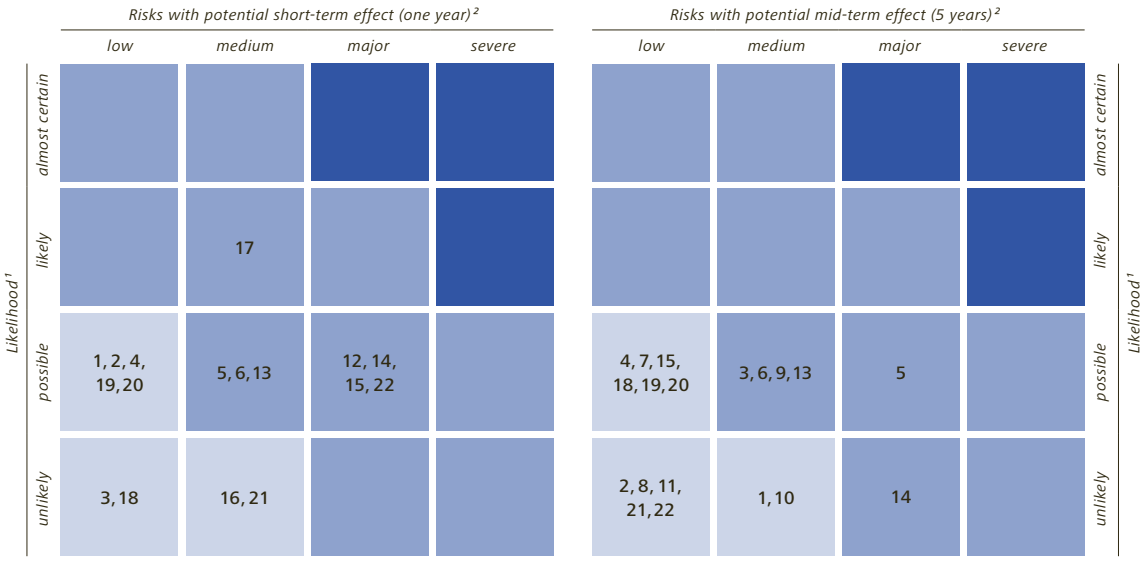
Sector-specific risks

Regulatory environment, 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,
- 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.

2.32 RISK WITH POTENTIAL SHORT-TERM EFFECT (ONE YEAR) AND MID-TERM EFFECT (5 YEARS)



Risk area

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

If the Company fails to comply with one or more of these laws or regulations, this may give rise to a number of adverse legal consequences. These include, in particular, loss or suspension of governmental 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 under reasonable terms. 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.

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. 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.

U.S. federal health care programs

As stated in the "Macroeconomic and sector-specific environment" section starting on page 32, our dialysis clinics in the U.S. participate in the Quality Incentive Program (QIP) within the 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 QVP are not met in the clinics. Should Fresenius Medical Care fail to meet the QVP'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 health insurance 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 programs such as the "Bundled Payments for Care Improvement" (BPCI) program, the "Comprehensive ESRD Care initiative" of the CMS, and the "Medicare Advantage chronic special needs plans" (MA-CSNP), 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 "Macroeconomic and sector-specific environment" section starting on page 32.

Under the BPCI, which is a CMS pilot initiative extended through September 30, 2018, we can receive additional payments if we are able to deliver quality care at a cost that is lower than certain established benchmarks, but also have the risk of incurring financial penalties if we are not successful in doing so. Should we fail to perform as required under the BPCI initiative and our agreement with CMS, CMS may, among other remedies, terminate our right to participate in the BPCI program, in whole or in part. On January 9, 2018, CMS announced the launch of a new bundled payment model named Bundled Payments for Care Improvement Advanced. We plan to participate in BPCI Advanced in the future.

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.

As part of the MA-CSNP program, we entered into sub-capitation and other shared savings arrangements with certain payors. There is a risk if the costs of care exceed the fix payments per patient per month. In this case, the difference is to be refunded by us to the payor.

Regarding the MA-CSNP the premiums we charge and our bids are based on our estimates of future medical costs over the fixed contract period. Nevertheless many factors, e. g. increased cost of individual services or new mandated benefits (such as the expansion of essential benefits coverage), may cause actual costs to exceed those estimated. Failure to adequately price our products or estimate the costs of providing benefits to our beneficiaries, or effectively manage our operating expenses, may result in a material adverse effect on our results of operations, financial position, and cash flows.

Although efforts to repeal the Affordable Care Act have been unsuccessful, further efforts and the attitude of CMS can influence the future of such projects in ways that we currently can neither quantify nor predict.

The reserves that we establish for health insurance policy benefits and other contractual rights and benefits are based upon assumptions and judgments concerning a number of factors, including trends in health care costs, expenses, general economic conditions and other factors. To the extent the actual claims experience is less favorable than estimated based on our underlying assumptions, our incurred losses could increase and future earnings could be adversely affected.

The profitability of our value based agreements and insurance products is dependent in part upon our ability to contract on favorable terms with hospitals, physicians and other health care providers. The failure to maintain or to secure cost-effective health care provider contracts may result in a loss of beneficiaries or higher medical costs, which could adversely affect our business.

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.

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

In terms of global product business as well as dialysis business outside the U.S. the market for Fresenius Medical Care differs strongly across regions. While customers of our products and services are very differentiated in some countries, in other countries there is a situation with comparatively few customers or payors but large volumes of business each. In certain cases, a resulting dependency on the payment behavior and decisions of these business partners can adversely affect the Company's business, results of operations and financial condition.

We counteract these risks by actively negotiating long-term contracts with major customers, targeted marketing activities, developing new product and pricing models, and constantly improving our service and quality. In addition, the fact that many of our products and services are remunerated directly or indirectly by government institutions reduces the risk of payment default. Nonetheless, continuous monitoring of claims maturities and overdue receivables takes place.

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 2017, approximately 42% of our consolidated Health care revenues were attributable to private payors and hospitals in the North America Segment. If these payors succeed in lowering reimbursement rates in the U.S., 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, consolidation among private insurers may have any adverse impact on our ability to negotiate 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 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. Also standards and regulations compulsory for providing dialysis service can be subject to extensive changes.

In fiscal year 2017, the Company derived approximately 34% 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, 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.

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. 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 likely to be considered.

The U.S. administration also announced its decision to end subsidies, known as cost-sharing reduction (CSR) payments, to health insurance companies to help pay out-of-pocket costs of low-income Americans. Some commercial insurers have stated that they will need much higher premiums and may withdraw from the insurance exchanges created under the Affordable Care Act if the subsidies were eliminated. However, in February 2018, the U.S. administration appears to have altered course and requested $1.2 BN to fund insurance exchanges, including CSR payments, as part of the administration's 2019 budget. A portion of this requested funding is expected to also fund the dismantling of the insurance exchanges. We cannot predict whether the inclusion of this funding in the budget for 2019 will come to pass. As a result, significant increases in insurance premiums and 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 the Company's ability to find suitable acquisition targets and to increase future growth and product sales. Also the ability to make future acquisitions depends, 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 or non-compliant business practices not disclosed by the seller or not uncovered during due diligence. Furthermore the Company's business could be affected adversely by the failure to receive or the loss of required licenses, certifications, or other regulatory approvals for operation of dialysis clinics or sale of equipment, products or services.

Competitors

The Company faces numerous competitors in both its health care services and dialysis products business. 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 and thus materially adversely affect the future pricing and sale of its products and services. This also includes the launch by competitors of generic drugs or pharmaceuticals protected by patents, which could 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

The Company's dialysis services business is dependent upon patients choosing the Company's facilities as the location for their treatments. Patients may select a facility based, in whole or in part, on the recommendation of their physician. If a significant number of physicians, hospitals or other health care institutions cease referring their patients to the Company's facilities or stop purchasing or prescribing the Company's dialysis products, this could result in loss of revenue.

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 materials this could result in delays in production and service and hence have an adverse effect on the Company's results of operations. Similarly, price increases by suppliers 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 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-analyzes as well as a continuous supply chain monitoring. Through constant market analyzes, a demands-based design of supplier-relationships and -contracts, as well as the use of financial instruments, possible price increases can be partially mitigated. We benefit from international price advantages and are able to mitigate procurement risks associated with currency fluctuations or with a dependency on individual suppliers through the intensive regional cooperation of our procurement teams.

Personnel

The Company's continued growth in the health care business will depend upon the ability to attract and retain skilled employees, such as highly skilled nurses and other medical personnel. Competition for those employees is intense and the current nursing shortage has increased the Company's personnel and recruiting costs. 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. Competition is also intense for skilled engineers and other technical research and development personnel. Additionally, in recruiting, employing and retaining personnel we have to observe various labor related laws and associated practices.

If the Company is unable to recruit and retain qualified personnel, this could have an adverse impact on its ability to manage future growth and on new or continued product development. Also changes in or the disregard of labor related laws and associated practices could have an adverse effect on our profitability.

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 U.S. that might violate the FCPA or other anti-bribery laws. Since that time, the Company's Supervisory Board, through its Audit and Corporate Governance Committee, has conducted investigations with the assistance of independent counsel. In a continuing dialogue, the Company voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ) about these investigations, while the SEC and DOJ (collectively the "government" or "government agencies") have conducted their own investigations, in which the Company has cooperated.

In the course of this dialogue, the Company has identified and reported to the government, and has taken remedial actions including employee disciplinary actions with respect to, conduct that might result in the government agencies' seeking monetary penalties or other sanctions against the Company under the FCPA or other anti-bribery laws and impact adversely the Company's ability to conduct business in certain jurisdictions. The Company has recorded in prior periods a non-material accrual for certain adverse impacts that were identified.

The Company has substantially concluded its investigations and undertaken discussions toward a possible settlement with the government agencies that would avoid litigation over government demands related to certain identified conduct. These discussions are continuing and have not yet achieved an agreement-in-principle; failure to reach agreement and consequent litigation with either or both government agencies remains possible. The discussions have revolved around possible bribery and corruption questions principally related to certain conduct in the Company's products business in a number of countries.

The Company has recorded a charge of €200 M in the accompanying financial statements. The charge is based on ongoing settlement negotiations that would avoid litigation between the Company and the government agencies and represents an estimate from a range of potential outcomes estimated

from current discussions. The charge encompasses government agencies claims for profit disgorgement, as well as accruals for fines or penalties, certain legal expenses and other related costs or asset impairments.

The Company continues to implement enhancements to its anti-corruption compliance program, including internal controls related to compliance with international anti-bribery laws. The Company continues to be fully committed to FCPA and other anti-bribery law compliance.

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 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.

Additionally, cyber-attacks or privacy and data breaches could result in the misappropriation or compromise of sensitive information. We gather and handle personal data 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, 2017 respectively December 31, 2016, the Group had financial debt of €7.45 BN respectively €8.13 BN. The Company's credit agreements and notes include covenants that 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. The euro-denominated interest rate swaps expire in 2019 and have an interest rate of 0.32%. As of December 31, 2017 respectively December 31, 2016, the notional amount of the euro-denominated interest rate swaps in place was €228 M respectively €252 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, 2017 was €756 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 are 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, 2017, the Company's CFaR amounts to €50.8 M ($60.9 M).

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

Taxes

The Company is subject to ongoing tax audits in various 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 expert regarding compliance with the according 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 the following:

- The Company could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems.
- The Company could be negatively impacted by the ability of certain countries to service their sovereign debt obligations.
- 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.
- The withdrawal of individual states from federations or multinational agreements and the associated effects on tax, exchange rate, legal, and regulatory conditions could make our activities there more difficult or negatively affect their results.

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

Developments of this nature are continuously monitored and analyzed and response measures like the extension of local production capacities, the adaption 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. Unforeseeable events such as natural disasters, terrorist attacks or political instability, 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.

The global recovery from the financial crisis continues. This development is accompanied by unexpected interferences like emerging geopolitical conflicts in several regions. Thus, the overall global economic outlook remains uncertain and current economic conditions could adversely affect the Company's business and profitability. Potential decline in revenues may create additional pressures to contain or reduce reimbursements for the Company's services from public payors, including Medicare and Medicaid in the U.S. and other government sponsored programs in the United States and other countries around the world. Increasing job losses or changes 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. Devaluation of currencies and worsening economic conditions, including inflationary cost increases in various markets in connection with deteriorating country ratings also increase the risk of a goodwill impairment, which could lead to a partial or a total goodwill write off in the affected cash generating units. If the global economic conditions continue or worsen, the Company's financial cost could increase, its financial flexibility could be limited and its results of operations could be adversely affected. The Company believes to be well positioned to continue to grow its business while meeting its financial obligations.

Changes in the risk situation

Fresenius Medical Care operates in a constantly changing environment. Accordingly, the risk situation is also subject to constant change. In the past financial year, two new risk areas were identified, which complete the overall picture of the risk situation:

Due to the increasingly volatile social and political conditions in some regions of the world as well as recent natural disasters in the U.S., the consideration of risks from events of this kind (21) complements the overall picture of the risk situation.

The fundamental structure of the dialysis market and continued consolidation in the health care industry, as well as associated developments within and outside the U.S., are leading to a focused consideration of risks arising from the composition of our customer base (4).

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

With regard to the one-year forecast period, the risk regarding U.S. federal health care programs (3) has decreased due to expanded experience.

With regard to the five-year period, there were significant changes regarding several risks:

The risks of non-compliant behavior (14) have increased to medium risks due to the potentially increased impact.

Increased competition for skilled workers in many regions where we offer our services and manufacture our products leads to an increased medium risk in terms of personnel (13).

Additionally launched projects in the field of process design as well as data protection and data security reduce the risk regarding information systems and business processes (15) to a low risk.

The risk in the area of research and development (9) has increased to a medium risk due to increasingly dynamic market demands and circumstances.

Due to improvements in quality management, the risk regarding adherence to quality and regulatory requirements (1&2) is now considered low in the medium term.

OPPORTUNITIES MANAGEMENT

OPPORTUNITIES MANAGEMENT SYSTEM

As much of our business is organized regionally, we can identify industry-specific trends and requirements as well as the resultant opportunities in the different regions at an early stage and gear our actions to them. 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 departments 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 3,752 dialysis clinics in around 50 countries constitute the largest and most international network of this 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-quality is not only the key to a better quality of life for patients, but can also make a significant contribution to reducing the costs of health care. Based on this understanding and our business model, major opportunities arise that could have a positive impact on the results of operations, financial 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 more than 3.4 M patients in 2018 and approximately 4.9 M by 2025 – see chart 2.33 on page 72. Social trends contribute to this rise in patient numbers. In Europe and the U.S. in particular, they include the aging population and the increasing incidence of diabetes and hypertension, two illnesses that frequently precede the onset

of end-stage renal disease. In developing and emerging countries, the growing population and gradually improved access to dialysis as a result of increasing wealth are key factors that further boost demand for dialysis products and services. We want to continue to make a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

To what extent private companies can offer dialysis treatment and in what form depends on the health care system of the country in which they operate or wish to access and its legal framework. For Fresenius Medical Care, opportunities to tap into new markets or to expand its market share arise if a country opens up to private dialysis providers. These decisions are also increasingly influenced by the following factors:

- Health care systems 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 involving private providers.

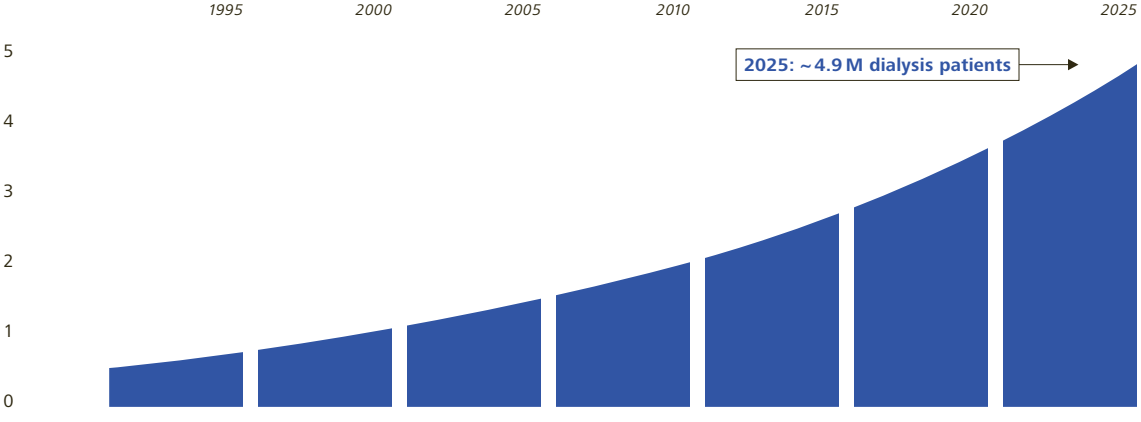
One example is Germany, the seventh-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis clinics in Germany are operated predominantly by physicians in private practice, hospitals, and nonprofit organizations; however, for a number of years, Fresenius Medical Care has also offered dialysis services in outpatient medical care centers. At the end of 2017, we were involved in 40 care centers (2016: 31). As an experienced partner, we want to continue to support our customers in setting up new structures in the German health care system and take advantage of the opportunity to strengthen our business in the long term.

Public-private partnerships

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.

2.33 NUMBER OF DIALYSIS PATIENTS WORLDWIDE – FORECAST TO 2025

in M



Source: Internal estimates

Growing demand for integrated health care

As a result of increasing cost pressure and the growing number of patients, there is now greater global demand for a holistic (integrated) health care concept for patients with chronic kidney failure. This involves combining all health care services and therapies associated with the treatment of a kidney patient to create a holistic program tailored to the patient's individual needs and the requirements of the health insurer. Depending on the contract and the structure of the health care system, dialysis can be supplemented by medical tests, drugs for kidney patients and vascular access management, for example. Comprehensive care from a single source is aimed at improving the way in which the different stages of treatment are coordinated and controlled, minimizing complications and thereby avoiding additional stays in hospital as far as possible. It increases the patient's quality of life and the quality of treatment, while reducing the overall costs of the treatment.

Fresenius Medical Care is particularly well placed to offer integrated, high-quality treatment programs for chronically ill kidney patients for several reasons: As a manufacturer of market-leading dialysis products and an operator of the largest global dialysis clinic network, we have long-standing experience in providing comprehensive care for dialysis patients. Thanks to the high-quality and reliability of our products and services, we enjoy an excellent reputation in the industry. In addition, we use sophisticated internal feedback instruments to measure and compare the success of treatment at our clinics and to rapidly identify any potential for improvement.

Beyond our core business with dialysis products and the treatment of dialysis patients, we offer additional medical services that we combine under Care Coordination. These include vascular care and medication management for patients with kidney disease, as well as our laboratory and pharmacy business. This provides us with significant opportunities for the future. We plan to expand these services further in the coming years.

Opportunities related to our business operations

New products and technologies

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 crucial role in dialysis. This scenario presents us with opportunities for growth. Home dialysis as well as associated technologies and products will therefore continue to be a key focal point of our R&D activities. One major aim here is to give patients the greatest possible independence and mobility with a dialysis machine that is resource-efficient and can be used flexibly. We will continue to add innovative products and technologies to our range in the future 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 organizes and designs its business operations. For example, we use the Lean Six Sigma management method to analyze and better coordinate our production processes worldwide with the aim of reducing both our defect rates and manufacturing cycles. In addition, we are systematically expanding environmental management at our production sites and clinics to improve our operating efficiency, for instance by saving resources.

Capital expenditure and acquisitions

We evaluate ideas for growth initiatives generated from market analyses 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 only undertaken 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. Through close collaboration between our Strategy and Planning departments and the managers responsible for our acquisitions, we are able to identify suitable potential purchases worldwide at an early stage.

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 implemented risk management system forms the basis for the assessment of the overall risk position of the Group. The overall risk position of Fresenius Medical Care is determined by the individual risks described before. Changes in the risk situation of the Group compared to the previous reporting period occurred as stated in the correspondent paragraph on page 71. There are currently no risks identified that could endanger the continued existence of Fresenius Medical Care. As part of the enterprise-wide review of the integrated management system, the effectiveness of the risk management system is monitored and where necessary improvements are made. 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, explore and evaluate potential risks more quickly and then initiate appropriate countermeasures. We believe that we have made all necessary organizational steps to recognize potential risks early and to respond appropriately to these.

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 potential arising for the Company. In view of our leading position in the dialysis market, our innovative strength, our committed staff, and our structured processes for identifying risks early on and managing opportunities, we firmly believe that we can continue to make the most of any opportunities that arise for our business in a responsible manner.

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 to the notes of the consolidated financial statements starting on page 140. The management and supervisory structure are set out in the Corporate Governance Report starting on page 102.

CORPORATE GOVERNANCE DECLARATION

In fiscal year 2017, the Company made use of the option to publish the Corporate Governance Declaration (Erklärung zur Unternehmensführung) on the Company's website pursuant to sec. 315 d German Commercial Code (HGB) in conjunction with sec. 289 f 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.

CHANGE IN MANAGEMENT STRUCTURE

In January 2017, Fresenius Medical Care announced a change in the composition of the Management Board. William Valle was appointed new Chief Executive Officer (CEO) of North America, effective January 16, 2017. He succeeds Ronald Kuerbitz. Valle, who has around 30 years' experience in the dialysis industry, has also been appointed to the General Partner's Management Board, taking over from Kuerbitz in this position effective February 17, 2017. He joined the Company in 2009 and has been responsible for the dialysis service business and the vascular access business of Fresenius Medical Care North America since 2014.

Dominik Wehner was CEO for Europe, Middle East and Africa (EMEA) from April 1, 2014 until December 31, 2017. He began his career at Fresenius Medical Care in 1994 as Junior Sales Manager. Before being appointed to the Company's Management Board, he served as Executive Vice President responsible for the regions Eastern Europe, Middle East and Africa as well as Renal Pharma Europe, Middle East, Africa and Latin America (EMEALA) and P.O.I. (People, Organizational Change and Implementation) EMEALA.

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 115**. The Compensation Report 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, 2017 totals approximately €306 M, divided into 306,451,049 non-par bearer shares, each arithmetically representing €1 of the share capital. The total of non-par bearer shares include 41,769 shares issued to Company employees in 2017 in conjunction with a corporate agreement and which are subject to a two-year holding period. On the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2011 to conduct a share buy-back program, the Company repurchased 7,548,951 shares in 2013. The Company retired 6,549,000 of these repurchased shares on February 16, 2016 in order to decrease its share capital. On the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2016 to conduct a share buy-back program, the Company repurchased 660,000 shares, between December 11, 2017, and December 21, 2017. As of December 31, 2017, the Company therefore holds 1,659,951 treasury shares. Treasury shares held correspond to approximately €1.7 M or 0.54% of the Company's share capital. Voting rights may not be exercised on treasury shares. The treasury shares were acquired on the stock exchange via the XETRA trading system in conjunction with a share buy-back program. Including treasury shares, the Company share capital therefore amounted to €308 M at December 31, 2017, divided into 308,111,000 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 management 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, 2017, Fresenius SE & Co. KGaA, Bad Homburg v.d. Höhe, Germany holds 94,380,382 shares of the Company, corresponding to 30.63% 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 30.80% 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. 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 cash and/or non-cash contributions (Authorized Capital 2015/II).

In both cases, the General Partner is entitled, under certain circumstances and with the approval of the Supervisory Board, to decide on the exclusion of shareholders' pre-emption rights.

In addition to the above, the following conditional capitals are in place:

- A conditional increase of up to €3.374 M. This conditional increase in capital will only be carried out to the extent that convertible bonds were issued in accordance with the International Employee Participation Scheme in accordance with the shareholders' resolutions taken on May 23, 2001 and May 16, 2013 and the holders of such convertible bonds exercise their conversion rights. With effect from December 2015, no exercisable option or convertible bonds are outstanding.
- A conditional increase of up to €3.513 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 2006 based on the shareholders' resolutions taken on May 9, 2006 and May 15, 2007, 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.
- A conditional increase of up to €10.916 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 up to 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 pursuant to sec. 71 a 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 issue use 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 26, 2018

Fresenius Medical Care AG & Co. KGaA
Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

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NON-FINANCIAL GROUP REPORT

This is the first separate non-financial group report published by Fresenius Medical Care AG & Co. KGaA and its subsidiaries (referred to in the following as Fresenius Medical Care, the Company or we). It relates to the fiscal year ending December 31, 2017. The report has been prepared in accordance with the provisions of § 315b-c and 289c-e of the German Commercial Code as amended by the Corporate Social Responsibility Directive Implementation Act (CSR-Richtlinie-Umsetzungsgesetz). Fresenius Medical Care reports selected non-financial information in reference to internationally applicable best-practice standards for sustainability reporting set out by the Global Reporting Initiative (GRI). This report includes a materiality analysis as specified in GRI Disclosure 102-46 (defining the content of the report and topic boundaries), as well as a description of the Code of Conduct referenced in GRI Disclosures 103 (Management Approach). The separate non-financial group report has been subject to a limited assurance engagement conducted by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. KPMG expressed a limited assurance conclusion in an Independent Practitioner's Report.

To determine and prioritize the content of the report, we conducted a materiality analysis in 2017. Related non-financial topics included in Fresenius Medical Care's management report and the corporate governance report in previous years have been merged on basis of this materiality analysis where appropriate.

If not stated otherwise, Fresenius Medical Care is used in this non-financial group report for fiscal year 2017 to refer to the Company or the Company and its consolidated subsidiaries, depending on the context, in accordance with IFRS 10 and IFRS 11.

OUR BUSINESS MODEL

Fresenius Medical Care is the world's largest provider of dialysis products and services, based on published revenue and the number of patients treated. We offer products and services along the entire dialysis value chain.

The Company provides dialysis treatment and related dialysis care services and products to people with chronic kidney failure. Fresenius Medical Care is organized decentrally and divided into the operating segments North America, EMEA (Europe, Middle East and Africa), Asia-Pacific and Latin America; our operating segments correspond to this regional breakdown.

Fresenius Medical Care's global research and development activities, which are managed centrally by the Global Research and Development (GRD) function, focus on developing products effectively and efficiently and on promoting the exchange of knowledge and technology systematically between operating segments. Global Manufacturing and Quality (GMQ) is a central function that manages Fresenius Medical Care's production activities worldwide, including the necessary procurement of relevant raw materials and semi-finished goods, as well as quality management.

A comprehensive description of Fresenius Medical Care's business model can be found in the Group Management Report on pages 19 to 22.

3.1 MATERIAL NON-FINANCIAL TOPICS

Responsibility for patients	Responsiblity for employees	Our approach to anti-bribery and anti-corruption	Responsibility to respect human rights	Relationship with suppliers	Responsibility for the environment
Social matters ▶ Quality of care and patient satisfaction ▶ Our customers' health and product safety ▶ Protecting patients' medical information	**Employee matters** ▶ Employees and employment structure ▶ Global People Strategy ▶ Occupational health and safety management	**Anti-corruption and bribery** ▶ Compliance Organisation for anti-bribery and anti-corruption ▶ ABC Compliance Program regarding anti-bribery and anti-corruption	**Human rights** ▶ Working conditions ▶ Grievance mechanisms ▶ Non-discrimination	**Cross-sectional topic with reference to multiple matters** ▶ Role of the procurement organization ▶ Assessment of suppliers' compliance	**Environmental matters** ▶ Compliance with environmental laws and regulations ▶ Environmental KPIs ▶ Reducing environmental impact along the product life cycle

MATERIALITY ANALYSIS

Fresenius Medical Care non-financial group report is closely aligned to the business model, legal requirements and the interests of stakeholders. To identify topics for this non-financial group report, Fresenius Medical Care conducted a materiality analysis.

The materiality analysis comprises several steps to determine the materiality in accordance with the CSR Directive Implementation Act.

To identify relevant topics, we conducted benchmarking with other companies in the health care business. We also drew on external ratings and rankings, key sector reports as well as examples proposed by law to assess the effects of Fresenius Medical Care's business activities on the non-financial aspects.

Internal materiality was analyzed in workshops with experts from all relevant operating segments and functions at Fresenius Medical Care, who prioritized the topics that are relevant for our business from an internal business and strategic perspective. The consolidated material topics were then validated and confirmed by the senior management of all relevant operating segments and global functions as well as senior executives of Fresenius Medical Care. They reflect Fresenius Medical Care's responsibility as the global market leader for dialysis services and products with regard to patients and employees, anti-bribery and anti-corruption, human rights and the environment as well as our relationship with suppliers.

In this report, we present the material topics for the five aspects specified in the CSR Directive Implementation Act. In addition, Fresenius Medical Care deals with other topics relating to sustainability.

We see responsibility as our overarching commitment and have structured the material topics in this non-financial group report accordingly – see table 3.1 on page 78.

NON-FINANCIAL RISKS

Fresenius Medical Care has established a Group-wide risk management process. No reportable non-financial risks have been identified in this process for fiscal year 2017.

According to new legal provisions driven by the CSR Directive Implementation Act, Fresenius Medical Care is obliged to disclose all known significant risks in connection with the Company's 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 severely negative impact on material non-financial topics.

The purpose of the Group-wide risk management process is to identify risks as early as possible, assess their likelihood and impact on Fresenius Medical Care's business objectives, and implement effective risk reduction measures.

A detailed description of risk management at Fresenius Medical Care can be found in the "Risks and opportunities report" starting on page 59.

The Group-wide risk management process has not identified any non-financial risks that would have to be communicated according to the requirements of the CSR Directive Implementation Act, as stated above.

OUR HOLISTIC APPROACH TO GLOBAL 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 strive every day to improve the lives of our patients worldwide with high-quality products and services.

We take the highest medical standards as our benchmark for quality. We are committed to conducting our business activities in compliance with all relevant legal standards as well as internal and external provisions and requirements. Our patients, customers, payors, investors and regulators as well as all other stakeholders expect Fresenius Medical Care to manage its business responsibly, with an emphasis on integrity, sound corporate governance and adherence to compliance principles.

FRESENIUS MEDICAL CARE'S CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics and Business Conduct governs everything Fresenius Medical Care and its employees do, whether in their dealings with patients, colleagues, suppliers or in relation to society as a whole. The Code defines practices beyond the legal requirements. It covers material non-financial topics that are relevant for Fresenius Medical Care, such as patient care, quality and innovation, anti-corruption and bribery, worker protection, environment, health and safety, as well as non-discrimination. Furthermore, it reflects the Company's core values of quality, honesty and integrity, innovation and improvement, respect and dignity. The Code of Ethics and Business Conduct and the Company's underlying core values also include Fresenius Medical Care's commitment to respecting the material human rights topics such as working conditions, non-discrimination and grievance mechanisms. It applies to every function and division worldwide, to all of the Company's employees, and

the operations of all direct and indirect subsidiaries that are majority-owned or controlled in some other way by Fresenius Medical Care. Our employees are obliged to adhere to the principles in the Code of Ethics and Business Conduct.

ENSURING COMPLIANCE

All employees of Fresenius Medical Care are encouraged to report any potential cases of non-compliance with laws, regulations, internal policies, as well as actual or suspected misconduct that violates 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.

Compliance with the rules is essential for Fresenius Medical Care's long-term success as it dictates the corporate culture and is an integral part of day-to-day work. Specialized functions at a global, regional and local level ensure that these principles and core values are implemented and communicated within the organization. Training programs on the Code of Ethics and Business Conduct increase awareness of the applicable rules and help employees to understand them better and comply with them. They are held regularly and are mandatory for all relevant employees. Standardized processes are in place to ensure that these employees take part in the courses.

To comply with government regulations, Fresenius Medical Care relies on the Company's management structure, its regulatory and legal resources and the effective implementation of its compliance programs to direct, manage and monitor its operations. The Company is involved in various legal proceedings and investigations resulting from its business operations. A negative 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. Additional information regarding legal matters can be found on pages 192 to 197 of the notes. The corresponding management concepts are described in more detail in the following sections.

RESPONSIBILITY FOR PATIENTS

Fresenius Medical Care aims to create a future worth living for dialysis patients, worldwide, every day. To live up to this vision, Fresenius Medical Care does all it can to improve patients' lives with high-quality products and services.

The standards developed by the GRI as an internationally acknowledged framework for sustainability reporting define social matters as the impact of companies' activities on their customers' health, among others. The guidelines for non-financial reporting drawn up by the European Commission demand for example that companies disclose material information regarding health, safety and consumer satisfaction under the aspect of social matters. At our company, caring for patients is a social responsibility that we take very seriously. To this end, we ensure the very best clinical care.

Fresenius Medical Care focuses on the following three social topics, which are dealt with on the next pages:

- quality of care and patient satisfaction – in this section we outline the relevant concepts of the quality management system in our dialysis clinics;
- customer health and product safety – this section focuses on our quality management system for the development and production of our products as well as handling of adverse events;
- protection of patients' medical information – here we explain measures to protect patient data.

QUALITY OF CARE AND PATIENT SATISFACTION

Fresenius Medical Care has set out clear and consistent general principles regarding patient care for all members of staff who come into contact with the patients we treat in our own dialysis centers. According to these principles, clinical care must be in line with the Company's policy and the order of the responsible physician's. Fresenius Medical Care expects all staff to adhere to the following, among others, in their dealings with patients:

- act ethically, fairly, courteously, competently and timely,
- treat all patients with dignity and respect,
- involve patients and families in treatment planning and processes whenever appropriate,
- respond carefully and accurately to patients' and families' questions.

Quality standards and guidelines

We measure and assess the quality of care at our dialysis clinics in all operating segments on the basis of generally recognized quality standards and international guidelines (Kidney Disease: Improving Global Outcomes [KDIGO], Kidney Disease Outcome Quality Initiative [KDOQI], European Best Practice Guideline [EBPG]), industry-specific clinical benchmarks and our own quality targets. Our Chief Medical Officers (CMOs) as well as other relevant specialist departments in each segment are responsible for this task. Together they maintain and further develop internal quality policies, standards and guidelines taken from the guidelines and standards mentioned above, employing their individual medical experience and judgement. Our specialists use different IT systems and algorithms that fulfill local requirements to calculate and monitor key performance indicators (KPIs) relating to quality. In addition, we derive valuable insights from this data with the help of IT-supported systems and processes within the scope provided by the policies and guidelines. The results of this extensive analysis of treatment indicators are constantly reviewed to improve the quality of Fresenius Medical Care's dialysis care services.

Quality parameters

We attach particular importance to the quality of care we provide to our patients. For this reason, executives in the individual business segments regularly receive aggregated data on the quality of care together with the financial results – see table 3.2 on page 82.

In addition, Fresenius Medical Care publishes selected results of its treatment analyses every quarter to provide information about the quality of patient care and to underscore Fresenius Medical Care's social responsibility towards its patients. Fresenius Medical Care uses the following quality parameters for public reporting:

- 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 filtration rate of certain toxins (the urea distribution volume in the patient, V).
- 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.
- The hemoglobin value in patients' blood must 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.
- 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 of dialysis patients and are particularly cost-intensive for health care systems.
- 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 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.

In the reporting year, Fresenius Medical Care included the quality parameters of more than 90% of its dialysis clinics worldwide in table 3.2 on page 82 of quality parameters by operating segment.

The Company has identified a need for integrated care for patients with advanced renal disease to optimize transitions of care, develop cost-effective alternative therapies and care structures, increase renal transplantation rates, and reduce the costs associated with caring for patients. Based on these considerations, the CMOs and other specialist departments at Fresenius Medical Care and other dialysis organizations have set up a global initiative to collaborate and share their clinical expertise with the aim of aligning the various definitions of clinical parameters used in quality management for end-stage renal disease. This group of experts is also dedicated to improving care as well as outcomes for dialysis patients worldwide. To this end, they analyze good clinical practices, develop new guidelines and promote their distribution in the respective clinic networks.

Patient satisfaction

Fresenius Medical Care carries out patient surveys in selected countries to find out where further improvements can be made and in which areas the Company should expand its services. The different regions are responsible for coordinating these surveys. In the U.S., the state-run public health care authority Centers for Medicare & Medicaid Services (CMS) specifies the content of patient satisfaction surveys. Fresenius Medical Care uses the survey results to provide more specific information and training for both patients and clinic staff with the aim of permanently improving patients' quality of life.

Patient support in emergency situations

The Company as a whole fulfills its social responsibility in crisis situations or in the event of international disasters. To ensure that the vital dialysis treatment required by dialysis patients is not interrupted, even in extreme conditions such as severe storms or floods, Fresenius Medical Care has a system of emergency response teams in place. Their task is to protect patients and employees in emergency situations and to give patients the best possible care, even under extremely difficult conditions. In addition, Fresenius Medical Care provides funds, dialysis machines and medical supplies for institutions that need specific help quickly. Fresenius Medical Care's crisis teams act whenever patients or employees are directly affected by natural disasters. In 2017, our response to the life-threatening conditions caused by Hurricanes Irma, Maria and Harvey in the U.S. and parts of the Caribbean is a good example of Fresenius Medical Care's social responsibility and our strong social commitment to our patients.

CUSTOMER HEALTH AND PRODUCT SAFETY

For Fresenius Medical Care, customer health and product safety means creating a safe and healthy clinical environment to avoid harm potentially caused by Fresenius Medical Care's products. Our business success depends on the quality and safety of our products and services. To fulfill our commitment to our customers' health and the safety of our products while complying with the numerous relevant regulatory requirements, Fresenius Medical Care has established processes in its operating segments that are embedded in the respective quality management systems. The quality management systems in the different operating segments are based on the Company's global quality policy. These established processes ensure that all Fresenius Medical Care's products and procedures comply with quality and safety standards from their development to market approval, manufacture and use in clinics, right up to training customers and dealing with complaints.

3.2 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, Africa*		*Latin America*		*Asia-Pacific*[1]	
				2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
in %	$Kt/V^2 > 1.2$	Effectiveness of dialysis: measures how well the patient was detoxified	Possibly more days spent in hospital; increased mortality	98	98	95	96	93	91	96	97
	Hemoglobin[3,4,5] = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicative of anemia	73	73	79	78	52	52	58	60
	Calcium[2] = 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	85	84	76	76	77	79	75	75
	Albumin[6] ≥ 3.5 g/dl			79	78	87	86	90	91	88	89
	Phosphate[2,7] ≤ 5.5 mg/dl			63	64	79	77	76	77	70	72
	Patients without catheter (after 90 days)[8]	Measures the number of patients with vascular access	Possibly more days spent in hospital	83	84	80	81	81	82	88	91
in days	Days in hospital per patient year[9]	Result of complications during dialysis	Restriction to patients' quality of life	10.1	10.0	7.5	8.0	4.1	3.8	3.8	4.4

[1] *Includes data from the dialysis service provider Jiate in Taiwan and the Philippines.*
[2] *KDOQI guidelines (Kidney Disease Outcomes Quality Initiative).*
[3] *KDIGO guidelines (Kidney Disease: Improving Global Outcomes).*
[4] *EBPG standard (European Best Practice Guidelines).*
[5] *Including patients with Hb >12 g/dl without erythropoietin-stimulating agents (ESA).*
[6] *European Reference Material ERM®-DA470k.*
[7] *Phosphate specified as mg/dl of phosphorus.*
[8] *Ability to create a vascular access (where we are directly responsible) and an indirect indicator of how well our patients are cared for.*
[9] *Days spent in hospital over a 365-day dialysis treatment period per patient.*

Our global quality policy

Fresenius Medical Care's products must comply with the valid laws and regulations in terms of their design, contents and the sourcing of raw materials. This is mainly the responsibility of two corporate functions: GRD and GMQ. In our global GRD and GMQ quality policy, we commit ourselves to providing products and services of an uncompromised quality, while ensuring compliance with all relevant regulations. In addition, the heads of the GRD and GMQ functions, who are also members of the Management Board, are committed to ensuring the effectiveness of our quality management systems and operations.

The quality policy is a key component of Fresenius Medical Care's quality management system (QMS) and defines the Company's purpose and approach with regard to the quality of its products and processes. The quality policy is proof of top management's commitment to developing and implementing the QMS and maintaining its effectiveness.

Our quality policy provides a framework for compliance with all relevant rules and regulations. In practice, these include regulations by governmental authorities, such as the European Union's Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) and Restriction of Hazardous Substances (RoHS) regulations. It also covers standards (e. g. ISO 9001 and ISO 13485) defined by national and international associations like the Association for the Advancement of Medical Instrumentation (AAMI), the International Organization for Standardization (IOS) and the International Electrotechnical Commission (IEC). These regulations and standards apply to the licensing, safety, security and operation of Fresenius Medical Care's facilities, qualifications and licensing for personnel, equipment, quality assurance programs, as well as the dispensing, storage, and administration of controlled substances, among others.

Quality management system and quality inspections

All Fresenius Medical Care plants have successfully passed the annual ISO 13485, ISO 9001 or Good Manufacturing Practice (GMP) inspections required for recertification. Further to that, Fresenius Medical Care has established and implemented quality management systems in the Latin America Segment based on local or international regulations. Each country in this region must comply at least with local regulations to be eligible for recertification. The QMS of each country in the Latin America Segment is reviewed in periodic management reviews as well as internal and corporate audits. In the Asia-Pacific Segment, every plant that makes medical devices or pharmaceutical products has a local QMS that is certified in accordance with either ISO 13485:2003 and/or ISO 9001:2008. There are also plans to gradually certify the affected plants in accordance with ISO 9001:2015 and ISO 13485:2016.

Where applicable, each plant must also comply with the Medical Device Directive 93/42/EEC. Additional requirements must be taken into account for quality management systems when it comes to manufacturing medical devices or pharmaceuticals in most countries in the Asia-Pacific Segment. These depend on the target market and country of production.

Reporting adverse events and product complaints

To guarantee the quality and safety of its products and services as well as to improve product and service quality, Fresenius Medical Care also reviews adverse events and analyzes product complaints. The Company uses this information, among others, to evaluate the safety of its products and services. All employees with relevant tasks are required to understand, be familiar with, and follow Fresenius Medical Care's policies regarding the reporting of adverse events and product complaints.

PROTECTING PATIENTS' MEDICAL INFORMATION

As a health care company, Fresenius Medical Care is aware that patient information is ubiquitous in its organization. The Company collects, stores, analyzes and transmits patient-related data as part of its business operations according to its business model and with the aim of fulfilling numerous external legal and regulatory requirements at national and international level. Furthermore, Fresenius Medical Care uses patient-related treatment data to continuously optimize the quality of care it offers and fulfill its social responsibility towards its patients, as described in the section "Quality of care and patient satisfaction" starting on page 80.

Fresenius Medical Care only collects, processes or uses patients' personal data to the extent permitted by applicable law, for business or clinical purposes. Fresenius Medical Care treats personal data as strictly confidential and protects it in accordance with applicable law. Fresenius Medical Care's employees are also expected to promptly report lost, stolen or damaged devices owned by the Company or containing Company information. All relevant employees of Fresenius Medical Care are instructed to never disclose patient-specific information to any unauthorized persons, either inside or outside the Company, who do not have a legal right to this information. Care should also be taken regarding this principle when transmitting patient-specific medical information electronically. In addition, employees must ensure that they record, manage and transmit medical information strictly in accordance with local data protection and privacy rules, paying particular attention to local rules with regard to obtaining patient consent for sharing their medical information.

Fresenius Medical Care has implemented a new function that deals with data protection and cybersecurity laws as part of its global legal organization. This function is responsible for strategic and operational initiatives relating to data protection and cybersecurity laws and regulations at a global level. Furthermore, it provides advice internally on data protection at Fresenius Medical Care, cybersecurity laws and regulations, as well as on strategies and their implementation for sensitive patient data.

At its global headquarters in Bad Homburg, Germany, Fresenius Medical Care has established a Risk, Security & Compliance Working Group, in which IT specialists work with specialists from other Fresenius group companies with the aim of harmonizing IT standards.

RESPONSIBILITY FOR EMPLOYEES

Fresenius Medical Care's employees ensure the consistently high-quality of its products and services worldwide. The Company depends on skilled staff for its continued growth and therefore strives to attract, retain and develop qualified employees. Fresenius Medical Care acknowledges its responsibility as an employer by ensuring high occupational, health and safety standards, among others.

EMPLOYEES AND EMPLOYMENT STRUCTURE

With 114,000 employees worldwide (in full-time equivalents, FTEs, 2016: 109,319) Fresenius Medical Care is one of the largest health care providers in the world as well as the largest vertically integrated dialysis company. In Germany, Fresenius Medical Care employed 6,010 employees (in FTE) at the end of the reporting year (2016: 5,485), accounting for around 5% (2016: 5%) of the total workforce. This underscores the very high degree of internationalization in the Company. The majority of employees work in the area of production and services (87%) followed by administrative functions (9%) – see table 3.3.

To ensure continued growth in its business with health care services and products, Fresenius Medical Care relies on its ability to attract, retain and develop skilled employees. In the ten years between the end of 2007 and the end of 2017, the number of employees at Fresenius Medical Care increased by 52,594 (in FTE), which is in line with the Company's overall growth. At the same time, the Company also does all it can to continue being attractive as an employer. The voluntary turnover rate in 2017 was 14.7%. On average, employees stay with Fresenius Medical Care for around 7.2 years.

Fresenius Medical Care brings together a wide range of cultures and skills under one roof. The Company values the diversity that its employees provide in the form of their qualifications, personal strengths,

3.3 EMPLOYEES PER FUNCTIONAL AREA

FTEs as a percentage of total employees per functional area as at December 31, 2017

Production and services	87
Administration	9
Sales and marketing	3
Research and development	1

3.4 EMPLOYEE RETENTION[1]

Selected HR metrics as at December 31, 2017

Voluntary turnover rate[2] *in %*	14.7
Average service length[3] *in years*	7.2

[1] *Based on country data representing 89% of Fresenius Medical Care employees.*
[2] *Calculated as the number of employees who left the organization voluntarily in 2017 in relation to the number of employees at the end of the year.*
[3] *Average length of employment at Fresenius Medical Care.*

characteristics, interests, perspectives and ideas. We will continue to promote diversity in the future, emphasizing and embracing it as an asset. Moreover, Fresenius Medical Care does not permit discriminatory or any other unlawfully prejudiced behavior.

In 2017, 69% of employees were female, with the highest proportion in North America (70%). Details on gender diversity at top management level can be found in the declaration on corporate governance – starting on page 102.

The average age of employees in 2017 was 41.8 years. Around 17% of employees are below 30, the majority of 58% are between 30 and 50 years old and 25% of employees are above 50 years old.

GLOBAL PEOPLE STRATEGY

Fresenius Medical Care's Human Resources (HR) function provides and manages the necessary frameworks, policies and processes to enable the Company's employees to contribute to its success and growth. HR is organized on a global, regional (North America, EMEA, Latin America, Asia-Pacific) and functional level (GMQ, GRD and other corporate functions). The global HR function develops and implements the Global People Strategy and reports directly to Fresenius Medical Care's Chief Executive Officer (CEO). Regional and divisional HR functions work closely with local HR representatives, employees and managers to adapt this strategy to regional and functional requirements, but also to ensure the high-quality of HR services on a daily basis.

Fresenius Medical Care's Global People Strategy is the basis for all of the Company's HR activities. It is translated into annual roadmaps that are defined and discussed globally as well as for every region and function on a regular basis. In addition, the Company is currently building global centers of excellence to share, discuss, develop and implement new ideas, tools and solutions. This will facilitate close collaboration, leveraging of synergies and greater alignment of the HR function across all countries.

The Global People Strategy rests on three pillars. These ensure Fresenius Medical Care's continued success, driven by the Company's purpose, values and commitment to its patients and employees.

- **Driving culture that attracts, engages and retains staff.** Fresenius Medical Care fosters an inclusive and diverse working environment throughout the organization based on its purpose and values. Employees can participate in the Company's success via profit-sharing schemes, such as the long-term incentive program and other instruments. The Company aims to further boost the commitment of its employees by expanding its employee engagement activities on a global scale. To offer employees better guidance with regard to its global values, Fresenius Medical Care is working on updating and further specifying these values.

3.5 FEMALE EMPLOYEES

as a percentage of overall employees as at December 31, 2017

North America	70
EMEA	67
Latin America	68
Asia-Pacific	65
TOTAL	**69**

3.6 DEMOGRAPHIC OVERVIEW[1]

Selected HR metrics as at December 31, 2017

Average age *in years*	41.8
Share of employees under 30 *in %*	17
Share of employees between 30 and 50 *in %*	58
Share of employees over 50 *in %*	25

[1] *Based on country data representing 89% of Fresenius Medical Care employees.*

- **Managing talent to provide skills and resources today and in the future.** Lifelong learning as well as personal and professional development are crucial elements of employee motivation and prerequisites for a successful career. In addition, they are critical for giving the Company a competitive edge. Fresenius Medical Care invests in its employees and provides them with attractive development opportunities, taking into account their roles and individual strengths. This is reflected in various local, regional and global development programs. Examples include the Clinical Advancement Program (CAP), a development program designed specifically for state-registered nurses in the U.S., and the Fresenius Medical Care Leadership Academy for middle management positions in EMEA. Another aspect of this investment is the use of online trainings, which are available in all countries in which Fresenius Medical Care has employees. In 2017, the Company also reviewed its leadership talents and succession pipelines with the aim of building a global talent management framework to support employees, managers, and HR colleagues in identifying and delivering "best-fit" solutions in the future. This includes shaping the way Fresenius Medical Care identifies, promotes and develops its leadership talents.
- **Aligning organizational capabilities to enable global growth.** As Fresenius Medical Care operates in a highly regulated industry with employees in more than 60 countries, it must constantly strive to find the right balance between globalization and localization. On the one hand, health care regulations differ considerably between operating segments and the individual countries in which Fresenius Medical Care is active. On the other, cultural conventions, languages as well as the varying size and focus of Fresenius Medical Care's local footprint also require close collaboration, alignment and adaptability. By doing so, the Company aims to ensure that its products and services are of the highest quality for patients. As an example, the Company regularly brings together senior managers on a global, regional and functional level to discuss its future strategy and priorities. In addition, Fresenius Medical Care defines cross-functional targets to ensure that employees set the right priorities for their projects. The Company is also digitizing its HR processes to ensure that its HR services are of a consistently high-quality in future. Last but not least, it is investing in databases and software solutions for HR-related analyses to make sure that it has relevant insights to make well-informed decisions with regard to the organization.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Fresenius Medical Care's operations are subject to governmental regulation in virtually every country in which the Company operates. Although these regulations differ from country to country, they are generally designed to accomplish the same objectives. For example, they govern the operation of our clinics, laboratories and manufacturing facilities, compliance with labor and employment laws, fulfillment of occupational health and safety standards, and accurate reporting.

While local management is responsible for ensuring adherence to any local statutes or regulations that take precedence over the Company's objectives, it is supported in the North America Segment by a specialized department with responsibility for monitoring and evaluating operational activities with regard to occupational health and safety management. The function in charge of health and safety in the workplace also assesses external regulatory and legal requirements and incorporates them into our internal policies and guidelines together with regional and local management.

3.7 GLOBAL PEOPLE STRATEGY 2017

Fresenius Medical Care is committed to giving occupational health and safety management the utmost priority and to providing a safe, healthy and productive workplace for its employees and business partners. In many countries, medical facilities must fulfill occupational health and safety requirements to achieve certification. For North America, EMEA and Latin America, internal reviews and audits are conducted to monitor compliance with occupational health and safety policies and procedures as part of local quality management systems; in the EMEA and Latin America segments, this is true for the dialysis care business.

Every year, Fresenius Medical Care's production sites and laboratories in the U.S. are put through a formal program to monitor environmental protection and occupational safety standards. Audits are carried out to check compliance with regulations from the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency as well as state and local statutes. For the EMEA Segment, Fresenius Medical Care has bundled its occupational health procedures in a central management system for occupational safety based on the British Standards for Occupational Health and Safety Assessment Series 18001 (BS OHSAS 18001) and incorporated it into the Company's integrated management system.

Fresenius Medical Care aims to foster a culture of continuous improvement in the work environment with the goal of minimizing injuries and reducing incident rates. This includes:

- reporting and analyzing work-related accidents and injuries,
- identifying their root causes,
- implementing corrective action as appropriate.

As part of this concept, KPIs for occupational health and safety have been introduced to our production sites as well as Fresenius Medical Care's dialysis clinics to ensure that the information required by governmental authorities is provided.

OUR APPROACH TO ANTI-BRIBERY AND ANTI-CORRUPTION

Fresenius Medical Care's efforts to enable patients around the world to lead a better life by offering high-quality products and services are based on its commitment to the Company's core values of quality, honesty and integrity, innovation and progress, respect and dignity. It therefore goes without saying that we comply with anti-bribery and anti-corruption laws in the regions in which we operate.

Fresenius Medical Care's corporate culture and policy as well as its entire business activities are guided by its corporate values. This also applies to the Company's work and business relationships with its patients, customers, business partners, public authorities, investors and the general public, as well as with its employees.

The Company is committed to conducting its 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 the Company 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 single person is responsible for complying with the relevant laws. Employees at Fresenius Medical Care 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 anti-bribery and anti-corruption. 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 the Company's 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 empower the organization to:

- ensure integrity in all relevant activities, and
- guarantee the Company's long-term business success.

ABC COMPLIANCE PROGRAM

By complying with laws as well as the Company's values and rules, our employees ensure that Fresenius Medical Care is perceived as a reliable partner in the health care system by patients, customers, business partners, public authorities, investors and the general public. Fresenius Medical Care has therefore developed an ABC Compliance Program to help employees abide by these values and to understand and meet their legal, regulatory and ethical obligations.

The ABC Compliance Program incorporates a training program, compliance policies and procedures including corrective action for failure to follow policies, provisions for reporting suspected violations of applicable laws or Company policies anonymously, and internal monitoring and reviews of Fresenius Medical Care's compliance procedures. The ABC Compliance Program is risk-based and rests on three pillars:

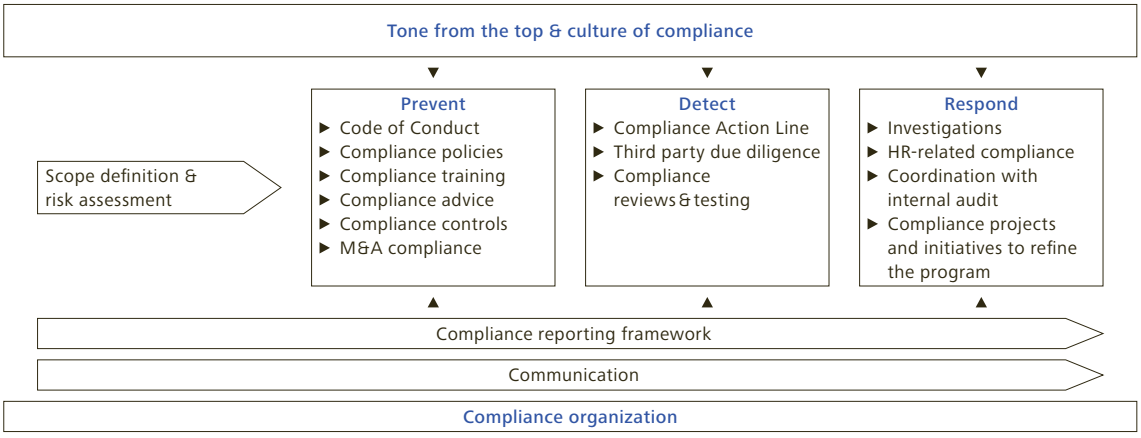
- **Prevent** – including policies and procedures, regular training programs, continuous advice and a compliance control framework.
- **Detect** – including reviews by Fresenius Medical Care's business partners as well as risk-based reviews and monitoring of the ABC Compliance Program.
- **Respond**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

The ABC Compliance Program is continuously being improved. In analyzing or enhancing components of the program, Fresenius Medical Care focuses on certain groups of third parties and the respective interactions. These include, but are not limited to, government officials, health care professionals, health care organizations, reimbursing entities, third parties acting on behalf of Fresenius Medical Care, and customers/suppliers, as well as related provisions on topics, including but not limited to discounts and rebates, grants, gifts and entertainment.

Fresenius Medical Care has implemented the ABC Compliance Program in all business lines to reduce the risk of legal violations by providing general and specific rules of conduct and procedures as well as regular training for relevant employees.

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.

3.8 THE THREE PILLARS OF THE ABC COMPLIANCE PROGRAM



RESPONSIBILITY TO RESPECT HUMAN RIGHTS

Respect and dignity are integral and important elements of Fresenius Medical Care's core values. Based on these values, the Company is committed to understanding, respecting and protecting human rights as outlined within our Code of Ethics and Business Conduct. This is essential in the international and intercultural environment in which we operate.

Fresenius Medical Care's reputation could be severely damaged by any violation of human rights. This is true even if the violation occurs within the supply chain or at a business partner on which Fresenius Medical Care is deemed to have an influence through its business activities. Fresenius Medical Care is aware that the development of new regulations and frameworks in the area of human rights (e. g. National Action Plan by the German Federal Government for implementing the UN Guiding Principles on Business and Human Rights, UK Modern Slavery Act, Conflict Minerals as part of the Dodd-Frank Act, Duty of Vigilance Act [France], California Transparency in Supply Chains Act) reflects the high expectations in the general public that companies must comply with human rights principles.

Fresenius Medical Care considers three human rights aspects to be particularly relevant to its business model:

- Fresenius Medical Care is committed to ensuring that necessary measures are taken and that working conditions are fair and safe for all employees and business partners. The Company gives employee protection the utmost priority. We condemn the use of forced labor and exploitative child labor.
- Fresenius Medical Care supports equal opportunities for its employees and patients and takes a clear stand against discrimination. The Company does not tolerate any form of discrimination based on gender, race, ethnic origin, color, nationality or national origin, religion or belief, age, marital status, citizenship, disability, sexual orientation, veteran status or any other unlawful discriminatory consideration. Fresenius Medical Care strives to provide a work environment free from all forms of discrimination, including verbal or physical harassment or intimidation from supervisors, co-workers, vendors, consultants, visitors or customers. Fresenius Medical Care does not tolerate harassment or intimidation in any form. Neither do we tolerate violent nor abusive conduct, including verbal or physical abuse by any employee, patient, customer, client or visitor in the course of Fresenius Medical Care's business.
- Fresenius Medical Care offers multiple grievance mechanisms for employees and patients to report misconduct.

Fresenius Medical Care recognizes its corporate responsibility to respect human rights and the importance of taking the necessary steps to fulfill this obligation. It has therefore been incorporated into the Company's fundamental policy – the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct and the underlying corporate values also include our commitment to respecting human rights topics as mentioned above, and govern the Company's actions. Fresenius Medical Care encourages its suppliers and business partners to share this commitment – see section "Relationship with suppliers" starting on page 90.

Fresenius Medical Care acknowledges its responsibility not only to its employees but also to the many patients it cares for. We instruct all employees with direct patient contact to:

- act ethically, fairly, courteously, competently and timely,
- treat all patients with dignity and respect,
- involve patients and families in treatment planning and processes whenever appropriate,
- respond carefully and accurately to patients' and families' questions.

Fresenius Medical Care offers anonymous grievance channels for patients. Grievance letter boxes, hotlines and patient surveys are available in many of Fresenius Medical Care's clinics.

RELATIONSHIP WITH SUPPLIERS

As a manufacturer and provider of dialysis products and health care services, Fresenius Medical Care cooperates with suppliers of raw materials and products as well as service providers and other organizations in the health care system. We expect all of our partners to support our commitment.

Based on its corporate strategy, Fresenius Medical Care is able to fully capture its potential as a vertically integrated company. This means that we systematically make use of the advantages that arise from covering the entire value chain of dialysis. A high degree of vertical integration enables us to ensure the uncompromised quality of our products from the raw materials to the final product. This is part of our efforts to achieve continuous progress with regard to the environment, our employees and patients, human rights as well as anti-corruption and bribery at our production sites worldwide.

For Fresenius Medical Care, sustainability means acting responsibly to achieve commercial success while making progress with regard to the environment and social matters to secure our future as a company in the health care industry. We expect our suppliers to support our commitment, to comply with our sustainability principles in their own supply chains and establish adequate procedures to this end – see https://www.freseniusmedicalcare.com/en/about-us/responsibility/ for Fresenius Medical Care's sustainability principles.

ROLE OF THE PROCUREMENT ORGANIZATION

At Fresenius Medical Care, 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.

The GMQ procurement function at Fresenius Medical Care has the purpose of managing demand for materials and services and ensuring the availability, safety and quality of the materials used in the Company's more than 30 production sites around the globe.

GMQ procurement has endorsed the incorporation of key corporate social responsibility issues into the Company's sustainability principles as supplementary requirements for suppliers. They communicate Fresenius Medical Care's minimum expectations and motivate suppliers to make the corresponding improvements.

GMQ procurement is a centrally managed matrix organization with global leadership responsible for ensuring that strategies are aligned within the regional and local units of North America, EMEA, Latin America and Asia-Pacific. This structure enables global coordination and governance while retaining local responsibility for implementation.

ASSESSMENT OF SUPPLIERS' COMPLIANCE

The sustainability principles are part of Fresenius Medical Care's standard operating procedures (SOPS) in EMEA, Latin America and Asia-Pacific. These SOPS require all compulsory elements (contract specifications, general terms and conditions, and sustainability principles) as well as supplementary information (according to local rules and regulations) to be included in supplier contracts. Fresenius Medical Care's sustainability principles include the following matters:

- compliance with environmental legislation and protection of the environment,
- working conditions, occupational health and safety as well as process safety,
- data protection,
- human rights, such as non-discrimination, prohibition of forced labor and exploitive child labor,
- compliance with laws and regulations.

If requested by Fresenius Medical Care, suppliers must complete a questionnaire on compliance with the Company's sustainability principles (self-assessment). The Company may also solicit information from a third party on suppliers' compliance and performance with regard to the requirements specified in these principles (third-party assessment). If requested by Fresenius Medical Care, suppliers must provide documented evidence that they comply with these principles (certification/statement). Moreover, Fresenius Medical Care is entitled to conduct on-site inspections either itself or indirectly by a third party to verify compliance with Fresenius Medical Care's sustainability principles (on-site audit). In North America, suppliers are screened to see whether they are included in the Office of Inspector General's (OIG) List of Excluded Individuals/Entities (LEIE).

To ensure that these requirements are observed at an operational level, the Global Internal Audit function at Fresenius Medical Care undertakes regular audits including the implementation of SOPs. Furthermore, various external audits (e. g. by the U.S. Food and Drug Administration [FDA], China Food and Drug Administration [CFDA], and other independent certification bodies) are carried out at plant level to ensure compliance with laws and regulations.

RESPONSIBILITY FOR THE ENVIRONMENT

As a global player in the health care sector, Fresenius Medical Care is subject to a broad range of federal, foreign, state and local laws and regulations relating to emissions and the protection of the environment. We aim to achieve environmental improvements throughout the entire life cycle of Fresenius Medical Care's products as well as reducing the impact of our operations on the environment.

The laws we adhere to in our operations in accordance with our quality policy regulate, among other things, discharging substances into the environment, the handling and disposal of various kinds of waste and waste water, remediation of contaminated sites, and other activities to protect the environment. In addition, U.S., EU and other national environmental laws include regulations on several substances that we use.

COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

The Global Internal Audit function at Fresenius Medical Care monitors and audits the Company's business activities to confirm that it adheres to the law, company guidelines and policies. When potential violations are brought to its attention, Fresenius Medical Care will take appropriate action to investigate all such reports, and to ensure that its business is conducted in accordance with all applicable laws.

As Fresenius Medical Care has a decentralized structure, environmental management is implemented at a regional, national and local level. In the EMEA Segment, environmental management is carried out as part of Fresenius Medical Care's integrated management system to systematically reduce and control risks associated with environmental protection and occupational health and safety, as well as fulfilling the respective legislations and meeting the expectations of our customers and patients in this regard. External experts regularly check compliance with the ISO 14001 environmental management standard at Fresenius Medical Care's company headquarters, in the area of research and development, as well as in the Company's certified plants and national clinic organizations.

REDUCING ENVIRONMENTAL IMPACT ALONG THE PRODUCT LIFE CYCLE

Fresenius Medical Care's GRD organization is committed to maximum efficiency and regulatory compliance. We aim to achieve environmental improvements along the whole life cycle of Fresenius Medical Care's products and reduce negative environmental impacts and risks for patients, employees and users. The life cycle principles embedded in Fresenius Medical Care's EMEA environment, health and safety program ensure that the Company continuously improves its performance with regard to the environment, health and safety. Fresenius Medical Care has therefore established a simplified, lean product life cycle assessment methodology (screening LCA) with the aim of identifying, assessing and reducing the environmental impact resulting from the design of a product over its life cycle. Screening LCA takes international guidelines into consideration to calculate the environmental impact caused during a product's life cycle in order to meet the requirements of IEC 60601-1-9 and ISO 14001. Our screening LCA covers the majority of our current medical device product lines.

The GMQ Green & Lean initiative has reported on local sustainability initiatives such as energy efficiency projects and projects to mitigate environmental risks to GMQ management since 2015. Thanks to this reporting process, best practices can be shared with other plants to save energy, reduce waste and waste water and use more renewable and alternative energies as well as finding further solutions for recycling material. Each plant is responsible for defining, planning and implementing these initiatives.

In addition to these activities, the GMQ and GRD functions within the EMEA and Latin America regions have committed themselves to minimizing the impact of their actions on the environment as part of their environmental policy. The aim is to prevent environmental pollution, use natural resources efficiently, recycle waste, and enhance Fresenius Medical Care's environmental performance.

ENVIRONMENTAL KPIS

Fresenius Medical Care reports the following environmental KPIs for dialysis services and manufacturing at a global level:

- water consumption,
- energy consumption and
- greenhouse gas emissions.

In the reporting year, Fresenius Medical Care consumed 36 M m^3 of water and 2.8 M MWh of energy, resulting in 326 TSD tons of scope 1 and 530 TSD tons of scope 2 CO_2 equivalents from operations in its dialysis centers and production sites worldwide. The figures include data on electricity, natural gas and water consumption provided by GMQ-coordinated manufacturing sites as well as data on electricity and water consumption in our dialysis centers. Some environmental data for the fiscal year was not yet fully available at the time of this report. In these cases, we estimated and extrapolated the figures.

Most of the water utilized by Fresenius Medical Care is needed for producing dialysate during dialysis treatment in the Company's dialysis centers around the world. The amount of dialysate and therefore the amount of water required is determined by a variety of factors, most of which are the direct responsibility of the physician. They include above all the blood flow rate, the selected dialyzer, the duration of treatment, the treatment method and the flow rate of the dialysis solution. In its efforts to save resources and energy by reducing its water and energy consumption, Fresenius Medical Care ensures that resource efficiency does not negatively impact the quality of care or product quality.

To significantly reduce dialysis fluid consumption and thus the cost of energy, water and waste water without compromising quality of care, Fresenius Medical Care develops environmentally friendly concepts with advanced treatment options such as EcoFlow and AutoFlow. These concepts are integrated into Fresenius Medical Care's latest and most advanced machine generations, the 5008 and 6008 series. We are continuously increasing sales of machines in these series worldwide. More than one in five dialysis machines we produced in 2017 was from one of these resource-friendly machine generations.

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 as well as the by reference qualified part "Group's business model", further "non-financial group report", of Fresenius Medical Care AG & Co. KGaA, Hof an der Saale (further "Fresenius Medical Care") according to § 315b HGB for the period from January 1 to December 31, 2017.

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, the responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the non-financial group 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 based on our work performed of the non-financial group report within a 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 require 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 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 CSR core team 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

[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.*

- 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, 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 St. Wendel site (Germany)
- Assessment of the overall presentation of the disclosures in the non-financial group report

CONCLUSION

Based on the procedures performed and the evidence received to obtain assurance, nothing has come to our attention that causes us to believe that the non-financial group report of Fresenius Medical Care AG & Co. KGaA for the period from January 1 to December 31, 2017 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 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 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 26, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft

LAUE
Wirtschaftsprüfer

GLÖCKNER
Wirtschaftsprüfer

Corporate GOVERNANCE

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REPORT OF THE SUPERVISORY BOARD

DR. GERD KRICK
Chairman of the Supervisory Board

The past fiscal year was – despite the challenges from the natural disasters in North America – a successful year for Fresenius Medical Care. Overall, the business with dialysis services resulted in a positive development. The Care Coordination sector continued to contribute to this result.

In this still relatively young sector, the Company was able to achieve a sustained organic revenue growth. Furthermore, significant positive financial effects in the past fiscal year resulted from the U.S. tax reform that came into effect on January 1, 2018. The respective amendment bill was passed on December 22, 2017. In particular, the re-evaluation of deferred tax liabilities resulting from the amendment bill lead to a book gain of around €236 M which resulted in a corresponding increase in Earnings After Tax. In contrast, the provision of €200 M recorded in connection with the ongoing settlement negotiations with the U.S. Securities and Exchange Commission and the U.S. Department of Justice because of alleged violations of provisions of the U.S. Foreign Corrupt Practices Act (FCPA) had a negative financial impact. Thereby, the provision amount also includes certain legal expenses and other related costs or asset impairments.

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA (hereinafter the "Company") in the past fiscal year observed all the 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 (hereinafter the "Management Board"). In addition, 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. These and all further significant business events were comprehensively discussed by the Supervisory Board and its committees. Furthermore, the Supervisory Board reviewed the development of the acquisitions of the previous years also in this year. Key benchmarks for this review were, inter alia, the planning and projections at the time of each respective acquisition. The Supervisory Board passed resolutions within its competencies according to law and the Articles of Association.

Meetings

In the last fiscal year, seven meetings of the Supervisory Board, some of which lasted several days, took place. In the past fiscal year, 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 on page 97 shows the participation of the members in the meetings of the Supervisory Board as well as in the meetings and telephone conferences of the committees held in the past fiscal year.

The Supervisory Board was in regular contact with the Management Board and was always promptly and comprehensively informed by this. 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 had the opportunity to meet individual members

of the senior management level this year. The members of the Management Board were further available to the Supervisory Board for follow-up queries. The Chairman of the Supervisory Board maintained regular and close contact with the Management Board outside the meetings, in particular with the Chairman of the Management Board. In case of important occasions or events, also in respect to affiliated companies, 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.

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 intends to continue strong growth in the current core business with dialysis products und the treatment of dialysis patients. One acquisition project was the offer to take over NxStage Medical, Inc., a U.S. supplier of medical technology and health care services. The company develops, produces and markets medical devices and other products for the use in home dialysis and in critical care. With the acquisition of NxStage Medical, Inc., Fresenius Medical Care will strengthen its business in these areas. At the same time, the Company pursues its "Growth Strategy 2020". The goal of that strategy is to also offer medical services which go beyond the dialysis treatment itself. Those services, which are combined under the title "Care Coordination", shall form an even larger share of the overall turnover in the future. Against this background, the Supervisory Board also discussed acquisition and cooperation projects in this area and dealt with the divestment of the U.S. non-renal lab service provider Shiel Medical Laboratory, Inc. to optimize the Care Coordination portfolio.

The Supervisory Board also dealt with the change in accounting to International Financial Reporting Standards (IFRS), with the Euro as the reporting currency, that was implemented in the past fiscal year.

The business development, the competitive situation and the Management Board's planning in the individual regions were once more at the centre of the Supervisory Board's discussions. The Supervisory Board also discussed in detail the development of cost reimbursement in the various health care systems again. Another focus of the discussions and consultations were several extensive investment projects, inter alia for the expansion of the production capacities in the production facility located in St. Wendel. 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.

Already in 2013 Fresenius Medical Care started a worldwide efficiency enhancement program. In the past year, the Supervisory Board again informed itself on the success of the measures to improve the cost situation.

The Supervisory Board was regularly informed on the compliance of the Company. Results of the internal revision were also taken into account in this context. As a further topic, the Supervisory Board inquired about the progress of the internal investigation concerning alleged violations of provisions of the FCPA or other anti-corruption laws.

The Supervisory Board has further dealt with a diversity concept regarding its composition. Diversity at Fresenius Medical Care is defined in a broad way, including – but not limited to – age, gender, nationality, educational background and work experience. Based on this, the Supervisory Board has adopted a diversity concept reflecting this understanding. While thereby the individual qualification, e.g. expertise, skills and experience, is the core selection criteria for the election proposals for new members of the Supervisory Board to the Annual General Meeting, diversity aspects are considered to ensure a comprehensive and well-rounded decision process. It was

4.1 PARTICIPATION OF MEMBERS OF THE SUPERVISORY BOARD

in meetings and telephone conference in 2017

	Supervisory Board	*Audit and Corporate Governance Committee*	*Nomination Committee*	*Joint Committee*
Dr. Gerd Krick (Chairman)	7/7	9/9	0/0	0/0[1]
Dr. Dieter Schenk (Vice Chairman)	7/7	–	0/0	–
Rolf A. Classon	7/7	9/9	0/0	0/0
William P. Johnston	6/7	8/9	–	0/0
Deborah Doyle McWhinney	7/7	9/9	–	–
Pascale Witz	7/7	–	–	–

[1] *On behalf of the general partner.*

further decided in the past year to actively manage diversity in senior management levels below the Management Board. This serves to strengthen the pursued diversity concept and to identify suitable talents at an early stage.

Furthermore, the Supervisory Board has in the past year initiated the preparation of a profile of competence for the entire Supervisory Board. The Supervisory Board is – in its own initiative – already today 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. Following the necessary detailed preparation, the Supervisory Board has resolved a profile of competence for the entire Supervisory Board in its meeting on March 14, 2018. The Supervisory Board will take into consideration such profile of competence when discussing its election proposals to the General Meeting.

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.

Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee convened four times in the past fiscal year. In addition, five telephone conferences were held. All members, in particular the chairman Mr. William P. Johnston, are financial experts according to Sec. 100 para. 5 of the German Stock Corporation Act. Mr. Johnston has specific knowledge and experience in applying accounting principles and internal control procedures.

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 U.S. Securities and Exchange Commission (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 additional non-audit services provided by the auditor for the Group. Also, the auditing mandate for the report according to Form 20-F, which comprises the consolidated financial statements according to IFRS, was issued by the committee. The committee further negotiated the fee agreement with the auditor and discussed and determined the key audit areas – also with a view to legal reforms on reporting under the EU regulation on statutory audits – for the past fiscal year. Such key audit areas were the risks from alleged violations of provisions of the FCPA or other anti-corruption laws, the goodwill for the region in Latin America and self-insurance reserve.

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 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 substantially concluded review triggered by the alleged violations of provisions of the FCPA and the provision recorded in connection thereto as well as a review of the internal control system. In the course of its audit, the auditor reviewed the internal control and risk management system in relation to the accountancy process as well as the early risk recognition system. The auditor did not raise any objections. With a view to the internal control system and the implementation of the relevant provisions of the Sarbanes-Oxley Act it granted an unqualified audit certificate on February 27, 2018. 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.

The chairman of the committee has regularly reported on the results of the discussions and resolutions in the committee to the Supervisory Board.

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 did not convene since a meeting was not required.

Joint Committee

The Company has a Joint Committee. It is composed of two representatives nominated by the general partner as well as two members of the Supervisory Board. 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 a meeting was not required.

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, Dr. Gerd Krick and Dr. Dieter Schenk. In addition, Dr. Krick is chairman and 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 30.63% of the shares in the Company. It is also the sole shareholder of Fresenius Medical Care Management AG. Dr. Krick is also chairman of the supervisory board of Fresenius SE & Co. KGaA.

Consultancy or other service relationships with Supervisory Board members in the last fiscal year existed only in the case of Dr. Schenk. He has been, at the same time, a partner in the law firm Noerr LLP until December 31, 2017. The companies of the international law firm Noerr LLP provided legal advice to Fresenius Medical Care AG & Co. KGaA and its affiliates in the past fiscal year. In the last fiscal year, Fresenius Medical Care paid legal fees in an amount of approx. €2.7 M (plus VAT) to the law firm Noerr LLP (previous year: approx. €0.9 M). That is less than 3% of the legal and consultancy costs paid by Fresenius Medical Care worldwide. The Supervisory Board approved the assignments and the payments based on the presentation of detailed information and following corresponding recommendations of the Audit and Corporate Governance Committee. The same applies to the Supervisory Board of Fresenius Medical Care Management AG. With regard to such approvals, Dr. Schenk abstained from voting. The payments were only executed after approval by the Supervisory Board.

The Supervisory Board dealt with the provisions of the German Corporate Governance Code and their application in relation to the group of companies. In this context, taking into account the shareholder structure, the Supervisory Board has determined that it considers a number of at least three independent Supervisory Board members to be an adequate number of independent members and that the Supervisory Board and its committees comprise an adequate number of independent members. Independent within the meaning of the German Corporate Governance Code are Mr. Classon, Mr. Johnston, Ms. Deborah Doyle McWhinney and Ms. Pascale Witz. With a view to the regulations of the SEC, the Supervisory Board also considers Dr. Krick as independent. Consequently, four or five of six members are independent in the opinion of the Supervisory Board, depending on the definition applied.

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. The Declaration of Compliance was published in December 2017. The Declaration of Compliance is permanently available to the public on the Company's website.

The Corporate Governance Report of the general partner and of the Supervisory Board together with the declaration on corporate governance is available on pages 102 et seqq. of the annual report. The declaration on corporate governance was discussed by the Supervisory Board and approved at its meeting of March 14, 2018.

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 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 2017 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. Said company was elected as auditor by resolution of the Annual General Meeting of May 11, 2017 and instructed 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 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 had to 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.

At its meeting on February 26, 2018 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 27, 2018. It contains, inter alia, also the consolidated financial statements which have been prepared for the first time in accordance with IFRS, with the Euro as the reporting currency.

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 last fiscal year, as presented by the general partner, were approved by the Supervisory Board at its meeting on March 14, 2018.

The Supervisory Board also approved the general partner's proposal for the application of profit which provides for a dividend of €1.06 for each share.

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 separate from the management report. Fresenius Medical Care reports selected non-financial information in reference to internationally applicable best-practice standards for sustainability reporting set out by the Global Reporting Initiative (GRI). The Supervisory Board made use of the possibility 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; KPMG AG Wirtschaftsprüfungsgesellschaft expressed a limited assurance conclusion and issued a respective 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 had to 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 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 taken, 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 been 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 his audit and was available for additional information. On February 26, 2018, the auditor added the following certificate to that 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.

Personnel matters

As already stated in last year's report, Mr. Ronald Kuerbitz has resigned as member of the Management Board and General Manager for the region North America with effect as of February 17, 2017. Mr. William Valle, who has close to 30 years of experience in the dialysis business, has been appointed as successor. Prior to his appointment, he headed the dialysis service business and the vascular access unit of Fresenius Medical Care in North America since 2014.

After many years of working for Fresenius Medical Care, Mr. Dominik Wehner decided to resign for private reasons as a member of the Management Board for the region EMEA and as the employment director for Germany with effect as of the end of December 31, 2017.

The Supervisory Board thanks Mr. Kuerbitz and Mr. Wehner for their efforts and outstanding contributions.

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 the last fiscal year!

Bad Homburg v.d. Höhe,
March 14, 2018

On behalf of the Supervisory Board

DR. GERD KRICK
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 2017 as the year under review (hereinafter: the year under review) pursuant to section 289 f of the German Commercial Code (Handelsgesetzbuch – HGB) and to number 3.10 of the German Corporate Governance Code (Deutscher Corporate Governance Kodex, hereinafter: the Code) 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 the chart 4.2.

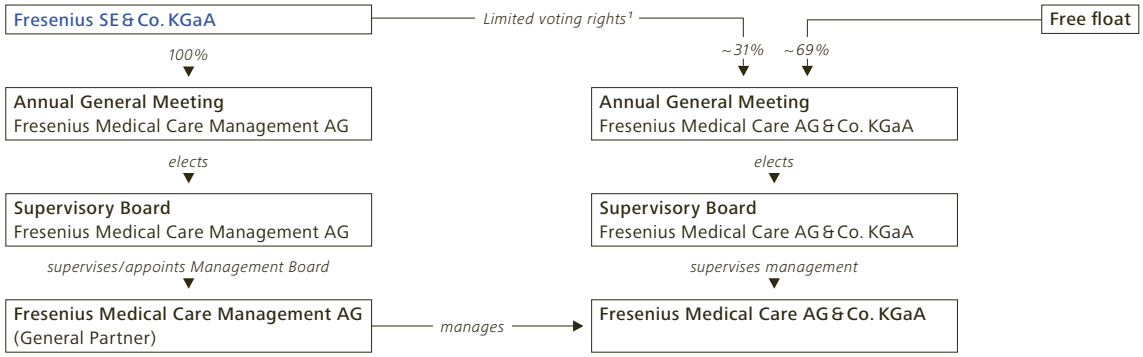
The Articles of Association of FMC AG & CO. KGAA, which also specify the responsibilities of the bodies of the Company in more detail, are available on our website at www.freseniusmedicalcare.com in the "Investors" section.

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 for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares consisting of a management body and a

4.2 STRUCTURE OF FRESENIUS MEDICAL CARE AG & CO. KGAA

Based on data as of December 31, 2017



[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.*

supervisory board. The peculiarity in the case of the legal form of a KGaA is that its business activities are conducted by a personally liable shareholder (General Partner). In the case of 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 clearly defined by legislation 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) and the recommendation pursuant to Code number 4.2.1 sentence 2. These rules of procedure stipulate the principles of the cooperation and provide for the schedule of responsibilities. 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 modus of voting. Unless unanimity or the acting of all members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members. 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. In the first quarter, a change of personnel occurred: With effect as of February 17, 2017, Mr. Ronald Kuerbitz, member of the Management Board for the region of North America, resigned from the Management Board; with effect as per February 17, 2017, Mr. William Valle was appointed as the responsible member of the Management Board for the region of North America. An additional change took place at the end of the fourth quarter: With effect as of December 31, 2017, Mr. Dominik Wehner, member of the Management Board for the regions of Europe, Middle East and Africa (EMEA) as well as employment director for Germany, resigned from the Management Board. 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.

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. Apart from the Chairman of the Management Board and the Chief Financial Officer, the Management Board Committee, which must be composed of at least three members, must include 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 also has its own Supervisory Board. According to the Articles of Association the Supervisory Board consists of six members. In the year under review, initially five members were in office following the resignation of the former Chairman of the Supervisory Board; as of September 1, 2017, the Supervisory Board was composed of six members. Mr. Stephan Sturm has been appointed as Chairman. Other members of the Supervisory Board of Fresenius Medical Care Management AG were in the year under review Dr. Dieter Schenk (Vice Chairman), Mr. Rolf A. Classon, Mr. William P. Johnston and Dr. Gerd Krick as well as,

as of September 1, 2017, Ms. Rachel Empey. Prior to the Supervisory Board's proposal of Ms. Rachel Empey as a candidate to the Annual General Meeting of Fresenius Medical Care Management AG, the Supervisory Board has ensured that she would be able to meet the time requirements for this position.

Further information on the members of the Supervisory Board of Fresenius Medical Care Management AG 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 with regard to the mandates exercised by the additional member of the Supervisory Board of Fresenius Medical Care Management AG Ms. Rachel Empey:

Stephan Sturm
Chairman of the Management Board of Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA, and until July 31, 2017 Chief Financial Officer of Fresenius Management SE

Supervisory Board
Fresenius Kabi AG (Chairman)
VAMED AG, Austria (Deputy chairman)
Deutsche Lufthansa AG

Rachel Empey
Member of the Management Board of Fresenius Management SE (Chief Financial Officer), General Partner of Fresenius SE & Co. KGaA (since August 1, 2017)

Supervisory Board
Fresenius Kabi AG (since October 1, 2017; Deputy chairman)

Comparable Foreign Body
Inchcape plc, United Kingdom (Non-executive director)

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. In accordance with the recommendation in Code number 5.1.3, the Supervisory Board has established rules of procedure. Irrespective of the independence requirements according to statutory rules and of the recommendations of the Code, 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 105.

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.

The Supervisory Board of FMC AG & CO. KGAA consisted in the year under review of the following six members: Dr. Gerd Krick (Chairman), Dr. Dieter Schenk (Vice Chairman), Mr. Rolf A. Classon, Mr. William P. Johnston, Ms. Deborah Doyle McWhinney and Ms. Pascale Witz.

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 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" on page 113. When discussing its recommendations for the election of members of the Supervisory Board to the General Meeting, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, what it considers 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 a matter of principle and of prime importance that each member is suitably qualified. In the company's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board confines itself in compliance with its statutory obligations (section 111 para. 5 German Stock Corporation Act) to pursue self-defined targets for the representation of female Supervisory Board members (see also section "Gender diversity and definition of targets" starting on page 109) and particularly refrains from an age limit for its members and from a duration limit on the term of membership of the Supervisory Board. Therefore, with the exception of the determination of target figures for women's proportion 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 their implementation in the Corporate Governance Report. In the course of the past year, the Supervisory Board has also initiated the preparation of a profile of required skills and expertise for the entire body. The Supervisory Board is – in its own initiative – already today 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. Following the necessary detailed preparation, the Supervisory Board has resolved a profile of competence for the entire Supervisory Board in the first quarter of the financial year 2018. The Supervisory Board will take into consideration such profile of competence when discussing its election proposals to the General Meeting. Accordingly, non-compliance was still declared in the Declaration of Compliance for the year under review.

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.

A member of the Supervisory Board is not to be considered independent pursuant to the recommendation in Code number 5.4.2 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. Taking into account the shareholder structure, the Supervisory Board has determined that it considers three independent Supervisory Board members to be an adequate number of independent members and that the Supervisory Board and its committees comprise an adequate number of independent members. Independent within the meaning of Code number 5.4.2 are, in the view of the Supervisory Board, Mr. Rolf A. Classon, Mr. William P. Johnston, Ms. Deborah Doyle McWhinney and Ms. Pascale Witz. 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" starting on page 113.

4.3 COMMITTEES OF THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE MANAGEMENT AG

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Human Resources Committee 5 members **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 3 members **Chairman** Mr. Rolf A. Classon **Vice Chairman** Mr. William P. Johnston **Other members** Dr. Dieter Schenk	▶ Advice on complex special matters such as regulatory provisions and reimbursement in the dialysis segment	As required
Nomination Committee 3 members **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

The term of office of the members of the Supervisory Board is five years; the current term of office of all Members of the Supervisory Board of FMC AG & CO. KGAA ends on conclusion of the General Meeting for 2021.

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. In accordance with the recommendation in Code number 5.1.3, 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. Consequently, the Supervisory Board meets regularly at least twice per calendar half year. The deliberations of the Supervisory Board are conducted by the Chairman or, if the latter is unavailable, by his deputy. The Chairman of the meeting also determines the order of the agenda items and the type of voting. As a rule, the Supervisory Board decides by simple majority of votes cast 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 Chairman of the Supervisory Board is responsible for the entire coordination and direction of the Supervisory Board; he also represents the Supervisory Board vis-à-vis third parties.

In accordance with the recommendation in Code number 5.6, the members of the Supervisory Board regularly carry out efficiency evaluations with regard to their work. These take place in the form of open discussions in plenary meetings. On these occasions, also the complexity and the design of the presentations, as well as the meetings' procedure and structuring are discussed. The results of the evaluations carried out have shown that each of the Supervisory Board and the Committees are efficiently organized and that the co-operation of the Supervisory and Management Boards works very well.

All members of the Supervisory Board have the capabilities as well as the knowledge required for the proper exercise of their duties. All Supervisory Board members are 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.

In the year under review, seven meetings of the Supervisory Board have taken place. In the year under review, key aspects of the activities of the Supervisory Board involved the strategic considerations and actions on the expansion of the business areas, in particular medical services which go beyond the dialysis treatment itself (Care Coordination). An acquisition project was the offer for NxStage Medical, Inc., an U.S.-American supplier of medical technology and health care services. Furthermore, the Supervisory Board has dealt with the divestment of the U.S.-non-renal lab service provider Shiel Medical Laboratory, Inc. for optimization of the Care Coordination portfolio. The business development, the competitive situation and the Management Board's business planning in the individual regions have also been key aspects of the consultations. Another key aspect of the meetings and consultations have been extensive investments projects in order to, inter alia, expand the production capacities of individual manufacturing sites. In joint sessions with the Management Board, the development of the production volumes and their expansion were also discussed. Additionally, the Supervisory Board has informed itself on the quality assurance systems and the results of the review of the product quality of the manufacturing sites throughout the past year. The Supervisory Board was informed of the compliance situation and, together with the Management Board, it further discussed and deliberated legal disputes. Furthermore, the Supervisory Board has dealt with a diversity concept on its composition and the preparation of a profile of required skills and expertise for the entire body.

COMMITTEES OF THE SUPERVISORY BOARD OF FMC AG & CO. KGAA

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 4.4 on page 107.

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. Accordingly, the Audit and Corporate Governance Committee shall consist of at least three and not more than five exclusively independent members.

The requirement of independence is met, inter alia, if the respective member fulfills the criteria for independence pursuant to section 12 para. 2 sentence 3 of the Articles of Association as well as 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, the Chairman of the Audit and Corporate Governance Committee shall neither act as Chairman of the Supervisory Board of the Company at the same time nor be a former member of the Management Board whose appointment has ended less than two years ago. 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 13 a et seq. of the Articles of Association of the Company. The Joint Committee is convened only as required, namely in cases of certain legal transactions defined in the Articles of Association as substantial transactions and for which the General Partner requires the consent of the Joint Committee – see table 4.5.

4.4 COMMITTEES OF THE SUPERVISORY BOARD OF FMC AG & CO. KGAA

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Audit and Corporate Governance Committee 4 members **Chairman** Mr. William P. Johnston **Vice Chairman** Mr. Rolf A. Classon **Other members** Dr. Gerd Krick, Ms. Deborah Doyle McWhinney	▶ 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	At least four times per year and additionally as required
Nomination Committee 3 members **Chairman** Dr. Gerd Krick **Vice Chairman** Dr. Dieter Schenk **Other members** Mr. Rolf A. Classon	▶ 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

4.5 JOINT COMMITTEE

Joint Committee	*Responsibility*	*Number of meetings*
Joint Committee 4 members **Members of Fresenius Medical Care Management AG** Mr. Stephan Sturm, Mr. Dr. Gerd Krick **Members of 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 disinvestments	As required

CO-OPERATION OF GENERAL PARTNER AND SUPERVISORY BOARD OF THE COMPANY

Good corporate governance requires an efficient co-operation between the Management Board 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 expired fiscal year, the Supervisory Board regularly supervised the General Partner and advised its Management Board. 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 DEFINITION OF TARGETS

Diversity Concept for governance bodies

Fresenius Medical Care highly values diversity, 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 to have diverse governance bodies and a diverse overall workforce as this supports a truly inclusive work environment and builds the foundation for successful personal and organizational achievements and is thus in the Company's interest. Diversity at Fresenius Medical Care is defined in a broad way, including – but not limited to – age, gender, nationality, educational background and work experience.

Based on this, the Company and the General Partner have adopted a diversity concept regarding the composition of the Management Board of the General Partner and the Supervisory Board of the Company reflecting this understanding. While thereby the individual qualification, e. g. expertise, skills and experience, is the core selection criteria for the election proposals for new members of the Supervisory Board to the Annual General Meeting, diversity aspects are considered to ensure a comprehensive and well-rounded decision process. For preparation of any election proposal, the respective competent governance body or its competent committee, as the case may be, thoroughly evaluates the current composition of the governance body to be amended and carefully analyses each potential candidate's profile with regard to these criteria, aspects and in consideration of the findings of the evaluation. When finally consulting and making a decision for any election proposal, the respective competent governance body then comprehensively takes these criteria, aspects and the findings of the evaluation and the candidates' analysis into account.

The Company has further decided in the past year to actively manage diversity in senior management levels below the Management Board. This serves

4.6 DIVERSITY LEVEL OF THE MANAGEMENT BOARD

Management Board	*Gender*	*Nationality*	*Education*	*Age*
Rice Powell	Male	U.S.-American	Biology	62
Michael Brosnan	Male	U.S.-American	Business	62
Ronald Kuerbitz [1]	Male	U.S.-American	Law	58
Dr. Olaf Schermeier	Male	German	Engineering	45
William Valle	Male	U.S.-American	Business	57
Kent Wanzek	Male	U.S.-American	Business	58
Dominik Wehner [2]	Male	German	Business	49
Harry de Wit	Male	Dutch	Medicine and Physiotherapy	55

[1] *Mr. Ronald Kuerbitz has retired from the Management Board as per February 17, 2017.*
[2] *Mr. Dominik Wehner has retired from the Management Board as per the expiration of December 31, 2017.*

4.7 DIVERSITY LEVEL OF THE SUPERVISORY BOARD

Supervisory Board of the Company	*Gender*	*Nationality*	*Education*	*Age*
Dr. Gerd Krick	Male	Austrian	Engineering	79
Dr. Dieter Schenk	Male	German	Law	65
Rolf A. Classon	Male	U.S.-American/ Swedish	Political Science	72
William P. Johnston	Male	U.S.-American	Law	73
Deborah Doyle McWhinney	Female	U.S.-American	Communication	62
Pascale Witz	Female	French	Biochemistry	50

to strengthen the pursued diversity concept and to identify suitable talents at an early stage.

The current diversity level of the Management Board of the General Partner and Supervisory Board of the Company across selected aspects is displayed in tables 4.6 and 4.7 on page 108. On February 17, 2017 William Valle has been appointed to the Management Board of the General Partner. In the year under review, no new members to the Supervisory Board of the Company have been appointed.

Gender diversity and definition of targets

Besides the above principle, the Supervisory Board of FMC AG & CO. KGAA is legally 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, within the scope of the Declaration on Corporate Governance. By contrast, for companies which, like Fresenius Medical Care, are organized in the legal form of a partnership limited by shares, the definition of targets for the composition of the Management Board is not expressly 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.

The Supervisory Board of FMC AG & CO. KGAA has resolved on September 29, 2015 to set the target for the representation of female Supervisory Board members at two Supervisory Board members with a view to its own composition; this corresponds to a percentage share of approximately 33% of all members, of which the Supervisory Board of the Company is required to be composed of according to the Articles of Association. By resolution passed on May 10, 2017, the Supervisory Board of FMC AG & CO. KGAA has set this target at 30% and has defined an implementation period ending on May 9, 2022. With two female members (33%) in the year under review, the composition of the Supervisory Board is in line with this target.

Pursuant to the Law 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. In the year under review, both targets were achieved.

The first management level includes all direct reports worldwide to a member of the Management Board who are LTIP participants.

- Target (until December 31, 2020): 18.8%
  Female representation (December 31, 2017): 19.2% (2016: 19.3%).

The second management level includes all direct reports worldwide to a member of the first management level who are LTIP participants.

- Target (until December 31, 2020): 28.2%
  Female representation (December 31, 2017): 28.3% (2016: 25.2%)

For Fresenius Medical Care however, the total number of participants in the group-wide LTIP beyond those two levels is the best indicator of women in leading executive positions around the world. The proportion of women among these top executives has remained stable compared to 2016 with approx. 33% at the end of the year under review.

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 continue to 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.

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 our benchmark for quality. Fresenius Medical Care is

committed to conducting our 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, suppliers or communities. The Code 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. Furthermore, it reflects the Company's core values of quality, honesty and integrity, innovation and improvement, respect and dignity. 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.

Ensuring compliance

All employees of Fresenius Medical Care are encouraged to report any potential cases of non-compliance with laws, regulations, internal policies, as well as actual or suspected misconduct that violates the Code of Ethics and Business Conduct. Several options are available for this: For example, they can report actual and potential misconduct to their superiors or to the compliance function. Non-compliance may also be reported anonymously via the so-called Compliance Action Line or e-mail addresses set up for this purpose.

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 ensure that these principles and core values are implemented and communicated 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 ensure that all of these employees take part in the courses.

In complying with government regulations, Fresenius Medical Care relies on the Company's management structure, its regulatory and legal resources and the effective operation of its compliance programs to direct, manage and monitor its operations.

RISKS 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 59.

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 objective is to make 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 guidelines, recommendations and suggestions in the Code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company.

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 2017 is reported hereinafter. The current and previous Declarations of Compliance and other extensive information on corporate governance are made permanently 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 December 2016 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 May 5, 2015 as well as in the version of February 7, 2017 since publication thereof in the Federal Gazette have been met and that the recommendations of the Code in the version of February 7, 2017 will be met in the future. Only the following recommendations of the Code in its versions of May 5, 2015 and 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 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, preparation of a profile of competence 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 must 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.

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.

The Supervisory Board is – in its own initiative – already today 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. Since no election proposals for Supervisory Board members were required in the reporting period, the implementation of the profile of competence for the entire Supervisory Board, as now newly recommended by Code number 5.4.1 paragraph 2 sentence 1 in the Code version of February 7, 2017, was, and is prospectively also for the near future, of no practical relevance. Following the necessary detailed preparation, the Supervisory Board will expectedly prepare and resolve the profile of competence for the entire Supervisory Board in the first quarter of the financial year 2018. As of this point in time the Supervisory Board will take into consideration such profile of competence when discussing its election proposals to the General Meeting and the recommendations pursuant to Code number 5.4.1 paragraph 2 sentence 1 and paragraph 4 sentence 1 in the Code version of February 7, 2017 will thus be met.

Bad Homburg v. d. H.,
December 2017

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 it holds 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 shareholders in the partnership limited by shares (KGaA) can solely decide on these matters, particularly those concerning the control of the management.

ANNUAL GENERAL MEETING

According to the principles of the German Stock Corporation Act (Aktiengesetz), shareholders can exercise their voting rights at the Annual General Meeting themselves, by proxy via a representative of their choice, or by a Company-nominated proxy acting on their instructions. Proxy voting instructions to a Company nominee can be issued before and during the Annual General Meeting until the end of the open discussion period.

The Annual General Meeting of FMC AG & CO. KGAA took place on May 11, 2017 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 the fiscal year 2016,
- allocation of distributable profit,
- approval of the actions of the General Partner for the fiscal year 2016,
- approval of the actions of the Supervisory Board for the fiscal year 2016,
- election of the auditors and consolidated group auditors for the fiscal year 2017.

All documents and information on the Annual General Meeting are available on our website at www.freseniusmedicalcare.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 outside activities or 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 about possible conflicts of interests and how to deal with them. Furthermore, Mr. Rice Powell as the Chairman of Fresenius Medical Care Management AG's Management Board, in the year under review, with the approval of Fresenius Medical Care Management AG's Supervisory Board, was at the same time a member of the Management Board of Fresenius Management SE. The members of the Supervisory Board of FMC AG & CO. KGAA Dr. Gerd Krick (Chairman) and Dr. Dieter Schenk (Vice Chairman) were, in the year under report, also members of the Supervisory Board of Fresenius Medical Care Management AG (Dr. Dieter Schenk as Vice Chairman) and of the Supervisory Board of Fresenius Management SE (Dr. Gerd Krick as Chairman, Dr. Dieter Schenk as Vice Chairman), the general partner of Fresenius SE & Co. KGaA. Furthermore, Dr. Gerd Krick is the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. Dr. Dieter Schenk continues to be Chairman of the foundation board of the Else Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE as well as limited shareholder of Fresenius SE & Co. KGaA, and co-executor of the estate of Ms. Else Kröner. Dr. Gerd Krick receives a pension from Fresenius SE & Co. KGaA due to his previous work on the Management Board of the Company. During the year under review, consulting or other service relationships between members of the Supervisory Board and the Company existed only in the case of Dr. Dieter Schenk, who was in the year under review a member of the Supervisory Board of the Company and of the Supervisory Board of Fresenius Medical Care Management AG, a member of the Supervisory Board of Fresenius Management SE and, at the same time, a partner of the law firm Noerr LLP. In the year under review, individual companies of the internationally operating law firm Noerr LLP acted for FMC AG & CO. KGAA and affiliated companies as legal advisor. The Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of

FMC AG & CO. KGAA have concerned themselves with each of the assignments in a detailed manner; moreover, the Supervisory Board dealt with the fee volume for the legal advice rendered by the law firm Noerr LLP in proportion to the fee volume for other law firms that rendered advice to the Company or its affiliated companies, respectively. As regards specific future mandates to be provided by law firm Noerr LLP and as regards the first three quarters of the year under review, the Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA have already given their consent to such activity, with Dr. Dieter Schenk abstaining from the vote. The resolutions were in each case passed on the basis of a written document for the Supervisory Board specifically stating each single mandate and the invoices rendered for each mandate. All payments rendered to the law firm Noerr LLP in the year under review were made only after the approval of both Supervisory Boards. Any services rendered in the fourth quarter of the year under review will be topic of the Supervisory Board's Meeting in March 2018 and will also be compensated only after the respective approval has been obtained.

In the year under review, an amount of approximately €2.7 M (excluding VAT) was paid by Fresenius Medical Care to the law firm Noerr LLP (2016: about €0.9 M). This represents less than 3% of the legal and other consultancy fees paid by Fresenius Medical Care on a global scale.

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 closely associated with the aforementioned persons shall notify the issuer of each transaction with shares in Fresenius Medical Care and additional related financial instruments conducted on their own account if the transaction volume reaches a total amount of €5,000 within a single year. The issuer is required to publish the respective information.

The managers' transactions undertaken in the year under review are, inter alia, published on our website at www.freseniusmedicalcare.com in the "Investors" section.

TRANSPARENCY OF REPORTING

Fresenius Medical Care meets all transparency requirements imposed by number 6 of the Code. 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 our corporate website play an essential role in these efforts. They provide investors and other interested persons equally with direct and timely access to the information 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 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, we comply with the regulations of Deutsche Börse and adhere to most of the recommendations of the German Corporate Governance Code. On the other hand, being a non-U.S. company (a foreign private issuer) we are subject to the regulations connected to our listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. We fully meet all of the current requirements applicable to our Company.

COMPENSATION REPORT

The Compensation Report of FMC AG & CO. KGAA summarizes the main elements of the compensation system for 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 remuneration of the Supervisory Board of the Company are described. The Compensation Report is part of the Management Report on the annual financial statements and the annual consolidated group financial statements of FMC AG & CO. KGAA as at December 31, 2017. The Compensation Report is prepared on the basis of the recommendations of the German Corporate Governance Code. 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 entire Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation 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 created from among the Supervisory Board of Fresenius Medical Care Management AG's members. The Human Resources Committee is composed of Mr. Stephan Sturm (Chairman), Dr. Gerd Krick (Vice Chairman), Mr. William P. Johnston, Dr. Dieter Schenk and Mr. Rolf A. Classon.

The current Management Board compensation system was approved by the General Meeting of FMC AG & CO. KGAA on May 12, 2016, and 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 consisted of three elements in the fiscal year:

- non-performance-based compensation (fixed compensation and fringe benefits),
- short-term performance-based compensation (one-year variable compensation [bonus]),
- components with long-term incentive effects (multi-year variable compensation comprised of share-based compensation with cash settlement and stock options).

I. Fixed compensation

The Management Board members receive a fixed amount as basic compensation. In Germany or Hong Kong, as the case may be, the fixed compensation is paid in twelve equal monthly instalments. To the extent the fixed compensation is paid to members of the Management Board in the U.S., payment is made in accordance with local customs in twenty-four equal installments.

Moreover, the members of the Management Board received additional benefits consisting mainly of payment 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 and reimbursement of certain other charges, 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 accruals have been set up therefore.

II. Performance-based compensation

Performance-based compensation is awarded 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 share-based compensation with cash settlement consist of the so-called Share Based Award, resulting as a deferral amount from the one-year variable compensation, as well as of Performance Shares, which are granted in the context of the Fresenius Medical Care Long-Term Incentive Plan 2016 (hereinafter: LTIP 2016). Under the Fresenius Medical Care Long-Term Incentive Program 2011 (hereinafter: LTIP 2011), replaced by the LTIP 2016, the members of the Management Board may under certain conditions also exercise stock options or share-based compensation with cash settlement already granted in the form of phantom stock granted. In addition, the Supervisory Board may grant a discretionary bonus for extraordinary performances.

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 common targets:

- net income growth,
- free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments) in percent of revenue,
- operating income margin.

The targets are weighted differently depending on the department of the Management Board or its functions. In the case of Messrs. Rice Powell and Michael Brosnan (both with corporate group functions) as well as Dr. Olaf Schermeier (Research & Development), the net income growth is weighted with 80%. In the case of Messrs. Ronald Kuerbitz (Management Board member until February 17, 2017), William Valle (Management Board member since February 17, 2017), Dominik Wehner (Management Board member until the end of December 31, 2017) and Harry de Wit (each of them being Management Board members with regional responsibility) as well as Mr. Kent Wanzek (Global Manufacturing & Quality), the net income growth is weighted with 60%. In the case of the members of the Management Board last named, the valuation of the operating margins contributes another 20%. The target free cash flow as a percentage of the sales revenues is uniformly measured with 20% for all members of the Management Board – see table 4.8.

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 net income growth to be achieved is taken into account up to a growth rate of 10%. The targets regarding the respective free cash flow as a percentage of revenues fall within a range of rates between 3% and 6% and are evaluated by within the Group or, as the case may be, in the relevant regions. For the benefit of Management Board members with regional responsibilities as well as for the benefit of the Management Board member responsible for Global Manufacturing & Quality, growth of regional operating income margins is compensated within individual targets ranging between 13 and 18.5%, reflecting the particularities of the respective regions and responsibilities – see table 4.9.

Multiplying the level of the respective overall target achievement by the respective fixed compensation and another fixed multiplier results in the total amount, of which a 75% share is paid out in cash to the Management Board members as one-year variable compensation after approval of the annual financial statements of FMC AG & CO. KGAA for the respective fiscal year. Since the maximum level of target achievement is set at 120%, the Management Board's maximum achievable one-year variable compensation is limited as regards to specific amounts.

The amount of cash compensation payments to members of the Management Board without components with long-term incentive effects for the fiscal year and the previous year can be found in table 4.10 on page 117.

The remaining share, amounting to 25% of the total amount calculated according to the key data above, is granted to the members of the Management Board in the form of the so-called Share Based Award, which is included in the compensation components with long-term incentive effects. The Share Based Award is subject to a three-year waiting period, although a shorter period may apply in special cases (e. g. professional incapacity, entry into retirement, non-renewal by the Company of expired service agreements). The amount of the cash payment of the

4.8 WEIGHTING OF TARGETS

	Net income growth	*Free cash flow in % of revenues*	*Operating margin (regional)*
Corporate group functions and/or Global Research & Development	80%	20%	–
Regional functions and/or Global Manufacturing & Quality	60%	20%	20%

4.9 TARGET VALUES

	Minimum (0% target achievement)	*Target achievement 100%*	*Maximum (120% target achievement)*
Net income growth	0%	8%	10%
Free cash flow *in % of revenues*	3%	5.71%	6%
Operating margin (regional)	Individual target corridors between 13 and 18.5%, depending on the respective responsibilities		

Share Based Award is based on the share price of FMC AG & CO. KGAA shares upon exercise after the waiting period.

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 acquired entitlements to Share Based Awards valued at €3,418 THOUS (2016: €3,281 THOUS). Based on the already fixed value, the allocation of the specific number of virtual shares made by the Supervisory Board takes place no sooner than March of the following year on the basis of the then current price conditions of the shares of FMC AG & CO. KGAA. This number will then serve as a multiplier for the share price on the relevant exercise date and, thus, as the basis for the determination of the payment of the relevant stock-based compensation after the end of the three-year waiting period.

The components with long-term incentive effects contain a limit option for the case of extraordinary developments.

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 LTIP 2016, as further performance-related components with a long-term incentive effect. The LTIP 2016 was approved in the fiscal year 2016 by the Supervisory Board upon recommendation of the Human Resources Committee and replaces the LTIP 2011. As of the end of 2015, no further stock options may be granted under the LTIP 2011. Performance Shares are virtual remuneration 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 the company's share price. The LTIP 2016 stipulates that the Management Board members may be granted Performance Shares once or twice a year in the years 2016 to 2018. For the members of the Management Board, the Supervisory Board determines, after due consideration and taking into account the responsibilities and performances 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 is divided by the applicable fair value of a Performance Share at the grant date, 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, whereby the total loss of all granted Performance Shares as well as a doubling (at most) of that number is 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

4.10 AMOUNT OF CASH PAYMENTS

in € THOUS

	Non-performance related compensation				*Short-term performance related compensation*		*Cash compensation (without long-term incentive components)*	
	Fixed compensation		*Other benefits*[1]		*Bonus*			
	2017	*2016*[2]	***2017***	*2016*[2]	***2017***	*2016*[2]	***2017***	*2016*[2]
Management Board members serving as of December 31, 2017								
Rice Powell	1,217	1,242	173	121	2,297	2,403	3,687	3,766
Michael Brosnan	735	696	134	194	1,315	1,300	2,184	2,190
Dr. Olaf Schermeier	490	450	134	83	970	891	1,594	1,424
William Valle[3]	721	–	88	–	1,291	–	2,100	–
Kent Wanzek	575	539	85	112	1,085	1,054	1,745	1,705
Dominik Wehner[4]	425	406	38	37	732	804	1,195	1,247
Harry de Wit[3]	480	360	321	213	950	713	1,751	1,286
Former members of the Management Board who resigned during the fiscal years 2017 or 2016[5]								
Ronald Kuerbitz	109	845	43	19	–	1,476	152	2,340
Roberto Fusté	–	145	–	73	–	–	–	218
▸ **TOTAL**	**4,752**	**4,683**	**1,016**	**852**	**8,640**	**8,641**	**14,408**	**14,176**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

[3] *Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. William Valle has been appointed as member of the Management Board only with effect as of February 17, 2017 and Mr. Harry de Wit with effect as of April 1, 2016 and, therefore, they have received compensation payments to be set out herein only as of such date.*

[4] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017.*

[5] *Mr. Ronald Kuerbitz resigned from the Management Board with effect as of February 17, 2017 and Mr. Roberto Fusté with effect as of March 31, 2016.*

was made. The above-mentioned number of Performance Shares is then multiplied by the average price of the Company's shares during a thirty-day period prior to the expiration of this 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 on the basis of the three performance targets (I) revenue growth, (II) annual growth of the net income attributable to the shareholders of FMC AG & CO. KGAA (net income growth) as well as (III) increase of the return on invested capital (Return on Invested Capital (ROIC)). The target corridors and targets can be found in table 4.11.

Upon the introduction of the LTIP 2016, the initial ROIC target for the year 2016 was set at 7.3% and, on this basis, increases by 0.2 percentage points each year. Consequently, the ROIC target for 2017 is 7.5% and will increase to 7.7% (2018), 7.9% (2019) and 8.1% (2020) in subsequent years. For each revenue growth and/or any net income growth and 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 an assessment 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 respective assessment 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 mean of these three average yearly target achievements. The overall target achievement can lie in a corridor between 0 and 200%.

The number of Performance Shares granted to the Management Board members at the beginning of the performance period is multiplied by the percentage of the overall target achievement in order to determine the final number of Performance Shares that form the basis of the cash compensation under the LTIP 2016 as described above.

In the course of the fiscal year, a total of 614,985 Performance Shares (2016: 642,349) were granted to all eligible participants under the LTIP 2016. This includes 73,746 Performance Shares (2016: 79,888) with a total value of €5,474 THOUS (2016: €6,170 THOUS), which were granted to the members of the Management Board. The relevant fair value of the Performance Shares issued in July of the fiscal year amounted on the grant date to €75.12 (2016: €76.80) for grants in euro (applies to Messrs. Dr. Olaf Schermeier, Harry de Wit, Dominik Wehner) and to $86.39 (2016: $85.06) for grants in U.S. dollars (applies to Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek). By the end of the fiscal year, the Management Board members being in office on December 31, 2017, held a total of 150,993 Performance Shares (2016: 79,888).

For the fiscal year, the value of the share-based compensation with cash settlement issued to the members of the Management Board in each case, is shown respectively compared to the previous year, in the table 4.12 on page 119.

4.11 TARGET CORRIDORS AND TARGETS

	Growth/increase	*Target achievement*	*Weight*
Performance target 1: Revenue growth	≤ 0%	0%	1/3
	7%	100%	
	≥ 16%	200%	
Performance target 2: Net income growth	≤ 0%	0%	1/3
	7%	100%	
	≥ 14%	200%	
Performance target 3: ROIC level against target ROIC	0.2 percentage points below target ROIC	0%	1/3
	target ROIC	100%	
	0.2 percentage points above target ROIC	200%	

The components with long-term incentive effect entitle to a cash payment or can be exercised only after the expiration of 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 4.13.

4.12 LONG-TERM INCENTIVE COMPONENTS

in € THOUS

	Share-based compensation with cash settlement[1]	
	2017	*2016*[2]
Management Board members serving as of December 31, 2017		
Rice Powell	2,247	2,415
Michael Brosnan	1,290	1,306
Dr. Olaf Schermeier	1,039	1,072
William Valle	1,265	–
Kent Wanzek	1,060	1,120
Dominik Wehner[3]	960	1,043
Harry de Wit	1,033	1,013
Former members of the Management Board who resigned during the fiscal years 2017 or 2016[4]		
Ronald Kuerbitz	–	1,482
Roberto Fusté	–	–
▸ **TOTAL**	**8,894**	**9,451**

[1] *This includes Performance Shares pursuant to the LTIP 2016 as well as Share Based Award granted to the Management Board members during the 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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*
[3] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017.*
[4] *Mr. Ronald Kuerbitz resigned from the Management Board with effect as of February 17, 2017 and Mr. Roberto Fusté with effect as of March 31, 2016.*

4.13 EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS

in € THOUS

	Stock options		*Share-based compensation with cash settlement*[1]		*Share-based compensation*	
	2017	*2016*	***2017***	*2016*	***2017***	*2016*
Management Board members serving as of December 31, 2017						
Rice Powell	957	593	1,960	668	2,917	1,261
Michael Brosnan	174	605	639	726	813	1,331
Dr. Olaf Schermeier	385	190	1,058	401	1,443	591
William Valle[2]	–	–	121	–	121	–
Kent Wanzek	398	288	1,131	398	1,529	686
Dominik Wehner[3]	718	169	3,965	376	4,683	545
Harry de Wit[2]	–	–	596	122	596	122
Former members of the Management Board who resigned during the fiscal years 2017 or 2016[4]						
Ronald Kuerbitz[5]	(438)	190	(852)	494	(1,290)	684
Roberto Fusté	–	887	–	1,014	–	1,901
▸ **TOTAL**	**2,194**	**2,922**	**8,618**	**4,199**	**10,812**	**7,121**

[1] *This includes expenses for Performance Shares under the LTIP 2016, expenses for phantom stocks 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 Mr. William Valle has been appointed as member of the Management Board only with effect as of February 17, 2017 and Mr. Harry de Wit with effect as of April 1, 2016 and, therefore, they have received compensation payments to be set out herein only as of such date.*
[3] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017. The expenses for long-term incentive components result from the compensation components granted to Mr. Dominik Wehner under the LTIP 2011, the LTIP 2016 and the Share Based Award which must be paid or can be exercised, as the case may be, by the relevant regular vesting date pursuant to the applicable conditions.*
[4] *Mr. Ronald Kuerbitz resigned from the Management Board with effect as of February 17, 2017 and Mr. Roberto Fusté with effect as of March 31, 2016.*
[5] *Following Mr. Ronald Kuerbitz's resignation from the Management Board, no further expenses arose in the fiscal year just ended. The negative amounts result from the cancelation, without substitution, of all Share Based Awards granted and not vested by February 17, 2017, all multi-year variable compensation components granted under the LTIP 2011 not vested by February 17, 2017 pursuant to the conditions of the LTIP 2011 and all Performance Shares granted under the LTIP 2016.*

Focus on sustainable corporate development

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 shall be reduced accordingly. The Share Based Award is increased correspondingly. This shall ensure that the compensation structure is always oriented towards a sustainable corporate development.

Stock options and phantom stock

Until the end of the fiscal year 2015 grants under the LTIP 2011, which consisted of the Stock Option Plan 2011 and the Phantom Stock 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, the members of the Management Board may exercise stock options or phantom stock, which have already been granted, taking into consideration the blackout periods applicable to the exercise of such instruments, 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.

Under the LTIP 2011, a combination of stock options and phantom stock awards was granted to the participants. The number of stock options and phantom stock awards to be granted to the members of the Management Board was determined by the Supervisory Board in its reasonable discretion. In principle, all members of the Management Board were entitled to receive the same number of stock options and phantom stock awards, whereas the Chairman of the Management Board is entitled to receive double the granted quantity. At the time of the grant, the members of the Management Board were entitled to choose a ratio based on the value of the stock options vs. the value of phantom stock awards in a range between 75:25 and 50:50.

Stock options may be exercised within four years and phantom stock awards within one year after the expiration of the waiting period. For Management Board members who are U.S. taxpayers specific conditions apply with respect to the exercise period of phantom stock awards.

The success target for stock options and phantom stock is achieved in each case if, during the waiting period, either the adjusted basic income per share increases by at least 8% per annum in comparison to the previous year in each case or – if this is not the case – the compounded annual growth rate of the adjusted basic income per share during the four years of the waiting period reflects an increase of at least 8% per annum. Deviating from this, the success target

4.14 DEVELOPMENT AND STATUS OF THE STOCK OPTIONS

	Options outstanding January 1, 2017		*Options exercisable December 31, 2017*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	344,793	60.89	60,693	52.76
Michael Brosnan	199,200	58.84	37,350	53.00
Dr. Olaf Schermeier	96,488	63.88	9,338	49.76
William Valle	60,000	64.16	15,000	52.73
Kent Wanzek	131,970	65.10	37,350	53.00
Dominik Wehner	109,344	61.75	9,690	53.12
Harry de Wit	–	–	–	–
▸ **TOTAL**	**941,795**	**61.66**	**169,421**	**52.72**

	Options exercised during the fiscal year			*Options outstanding December 31, 2017*			
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*	*Number*	*Weighted average exercise price in €*	*Weighted average remaining contractual life in years*	*Range of exercise prices in €*
Rice Powell	60,000	42.68	84.45	284,793	64.73	4.64	49.76–76.99
Michael Brosnan	49,800	42.68	85.06	149,400	64.23	4.51	49.76–76.99
Dr. Olaf Schermeier	–	–	–	96,488	63.88	4.99	49.76–76.99
William Valle	–	–	–	60,000	64.16	4.56	49.76–76.99
Kent Wanzek	–	–	–	131,970	65.10	4.46	49.76–76.99
Dominik Wehner	12,504	43.02	84.69	96,840	64.17	4.86	49.76–76.99
Harry de Wit	–	–	–	–	–	–	–
▸ **TOTAL**	**122,304**	**42.71**	**84.72**	**819,491**	**64.49**	**4.65**	**49.76–76.99**

for phantom stock granted in the fiscal year 2015 is also achieved if under the global efficiency program an amount of $200 M has been saved until the end of the fiscal year 2015 and, until the end of the fiscal years 2016 to 2018, an amount of $300 M is saved, each in comparison to January 1, 2013, and also the respective group target for fiscal years 2015 to 2018 – each as expected and communicated – have been achieved and confirmed by the auditor. If with regard to any reference year or more than one of the four reference years within the waiting period neither the adjusted basic income per share increases by at least 8% per annum in comparison to the previous year nor the compounded annual growth rate of the adjusted basic income per share during the four years of the waiting period reflects an increase of at least 8% per annum, the stock options and phantom stock awards subject to such waiting period are cancelled to such proportion to which the success target was not achieved within the waiting period, i. e. in the proportion of 25% for each year in which the target is not achieved within the waiting period, up to 100%; this principle of proportional cancelation also applies to the additional success target for phantom stock as resolved by the Supervisory Board in the fiscal year 2015.

At the end of the fiscal year, the members of the Management Board held a total of 819,491 stock options originating from the Stock Option Plan 2011. By the end of the previous fiscal year, the members of the Management Board held a total of 1,010,784 stock options originating from the Stock Option Plan 2011 and the Stock Option Plan 2006, which did not exist anymore at the end of the current fiscal year. For details regarding the conditional capital used to secure the Stock Option Plan 2011, please see the "Conditional capital" section of the notes starting on page 183. Moreover, the Management Board members held, by the end of the fiscal year, a total of 73,432 phantom stock (2016: 81,019) pursuant to the Phantom Stock Plan 2011.

The development and status of stock options of the members of the Management Board serving at December 31 of the fiscal year in the fiscal year are shown in table 4.14 on page 120.

III. Total compensation

The amount of the total compensation of the Management Board for the fiscal year and for the previous year is as shown in table 4.15.

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 Management Board members Mr. Rice Powell, Mr. Michael Brosnan, Mr. Ronald Kuerbitz (Management Board member until February 17, 2017), Dr. Olaf Schermeier, Mr. Kent Wanzek and Mr. Dominik Wehner (Management Board member until the end of December 31, 2017) have been entered into 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 as of the time of conclusively ending active work, at age 65 at the earliest or upon

4.15 TOTAL COMPENSATION

in € THOUS

	Cash compensation (without long-term incentive components)		*Cash compensation (without long-term incentive components)*		*Total compensation (including long-term incentive components)*	
	2017	*2016*[1]	***2017***	*2016*[1]	***2017***	*2016*[1]
Management board members serving as of December 31, 2017						
Rice Powell	3,687	3,766	2,247	2,415	5,934	6,181
Michael Brosnan	2,184	2,190	1,290	1,306	3,474	3,496
Dr. Olaf Schermeier	1,594	1,424	1,039	1,072	2,633	2,496
William Valle	2,100	–	1,265	–	3,365	–
Kent Wanzek	1,745	1,705	1,060	1,120	2,805	2,825
Dominik Wehner[2]	1,195	1,247	960	1,043	2,155	2,290
Harry de Wit	1,751	1,286	1,033	1,013	2,784	2,299
Former members of the Management Board who resigned during the fiscal years 2017 or 2016[3]						
Ronald Kuerbitz	152	2,340	–	1,482	152	3,822
Roberto Fusté	–	218	–	–	–	218
▸ **TOTAL**	**14,408**	**14,176**	**8,894**	**9,451**	**23,302**	**23,627**

[1] *Please note for purposes of comparison between the amounts indicated with the amounts indicated for the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

[2] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017.*

[3] *Mr. Ronald Kuerbitz resigned from the Management Board with effect as of February 17, 2017 and Mr. Roberto Fusté with effect as of March 31, 2016.*

occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), however, calculated by reference to the amount of the recipient's most recent base salary.

The retirement pension will be based on 30% of the last fixed compensation 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 obligation. Any amounts to which the Management Board members or their surviving dependents, respectively, are entitled from other company pension rights of the Management Board member, even from service agreements with other companies, are 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 spousal pension together reach a maximum of 90% of the Management Board member's pension, however. If a Management Board member leaves the Management Board of Fresenius Medical Care Management AG before reaching the age of 65, except in the event of a disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid is reduced in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching the age of 65.

Based on individual contractual commitments, Management Board members Mr. Rice Powell, Mr. Michael Brosnan, Mr. William Valle (Management Board member as of February 17, 2017) and Mr. 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 $8,100.00 (2016: $7,950.00) were earned in the fiscal year in each case and allocated in January 2018 to the Management Board members 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 hereby with contributions of up to 50% of the yearly made payments.

Furthermore, the Management Board members Mr. Rice Powell, Mr. Michael Brosnan and Mr. Ronald Kuerbitz (Management Board member until February 17, 2017) 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.

From the time of his previous employment activities for Fresenius Medical Care Deutschland GmbH, a pension commitment existed for Management Board member Mr. Dominik Wehner (Management Board member until the end of December 31, 2017). This pension commitment was based on the Fresenius companies' pension scheme of January 1, 1988 and provides old-age pensions, disability pensions and surviving dependents' pensions. As a result of his service agreement with Fresenius Medical Care Management AG, the latter initially assumed this pension commitment and continued the commitment on the basis of Mr. Wehner's compensation as Management Board member. In the fiscal year 2017 this pension commitment was fully replaced by the individual contractual pension commitment by Fresenius Medical Care Management AG, as described before.

Additions to pension provisions in the fiscal year for Management Board members serving as of December 31 amounted to €212 THOUS (2016: €4,035 THOUS). The pension commitments are shown in the table 4.16.

A post-employment non-competition covenant was agreed upon with all Management Board members. If such covenant becomes applicable, the Management Board members receive compensation amounting to half of their respective annual fixed compensation for each year of respective application of the non-competition covenant, up to a maximum

4.16 DEVELOPMENT AND STATUS OF PENSION COMMITMENTS

in € THOUS

	As of January 1, 2017	*Increase*	*As of December 31, 2017*
Rice Powell	10,272	(268)	10,004
Michael Brosnan	4,984	669	5,653
Dr. Olaf Schermeier	575	189	764
William Valle	–	–	–
Kent Wanzek	2,761	282	3,043
Dominik Wehner[1]	2,949	(660)	2,289
Harry de Wit	–	–	–
▸ **TOTAL**	**21,541**	**212**	**21,753**

[1] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017.*

of two years. The employment contracts of the Management Board members contain no express provisions that are triggered by a change of control of the Company.

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 12 months, although after six months of sick leave, insurance benefits may be set off against such payments. If a Management Board member dies, the surviving dependents will be paid three more monthly instalments after the month of death, not to exceed, however, the amount due between the time of death and the scheduled expiration of the agreement.

Mr. Dominik Wehner, who was a member of the Management Board until the end of December 31, 2017, receives all compensation components he is entitled to for the fiscal year. 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 Mr. Dominik Wehner will receive annual basic compensation of €425 THOUS and an annual bonus of 30% of his basic compensation. 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 €42 THOUS p. a. The compensation components granted to Mr. Dominik Wehner under the LTIP 2011, the LTIP 2016 and the Share Based Award must be paid or can be exercised, as the case may be, by the relevant regular vesting date pursuant to the applicable conditions. Except for the Share Based Award for 2017, Mr. Dominik Wehner will no longer be granted any components with long-term incentive effects as of the fiscal 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.

In the fiscal year 2017, Mr. Ronald Kuerbitz, who was a member of the Management Board until February 17, 2017, received fixed compensation in the amount of €109 THOUS and fringe benefits in the amount of €43 THOUS. For the fiscal year 2017, Mr. Ronald Kuerbitz was not granted any one-year or multi-year variable compensation components. The long-term compensation components in the amount of €977 THOUS granted on the basis of the Stock Option Plan 2006 and the LTIP 2011 and vested by February 17, 2017 pursuant to the applicable conditions were fully paid to him in the fiscal year 2017. All Share Based Awards granted and not vested by February 17, 2017 and all multi-year variable compensation components granted under the LTIP 2011 and not vested by February 17, 2017 and all Performance Shares granted under the LTIP 2016 have been cancelled without substitution. As of February 17, 2017 and for a maximum period of two years, Mr. Ronald Kuerbitz receives annual non-compete compensation of €538 THOUS for the post-employment non-compete obligation agreed. In addition, Mr. Ronald Kuerbitz received one-off compensation of €852 THOUS which had been agreed with him in the context of his resignation from the Management Board of the General Partner. The payment of this compensation is linked to the successful completion of various projects, part of which have not yet been completed as at the time of the agreement, and thus ensures that Mr. Ronald Kuerbitz's involvement even after his resignation from the Management Board. It was also agreed with him that, after the end of his service agreement, he acts as advisor to National Medical Care, Inc. as of August 14, 2017 until the end of August 13, 2018. The consideration to be granted for such services (including reimbursement of expenses) amounts to €55 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 €122 THOUS per year. The type and amount of the benefits granted and allocations made in favor of Mr. Ronald Kuerbitz during the fiscal year just ended are shown in the tables 4.21 and 4.22 starting on page 127.

Mr. Roberto Fusté, who was a member of the Management Board until March 31, 2016, received pension payments in the amount of approximately €239 THOUS (2016: €0 THOUS) in the fiscal year. On the occasion of the termination of his service agreement 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 received non-compete compensation of €377 THOUS and an advisory fee in the amount of €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 €338 THOUS (2016: €338 THOUS) without any fringe benefits during the fiscal year (2016: €7 THOUS). On the occasion of the termination of his service agreement as a member of the Management Board effective as of April 30, 2015, a two-year post-employment non-compete obligation was agreed upon with Prof. Emanuele Gatti. As compensation for this, Prof. Emanuele Gatti received annual non-compete compensation in the amount of €488 THOUS. In the fiscal year Prof. Gatti received partial non-compete compensation in the amount of €163 THOUS (2016: €488 THOUS).

As agreed, Dr. Rainer Runte, who was a member of the Management Board until March 31, 2014, did not receive any annual non-compete compensation in the fiscal year for his post-contractual non-compete

obligation, since it was not effective anymore in the fiscal year (2016: €486 THOUS). A consulting agreement was entered into with Dr. Rainer Runte for the period beginning March 1, 2017 which term meanwhile has been extended until March 31, 2018. By this consulting agreement, Dr. Rainer Runte will provide consulting services on certain fields. The annual consideration to be granted by Fresenius Medical Care Management AG for such services amounts to €165 THOUS for the fiscal year.

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, 2022; meanwhile, the term of this agreement has been reduced in the fiscal year 2017 to December 31, 2021. By this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame as well as complying with a non-compete covenant. The annual consideration to be granted by Fresenius Medical Care Management AG for such services (including reimbursement of expenses) amounts for the fiscal year to €580 THOUS (2016: €585 THOUS). The present value of this agreement (including pension payments for the surviving spouse in case of death) amounts to €1,996 THOUS (2016: €3,357 THOUS) as at December 31 of the fiscal year.

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

The payments to U.S. Management Board members Mr. Rice Powell, Mr. Michael Brosnan and Mr. Kent Wanzek were paid in part in the U.S. (in U.S. dollar) and in part in Germany (in euro). For the part paid in Germany, the Company has agreed that due to varying tax rates in both countries, the increased tax burden to such Management Board members arising from German tax rates in comparison to U.S. tax rates will be balanced (net compensation). Pursuant to a modified net compensation agreement, these Management Board members will be treated as if they were taxed in their home country, the United States, only. Therefore, the gross amounts may be retroactively changed. Since the actual tax burden can only be calculated 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, if such claims exceed their liability under German law. To secure such obligations, the Company has concluded a Directors & Officers liability insurance with an excess in compliance with the specifications according to German stock corporation law. The indemnity covers each member of the Management Board during their respective term on the Management Board and also for claims that arise in connection therewith after the respective termination of their term.

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 €21,930 THOUS (2016: €20,469 THOUS), of which €2,409 THOUS were attributable to Mr. Ronald Kuerbitz.

VI. Tables of the value of benefits granted and of the allocation

The German Corporate Governance Code provides that the compensation report shall include information for each member of the Management Board on the benefits granted and allocations made 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 4.17 to 4.22 starting on page 125 include information on the value of benefits granted as well as on the allocations made. They adhere to the structure and, to the greatest extent possible, the standards of the model tables of the German Corporate Governance Code.

4.17 BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2017

in € THOUS

	Rice Powell *Chairman of the Management Board Member of the Management Board since December 21, 2005*[2]				Michael Brosnan *Chief Financial Officer Member of the Management Board since January 1, 2010*			
	2017	**2017** *Minimum*	**2017** *Maximum*	*2016*[3]	**2017**	**2017** *Minimum*	**2017** *Maximum*	*2016*[3]
Fixed compensation	1,217	1,217	1,217	1,242	735	735	735	696
Fringe benefits[1]	173	173	173	121	134	134	134	194
▸ TOTAL NON-PERFORMANCE-BASED COMPENSATION	**1,390**	**1,390**	**1,390**	**1,363**	**869**	**869**	**869**	**890**
One-year variable compensation	2,008	166	2,410	2,050	1,212	110	1,455	1,148
Multi-year variable compensation/components with long-term incentive effects	2,247	–	n.a.	2,415	1,289	–	n.a.	1,306
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	916	–	n.a.	877	624	–	n.a.	537
thereof LTIP 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	1,331	–	n.a.	1,538	665	–	n.a.	769
▸ TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION	**5,645**	**1,556**	**n.a.**	**5,828**	**3,370**	**979**	**n.a.**	**3,344**
Pension expense	773	773	773	741	694	694	694	666
▸ VALUE OF BENEFITS GRANTED	**6,418**	**2,329**	**n.a.**	**6,569**	**4,064**	**1,673**	**n.a.**	**4,010**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[2] *The indicated date refers to the appointment as member of the Management Board of the General Partner.*

[3] *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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

4.18 BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2017

in € THOUS

	Dr. Olaf Schermeier *Member of the Management Board for Global Research and Development Member of the Management Board since March 1, 2013*				William Valle *Member of the Management Board for North America Member of the Management Board since February 17, 2017*			
	2017	**2017** *Minimum*	**2017** *Maximum*	*2016*[2]	**2017**	**2017** *Minimum*	**2017** *Maximum*	*2016*[2]
Fixed compensation	490	490	490	450	721	721	721	–
Fringe benefits[1]	134	134	134	83	88	88	88	–
▸ TOTAL NON-PERFORMANCE-BASED COMPENSATION	**624**	**624**	**624**	**533**	**809**	**809**	**809**	**–**
One-year variable compensation	809	74	970	743	1,190	108	1,428	–
Multi-year variable compensation/components with long-term incentive effects	1,039	–	n.a.	1,072	1,265	–	n.a.	–
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	323	–	n.a.	297	600	–	n.a.	–
thereof LTIP 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	716	–	n.a.	775	665	–	n.a.	–
▸ TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION	**2,472**	**698**	**n.a.**	**2,348**	**3,264**	**917**	**n.a.**	**–**
Pension expense	204	204	204	151	–	–	–	–
▸ VALUE OF BENEFITS GRANTED	**2,676**	**902**	**n.a.**	**2,499**	**3,264**	**917**	**n.a.**	**–**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

4.19 BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2017

in € THOUS

	Kent Wanzek *Member of the Management Board for Global Manufacturing & Quality Member of the Management Board since January 1, 2010*				Dominik Wehner[3] *Member of the Management Board for EMEA Member of the Management Board since April 1, 2014*			
	2017	**2017** Minimum	**2017** Maximum	2016[2]	**2017**	**2017** Minimum	**2017** Maximum	2016[2]
Fixed compensation	575	575	575	539	425	425	425	406
Fringe benefits[1]	85	85	85	112	38	38	38	37
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**660**	**660**	**660**	**651**	**463**	**463**	**463**	**443**
One-year variable compensation	949	86	1,139	890	701	64	842	670
Multi-year variable compensation/components with long-term incentive effects	1,059	–	n.a.	1,120	960	–	n.a.	1,043
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	394	–	n.a.	351	244	–	n.a.	268
thereof LTIP 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	665	–	n.a.	769	716	–	n.a.	775
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**2,668**	**746**	**n.a.**	**2,661**	**2,124**	**527**	**n.a.**	**2,156**
Pension expense	402	402	402	379	146	146	146	98
▸ **VALUE OF BENEFITS GRANTED**	**3,070**	**1,148**	**n.a.**	**3,040**	**2,270**	**673**	**n.a.**	**2,254**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

[3] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017.*

4.20 BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2017

in € THOUS

	Harry de Wit *Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016*			
	2017	**2017** Minimum	**2017** Maximum	2016[2]
Fixed compensation	480	480	480	360
Fringe benefits[1]	321	321	321	213
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**801**	**801**	**801**	**573**
One-year variable compensation	792	72	950	594
Multi-year variable compensation/components with long-term incentive effects	1,033	–	n.a.	1,013
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	317	–	n.a.	238
thereof LTIP 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	716	–	n.a.	775
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**2,626**	**873**	**n.a.**	**2,180**
Pension expense	–	–	–	–
▸ **VALUE OF BENEFITS GRANTED**	**2,626**	**873**	**n.a.**	**2,180**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

4.21 BENEFITS GRANTED TO FORMER MEMBERS OF THE MANAGEMENT BOARD WHO RETIRED IN FISCAL YEAR 2017

in € THOUS

	Ronald Kuerbitz *Member of the Management Board for North America* *Member of the Management Board until February 17, 2017*			
	2017	***2017*** *Minimum*	***2017*** *Maximum*	*2016*[2]
Fixed compensation	109	109	109	845
Fringe benefits[1]	43	43	43	19
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**152**	**152**	**152**	**864**
One-year variable compensation	1,366	124	1,639	1,394
Multi-year variable compensation/components with long-term incentive effects	–	–	n.a.	1,482
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	–	–	n.a.	713
thereof LTIP 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	–	–	n.a.	769
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**1,518**	**276**	**n.a.**	**3,740**
Pension expense	797	797	797	751
▸ **VALUE OF BENEFITS GRANTED**	**2,315**	**1,073**	**n.a.**	**4,491**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

4.22 ALLOCATIONS

in € THOUS

	Serving members of the Management Board as of December 31, 2017					
	Rice Powell *Chairman of the Management Board* *Member of the Management Board since December 21, 2005*[2]		**Michael Brosnan** *Chief Financial Officer* *Member of the Management Board since January 1, 2010*		**Dr. Olaf Schermeier** *Member of the Management Board for Global Research and Development* *Member of the Management Board since March 1, 2013*	
	2017	*2016*[3]	***2017***	*2016*[3]	***2017***	*2016*[3]
Fixed compensation	1,217	1,242	735	696	490	450
Fringe benefits[1]	173	121	134	194	134	83
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**1,390**	**1,363**	**869**	**890**	**624**	**533**
One-year variable compensation	2,297	2,403	1,315	1,300	970	891
Multi-year variable compensation/components with long-term incentive effects	2,787	3,273	2,288	2,006	130	–
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period						
Grant 2012	–	598	–	376	–	–
Grant 2013	205	–	126	–	72	–
thereof Stock Option Plan 2006 7-year term/3-year vesting period						
Grant 2009	–	2,043	–	1,506[6]	–	–
Grant 2010	2,506	446	2,111	–	–	–
thereof LTIP 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period						
Grant 2011	–	186	–	124	–	–
Grant 2012	76	–	51	–	–	–
Grant 2013	–	–	–	–	58	–
Other	–	–	–	–	–	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**6,474**	**7,039**	**4,472**	**4,196**	**1,724**	**1,424**
Pension expense	773	741	694	666	204	151
▸ **ALLOCATION**	**7,247**	**7,780**	**5,166**	**4,862**	**1,928**	**1,575**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, 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) as well as other benefits in kind and fringe benefits, also in case accruals have been set up therefore.*

[2] *The indicated date refers to the appointment as member of the Management Board of the General Partner.*

[3] *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 (Dr. Olaf Schermeier, Dominik Wehner and Harry de Wit) or U.S. dollar (Rice Powell, Michael Brosnan, William Valle, Kent Wanzek and Ronald Kuerbitz).*

[4] *Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017.*

	Serving members of the Management Board as of December 31, 2017								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 Member of the Management Board since January 1, 2010*		**Dominik Wehner**[4] *Member of the Management Board for EMEA Member of the Management Board since April 1, 2014*		**Harry de Wit** *Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016*		**Ronald Kuerbitz**[5] *Member of the Management Board for North America Member of the Management Board until February 17, 2017*	
	2017	*2016*[3]	***2017***	*2016*[3]	***2017***	*2016*[3]	***2017***	*2016*[3]	***2017***	*2016*[3]
	721	–	575	539	425	406	480	360	109	845
	88	–	85	112	38	37	321	213	43	19
	809	**–**	**660**	**651**	**463**	**443**	**801**	**573**	**152**	**864**
	1,291	–	1,085	1,054	732	804	950	713	–	1,476
	20	–	218	2,437	536	346	–	–	–	100
	–	–	–	314	–	–	–	–	–	–
	–	–	167	–	–	–	–	–	–	–
	–	–	–	–	–	316[6]	–	–	–	–
	–	–	–	1,999	521[6]	–	–	–	–	–
	–	–	–	124	–	30[6]	–	–	–	100[6]
	20[6]	–	51	–	15[6]	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	2,120	**–**	**1,963**	**4,142**	**1,731**	**1,593**	**1,751**	**1,286**	**152**	**2,440**
	–	–	402	379	146	98	–	–	797	751
	2,120	**–**	**2,365**	**4,521**	**1,877**	**1,691**	**1,751**	**1,286**	**949**	**3,191**

[5] *Mr. Ronald Kuerbitz resigned from the Management Board with effect as of February 17, 2017. In addition to the indicated compensation, Mr. Ronald Kuerbitz received multi-year variable compensation in the fiscal year which was granted prior to his appointment to the Management Board but was allocated to him only after his resignation from the Management Board (Stock Option Plan 2006 – Grant 2010 (Allocation: €348, fair value at grant: €81), LTIP 2011 – Stock Option Plan 2011 – Grant 2011 (Allocation: €382, fair value at grant: €403), LTIP 2011 – Stock Option Plan 2011 – Grant 2012 (Allocation: €208; fair value at grant: €380) und LTIP 2011 – Phantom Stock Plan 2011 – Grant 2012 (Allocation: €39, fair value at grant: €116).*

[6] *The indicated amounts are allocations from multi-year variable compensation which have been granted to the respective members of the Management Board prior to their appointment to the Management Board: Michael Brosnan (Stock Option Plan 2006 – Grant 2006 – fair value at grant €252), William Valle (LTIP 2011 – Phantom Stock Plan 2011 – Grant 2012 – fair value at grant €58), Dominik Wehner (Stock Option Plan 2006 – Grant 2009 – fair value at grant €56, Stock Option Plan 2006 – Grant 2010 – fair value at grant €105, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2011 – fair value at grant €41, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2012 – fair value at grant €41), Ronald Kuerbitz (LTIP 2011 – Phantom Stock Plan 2011 – Grant 2011 – fair value at grant €130).*

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the FMC AG & CO. KGAA Supervisory Board is set out in clause 13 of the Articles of Association. The Annual General Meeting resolved on May 12, 2016 to adjust the amount of the fixed compensation of the Supervisory Board with effect as of January 1, 2017.

Each Supervisory Board member receives a fixed salary of $88 THOUS (2016: $80 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 (2016: $80 THOUS) and his deputy additional compensation of $44 THOUS (2016: $40 THOUS) per respective complete fiscal year.

In addition, each member of the Supervisory Board shall also receive as a variable performance-related compensation component an additional remuneration which is based upon the respective average growth in basic earnings per share of the Company (EPS) during the period of the last three fiscal years prior to the payment date (3-year average EPS growth). The amount of the variable performance-related remuneration component 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 growth of 10.00% or more. If the aforementioned targets are reached, the respective variable remuneration amounts are earned to their full extent, i. e. within these margins there is no pro rata remuneration. In any case, this component is limited to a maximum 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 the approval of the Company's annual financial statements for the respective fiscal year. For the fiscal year 2017, the 3-year average EPS growth for the fiscal years 2015, 2016 and 2017 was relevant.

In application of the principles above, for the previous year the entitlement to a payment of variable performance-related compensation of $587 THOUS (2016: $0) was achieved.

As a member of a committee, a Supervisory Board member of FMC AG & CO. KGAA additionally annually receives $44 THOUS (2016: $40 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 (2016: $20 THOUS and $10 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 deputy chairmen, no separate remuneration shall be granted to the members of the Supervisory Board. In accordance with section 13 e 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 be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG at the same time, and receive compensation for his work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a 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 his deputy, to the extent that they are at the same time chairman and deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy chairman of the 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 deputy chairman of the FMC AG & CO. KGAA Supervisory Board to this extent.

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 their exercise of their offices, which also include the applicable VAT.

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 4.23 on page 131.

4.23 COMPENSATION OF THE SUPERVISORY BOARD

in € THOUS[1]

	Fixed compensation for Supervisory Board at				*Compensation for committee services at*				*Non-performance related compensation*	
	FMC Management AG		*FMC AG & Co. KGaA*		*FMC Management AG*		*FMC AG & Co. KGaA*			
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
Dr. Gerd Krick	39	36	117	108	58	54	39	40	253	238
Stephan Sturm[2]	156	82	–	–	68	16	–	4	224	102
Rolf A. Classon	39	36	39	36	117	89	49	32	244	193
Rachel Empey[3]	26	–	–	–	–	–	–	–	26	–
William P. Johnston	39	36	39	36	107	103	58	51	243	226
Deborah Doyle McWhinney[4]	–	–	78	46	–	–	39	23	117	69
Dr. Dieter Schenk	58	54	58	54	97	74	–	–	213	182
Pascale Witz[5]	–	–	78	46	–	–	–	–	78	46
Dr. Ulf M. Schneider[6]	–	72	–	–	–	32	–	–	–	104
Dr. Walter L. Weisman[7]	–	14	–	14	–	16	–	20	–	64
Prof. Dr. Bernd Fahrholz[8]	–	–	–	26	–	–	–	16	–	42
▸ **TOTAL**	**357**	**330**	**409**	**366**	**447**	**384**	**185**	**186**	**1,398**	**1,266**

[1] *Shown without VAT and withholding tax, translation of U.S. dollar amounts at respective average exchange rates for the respective year.*

[2] *Chairman of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. Stephan Sturm was appointed as member of the Supervisory Board of FMC Management AG as of May 11, 2016, and as Chairman as of June 30, 2016. He was elected as member and Chairman of the Human Resources Committee as of September 27, 2016. Therefore, he received the respective compensation payments to be set out herein as of the respective dates.*

[3] *Member of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Rachel Empey was appointed as member of the Supervisory Board of FMC Management AG not until September 1, 2017, and, therefore, received compensation payments to be set out herein as of this date.*

[4] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Deborah Doyle McWhinney was appointed as member of the Supervisory Board of FMC AG & Co. KGaA not until May 12, 2016, and, therefore, received compensation payments to be set out herein as of this date.*

[5] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Pascale Witz was appointed as member of the Supervisory Board of FMC AG & Co. KGaA not until May 12, 2016, and, therefore, received compensation payments to be set out herein as of this date.*

[6] *Chairman of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG. Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Ulf M. Schneider was appointed as member of the Supervisory Board of FMC Management AG until June 30, 2016, and, therefore, received compensation payments to be set out herein until this date.*

[7] *Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Walter L. Weisman was appointed as member of the Supervisory Board of FMC Management AG until May 11, 2016, and as member of the Supervisory Board of FMC AG & Co. KGaA until May 12, 2016, and, therefore, received compensation payments to be set out herein until these dates.*

[8] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Prof. Dr. Bernd Fahrholz was appointed as member of the Supervisory Board of FMC Management AG until May 11, 2016, and as member of the Supervisory Board of FMC AG & Co. KGaA until May 12, 2016, and, therefore, received compensation payments to be set out herein until these dates.*

4.24 COMPENSATION OF THE SUPERVISORY BOARD

in € THOUS[1]

	Performance Related Compensation in				*Performance Related Compensation*		*Total compensation*	
	FMC Management AG		*FMC AG & Co. KGaA*					
	2017	*2016*	***2017***	*2016*	***2017***	*2016*	***2017***	*2016*
Dr. Gerd Krick	35	–	35	–	70	–	323	238
Stephan Sturm[2]	71	–	–	–	71	–	295	102
Rolf A. Classon	35	–	35	–	70	–	314	193
Rachel Empey[3]	24	–	–	–	24	–	50	–
William P. Johnston	35	–	35	–	70	–	313	226
Deborah Doyle McWhinney[4]	–	–	71	–	71	–	188	69
Dr. Dieter Schenk	35	–	35	–	70	–	283	182
Pascale Witz[5]	–	–	71	–	71	–	149	46
Dr. Ulf M. Schneider[6]	–	–	–	–	–	–	–	104
Dr. Walter L. Weisman[7]	–	–	–	–	–	–	–	64
Prof. Dr. Bernd Fahrholz[8]	–	–	–	–	–	–	–	42
▸ **TOTAL**	**235**	**–**	**282**	**–**	**517**	**–**	**1,915**	**1,266**

[1] *Shown without VAT and withholding tax; translation of U.S. dollar amounts at respective average exchange rates for the respective year.*

[2] *Chairman of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. Stephan Sturm was appointed as member of the Supervisory Board of FMC Management AG as of May 11, 2016, and as Chairman as of June 30, 2016. He was elected as member and Chairman of the Human Resources Committee as of September 27, 2016. Therefore, he received the respective compensation payments to be set out herein as of the respective dates.*

[3] *Member of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Rachel Empey was appointed as member of the Supervisory Board of FMC Management AG not until September 1, 2017, and, therefore, received compensation payments to be set out herein as of this date.*

[4] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Deborah Doyle McWhinney was appointed as member of the Supervisory Board of FMC AG & Co. KGaA not until May 12, 2016, and, therefore, received compensation payments to be set out herein as of this date.*

[5] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Pascale Witz was appointed as member of the Supervisory Board of FMC AG & Co. KGaA not until May 12, 2016, and, therefore, received compensation payments to be set out herein as of this date.*

[6] *Chairman of the Supervisory Board of FMC Management AG, but not member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG. Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Ulf M. Schneider was appointed as member of the Supervisory Board of FMC Management AG until June 30, 2016, and, therefore, received compensation payments to be set out herein until this date.*

[7] *Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Walter L. Weisman was appointed as member of the Supervisory Board of FMC Management AG until May 11, 2016, and as member of the Supervisory Board of FMC AG & Co. KGaA until May 12, 2016, and, therefore, received compensation payments to be set out herein until these dates.*

[8] *Member of the Supervisory Board of FMC AG & Co. KGaA, but not member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Prof. Dr. Bernd Fahrholz was appointed as member of the Supervisory Board of FMC Management AG until May 11, 2016, and as member of the Supervisory Board of FMC AG & Co. KGaA until May 12, 2016, and, therefore, received compensation payments to be set out herein until these dates.*

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CONSOLIDATED STATEMENTS OF INCOME

5.1 CONSOLIDATED STATEMENTS OF INCOME

in € THOUS, except share data

	Note	2017	2016	2015
Revenue				
Health care services		14,531,636	13,505,363	12,439,205
Health care products		3,251,936	3,064,352	3,015,653
▸ **TOTAL**	26	**17,783,572**	**16,569,715**	**15,454,858**
Costs of revenue				
Health care services		10,362,046	9,631,341	8,887,855
Health care products		1,417,806	1,322,428	1,389,837
▸ **TOTAL**		**11,779,852**	**10,953,769**	**10,277,692**
▸ **GROSS PROFIT**		**6,003,720**	**5,615,946**	**5,177,166**
Operating (income) expenses				
Selling, general and administrative	4a	3,577,776	3,119,172	2,948,885
Research and development	4b	130,704	146,511	128,128
Income from equity method investees	26	(67,199)	(58,639)	(28,348)
▸ **OPERATING INCOME**		**2,362,439**	**2,408,902**	**2,128,501**
Other (income) expense				
Interest income	4e	(43,297)	(42,139)	(105,070)
Interest expense	4e	397,187	408,508	457,895
▸ **INCOME BEFORE INCOME TAXES**		**2,008,549**	**2,042,533**	**1,775,676**
Income tax expense	4f	454,015	622,481	565,026
▸ **NET INCOME**		**1,554,534**	**1,420,052**	**1,210,650**
▸ **NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS**		**274,746**	**276,072**	**255,704**
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**1,279,788**	**1,143,980**	**954,946**
▸ **BASIC EARNINGS PER SHARE**	19	**4.17**	**3.74**	**3.14**
▸ **FULLY DILUTED EARNINGS PER SHARE**	19	**4.16**	**3.73**	**3.13**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

5.2 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

in € THOUS

	Note	2017	2016	2015
▸ **NET INCOME**		**1,554,534**	**1,420,052**	**1,210,650**
Other comprehensive income (loss)				
Components that will not be reclassified to profit or loss				
Actuarial gains (losses) on defined benefit pension plans	16, 24	6,840	(31,423)	30,169
Income tax (expense) benefit related to components of other comprehensive income not reclassified	16, 24	(27,393)	7,085	(8,830)
▸ **TOTAL**		**(20,553)**	**(24,338)**	**21,339**
Components that may be reclassified subsequently to profit or loss				
Gain (loss) related to foreign currency translation	24	(1,284,173)	368,429	674,727
Gain (loss) related to cash flow hedges	23, 24	27,983	25,111	54,196
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	23, 24	(8,407)	(7,039)	(15,387)
▸ **TOTAL**		**(1,264,597)**	**386,501**	**713,536**
▸ **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX**		**(1,285,150)**	**362,163**	**734,875**
▸ **TOTAL COMPREHENSIVE INCOME**		**269,384**	**1,782,215**	**1,945,525**
Comprehensive income attributable to noncontrolling interests		150,611	310,580	344,427
▸ **COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**118,773**	**1,471,635**	**1,601,098**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

5.3 CONSOLIDATED BALANCE SHEETS

in € THOUS, except share and per share data

	Note	2017	2016
Assets			
Cash and cash equivalents	6	978,109	708,882
Trade accounts receivable, less allowance for doubtful accounts of €474,891 in 2017 and €482,461 in 2016	7	3,330,990	3,491,079
Accounts receivable from related parties	5	111,643	209,465
Inventories	8	1,290,779	1,337,477
Other current assets	9	662,786	1,137,046
▸ TOTAL CURRENT ASSETS		**6,374,307**	**6,883,949**
Property, plant and equipment	10	3,491,771	3,579,626
Intangible assets	11	683,058	803,120
Goodwill	11	12,103,921	12,955,574
Deferred taxes	4f	315,168	291,394
Investment in equity method investees	26	647,009	598,154
Other non-current assets		409,894	391,723
▸ TOTAL NON-CURRENT ASSETS		**17,650,821**	**18,619,591**
▸ TOTAL ASSETS		**24,025,128**	**25,503,540**
Liabilities			
Accounts payable		590,493	575,556
Accounts payable to related parties	5	147,349	264,069
Current provisions and other current liabilities	12	2,843,760	3,036,708
Short-term debt	13	760,279	572,010
Short-term debt from related parties	13	9,000	3,000
Current portion of long-term debt and capital lease obligations	14	883,535	724,218
Income tax payable		65,477	123,336
▸ TOTAL CURRENT LIABILITIES		**5,299,893**	**5,298,897**
Long-term debt and capital lease obligations, less current portion	14	5,794,872	6,832,886
Non-current provisions and other non-current liabilities	15	975,645	1,027,983
Pension liabilities	16	530,559	512,539
Income tax payable		128,433	118,182
Deferred taxes	4f	467,540	661,921
▸ TOTAL NON-CURRENT LIABILITIES		**7,897,049**	**9,153,511**
▸ TOTAL LIABILITIES		**13,196,942**	**14,452,408**
Shareholders' equity			
Ordinary shares, no par value, €1.00 nominal value, 385,913,972 shares authorized, 308,111,000 issued and 306,451,049 outstanding as of December 31, 2017 and 385,913,972 shares authorized, 307,221,791 issued and 306,221,840 outstanding as of December 31, 2016 respectively	17	308,111	307,222
Treasury stock, at cost	17	(108,931)	(50,993)
Additional paid-in capital	17	3,969,245	3,960,115
Retained earnings	17	7,137,255	6,085,876
Accumulated other comprehensive income (loss)	24	(1,485,578)	(324,563)
▸ TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY		**9,820,102**	**9,977,657**
Noncontrolling interests	17	1,008,084	1,073,475
▸ TOTAL EQUITY		**10,828,186**	**11,051,132**
▸ TOTAL LIABILITIES AND EQUITY		**24,025,128**	**25,503,540**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

5.4 CONSOLIDATED STATEMENTS OF CASH FLOWS

in € THOUS

	Note	2017	2016	2015
Operating activities				
Net income		1,554,534	1,420,052	1,210,650
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	10, 11, 26	735,479	701,536	648,167
Change in deferred taxes, net		(203,046)	232	(36,665)
(Gain) loss on sale of fixed assets and investments		(116,624)	(5,381)	(4,809)
Compensation expense related to share-based plans	20	46,811	27,433	8,370
Investments in equity method investees, net		(57,009)	(52,948)	(16,022)
Changes in assets and liabilities, net of amounts from businesses acquired				
Trade accounts receivable, net		(181,272)	(241,878)	(260,607)
Inventories		(62,692)	(60,230)	(271,301)
Other current and non-current assets		185,801	42,266	(66,842)
Accounts receivable from related parties		95,025	(71,773)	(271)
Accounts payable to related parties		(110,375)	120,745	24,523
Accounts payable, provisions and other current and non-current liabilities		629,116	365,312	808,202
Paid interest		(339,088)	(349,738)	(343,589)
Received interest		35,526	30,263	74,993
Income tax payable		654,250	547,157	485,181
Paid income taxes		(674,625)	(541,075)	(493,376)
▸ NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**2,191,811**	**1,931,973**	**1,766,604**
Investing activities				
Purchases of property, plant and equipment	26	(944,460)	(930,520)	(858,894)
Proceeds from sale of property, plant and equipment		103,225	15,957	15,690
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	3, 25, 26	(565,694)	(521,800)	(285,543)
Proceeds from divestitures	3	415,388	190,247	226,823
▸ NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(991,541)**	**(1,246,116)**	**(901,924)**
Financing activities				
Proceeds from short-term debt		443,996	805,191	259,149
Repayments of short-term debt		(241,309)	(342,505)	(282,895)
Proceeds from short-term debt from related parties		122,079	124,300	53,000
Repayments of short-term debt from related parties		(116,079)	(138,800)	(39,901)
Proceeds from long-term debt and capital lease obligations		582,311	2,071	5,439
Repayments of long-term debt and capital lease obligations		(1,099,329)	(662,823)	(292,793)
Increase (decrease) of accounts receivable securitization program		157,564	112,025	(262,055)
Proceeds from exercise of stock options		47,591	47,467	85,034
Purchase of treasury stock	17	(57,938)	–	–
Dividends paid	17	(293,973)	(244,251)	(236,773)
Distributions to noncontrolling interests		(386,340)	(294,302)	(256,399)
Contributions from noncontrolling interests		42,797	71,910	60,744
▸ NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(798,630)**	**(519,717)**	**(907,450)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(132,413)**	**38,012**	**25,422**
Cash and cash equivalents				
Net increase (decrease) in cash and cash equivalents		269,227	204,152	(17,348)
Cash and cash equivalents at beginning of period		708,882	504,730	522,078
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**978,109**	**708,882**	**504,730**

The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

5.5 CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

in € THOUS, except share data

	Note	Ordinary Shares		Treasury Stock	
		Number of shares	No par value	Number of shares	Amount
BALANCE AT DECEMBER 31, 2014		**311,104,251**	**311,104**	**(7,548,951)**	**(384,966)**
Proceeds from exercise of options and related tax effects	20	1,758,820	1,759	–	–
Compensation expense related to stock options	20	–	–	–	–
Dividends paid	17	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Noncontrolling interests subject to put provisions	23	–	–	–	–
Net Income		–	–	–	–
Other comprehensive income (loss) related to					
Foreign currency translation	24	–	–	–	–
Cash flow hedges, net of related tax effects	24	–	–	–	–
Pensions, net of related tax effects	16	–	–	–	–
Comprehensive income		–	–	–	–
BALANCE AT DECEMBER 31, 2015		**312,863,071**	**312,863**	**(7,548,951)**	**(384,966)**
Proceeds from exercise of options and related tax effects	20	907,720	908	–	–
Compensation expense related to stock options	20	–	–	–	–
Withdrawal of treasury stock	17	(6,549,000)	(6,549)	6,549,000	333,973
Dividends paid	17	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Noncontrolling interests subject to put provisions	23	–	–	–	–
Net Income		–	–	–	–
Other comprehensive income (loss) related to					
Foreign currency translation	24	–	–	–	–
Cash flow hedges, net of related tax effects	24	–	–	–	–
Pensions, net of related tax effects	16	–	–	–	–
Comprehensive income		–	–	–	–
BALANCE AT DECEMBER 31, 2016		**307,221,791**	**307,222**	**(999,951)**	**(50,993)**
Proceeds from exercise of options and related tax effects	20	889,209	889	–	–
Compensation expense related to stock options	20	–	–	–	–
Purchase of treasury stock	17	–	–	(660,000)	(57,938)
Dividends paid	17	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Noncontrolling interests subject to put provisions	23	–	–	–	–
Net Income		–	–	–	–
Other comprehensive income (loss) related to					
Foreign currency translation	24	–	–	–	–
Cash flow hedges, net of related tax effects	24	–	–	–	–
Pensions, net of related tax effects	16	–	–	–	–
Comprehensive income		–	–	–	–
BALANCE AT DECEMBER 31, 2017		**308,111,000**	**308,111**	**(1,659,951)**	**(108,931)**

The following notes are an integral part of the consolidated financial statements.

			Accumulated other comprehensive income (loss)					
	Additional paid-in capital	*Retained earnings*	*Foreign currency translation*	*Cash Flow Hedges*	*Pensions*	*Total FMC AG & Co. KGaA shareholders' equity*	*Noncontrolling interests*	*Total equity*
	4,130,341	**4,827,336**	**(973,516)**	**(85,028)**	**(239,826)**	**7,585,445**	**802,367**	**8,387,812**
	83,051	–	–	–	–	84,810	–	84,810
	4,278	–	–	–	–	4,278	–	4,278
	–	(236,773)	–	–	–	(236,773)	–	(236,773)
	6,725	–	–	–	–	6,725	13,595	20,320
	–	–	–	–	–	–	(224,365)	(224,365)
	–	(176,016)	–	–	–	(176,016)	–	(176,016)
	–	954,946	–	–	–	954,946	255,704	1,210,650
	–	–	608,880	(9,052)	(13,824)	586,004	88,723	674,727
	–	–	–	38,809	–	38,809	–	38,809
	–	–	–	–	21,339	21,339	–	21,339
	–	–	–	–	–	1,601,098	344,427	1,945,525
	4,224,395	**5,369,493**	**(364,636)**	**(55,271)**	**(232,311)**	**8,869,567**	**936,024**	**9,805,591**
	41,029	–	–	–	–	41,937	–	41,937
	23,210	–	–	–	–	23,210	–	23,210
	(327,424)	–	–	–	–	–	–	–
	–	(244,251)	–	–	–	(244,251)	–	(244,251)
	(1,095)	–	–	–	–	(1,095)	63,974	62,879
	–	–	–	–	–	–	(237,103)	(237,103)
	–	(183,346)	–	–	–	(183,346)	–	(183,346)
	–	1,143,980	–	–	–	1,143,980	276,072	1,420,052
	–	–	338,617	(908)	(3,788)	333,921	34,508	368,429
	–	–	–	18,072	–	18,072	–	18,072
	–	–	–	–	(24,338)	(24,338)	–	(24,338)
	–	–	–	–	–	1,471,635	310,580	1,782,215
	3,960,115	**6,085,876**	**(26,019)**	**(38,107)**	**(260,437)**	**9,977,657**	**1,073,475**	**11,051,132**
	42,944	–	–	–	–	43,833	–	43,833
	11,736	–	–	–	–	11,736	–	11,736
	–	–	–	–	–	(57,938)	–	(57,938)
	–	(293,973)	–	–	–	(293,973)	–	(293,973)
	(45,550)	–	–	–	–	(45,550)	28,421	(17,129)
	–	–	–	–	–	–	(244,423)	(244,423)
	–	65,564	–	–	–	65,564	–	65,564
	–	1,279,788	–	–	–	1,279,788	274,746	1,554,534
	–	–	(1,177,885)	195	17,652	(1,160,038)	(124,135)	(1,284,173)
	–	–	–	19,576	–	19,576	–	19,576
	–	–	–	–	(20,553)	(20,553)	–	(20,553)
	–	–	–	–	–	118,773	150,611	269,384
	3,969,245	**7,137,255**	**(1,203,904)**	**(18,336)**	**(263,338)**	**9,820,102**	**1,008,084**	**10,828,186**

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 sales 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 and manufactures 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 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, the coordinated delivery of pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, non-dialysis laboratory testing services (until December 2017), physician nephrology and cardiology services, health plan services, urgent care services and ambulant treatment services. Care Coordination also includes the coordinated delivery of emergency, intensivist and hospitalist physician services as well as transitional care which the Company refers to as "hospital related physician 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", or the "Company" 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, a German partnership limited by shares resulting from the change of legal form of Fresenius SE (effective as of January 2011), a European Company (Societas Europaea) previously called Fresenius AG, a German stock corporation. "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 315 e of the German Commercial Code (HGB).

The consolidated financial statements of FMC AG & CO. KGAA at December 31, 2017 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, 2017, there were 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 315 e (1) HGB. In addition to the IFRS consolidated financial statements, a Group Management Report must be prepared according to section 315 e 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 315 e 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.

Cost report receivables from Medicare and Medicaid and amounts due from managed locations in the amount of €120,155 and €27,105, respectively, in the prior years' comparative consolidated financial statements have been reclassified from other currents assets see note 9 to trade accounts receivable see note 7 to conform to the current year's presentation.

At February 26, 2018, 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). The 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, 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). 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.

Since 2010, the disclosure of business acquisitions is performed according to IFRS 3 (2008) (Business Combinations) 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 is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent and is recognized at its fair value at date of first consolidation. Profits and losses attributable to the noncontrolling interests are separately disclosed in the consolidated statements of income.

As far as the Company, as option writer on behalf of existing put options, can be obliged to purchase noncontrolling interests held by third parties, 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. According to the present access method, noncontrolling interests are further recorded in equity as "noncontrolling interests". The initial recognition of the purchase price liability, as well as valuation differences, are recorded neutral to profit or loss by reclassification from equity see note 1g.

The consolidated financial statements for 2017 include FMC AG & CO. KGAA as well as 2,180 companies. In 2017, 50 companies were accounted for by the equity method. Since beginning of 2017, 185 companies were first-time consolidations and 40 companies were deconsolidated.

The complete list of investments of FMC AG & CO. KGAA will be submitted to the electronic Federal Gazette and the electronic companies register.

For 2017, the following fully consolidated German subsidiaries of the Company will apply the exemption provided in Section 264 (3) or Section 264 b 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.

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	Sandhausen, 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
Haas Medizintechnik GmbH	Beelitz, 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 Friedberg GmbH	Friedberg, Germany
Nephrocare Grevenbroich GmbH	Grevenbroich, Germany
Nephrocare Hagen GmbH	Hagen, Germany

5.6 COMPANIES EXEMPT FROM APPLYING CERTAIN LEGAL REQUIREMENTS

Name of the Company	Registered Office of the Company
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 München-Ost GmbH	Munich, Germany
Nephrocare Münster GmbH	Münster, Germany
Nephrocare Oberhausen GmbH	Oberhausen, Germany
Nephrocare Papenburg GmbH	Papenburg, Germany
Nephrocare Pirmasens GmbH	Pirmasens, Germany
Nephrocare Püttlingen GmbH	Püttlingen, 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
Nephrologisch-Internistische Versorgung Ingolstadt GmbH	Ingolstadt, Germany
Nova Med GmbH Vertriebsgesellschaft für medizinischtechnische Geräte und Verbrauchsartikel	Bad Homburg v.d. Höhe, Germany
VIVONIC GmbH	Aschaffenburg, Germany
Zentrum für Nieren- und Hochdruckkrankheiten Bensheim GmbH	Bensheim, Germany

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 receivables

Trade accounts receivables are posted at the nominal value less individual allowances for doubtful accounts. For information regarding allowance for doubtful accounts see note 2c.

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. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 4 to 50 years for buildings and improvements with a weighted average life of 14 years and 3 to 19 years for machinery and equipment with a

weighted average life of 11 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment.

f) 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, customer relationships and lease agreements 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 8 years. Technology is amortized over its useful life of 15 years. Internally developed intangibles are amortized on a straight-line basis over a useful life of 9 years. Licenses to manufacture distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which on average is 11 years. Customer relationships are amortized over their useful life of 9 years. All other intangible assets are amortized over their weighted average useful lives of 6 years. The weighted average useful life of all amortizable intangible assets is 9 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment see note 1m.

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 2a.

g) Financial instruments

The following categories according to IAS 39 (Financial Instruments: Recognition and Measurement) are 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 are immaterial or not existing. No financial instruments were reclassified during the reporting period.

The Company classifies its financial instruments into the following classes according to their character: cash and cash equivalents, assets recognized at carrying amount, liabilities recognized at carrying amount, assets recognized at fair value, liabilities recognized at fair value, noncontrolling interests subject to put provisions, derivatives designated as hedging instruments and derivatives not designated as hedging instruments.

Note 23 provides an overview about the relationship between classes and categories as well as the reconciliation to the balance sheet line items.

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 assets or financial liabilities to be classified at fair value through profit or loss upon initial recognition.

Investments in equity instruments, debt instruments and fund shares are classified as available for sale financial assets and measured at fair value. The Company regularly reviews if objective substantial evidence occurs that would indicate an impairment of a financial asset or a portfolio of financial assets. After testing the recoverability of these assets, a possible impairment loss is recorded in the consolidated statement of income. Gains and losses of available for sale financial assets are recognized in accumulated other comprehensive income (loss) (AOCI) in shareholders' equity until the financial asset is disposed of or if it is considered to be impaired. In these cases the accumulated net loss recorded in AOCI is transferred to the income statement.

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 methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. Additionally, there are put provisions that are valued by an external valuation firm. 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. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate, the discounted cash flows and 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, 2017, 2016 and 2015 the Company's potential obligations under these put provisions, which are recorded in other current liabilities and other non-current liabilities, were €830,773, €1,007,733 and €791,075, respectively. At December 31, 2017, 2016 and 2015, put provisions with an aggregate purchase obligation of €324,814, €287,953 and €215,201, respectively, were exercisable. In the last three fiscal years ending December 31, 2017, 33 such put provisions have been exercised for a total consideration of €120,023.

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 fair value hedges and in the corresponding underlying assets and liabilities are recognized periodically in earnings, while the effective portion of changes in fair value of derivative financial instruments classified as cash flow hedges is recognized in AOCI in shareholders' equity. The ineffective portion is recognized in current net earnings. The change in fair value of derivatives that do not qualify for hedge accounting 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 and the host contracts are not designated as available for sale financial asset or designated at fair value though profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

h) 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 follows:

5.7 EXCHANGE RATES

1 US$ in €

	spot exchange rate Dec. 31	*average exchange rate*
2017	0.83382	0.88519
2016	0.94868	0.90342
2015		0.90131

i) Revenue recognition

Health care service revenues, other than the hospitalist 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.

Health care product revenues are recognized upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. Health care product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

For both health care service revenues and health care product revenues, 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.

In the U.S., hospitalist revenues are reported at the estimated net realizable amount from third-party payors, client hospitals, and others at the time services are provided. Third-party payors include 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 are paid according to a fee-for-service schedule. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient acute care services generated through payment arrangements with managed care health plans and commercial insurance companies are recorded on an accrual basis in the period in which services are provided at established rates.

A portion of health care product revenues outside the North America Segment 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, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables with revenue for the use of dialysis machines recognized over the term of the lease contract. If the lease of the machines is a sales type 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 sales type leases.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e. g. sales tax) is excluded from revenues and the related revenue is reported on a net basis.

j) 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 2017, 2016 and 2015, interest of €4,758, €4,475 and €5,482, based on an average interest rate of 4.19%, 4.64% and 4.48%, respectively, was recognized as a component of the cost of assets.

k) 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) are capitalized as intangible asset.

l) 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 f. 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. The Company recognizes interest and penalties related to its income tax positions as income tax expense.

m) Impairment

The Company reviews the carrying amount of its property, plant and equipment, its intangible assets with definite useful lives 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). 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.

n) 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.

o) Self-insurance programs

See note 2d.

p) 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 United States government, were approximately 34%, 33%, and 33% of the Company's worldwide revenues in 2017, 2016 and 2015, respectively.

See note 2c for concentration risks of debtors or group of debtors as well as note 8 for discussion of suppliers with long-term purchase commitments.

q) Legal contingencies

See note 2b.

r) Other provisions

In accordance with IAS 12 (Income Taxes) and IAS 37 (Provisions, Contingent Liabilities and Contingent Assets), 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.

s) Earnings per share

Basic earnings per share is calculated in accordance with IAS 33 (Earnings per Share). 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.

Equity-settled awards granted under the Company's stock incentive plans see note 20, are potentially dilutive equity instruments.

t) 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. For the calculation of basic earnings per share, treasury stock is not considered outstanding and is therefore deducted from the number of shares outstanding with the value of such Treasury Stock shown as a reduction of the Company's equity.

u) Employee benefit plans

Pension obligations for post-employment benefits are measured in accordance with IAS 19 (revised 2011) (Employee Benefits) 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 funded status of all plans.

For the Company's funded benefit plans the defined benefit obligation is offset against the fair value of plan assets (funded status). 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 and expected return on plan assets. 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.

v) 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 payments) 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 stocks 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 stocks 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 period of the performance share plan. 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.

Two of the Company's subsidiaries are authorized to issue Incentive Units see note 20. The balance sheet date fair value of the awards under the subsidiary stock incentive plans, whereby Incentive Units are issued by certain of the Company's subsidiaries, is calculated in accordance with IFRS 2 using the Monte Carlo pricing model. The corresponding liability is accrued over the vesting period of the Incentive Units.

w) Recent pronouncements

Recently implemented accounting pronouncements

The Company has prepared its consolidated financial statements at December 31, 2017 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2017. In 2017, the Company applied the following new standard relevant for its business for the first time: Amendments to IAS 7, Statement of Cash Flows.

In January 2016, the IASB issued amendments to IAS 7, Statement of Cash Flows. The amendments are intended to improve the information related to the change in a company's debt by providing additional annual disclosures. The standard is effective for fiscal years beginning on or after January 1, 2017. The Company initially presents the amendments to IAS 7 in the Consolidated Financial Statements as of December 31, 2017.

Recent accounting pronouncements not yet adopted

The IASB issued the following new standards which are relevant for the Company:

- IFRS 15, Revenue from Contracts with Customers
- IFRS 9, Financial Instruments
- IFRS 16, Leases
- IFRS 17, Insurance Contracts

In May 2014, the IASB issued IFRS 15, Revenue from Contracts with Customers. This new standard specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. While this standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. In September 2015, the IASB issued the amendment "Effective Date of IFRS 15", which defers the effective date of IFRS 15 by one year to fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Company did not adopt IFRS 15 early and evaluated the impact of IFRS 15, in conjunction with all amendments to the standard, on its Consolidated Financial Statements.

Based on findings the Company obtained so far, it expects differences from the current accounting mainly in the calculation of the transaction price for health care services provided. IFRS 15 requires the consideration of implicit price concessions when determining the transaction price. This will lead to a corresponding decrease of revenue from health care services and thus, the implicit price concessions will no longer be included in selling, general and administrative expenses as an allowance for doubtful accounts. This issue showed a decrease of revenue by 2.7% or €486,140 for 2017, without any effect on net income. There are no material contract assets or contract liabilities resulting from the implementation of IFRS 15. Revenue from lease contracts will be disclosed separately from IFRS 15 revenue in the notes to the consolidated financial statements in the future. The Company expects to implement IFRS 15 using the cumulative effect method and is continuing to evaluate accounting policy options. The Company intends to apply IFRS 15 only to open contracts as of January 1, 2018.

In July 2014, the IASB issued a new version of IFRS 9, Financial Instruments. This IFRS 9 version is considered the final and complete version, thus, mainly replacing IAS 39 as soon IFRS 9 is applied. It includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The impairment provisions reflect a model that relies on expected losses (expected loss model). This model comprises a three stage approach. Upon recognition an entity shall recognize losses that are expected within the next 12 months. If credit risk deteriorates significantly, from that point in time, impairment losses shall amount to lifetime expected losses. In case of objective evidence of impairment there is an assignment to stage 3. The provisions for classification and measurement are amended by introducing an additional third measurement category for certain debt instruments. Such instruments shall be measured at fair value with changes recognized in other comprehensive income (fair value through other comprehensive income). The standard is accompanied by additional disclosure requirements and is effective for fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Company did not adopt IFRS 9 early. In accordance with IAS 39, the majority of the non-derivative financial assets are measured at amortized costs. The analysis on the business model and the contractual cash flow characteristics of each instrument is complete. The impact on the measurement of non-derivative financial assets under IFRS 9 will not be significant. For individual equity instruments, in the amount of approximately €27,000, the Company will use the option and present changes in fair value in other comprehensive income. The requirements for the classification and measurement of non-derivative financial liabilities have not changed significantly. Thus, the Company expects a limited impact on its Consolidated Financial Statements. Derivatives not designated as hedging instruments will continue to be classified and measured at fair value through profit and loss.

The Company will implement the simplified method to determine the provisions for risks from trade accounts receivable, receivables from lease contracts and contract assets according to IFRS 15. Starting point of the new impairment model is an analysis of trade accounts receivable based on individual maturity. For the determination of impairment losses in addition to historical loss rates also present and future information is included, to take foreseeable changes in the customer-specific or macroeconomic environment into account. The effect from the implementation of this simplified method will amount to approximately €10,000 and will be recorded as a debit to the respective assets and a credit to retained earnings. Based on currently available information, derivative financial instruments presently designated as hedging instruments are also qualified for hedge accounting according to the requirements of IFRS 9. Hedging instruments will be designated on a spot basis. The Company will use the option to recognize the forward element in other comprehensive income. The Company expects to implement IFRS 9 using the modified retrospective method.

In January 2016, the IASB issued IFRS 16, Leases, which supersedes the current standard on lease-accounting, IAS 17, as well as the interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 significantly improves lessee accounting. For 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. Depreciation of the right-of-use asset and interest on the lease liability must be recognized in the income statement for every lease contract. Therefore, straight-line rental expenses will no longer be shown. The lessor accounting requirements in IAS 17 are substantially carried forward. The standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for entities that have also adopted IFRS 15, Revenue from Contracts with Customers. The Company

decided that IFRS 16 will not be adopted early. The Company expects a balance sheet extension due to the on balance sheet recognition of right of use assets and liabilities for agreed lease payment obligations, currently classified as operating leases, resulting in particular from leased clinics and buildings. Based on a first impact analysis as of December 31, 2015 using certain assumptions and simplifications, the Company expects a financial debt increase of approximately €4,000,000. Referring to the consolidated statement of income, the Company expects an operating income improvement due to the split of rent expenses in depreciation and interest expenses, by having unchanged cash outflows. The Company also expects that its net leverage ratio (net debt as compared to Earnings before Interest, Taxes, Depreciation and Amortization, 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 and non-cash charges) will increase by about 0.5. The impact on the Company will depend on the contract portfolio at the effective date, as well as the transition method. Based on a first impact analysis, the Company decided to apply the modified retrospective method. Currently, the Company is evaluating the accounting policy options of IFRS 16.

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 and customer relationships. At December 31, 2017, the carrying amount of goodwill and non-amortizable intangible assets amounted to €12,281,648 (€13,157,584 at December 31, 2016) representing approximately 51% and 52% of the Company's total assets at December 31, 2017 and 2016, respectively.

In accordance with IAS 36 (Impairment of Assets), the Company performs an impairment test of goodwill and non-amortizable intangible assets at least once a year for each reporting 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 1f.

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. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Company utilizes for every 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.

The CGU's average revenue growth for the ten year planning period is within a mid-single-digit range for the North America Segment, EMEA Segment and the Latin America Segment, whereas for the Asia-Pacific Segment the average revenue growth is in the high single-digits.

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.

The CGU's expected growth rates for the period beyond ten years are: North America 1.0%, EMEA 0%, Asia-Pacific 4.0% and Latin America 3.45%. The discount factor is determined by the WACC of the respective 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. In 2017 the pre-tax WACC, for the respective CGU is 7.25% (2016: 7.54%) for North America, 9.43% (2016: 8.64%) for EMEA, 7.35% (2016: 6.40%) for Asia Pacific and 17.93% (2016: 18.18%) for Latin America. An overview of the carrying amounts of goodwill and intangibles with the 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.

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 reporting 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 reporting units economic environment could result in impairment charges to goodwill and other intangible assets which could materially and adversely affect the Company's future financial position and operating results.

Sensitivity analysis showed that a rise in the respective WACC by one percentage point, that could be caused by an increase in the Company's beta factor or an increase in interest rates, would not lead to an impairment of any of its cash-generating units.

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 receivable and allowance for doubtful accounts

Trade accounts receivable are a substantial asset of the Company and the allowance for doubtful accounts is based upon a significant estimate made by management. Trade accounts receivable were €3,330,990 and €3,491,079 at December 31, 2017 and 2016, respectively, net of allowances for doubtful accounts of €474,891 at December 31, 2017 and €482,461 at December 31, 2016.

The Company sells health care products directly or through distributors in around 150 countries and provide 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 accounts receivable is reviewed locally on a regular basis, generally monthly.

In the Company's North America Segment operations, the collection process is usually initiated 30 days after service is provided or upon the expiration of the time provided by contract. For Medicare and Medicaid, once the services are approved for payment, the collection process begins upon the expiration of a period of time based upon experience with Medicare and Medicaid. In all cases where co-payment is required the collection process usually begins within 30 days after service has been provided. In those cases where claims are approved for amounts less than anticipated or if claims are denied, the collection process usually begins upon notice of approval of the lesser amounts or upon denial of the claim. The collection process can be confined to internal efforts, including the accounting and sales staffs and, where appropriate, local management staff. If appropriate, external collection agencies may be engaged.

Public health institutions in a number of countries outside the U.S. require a significant amount of time until payment is made because a substantial number of payors are government entities whose payments are often determined by local laws and regulations and budget constraints. Depending on local facts and circumstances, the period of time to collect can be quite lengthy. In those instances where there are commercial payors, the same type of collection process is initiated as in the North America Segment.

Due to the number of subsidiaries and different countries that the Company operates in, the Company's policy of determining when a valuation allowance is required considers the appropriate individual local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low to moderate credit risks. It is 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. A valuation allowance is calculated locally if specific circumstances indicate that amounts will not be collectible.

In the Company's EMEA Segment, Asia-Pacific Segment, Latin America Segment and North America Segment product division, for receivables overdue by more than one year, an additional valuation allowance is recorded based on an individual country risk, since the Company believes that the length of time to collect does indicate an increased credit risk.

When all efforts to collect a receivable, including the use of outside sources where required and allowed, have been exhausted, and after appropriate management review, a receivable deemed to be uncollectible is considered a bad debt and written off.

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, 2017 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 2017 would have been reduced by approximately 1.5%.

The following table shows the portion of major debtors or debtor groups of trade accounts receivable as at December 31, 2017 and 2016. No single debtor, other than U.S. Medicare and Medicaid, accounted for more than 5% of total trade accounts receivable in any of these years. Amounts pending approval from third party payors represented less than 3% of the accounts receivable at December 31, 2017.

5.8 COMPOSITION OF TRADE ACCOUNTS RECEIVABLE

December 31

	2017	*2016*
U.S. Government health care programs	28%	30%
U.S. commercial payors	15%	16%
U.S. hospitals	11%	8%
Self-pay of U.S. patients	1%	2%
Other North America Segment payors	2%	2%
Product customers and health care payors outside the North America Segment	43%	42%
▸ **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) Noncontrolling interests subject to put provisions

The noncontrolling interests subject to put provisions are recognized at their fair value. For further information related to the estimation of these fair values, see notes 1g and 23.

f) Variable payments outstanding for acquisitions

Variable payments outstanding for acquisitions are recognized at their fair value. For further information related to the estimation of these fair values see note 23.

g) 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 1l.

3. ACQUISITIONS, INVESTMENTS, PURCHASES OF INTANGIBLE ASSETS AND DIVESTITURES

The Company completed acquisitions, investments and the purchase of intangible assets in the amount of €682,676, €774,277 and €385,081 in 2017, 2016 and 2015, respectively. In 2017, €565,694 was paid in cash and €116,982 were assumed obligations and non-cash consideration. In 2016, €521,800 was paid in cash and €252,477 were assumed obligations and non-cash consideration. In 2015, €285,543 was paid in cash and €99,538 were assumed obligations and non-cash consideration.

Acquisitions

The Company made acquisitions of €638,307, €632,342 and €162,392 in 2017, 2016 and 2015, respectively in order to expand the scope of its services and to increase its market shares in the respective countries. In 2017, €521,325 was paid in cash and €116,982 were assumed obligations and non-cash consideration. In 2016, €379,865 was paid in cash and €252,477 were assumed obligations and non-cash consideration. In 2015, €90,267 was paid in cash and €72,125 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 2017, 2016 and 2015 as well as the acquisition of an operator of day hospitals in Australia in 2017, the purchase of a medical technology company focusing on the treatment of lung and cardiac failure in 2016 and the purchase of a distributor in the Asia-Pacific Segment in 2015.

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 previous year's acquisitions did not have a significant impact on the consolidated financial statements in 2017.

The excess of the total acquisition costs over the fair value of the net assets acquired resulted in goodwill of €651,491 and €586,520 at December 31, 2017 and 2016, respectively.

The purchase price allocations for all collectively and individually non-material acquisitions for 2017 are not yet finalized. The Company is in the process of obtaining and evaluating the information necessary for the purchase price allocations, primarily related to property, plant and equipment, intangible assets, accounts receivable and other liabilities. In 2017, based on preliminary purchase price allocations, the Company recorded €651,491 of goodwill and €39,352 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 2017 increased the Company's net income (net income attributable to shareholders of FMC AG & CO. KGAA) by €2,198, excluding the costs of the acquisitions, and revenue increased by €256,045. Total assets increased €758,720 due to business combinations.

Investments and purchases of intangible assets

Investments and purchases of intangible assets were €44,369, €141,935 and €222,689 in 2017, 2016 and 2015, respectively. These amounts were primarily driven by purchases of intangible assets and an investment in available for sale financial assets in 2017, an investment in available for sale financial assets and notes receivables related to an equity method investee in 2016 and an investment in available for sale financial assets and notes receivables related to an equity method investee as well as contributions to an equity method investee in 2015. Of this amount €44,369 and €141,935 were paid in cash in 2017 and 2016, respectively. In 2015, €195,276 was paid in cash and €27,413 were non-cash components.

Divestitures

Proceeds from divestitures were €437,031, €193,893 and €252,764 in 2017, 2016 and 2015, respectively. These amounts mainly related to the sale of a provider of non-dialysis laboratory testing services and a provider of outsourced clinical services in the North America Segment as well as divestitures of available for sale financial assets in 2017, a divestment of available for sale financial assets and the repayment of notes receivables related to an equity method investee in 2016 as well as the repayment of an investment-type loan granted to a middle-market dialysis provider, the divestiture of the dialysis service business in Venezuela and the transfer of marketing rights to an equity method investee in 2015. In 2017, €415,388 was received in cash and €21,643 were non-cash components. In 2016, €190,247 was received in cash and €3,646 were non-cash components. In 2015, €226,823 was received in cash and €25,941 were non-cash components.

4. NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

a) Selling, general and administrative expenses

Selling, general and administrative expenses are generated in the administrative, logistic and selling functions which are not attributable to research and development or production. In addition, general and administrative expenses included realized and unrealized foreign exchange gains and losses. In 2017, general and administrative expenses included a Foreign Corrupt Practices Act (FCPA) related charge of €200,000 see note 22, a net gain from the sale of fixed assets of €31,959 and from the sale of investments of €84,665. In 2016, general and administrative expenses included a net loss from the sale of fixed assets of €11,074 and a net gain from the sale of investments of €16,455. In 2015, general and administrative expenses included a net loss from the sale of fixed assets of €6,380 and a net gain from the sale of investments of €11,189. In addition in 2015, general and administrative expenses included a net amount of $60,000 (€54,078) in relation to the NaturaLyte® and GranuFlo® agreement in principle. For further information see note 22.

b) Research and development expenses

Research and development expenses of €130,704 (2016: €146,511 and 2015: €128,128) included research and non-capitalizable development costs as well as depreciation and amortization expenses related to capitalized development costs of €432 (2016: €724 and 2015: €1,673).

c) Cost of materials

The cost of materials for the year ended December 31, 2017, 2016 and 2015 consisted of the following:

5.9 COST OF MATERIALS
in € THOUS

	2017	2016	2015
Cost of raw materials, supplies and purchased components	4,305,683	3,696,528	3,601,588
Cost of purchased services	450,417	414,289	398,652
▸ **COST OF MATERIALS**	**4,756,100**	**4,110,817**	**4,000,240**

d) Personnel expenses

Included within costs of revenue, selling, general and administrative expenses and research and development expenses are personnel expenses in the amount of €6,900,023, €6,290,504 and €5,698,014 for the year ended December 31, 2017, 2016 and 2015, respectively. Personnel expenses consisted of the following:

5.10 PERSONNEL EXPENSES

in € THOUS

	2017	2016	2015
Wages and salaries	5,396,339	4,940,931	4,499,774
Social security contributions and cost of retirement benefits and social assistance	1,503,684	1,349,573	1,198,240
thereof retirement benefits	147,332	134,572	120,997
▸ **PERSONNEL EXPENSES**	**6,900,023**	**6,290,504**	**5,698,014**

The Company employed the following personnel on a full-time equivalents basis, on average, for the following years:

5.11 EMPLOYEES BY FUNCTION

	2017	2016	2015
Production and Services	98,547	94,201	90,251
Administration	9,962	9,318	9,023
Sales and Marketing	3,272	3,099	2,865
Research and Development	804	736	626
▸ **TOTAL**	**112,585**	**107,354**	**102,765**

e) Net interest

Net interest in the amount of €353,890 (2016: €366,369 and 2015: €352,825) included interest expense of €397,187 (2016: €408,508 and 2015: €457,895) and interest income of €43,297 (2016: €42,139 and 2015: €105,070). Interest expenses resulted mainly from the Company's financial liabilities which are not accounted for at fair value through profit and loss see note 13 and note 14. In 2017, interest income was mainly attributable to the valuation of the Share Options, interest on overdue receivables and lease receivables. In 2016, a large part of interest income was attributable to the valuation of the derivatives embedded in the Convertible Bonds. In 2015, interest income was mainly attributable to the valuation of the Share Options which the Company purchased in connection with the issuance of the Convertible Bonds as well as interest-bearing notes receivables see note 23.

f) Income taxes

Income before income taxes is attributable to the following geographic locations:

5.12 INCOME BEFORE INCOME TAXES

in € THOUS

	2017	2016	2015
Germany	(12,228)	191,377	124,416
U.S.	1,592,300	1,490,789	1,325,346
Other	428,477	360,367	325,914
▸ **TOTAL**	**2,008,549**	**2,042,533**	**1,775,676**

Income tax expense (benefit) for the years ended December 31, 2017, 2016 and 2015 consisted of the following:

5.13 INCOME TAX EXPENSE (BENEFIT)

in € THOUS

	2017	2016	2015
Current			
Germany	86,069	50,625	65,102
U.S.	440,000	454,448	413,502
Other	130,992	128,320	124,910
	657,061	**633,393**	**603,514**
Deferred			
Germany	(36,022)	(23,703)	(47,857)
U.S.	(156,704)	27,570	(734)
Other	(10,320)	(14,779)	10,103
	(203,046)	**(10,912)**	**(38,488)**
▶ **TOTAL**	**454,015**	**622,481**	**565,026**

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the trade tax rate on income before income taxes. The German combined statutory tax rates were 29.90%, 29.69% and 29.62% for the fiscal years ended December 31, 2017, 2016 and 2015, respectively.

5.14 RECONCILIATION OF INCOME TAXES

in € THOUS

	2017	2016	2015
Expected corporate income tax expense	600,456	606,327	525,955
Tax free income	(44,302)	(37,495)	(32,190)
Income from equity method investees	(18,706)	(15,642)	(12,863)
Tax rate differentials	139,391	133,523	116,335
Non-deductible expenses	102,587	32,985	32,817
Taxes for prior years	(14,993)	(21,069)	17,998
Noncontrolling partnership interests	(105,832)	(105,536)	(98,666)
Tax on divestitures	–	–	13,477
Tax rate changes	(238,130)	(120)	1,869
Change in realizability of deferred tax assets and tax credits	7,254	5,945	(2,317)
Withholding taxes	6,606	7,909	6,914
Other	19,684	15,655	(4,303)
▶ **INCOME TAX EXPENSE**	**454,015**	**622,481**	**565,026**
Effective tax rate	22.6%	30.5%	31.8%

The tax effects of the temporary differences and net operating losses that give rise to deferred tax assets and liabilities at December 31, 2017 and 2016, are presented below:

5.15 DEFERRED INCOME TAX ASSETS AND LIABILITIES

in € THOUS

	2017	2016
Deferred tax assets		
Trade accounts receivable	19,821	11,899
Inventories	56,672	63,932
Intangible assets	6,925	7,366
Property, plant and equipment and other non-current assets	60,186	61,369
Provisions and other liabilities	116,045	337,766
Pension liabilities	80,868	109,234
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	118,994	130,954
Derivatives	2,215	5,487
Compensation expense related to stock options	16,933	13,463
Other	11,894	23,525
▸ **TOTAL DEFERRED TAX ASSETS**	**490,553**	**764,995**
Deferred tax liabilities		
Trade accounts receivable	18,171	25,121
Inventories	7,401	6,838
Intangible assets	410,941	670,134
Property, plant and equipment and other non-current assets	97,779	147,357
Provisions and other liabilities	6,714	49,809
Derivatives	2,480	9,822
Insurance recoveries	–	82,336
Other	99,439	144,105
▸ **TOTAL DEFERRED TAX LIABILITIES**	**642,925**	**1,135,522**
▸ **NET DEFERRED TAX LIABILITIES**	**(152,372)**	**(370,527)**

In the consolidated balance sheets, the accumulated amounts of deferred tax assets and liabilities are shown as follows:

5.16 NET DEFERRED INCOME TAX ASSETS AND LIABILITIES

in € THOUS

	2017	2016
Deferred tax assets	315,168	291,394
Deferred tax liabilities	467,540	661,921
▸ **NET DEFERRED TAX LIABILITIES**	**(152,372)**	**(370,527)**

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 follows:

5.17 NET OPERATING LOSS CARRYFORWARDS

in € THOUS

2018	6,824
2019	10,810
2020	22,637
2021	10,146
2022	13,103
2023	2,428
2024	3,740
2025	4,753
2026	3,693
2027 and thereafter	118,855
Without expiration date	154,552
▸ **TOTAL**	**351,541**

Included in the balance of net operating loss carryforwards at December 31, 2017 are €166,036 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, 2017.

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, 2017, the Company provided for €11,744 (2016: €11,619) of deferred tax liabilities associated with earnings that are likely to be distributed in 2018 and the following years. Provision has not been made for additional taxes on €5,978,278 (2016: €7,037,959) 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., the tax reform was enacted by signature of the president of the Tax Cuts and Jobs Act on December 22, 2017. The Act reduces 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, have been 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 the table "reconciliation of income taxes" above.

5. RELATED PARTY TRANSACTIONS

Fresenius SE is the Company's largest shareholder and owns 30.80% of the Company's outstanding shares, excluding treasury shares held by the Company, at December 31, 2017. The Company has entered into certain arrangements for services, leases and products with Fresenius SE or its subsidiaries and with certain of the Company's equity method investees as described in item a) below. The Company's terms related to the receivables or payables for these services, leases and products are generally consistent with the normal terms of the Company's ordinary course of business transactions with unrelated parties. Financing arrangements as described in item b) below have agreed upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction. The relationship between the Company and its key management personnel who are considered to be related parties is described in item c) below. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

a) Service agreements, lease agreements and products

The Company is party to service agreements with Fresenius SE and certain of its affiliates (collectively the Fresenius SE companies) to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. The Company also provides 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. In 2015, the Company also performed marketing and distribution services for certain of its equity method investees.

The Company is a party to real estate operating 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. As of December 31, 2017 and 2016, future minimum rental payments under non-cancelable operating leases with Fresenius SE were €53,374 and €17,097 as well as €118,962 and €121,844 with other Fresenius SE affiliates, respectively. These minimum rental payments are included within the amounts disclosed in note 21.

In addition to the above mentioned service and lease agreements, the Company sold products to the Fresenius SE companies and made purchases from the Fresenius SE companies 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.

The Company entered into an agreement with a Fresenius SE company for the manufacturing of plasma collection devices. The Company agreed to produce 3,500 units which can be further increased to a maximum of 4,550 units, over the length of the five year contract. On January 1, 2015, this manufacturing business was sold to Kabi USA for $9,327 (€8,567 at December 31, 2015) for which a fairness opinion was obtained from a reputable global accounting firm. The disposal was accounted for as a transaction between parties under common control at the carrying amounts without the generation of profits.

In December 2010, the Company formed the renal pharmaceutical company Vifor Fresenius Medical Care Renal Pharma Ltd., (VFMCRP), an equity method investee of which the Company owns 45%, with Galenica Ltd. (now known as Vifor Pharma Ltd). The Company has entered into exclusive supply agreements to purchase certain pharmaceuticals from VFMCRP.

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

5.18 SERVICE AGREEMENTS, LEASE AGREEMENTS AND PRODUCTS

in € THOUS

	2017		2016		2015		December 31, 2017		December 31, 2016	
	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	381	21,704	389	20,220	229	18,262	40	2,948	132	51
Fresenius SE affiliates	11,111	81,491	4,866	74,083	11,796	68,304	9,445	4,696	822	2,856
Equity method investees	17,797	–	17,578	–	21,063	–	1,738	–	2,506	–
▸ **TOTAL**	**29,289**	**103,195**	**22,833**	**94,303**	**33,088**	**86,566**	**11,223**	**7,644**	**3,460**	**2,907**
Lease agreements										
Fresenius SE	–	8,456	–	9,475	–	8,671	–	–	–	–
Fresenius SE affiliates	–	13,676	–	13,717	–	13,319	–	–	–	–
▸ **TOTAL**	**–**	**22,132**	**–**	**23,192**	**–**	**21,990**	**–**	**–**	**–**	**–**
Products										
Fresenius SE	1	–	2	–	4	–	–	–	–	–
Fresenius SE affiliates	30,529	40,467	26,049	43,390	25,184	33,498	9,148	3,976	7,948	4,787
Equity method investees	–	399,180	–	371,241	–	248,166	–	36,550	–	55,329
▸ **TOTAL**	**30,530**	**439,647**	**26,051**	**414,631**	**25,188**	**281,664**	**9,148**	**40,526**	**7,948**	**60,116**

[1] *In addition to the above shown accounts payable, accrued expenses for service agreements with related parties amounted to €6,397 and €3,359 at December 31, 2017 and 2016.*

b) Financing

The Company receives short-term financing from and provides short-term financing to Fresenius SE. The Company also utilizes Fresenius SE's cash management system for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties. As of December 31, 2017 and December 31, 2016, the Company had accounts receivable from Fresenius SE related to short-term financing in the amount of €91,026 and €197,883, respectively. As of December 31, 2017 and December 31, 2016, the Company had accounts payable to Fresenius SE related to short-term financing in the amount of €76,159 and €186,350, 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 August 22, 2018 with an interest rate of 1.100%. 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, 2018 with an interest rate of 1.100%.

On June 12, 2014, the Company provided a one-year unsecured term loan to one of its equity method investees in the amount of $22,500 at an interest rate of 2.5366%. This loan was repaid in full on June 12, 2015.

The Company provided unsecured term loans to one of its equity method investees during 2015 and 2016 in the amount of CHF 78,416 (€71,928 based upon the average exchange rate for the twelve months ended December 31, 2016). These loans were repaid in full during the first half of 2016. The loans were entered into in order to fund the 2015 sale of European marketing rights for certain renal pharmaceuticals to the same equity method investee as well as to finance the investee's payments for license and distribution agreements. These marketing rights were sold to this equity method investee in 2015 which resulted in a gain of approximately €10,058, after tax.

On December 31, 2017 and December 31, 2016, a subsidiary of Fresenius SE held unsecured bonds issued by the Company in the amount of €6,000 and €8,300, respectively. The bonds were issued in 2011 and 2012, mature in 2021 and 2019, respectively, and each has a coupon rate of 5.25% with interest payable semiannually. For further information on these bonds see note 14.

On December 31, 2017 the Company borrowed from Fresenius SE in the amount of €6,000 at an interest rate of 0.825%. For further information on this loan agreement see note 13. On December 31, 2016 the Company provided a cash advance to Fresenius SE in the amount of €36,245 on an unsecured basis at an interest rate of 0.771%.

c) 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 €25,995, €18,153 and €15,199, respectively, for its management services during 2017, 2016 and 2015 and included an annual fee of €120 as compensation for assuming liability as general partner. The annual fee is set at 4% of the amount of the General Partner's share capital (€3,000 as of December 31, 2017). As of December 31, 2017 and December 31, 2016, the Company had accounts receivable from the General Partner in the amount of €246 and €174, respectively. As of December 31, 2017 and December 31, 2016, the Company had accounts payable to the General Partner in the amount of €23,020 and €14,696, respectively.

Dr. Gerd Krick is the Chairman of the Company's Supervisory Board, the supervisory board of Fresenius SE and of the general partner of Fresenius SE. He is also a member of the supervisory board of the Company's General Partner.

Dr. Dieter Schenk is the Vice Chairman of the Company's Supervisory Board, the supervisory board of the general partner of Fresenius SE as well as 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. The Company incurred expenses in the amount of €2,337, €1,258, and €863 for these services during 2017, 2016 and 2015, respectively. Four of the six members of the Company's Supervisory Board, including the Chairman and Vice Chairman, are also members of the supervisory board of the Company's General Partner.

The Chairman of the supervisory board of the Company's General Partner, 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 2017 and 2016, cash and cash equivalents are as follows:

5.19 CASH AND CASH EQUIVALENTS
in € THOUS

	2017	2016
Cash	620,145	533,403
Securities and time deposits	357,964	175,479
▸ **CASH AND CASH EQUIVALENTS**	**978,109**	**708,882**

The Cash and cash equivalents disclosed in the table above, and respectively in the Consolidated Statement of Cash Flows, include at December, 31 2017 an amount of €53,694 (2016: €0) from collateral requirements towards an insurance company in North America that are not available for use.

7. TRADE ACCOUNTS RECEIVABLE

As of December 31, 2017 and 2016, trade accounts receivable are as follows:

5.20 TRADE ACCOUNTS RECEIVABLE, LESS ALLOWANCE FOR DOUBTFUL ACCOUNTS
in € THOUS

	2017	2016
Trade accounts receivable	3,805,881	3,973,540
less allowance for doubtful accounts	474,891	482,461
▸ **TRADE ACCOUNTS RECEIVABLE, NET**	**3,330,990**	**3,491,079**

All trade accounts receivable are due within one year. Trade accounts receivables with a term of more than one year in the amount of €11,977 (2016:€15,051) are included in the balance sheet item "Other non-current assets".

The following table shows the development of the allowance for doubtful accounts in the fiscal years 2017, 2016 and 2015:

5.21 DEVELOPMENT OF ALLOWANCE FOR DOUBTFUL ACCOUNTS
in € THOUS

	2017	2016	2015
▸ **ALLOWANCE FOR DOUBTFUL ACCOUNTS AS OF JANUARY 1**	**482,461**	**427,841**	**344,706**
Change in valuation allowances as recorded in the consolidated statements of income	549,631	430,974	396,831
Write-offs and recoveries of amounts previously written-off	(501,229)	(391,827)	(343,477)
Foreign currency translation	(55,972)	15,473	29,781
▸ **ALLOWANCE FOR DOUBTFUL ACCOUNTS AS OF DECEMBER 31**	**474,891**	**482,461**	**427,841**

The following tables show the ageing analysis of trade accounts receivable and the allowance for doubtful accounts as of December 31, 2017 and as of December 31, 2016:

5.22 AGEING ANALYSIS OF TRADE ACCOUNTS RECEIVABLE 2017
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	2,105,673	803,393	308,936	236,037	351,842	3,805,881
less allowance for doubtful accounts	(61,219)	(123,226)	(67,484)	(58,441)	(164,521)	(474,891)
▸ **TRADE ACCOUNTS RECEIVABLE, NET**	**2,044,454**	**680,167**	**241,452**	**177,596**	**187,321**	**3,330,990**

5.23 AGEING ANALYSIS OF TRADE ACCOUNTS RECEIVABLE 2016
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	2,138,969	857,490	335,091	241,683	400,307	3,973,540
less allowance for doubtful accounts	(109,221)	(108,941)	(42,039)	(74,999)	(147,261)	(482,461)
▸ **TRADE ACCOUNTS RECEIVABLE, NET**	**2,029,748**	**748,549**	**293,052**	**166,684**	**253,046**	**3,491,079**

8. INVENTORIES

On December 31, 2017 and December 31, 2016, inventories consisted of the following:

5.24 INVENTORIES
in € THOUS

	2017	2016
Finished goods	672,851	687,615
Health care supplies	343,351	362,307
Raw materials and purchased components	193,295	214,286
Work in process	81,282	73,269
▸ **INVENTORIES**	**1,290,779**	**1,337,477**

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately €378,853 of materials, of which €208,967 is committed at December 31, 2017 for 2018. The terms of these agreements run 1 to 5 years.

Allowances on Inventories amounted to €47,329 and €37,602 for the years ended December 31, 2017 and 2016, respectively.

9. OTHER CURRENT ASSETS

At December 31, 2017 and 2016, other current assets consisted of the following:

5.25 OTHER CURRENT ASSETS
in € THOUS

	2017	2016
Other taxes receivable	90,808	75,736
Leases receivable	58,336	54,533
Income taxes receivable	56,468	52,138
Prepaid rent	52,251	54,448
Payments on account	51,282	84,004
Receivables for supplier rebates	48,222	47,592
Prepaid insurance	20,629	16,593
Deposit/Guarantee/Security	15,465	15,096
Derivatives	11,810	39,761
Available for sale financial assets	3,484	250,745
Insurance recoveries	–	208,709
Other	254,031	237,691
▸ **OTHER CURRENT ASSETS**	**662,786**	**1,137,046**

The item "Insurance recoveries" included the recognized amount in relation to the NaturaLyte® and GranuFlo® agreement in principle, which partially offset the accrued settlement amount recorded in current provisions and other current liabilities see note 12. For further information on the funding and consummation of the settlement by the Company and its insurers see note 22.

The item "Other" in the table above primarily includes loans to customers, receivables from employees and notes receivables.

10. PROPERTY, PLANT AND EQUIPMENT

At December 31, 2017 and 2016, the acquisition or manufacturing costs and the accumulated depreciation of property, plant and equipment consisted of the following:

5.26 ACQUISITION OR MANUFACTURING COSTS

in € THOUS

	Jan. 1, 2017	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2017***
Land	65,041	(4,528)	198	1,748	298	(6,217)	56,540
Buildings and improvements	2,997,533	(311,782)	8,971	40,577	276,435	(130,046)	2,881,688
Machinery and equipment	4,156,542	(314,568)	20,057	463,516	47,169	(198,689)	4,174,027
Machinery, equipment and rental equipment under capitalized leases	83,558	(6,825)	(3,082)	8,799	(195)	(1,339)	80,916
Construction in progress	442,289	(43,012)	781	390,909	(326,565)	(2,176)	462,226
▸ **PROPERTY, PLANT AND EQUIPMENT**	**7,744,963**	**(680,715)**	**26,925**	**905,549**	**(2,858)**	**(338,467)**	**7,655,397**

5.27 ACQUISITION OR MANUFACTURING COSTS

in € THOUS

	Jan. 1, 2016	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	*Dec. 31, 2016*
Land	59,774	2,297	209	3,299	(273)	(265)	65,041
Buildings and improvements	2,533,313	85,686	13,345	164,288	249,751	(48,849)	2,997,533
Machinery and equipment	3,740,917	77,062	16,253	476,675	15,013	(169,378)	4,156,542
Machinery, equipment and rental equipment under capitalized leases	63,543	2,791	1,183	16,076	329	(364)	83,558
Construction in progress	409,140	14,602	976	282,035	(262,764)	(1,700)	442,289
▸ **PROPERTY, PLANT AND EQUIPMENT**	**6,806,687**	**182,438**	**31,966**	**942,373**	**2,056**	**(220,556)**	**7,744,963**

5.28 DEPRECIATION

in € THOUS

	Jan. 1, 2017	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2017***
Land	1,270	(47)	–	–	–	16	1,239
Buildings and improvements	1,624,145	(174,475)	(426)	216,458	(2,350)	(83,249)	1,580,103
Machinery and equipment	2,498,941	(184,907)	(3,024)	395,570	2,147	(170,291)	2,538,436
Machinery, equipment and rental equipment under capitalized leases	40,981	(3,407)	(2,995)	10,678	(481)	(928)	43,848
Construction in progress	–	–	–	–	–	–	–
▸ **PROPERTY, PLANT AND EQUIPMENT**	**4,165,337**	**(362,836)**	**(6,445)**	**622,706**	**(684)**	**(254,452)**	**4,163,626**

5.29 DEPRECIATION

in € THOUS

	Jan. 1, 2016	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	*Dec. 31, 2016*
Land	1,221	29	–	–	–	20	1,270
Buildings and improvements	1,405,259	44,653	4,272	202,265	2,322	(34,626)	1,624,145
Machinery and equipment	2,223,952	46,154	(4,244)	381,024	(108)	(147,837)	2,498,941
Machinery, equipment and rental equipment under capitalized leases	29,704	1,056	(53)	10,730	(119)	(337)	40,981
Construction in progress	–	–	–	–	–	–	–
▸ **PROPERTY, PLANT AND EQUIPMENT**	**3,660,136**	**91,892**	**(25)**	**594,019**	**2,095**	**(182,780)**	**4,165,337**

5.30 BOOK VALUE

in € THOUS, December 31

	2017	2016
Land	55,301	63,771
Buildings and improvements	1,301,585	1,373,388
Machinery and equipment	1,635,591	1,657,601
Machinery, equipment and rental equipment under capitalized leases	37,068	42,577
Construction in progress	462,226	442,289
▸ **PROPERTY, PLANT AND EQUIPMENT**	**3,491,771**	**3,579,626**

Depreciation expense for property, plant and equipment amounted to €622,706, €594,019 and €547,063 for the years ended December 31, 2017, 2016, and 2015, 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.

Included in machinery and equipment at December 31, 2017 and 2016 were €657,618 and €635,858, 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.

11. INTANGIBLE ASSETS AND GOODWILL

At December 31, 2017 and 2016, the carrying value and accumulated amortization of intangible assets and goodwill consisted of the following:

5.31 ACQUISITION OR MANUFACTURING COSTS

in € THOUS

	Jan. 1, 2017	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	Dec. 31, 2017
Amortizable intangible assets							
Non-compete agreements	342,157	(39,132)	11,046	–	(1,541)	(2,367)	310,163
Technology	167,814	(11,924)	(1,370)	–	–	(5,329)	149,191
Licenses and distribution agreements	182,855	(11,079)	(535)	4,119	(398)	(1,249)	173,713
Customer relationships	247,428	(23,852)	(76,480)	–	–	–	147,096
Construction in progress	17,904	(2,689)	16,600	56,718	(9,776)	–	78,757
Internally developed intangibles	164,396	(13,244)	–	13,878	6,668	(2,603)	169,095
Other	375,355	(31,215)	6,036	12,693	796	(5,573)	358,092
▸ **TOTAL**	**1,497,909**	**(133,135)**	**(44,703)**	**87,408**	**(4,251)**	**(17,121)**	**1,386,107**
Non-amortizable intangible assets							
Tradename	198,692	(24,003)	–	–	–	–	174,689
Management contracts	3,318	(280)	–	–	–	–	3,038
▸ **TOTAL**	**202,010**	**(24,283)**	**–**	**–**	**–**	**–**	**177,727**
▸ **INTANGIBLE ASSETS**	**1,699,919**	**(157,418)**	**(44,703)**	**87,408**	**(4,251)**	**(17,121)**	**1,563,834**
▸ **GOODWILL**	**12,955,574**	**(1,448,071)**	**596,418**	**–**	**–**	**–**	**12,103,921**

5.32 ACQUISITION OR MANUFACTURING COSTS

in € THOUS

	Jan. 1, 2016	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	*Dec. 31, 2016*
Amortizable intangible assets							
Non-compete agreements	317,696	10,152	17,076	–	–	(2,767)	342,157
Technology	97,832	3,212	66,770	–	–	–	167,814
Licenses and distribution agreements	177,533	5,363	531	3,075	265	(3,912)	182,855
Customer relationships	240,411	6,836	181	–	–	–	247,428
Construction in progress	21,432	349	1,650	10,409	(11,836)	(4,100)	17,904
Internally developed intangibles	147,898	5,556	–	8,968	2,109	(135)	164,396
Other	333,977	8,937	17,697	8,509	10,775	(4,539)	375,355
▶ TOTAL	**1,336,779**	**40,405**	**103,905**	**30,961**	**1,313**	**(15,453)**	**1,497,909**
Non-amortizable intangible assets							
Tradename	192,343	6,349	–	–	–	–	198,692
Management contracts	6,444	100	–	–	(2,858)	(368)	3,318
▶ TOTAL	**198,787**	**6,449**	**–**	**–**	**(2,858)**	**(368)**	**202,010**
▶ INTANGIBLE ASSETS	**1,535,566**	**46,854**	**103,905**	**30,961**	**(1,545)**	**(15,821)**	**1,699,919**
▶ GOODWILL	**11,961,731**	**405,040**	**585,945**	**–**	**2,858**	**–**	**12,955,574**

5.33 AMORTIZATION

in € THOUS

	Jan. 1, 2017	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2017***
Amortizable intangible assets							
Non-compete agreements	278,102	(33,657)	–	21,790	(1,555)	(2,299)	262,381
Technology	61,133	(7,742)	–	11,172	–	–	64,563
Licenses and distribution agreements	114,934	(6,502)	–	12,646	(10)	(1,249)	119,819
Customer relationships	59,576	(6,795)	(24,977)	22,768	–	–	50,572
Construction in progress	–	–	–	–	–	–	–
Internally developed intangibles	102,024	(8,125)	–	16,051	780	(1,824)	108,906
Other	281,030	(24,193)	58	28,346	(5,640)	(5,066)	274,535
▶ TOTAL	**896,799**	**(87,014)**	**(24,919)**	**112,773**	**(6,425)**	**(10,438)**	**880,776**

5.34 AMORTIZATION

in € THOUS

	Jan. 1, 2016	*Foreign currency translation*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	*Dec. 31, 2016*
Amortizable intangible assets							
Non-compete agreements	251,216	8,757	–	20,904	(11)	(2,764)	278,102
Technology	53,110	2,043	–	5,980	–	–	61,133
Licenses and distribution agreements	103,028	3,237	–	12,315	265	(3,911)	114,934
Customer relationships	32,452	2,168	–	24,426	530	–	59,576
Construction in progress	–	–	–	–	–	–	–
Internally developed intangibles	83,992	2,488	–	15,565	(4)	(17)	102,024
Other	249,065	6,719	(52)	28,327	492	(3,521)	281,030
▸ **TOTAL**	**772,863**	**25,412**	**(52)**	**107,517**	**1,272**	**(10,213)**	**896,799**

5.35 BOOK VALUE

in € THOUS, December 31

	2017	*2016*
Amortizable intangible assets		
Non-compete agreements	47,782	64,055
Technology	84,628	106,681
Licenses and distribution agreements	53,894	67,921
Customer relationships	96,524	187,852
Construction in progress	78,757	17,904
Internally developed intangibles	60,189	62,372
Other	83,557	94,325
▸ **TOTAL**	**505,331**	**601,110**
Non-amortizable intangible assets		
Tradename	174,689	198,692
Management contracts	3,038	3,318
▸ **TOTAL**	**177,727**	**202,010**
▸ **INTANGIBLE ASSETS**	**683,058**	**803,120**
▸ **GOODWILL**	**12,103,921**	**12,955,574**

The amortization of intangible assets amounted to €112,773, €107,517 and €101,104 for the years ended December 31, 2017, 2016, and 2015, 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.

Goodwill and intangible assets with indefinite useful lives

The reduction in the carrying amount of goodwill is mainly a result of the impact of foreign currency translations, partially offset by acquisitions. The Company's acquisitions consisted primarily of the purchase of clinics in the normal course of operations in 2017 and 2016 as well as the acquisition of an operator of day hospitals in Australia in 2017 and the purchase of a medical technology company focusing on the treatment of lung and cardiac failure in 2016.

The carrying amount of goodwill and intangibles with indefinite useful life is allocated to the CGUs at December 31, 2017 and 2016 as follows:

5.36 ALLOCATION OF THE CARRYING AMOUNT TO CGUS

in € THOUS

	North America		EMEA		Asia-Pacific		Latin America	
	2017	2016	**2017**	2016	**2017**	2016	**2017**	2016
Goodwill	10,152,243	11,284,686	1,226,983	1,194,743	641,271	386,495	83,424	89,650
Management contracts with indefinite useful life	–	–	–	–	3,038	3,318	–	–
Trade name with indefinite useful life	174,074	198,052	–	–	–	–	615	640

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 2017 and 2016.

12. CURRENT PROVISIONS AND OTHER CURRENT LIABILITIES

Current provisions

The following table shows a reconciliation of the current provisions for 2017:

5.37 DEVELOPMENT OF CURRENT PROVISIONS

in € THOUS

	Jan. 1, 2017	*Foreign currency translation*	*Changes in consolidation group*	*Utilized*	*Reversed*	*Additions*	*Reclassifications*	*Dec. 31, 2017*
Self-insurance programs	249,961	(30,500)	–	(217,970)	(31,990)	254,035	–	223,536
FCPA related charge	10,616	–	–	–	–	200,000	–	210,616
Personnel expenses	20,025	(395)	4	(10,827)	(134)	13,228	6,885	28,786
Risk of lawsuit	6,868	13,093	–	(14,403)	(43)	2,729	–	8,244
Settlement	265,629	(32,160)	–	(226,795)	–	–	–	6,674
Other current provisions	22,348	(1,171)	15	(11,145)	(2,989)	19,369	(1,371)	25,056
▸ **CURRENT PROVISIONS**	**575,447**	**(51,133)**	**19**	**(481,140)**	**(35,156)**	**489,361**	**5,514**	**502,912**

Self-insurance programs

See note 2d.

FCPA related charge

The Company recorded a provision of €200,000 related to FCPA investigations. The provision is based on the ongoing settlement negotiations that would avoid litigation between the Company and the SEC and the U.S. Department of Justice (government agencies) and represents an estimate from the range of potential outcomes estimated from current discussions. The FCPA related charge encompasses government agencies' claims for profit disgorgement, as well as accruals for fines and penalties, certain legal expenses and other related costs for asset impairments. For further information on these investigations see note 22.

Personnel expenses

Personnel expenses mainly refer to jubilee payments, the current portion of the provisions for accrued severance payments, contribution of partial retirement and share-based plans. As at December 31, 2017 and 2016 the provisions for share-based plans amounted to €6,845 and €2,760 respectively see note 20.

Settlement

The item "Settlement" included accruals related to our NaturaLyte® and GranuFlo® agreement in principle, which was partially offset by insurance recoveries recorded in other current assets see note 9. For further information on the funding and consummation of the settlement by the Company and its insurers 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

As at December 31, 2017 and 2016 other current liabilities consisted of the following:

5.38 OTHER CURRENT LIABILITIES

in € THOUS

	2017	*2016*
Personnel liabilities	705,534	688,829
Noncontrolling interests subject to put provisions	469,549	529,406
Unapplied cash and receivable credits	311,925	390,375
Invoices outstanding	160,196	157,302
Rent and lease obligations	111,196	116,120
Withholding tax and VAT	100,327	88,964
Interest liabilities	84,523	107,743
Legal matters, advisory and audit fees	38,553	18,868
Subsidiary Stock Incentive Plan	30,697	7,777
Bonuses, commissions	26,800	33,907
Variable payments outstanding for acquisitions	14,712	78,322
Derivatives	11,702	25,516
Other liabilities	275,134	218,132
▸ **OTHER CURRENT LIABILITIES**	**2,340,848**	**2,461,261**

Personnel liabilities

The personnel liabilities mainly refer to liabilities for wages and salaries, bonuses and vacation payments.

Other liabilities

The item "Other liabilities" in the table above includes deferred income, liabilities for insurance premiums and the current portion of pension liabilities.

13. SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES

At December 31, 2017 and December 31, 2016, short-term debt and short-term debt from related parties consisted of the following:

5.39 SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES
in € THOUS

	2017	2016
Commercial paper program	679,886	475,915
Borrowings under lines of credit	79,313	89,451
Other	1,080	6,644
Short-term debt	760,279	572,010
Short-term debt from related parties (see note 5b)	9,000	3,000
▸ **SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES**	**769,279**	**575,010**

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, 2017 and 2016, the outstanding commercial paper amounted to €680,000 and €476,000, respectively.

Borrowings under lines of credit and further availabilities

Borrowings under lines of credit in the amount of €79,313 and €89,451 at December 31, 2017 and 2016, respectively, represented amounts borrowed by the Company's subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2017 and 2016 were 6.72% and 6.46%, respectively.

Excluding amounts available under the Amended 2012 Credit Agreement see note 14, at December 31, 2017 and 2016, the Company had €258,066 and €229,966 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, 2017 and 2016, cash and borrowings under lines of credit in the amount of €318,654 and €325,485 were offset under this cash management system.

Other

At December 31, 2017 and 2016, the Company had €1,080 and €6,644 of other debt outstanding related to fixed payments outstanding for acquisitions.

Short-term debt from related parties

The Company is party to an unsecured loan agreement with Fresenius SE under which the Company or FMCH may request and receive one or more short-term advances up to an aggregate amount of $400,000 until maturity on July 31, 2022. For further information on short-term debt from related parties see note 5b.

14. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of December 31, 2017 and 2016, long-term debt and capital lease obligations consisted of the following:

5.40 LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS
in € THOUS

	2017	2016
Amended 2012 Credit Agreement	2,017,952	2,244,115
Bonds	3,810,483	4,670,786
Convertible Bonds	386,984	380,735
Accounts Receivable Facility	293,673	165,037
Capital lease obligations	37,704	43,775
Other	131,611	52,656
Long-term debt and capital lease obligations	6,678,407	7,557,104
Less current portion	(883,535)	(724,218)
▸ LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	**5,794,872**	**6,832,886**

As of December 31, 2017 and December 31, 2016, long-term debt and capital lease obligations have the following maturities:

5.41 MATURITY OF LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS
in € THOUS

	Payments due by period of				
	Less than 1 year	1–3 years	3–5 years	Over 5 years	Total
2017					
Amended 2012 Credit Agreement	128,058	656,117	1,242,907	–	2,027,082
Bonds	733,528	1,333,966	1,425,657	333,528	3,826,679
Convertible Bonds	–	400,000	–	–	400,000
Accounts Receivable Facility	–	294,338	–	–	294,338
Capital lease obligations	8,831	14,948	4,860	9,065	37,704
Other	15,220	22,111	41,378	52,933	131,642
▸ TOTAL	**885,637**	**2,721,480**	**2,714,802**	**395,526**	**6,717,445**
2016					
Amended 2012 Credit Agreement	213,735	2,040,150	–	–	2,253,885
Bonds	474,338	1,788,412	1,390,978	1,043,544	4,697,272
Convertible Bonds	–	–	400,000	–	400,000
Accounts Receivable Facility	–	166,018	–	–	166,018
Capital lease obligations	11,211	13,868	7,707	10,989	43,775
Other	25,790	16,706	6,543	3,644	52,683
▸ TOTAL	**725,074**	**4,025,154**	**1,805,228**	**1,058,177**	**7,613,633**

The Company's long-term debt as of December 31, 2017, 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 resulting in a total credit facility of approximately $3,900,000 with maturities in 2020 and 2022. Consistent with the investment grade rating of the Company, the Amended 2012 Credit Agreement is now unsecured and has lower tiered pricing.

As of December 31, 2017, the Amended 2012 Credit Agreement now 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 $1,470,000, 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 €343,000 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 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, 2017 and 2016, the dollar-denominated tranches outstanding under the Amended 2012 Credit Agreement had a weighted average interest rate of 2.48% and 2.15%, respectively. At December 31, 2017 and 2016, the euro-denominated tranches had a weighted average interest rate of 0.81% and 1.25%, 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 leverage ratio (ratio of consolidated funded debt less cash and cash equivalents to consolidated EBITDA).

The following table shows the available and outstanding amounts under the Amended 2012 Credit Agreement at December 31, 2017 and 2016:

5.42 AMENDED 2012 CREDIT AGREEMENT – MAXIMUM AMOUNT AVAILABLE AND BALANCE OUTSTANDING

in THOUS

	Maximum amount available 2017		*Balance outstanding 2017*[1]	
Revolving credit USD	$900,000	€750,438	$70,000	€58,367
Revolving credit EUR	€600,000	€600,000	–	–
USD term loan 5-year	$1,470,000	€1,225,715	$1,470,000	€1,225,715
EUR term loan 5-year	€343,000	€343,000	€343,000	€343,000
EUR term loan 3-year	€400,000	€400,000	€400,000	€400,000
▸ **TOTAL**		**€3,319,153**		**€2,027,082**

	Maximum amount available 2016		*Balance outstanding 2016*[1]	
Revolving credit USD	$1,000,000	€948,676	$10,187	€9,664
Revolving credit EUR	€400,000	€400,000	–	–
USD term loan	$2,100,000	€1,992,221	$2,100,000	€1,992,221
EUR term loan	€252,000	€252,000	€252,000	€252,000
▸ **TOTAL**		**€3,592,897**		**€2,253,885**

[1] *Amounts shown are excluding debt issuance costs.*

At December 31, 2017 and 2016, the Company had letters of credit outstanding in the amount of $1,690 and $3,550 (€1,409 and €3,368), 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

At December 31, 2017 and 2016, the Company's bonds consisted of the following:

5.43 BONDS
in THOUS

Issuer/Transaction	Face amount	Maturity	Coupon	Book value 2017 in €	Book value 2016 in €
FMC US Finance, Inc. 2007	$500,000	July 15, 2017	6 7/8%	–	473,482
FMC Finance VIII S.A. 2011	€400,000	September 15, 2018	6.50%	398,838	397,178
FMC US Finance II, Inc. 2011	$400,000	September 15, 2018	6.50%	332,588	376,886
FMC US Finance II, Inc. 2012	$800,000	July 31, 2019	5.625%	665,637	756,627
FMC Finance VIII S.A. 2012	€250,000	July 31, 2019	5.25%	249,383	248,993
FMC US Finance II, Inc. 2014	$500,000	October 15, 2020	4.125%	414,952	471,300
FMC US Finance, Inc. 2011	$650,000	February 15, 2021	5.75%	538,021	610,670
FMC Finance VII S.A. 2011	€300,000	February 15, 2021	5.25%	298,571	298,108
FMC US Finance II, Inc. 2012	$700,000	January 31, 2022	5.875%	581,261	661,070
FMC US Finance II, Inc. 2014	$400,000	October 15, 2024	4.75%	331,232	376,472
▸ **TOTAL**				**3,810,483**	**4,670,786**

All bonds are guaranteed by the Company and by FMCH. The issuers may redeem the bonds at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have the right to request that the issuers repurchase the 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 holders which, under certain circumstances, limit the ability of the Company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. Some of these restrictions were suspended automatically as the rating of the respective bonds reached investment grade status. At December 31, 2017, the Company was in compliance with all of its covenants under the bonds.

Convertible bonds

On September 19, 2014, the Company issued €400,000 principal amount of equity-neutral convertible bonds (the Convertible Bonds) which have a coupon of 1.125% and are due on January 31, 2020. The bonds were issued at par. The current conversion price is €73.4408. Since November 2017, bond holders can exercise the conversion rights embedded in the bonds at certain dates. In order to fully offset the economic exposure from the conversion feature, the Company purchased call options on its shares (Share Options). Any increase of the Company's share price above the conversion price would be offset by a corresponding value increase of the Share Options. The Company amortizes the remaining cost of these options and various other offering costs over the life of these bonds in the amount of €13,016, effectively increasing the total interest rate to 2.611%. The Convertible Bonds are guaranteed by FMCH.

Accounts Receivable Facility

The Company refinanced the Accounts Receivable Facility on December 6, 2016 for a term expiring on December 6, 2019 with the available borrowings of $800,000.

The following table shows the available and outstanding amounts under the Accounts Receivable Facility at December 31, 2017 and December 31, 2016.

5.44 ACCOUNTS RECEIVABLE FACILITY – MAXIMUM AMOUNT AVAILABLE AND BALANCE OUTSTANDING

in THOUS

	Maximum amount available 2017[1]		*Balance outstanding 2017*[2]	
Accounts Receivable Facility	$800,000	€667,056	$353,000	€294,338
	Maximum amount available 2016[1]		*Balance outstanding 2016*[2]	
Accounts Receivable Facility	$800,000	€758,941	$175,000	€166,018

[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 $71,244 at December 31, 2017 and $15,647 at December 31, 2016 (€59,404 and €14,844). These letters of credit are not included above as part of the balance outstanding at December 31, 2017 and 2016; 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, 2017 and 2016, the interest rate was 1.40% and 1.00%, respectively. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other

At December 31, 2017 and 2016, in conjunction with certain acquisitions and investments, the Company had fixed payments outstanding for acquisitions totaling approximately €14,199 and €24,566, respectively, of which €4,453 and €15,248, 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 €975,645 at December 31, 2017 (2016: €1,027,983), €626,658 (2016: €393,940) are due in between more than one and three years, €195,490 (2016: €335,026) are due in between three to five years and €153,497 (2016: €299,017) are due after five years.

The item "Other non-current liabilities" in the amount of €821,838 at December 31, 2017 (2016: €917,384) includes, among others, noncontrolling interests subject to put provisions of €361,224 (2016: €478,327), variable payments outstanding for acquisitions of €191,080 (2016: €145,182) and derivatives of €103,461 (2016: €96,272).

The following table shows the development of non-current provisions in the fiscal year:

5.45 DEVELOPMENT OF NON-CURRENT PROVISIONS

in € THOUS

	Jan. 1, 2017	*Foreign currency translation*	*Changes in consolidation group*	*Utilized*	*Reversed*	*Additions*	*Reclassifications*	*Dec. 31, 2017*
Personnel expenses	59,899	6,243	2,516	(2,420)	(334)	40,084	(5,514)	100,474
Medical malpractice	40,399	(5,311)	–	–	–	7,237	–	42,325
Other non-current provisions	10,301	(648)	1	(358)	(52)	1,764	–	11,008
▸ **TOTAL**	**110,599**	**284**	**2,517**	**(2,778)**	**(386)**	**49,085**	**(5,514)**	**153,807**

Personnel expenses mainly refer to provisions for severance payments, contribution of partial retirement and provisions for share-based plans. As at December 31, 2017, the provisions for share-based plans amounted to €87,967 (2016: €47,944) see note 20.

The item "Other non-current provisions" in the table above 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.

Starting 2016, the defined benefit plans in France were transferred from "Benefit plans offered by other subsidiaries" to the detailed reconciliations of the funded status and the plan assets, retrospectively for 2015.

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 contributions made by the employee and to the vested portion of the Company paid contributions upon leaving the Company. The Company has a defined contribution plan in 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 2017, FMCH did not have a minimum funding requirement. The Company voluntarily provided €1,107 to the defined benefit plan. Expected funding for 2018 is €1,026.

The benefit obligation for all defined benefit plans at December 31, 2017, was €792,739 (2016: €811,935) which consists of the gross benefit obligation of €394,677 (2016: €415,743) for the U.S. plan and of €3,995 (2016: €4,015) for the French plan, which are funded by plan assets, and the benefit obligation of €385,835 (2016: €384,003) for the German unfunded plan and the benefit obligation of €8,232 (2016: €8,174) 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.

The following table shows the changes in benefit obligations, the changes in plan assets and the funded status of the pension plans. Benefits paid as shown in the changes in benefit obligations represent payments made from both the funded and unfunded plans while the benefits paid as shown in the changes in plan assets include only benefit payments from the Company's funded benefit plan.

5.46 FUNDED STATUS

in € THOUS

	2017	2016
Change in benefit obligation		
Benefit obligation at beginning of year	811,935	755,604
Foreign currency translation (gains) losses	(52,135)	12,620
Current service cost	28,463	22,888
Past service cost (incl. Curtailments and settlements)	144	(49)
Interest cost	24,328	26,497
Transfer of plan participants	4	28
Actuarial (gains) losses arising from changes in financial assumptions	(1,038)	45,070
Actuarial (gains) losses arising from changes in demographic assumptions	(2,490)	(10,448)
Actuarial (gains) losses arising from experience adjustments	7,006	(1,416)
Remeasurements	3,478	33,206
Benefits paid	(23,478)	(30,724)
Curtailments and settlements	–	(8,135)
▸ **BENEFIT OBLIGATION AT END OF YEAR**	**792,739**	**811,935**
Change in plan assets		
Fair value of plan assets at beginning of year	326,663	239,056
Foreign currency translation gains (losses)	(39,792)	11,649
Interest income from plan assets	13,241	10,164
Actuarial gains (losses) arising from experience adjustments	10,318	1,783
Actual return on plan assets	23,559	11,947
Employer contributions	1,107	99,887
Benefits paid	(20,281)	(27,741)
Curtailments and settlements	–	(8,135)
▸ **FAIR VALUE OF PLAN ASSETS AT END OF YEAR**	**291,256**	**326,663**
▸ **FUNDED STATUS AT END OF YEAR**	**501,483**	**485,272**

For the years 2017 and 2016, there were no effects from the asset ceiling.

At December 31, 2017, the weighted average duration of the defined benefit obligation was 18 years (2016: 19 years).

The net pension liability as of December 31, 2017 and 2016 is calculated as follows:

5.47 NET PENSION LIABILITY

in € THOUS

	2017	2016
Funded status at end of year	501,483	485,272
Benefit plans offered by other subsidiaries	36,304	33,725
▸ **NET PENSION LIABILITY**	**537,787**	**518,997**

Benefit plans offered by the U.S., Germany and France contain a pension liability of €501,483 and €485,272 at December 31, 2017 and 2016, respectively. The pension liability consists of a current portion of €4,695 (2016: €4,483) which is recorded in the line item "Current provisions and other current liabilities" in the consolidated balance sheets. The non-current portion of €496,788 (2016: €480,789) is recorded in non-current liabilities as "Pension liabilities" in the consolidated balance sheets.

As of December 31, 2017, €103,519 related to the U.S. pension plan, €385,835 related to the German plan and €12,129 related to the French plans. At December 31, 2016, €89,177 related to the U.S. pension plan, €384,003 related to the German plan and €12,092 related to the French plans. Approximately 72% of the beneficiaries are located in the U.S. and 6% in France with the majority of the remaining 22% 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 €36,304 and €33,725 at December 31, 2017 and 2016 and consists of a current pension liability of €2,533 (2016: €1,975), which is recognized in the line item "Current provisions and other current liabilities". The non-current pension liability of €33,771 (2016: €31,750) 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, 2017 and 2016 are the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations at December 31, 2017 and 2016:

5.48 WEIGHTED AVERAGE ASSUMPTIONS

in %

	2017	2016
Discount rate	3.08	3.25
Rate of compensation increase	3.22	3.23
Rate of pension increase	1.45	1.45

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability at December 31, 2017 as follows:

5.49 SENSITIVITY ANALYSIS

in € THOUS

	0.5% increase	0.5% decrease
Discount rate	(67,330)	77,338
Rate of compensation increase	11,063	(10,880)
Rate of pension increase	29,078	(26,339)

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2017. 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 following components for the years ended December 31, 2017, 2016 and 2015:

5.50 COMPONENTS OF NET PERIODIC BENEFIT COST

in € THOUS

	2017	2016	2015
Service cost	28,607	23,777	22,782
Net interest cost	11,087	16,333	15,418
▸ **NET PERIODIC BENEFIT COSTS**	**39,694**	**40,110**	**38,200**

Net periodic benefit cost is allocated as personnel expense within costs of revenues; selling, general and administrative expense; or research and development expense. This is depending upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the years ended December 31, 2017, 2016 and 2015:

5.51 WEIGHTED AVERAGE ASSUMPTIONS

in %

	2017	2016	2015
Discount rate	3.25	3.67	3.21
Rate of compensation increase	3.23	3.27	3.26
Rate of pension increase	1.45	1.69	1.75

Expected benefit payments are as follows:

5.52 DEFINED BENEFIT PENSION PLANS: CASH OUTFLOWS

in € THOUS

	2017	2016
1 year	21,301	21,957
1–3 years	47,560	48,294
3–5 years	55,223	56,211
5–10 years	168,459	173,581
▸ **TOTAL**	**292,543**	**300,043**

Plan Assets

The following table presents the fair values of the Company's pension plan assets at December 31, 2017 and 2016:

5.53 FAIR VALUES OF PLAN ASSETS

in € THOUS

	2017			2016		
Asset category	*Total*	*Quoted prices in active markets for identical assets (Level 1)*	*Significant observable inputs (Level 2)*	*Total*	*Quoted prices in active markets for identical assets (Level 1)*	*Significant observable inputs (Level 2)*
Equity investments						
Index funds[1]	71,805	(332)	72,137	81,063	(1,994)	83,057
Fixed income investments						
Government securities[2]	5,318	4,903	415	2,373	1,804	569
Corporate bonds[3]	199,232	–	199,232	209,011	–	209,011
Other bonds[4]	3,865	–	3,865	5,339	–	5,339
U.S. treasury money market funds[5]	10,938	10,938	–	28,780	28,780	–
Other types of investments						
Cash, money market and mutual funds[6]	98	98	–	97	97	–
▸ TOTAL	**291,256**	**15,607**	**275,649**	**326,663**	**28,687**	**297,976**

[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.*

The methods and inputs used to measure the fair value of plan assets are as follows:

- Common stocks are valued at their market prices at the balance sheet date.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes at the balance sheet date.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan investment policy and strategy 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-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 98% of investments for long-term growth and income and 2% 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 30% equity and 70% long-term U.S. corporate bonds, considers that there will be a time horizon for invested funds of more than 5 years. The total portfolio will be measured against a 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 and Barclays Capital Long-Corporate Bond 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 $18 if under 50 years old ($24 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, 2017, 2016, and 2015, was €48,746, €43,778 and €41,701 respectively.

Additionally, the Company contributed for the years ended December 31, 2017, 2016, and 2015 €24,329, €20,938 and €19,751 to state pension plans.

17. SHAREHOLDERS' EQUITY

Capital stock

At December 31, 2017, the Company's share capital consists of 308,111,000 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 has no equity interest in the Company and, therefore, does not participate in either the assets or the profits and losses of the Company. However, the General Partner is compensated for all outlays in connection with conducting the Company's business, including the remuneration of members of its Management Board and its Supervisory Board see note 5c.

Pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) (Sections 21 and 22 WpHG old version), 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 33 of the WpHG (under Section 21 WpHG at the date of notification) that it held at 35.74% of the voting rights in FMC AG & CO. KGAA. At December 31, 2017, Fresenius SE holds 30.63% 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 holds 30.80% of the Company's voting rights. In addition, Fresenius SE is the sole stockholder of the General Partner.

On June 21, 2017, the Ministry of Finance on behalf of the Kingdom of Norway including attributed subsidiaries, disclosed by means of a notification pursuant to Section 33, 34 of the WpHG (under Sections 21 and 22 WpHG at the date of notification), that 2.86% of the voting rights of FMC AG & CO. KGAA and instruments relating to 0.04% of the voting rights of FMC AG & CO. KGAA were held as of June 16, 2017. Furthermore, on October 24, 2017, BlackRock, Inc., Wilmington, DE, U.S., including attributed subsidiaries disclosed pursuant to Section 33, 34 of the WpHG (Sections 21, 22 WpHG old version) that 6.28% of the voting rights of FMC AG & CO. KGAA and instruments relating to 0.16% of the voting rights of FMC AG & CO. KGAA were held as of October 19, 2017.

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, 2017.

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, 2017.

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 9, 2006, as amended by the resolution of the Company's AGM on May 15, 2007, resolving a three-for-one share split, the Company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a calculated proportionate value of €1.00 each, "Conditional Capital 2006/I" see note 20. The Conditional Capital increase is only executed to the extent subscription rights were awarded under the Stock Option Plan 2006, 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.

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 M no par value bearer ordinary shares with a calculated proportionate 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.

Through the Company's other employee participation programs, the Company has issued stock option/subscription rights (Bezugsrechte) to employees and the members of the Management Board of the General Partner and employees and members of management of affiliated companies that entitle these persons to receive shares. At December 31, 2017, 4,827,134 options remained outstanding with a remaining average term of five years under these programs. For the year ending December 31, 2017, 889,209 options had been exercised under these employee participation plans see note 20.

Conditional capital at December 31, 2017 was €17,803 in total. Thereof, for all programs, €14,429 was available, which included €10,916 for the 2011 SOP and €3,513 for the 2006 Plan see note 20.

A total of 889,209 shares (2016: 907,720 shares) were issued out of Conditional Capital 2006/I and Conditional Capital 2011/I during 2017, increasing the Company's capital stock by €889 (2016: €908).

Treasury stock

On the basis of the authorization granted by the Company's AGM on May 12, 2011 to conduct a share buy-back program, the Company repurchased 7,548,951 shares in 2013 for an average weighted stock price of €51 per share. The Company retired 6,549,000 of these repurchased shares on February 16, 2016 in order to decrease its share capital.

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 71 a 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 AGM on May 12, 2016 to conduct a share buy-back program, the Company repurchased 660,000 shares, between December 11, 2017, and December 21, 2017, for an average weighted stock price of €87.79.

As of December 31, 2017, the Company holds 1,659,951 treasury shares. These 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 of the Company.

The following tabular disclosure provides the number of shares acquired in the context of the share buy-back programs as well as the repurchased treasury stock:

5.54 TREASURY STOCK

Period	*Average price paid 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*
Purchase of Treasury Stock			
May 2013	52.96	1,078,255	57,107
June 2013	53.05	2,502,552	132,769
July 2013	49.42	2,972,770	146,916
August 2013	48.40	995,374	48,174
▸ **REPURCHASED TREASURY STOCK**	**51.00**	**7,548,951**	**384,966**
Retirement of repurchased Treasury Stock			
February 2016	51.00	6,549,000	333,973
Purchase of Treasury Stock			
December 2017	87.79	660,000	57,938
▸ **TOTAL**	**65.63**	**1,659,951**	**108,931**

[1] *The value of shares repurchased in 2013 and 2017 is inclusive of fees (net of taxes) paid in the amount of approximately €81 and €12, respectively, for services rendered.*

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 €293,973 for 2016 in the amount of €0.96 per share were paid on May 16, 2017.
Cash dividends of €244,251 for 2015 in the amount of €0.80 per share were paid on May 13, 2016.
Cash dividends of €236,773 for 2014 in the amount of €0.78 per share were paid on May 20, 2015.

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, 2017 and December 31, 2016, total equity and debt were as follows:

5.55 TOTAL EQUITY, DEBT AND TOTAL ASSETS

in € THOUS

	2017	*2016*
Total equity including noncontrolling interests	10,828,186	11,051,132
Debt	7,447,686	8,132,114
Total assets	24,025,128	25,503,540
Debt *in % of total assets*	31.0%	31.9%
Total equity *in % of total assets (equity ratio)*	45.1%	43.3%

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.

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 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, and non-cash charges). At December 31, 2017 and December 31, 2016, this ratio was 2.1 and 2.3, respectively.

The Company's financing structure and business model are reflected in the investment grade ratings. The Company is covered by the three leading rating agencies, Moody's, Standard & Poor's and Fitch.

5.56 RATING [1]

	Standard & Poor´s	*Moody´s*	*Fitch*
Corporate credit rating	BBB–	Baa3	BBB–
Outlook	positive	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

The following table contains reconciliations of the numerators and denominators of the basic and fully diluted earnings per share computations for 2017, 2016 and 2015:

5.57 RECONCILIATION OF BASIC AND FULLY DILUTED EARNINGS PER SHARE
in € THOUS, except share and per share data

	2017	2016	2015
Numerators			
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**	**1,279,788**	**1,143,980**	**954,946**
Denominators			
Weighted average number of shares outstanding	306,563,400	305,748,381	304,440,184
Potentially dilutive shares	719,912	580,313	824,990
▸ **BASIC EARNINGS PER SHARE**	**4.17**	**3.74**	**3.14**
▸ **FULLY DILUTED EARNINGS PER SHARE**	**4.16**	**3.73**	**3.13**

20. SHARE-BASED PLANS

The Company accounts for its share-based plans in accordance with IFRS 2 (Share-based payments).

FMC AG & CO. KGAA share-based plans

At December 31, 2017, the Company has various share-based compensation plans, which may either be equity- or cash-settled.

FMC AG & CO. KGAA long-term incentive plan 2016

As of May 11, 2016, the issuance of stock options and phantom stocks under the FMC AG & CO. KGAA Long-Term Incentive Program 2011 (LTIP 2011) 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, the Management Board and the supervisory board of Management AG have approved and adopted the FMC AG & CO. KGAA Long-Term Incentive Plan 2016 (LTIP 2016) as a successor program effective January 1, 2016.

The LTIP 2016 is a variable compensation program with long-term incentive effects. Pursuant to the LTIP 2016, the plan participants may be granted so-called "Performance Shares" annually or semiannually during 2016 to 2018. 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 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 their base salary at the time of the grant. In order to determine the number of Performance Shares each plan participant receives, their 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, (II) growth in net income attributable to shareholders of FMC AG & CO. KGAA (net income growth) and (III) return on invested capital (ROIC) improvement.

Revenue, net income and ROIC are determined according to IFRS in euro based on full year results. Revenue growth and net income growth, for the purpose of this 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 the 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 the 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 improvement, an annual target achievement level of 100% will be reached if the target ROIC as defined for the respective year is reached. In 2016, the target ROIC was 7.3% and will increase by 0.2% each subsequent 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%.

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.

The final number of Performance Shares is generally deemed earned four years after the day of a respective grant (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 four-year vesting period. The respective resulting amount will then be paid to the plan participants as cash compensation.

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.

During 2016, the Company awarded 642,349 Performance Shares under the LTIP 2016, including 79,888 Performance Shares to the members of the Management Board at a measurement date weighted average fair value of €76.19 each and a total fair value of €48,941 which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

FMC AG & CO. KGAA long-term incentive program 2011

On May 12, 2011, the FMC AG & CO. KGAA Stock Option Plan 2011 (2011 SOP) was established by resolution of the Company's Annual General Meeting. 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 stocks. The final grant under the LTIP 2011 was made in December 2015. Awards under the LTIP 2011 are subject to a four-year vesting period. Vesting of the awards granted is 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 12 M non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

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 share 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. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

During 2015, under the LTIP 2011, the Company awarded 3,073,360 stock options, including 502,980 stock options granted to the Management Board, at a weighted average exercise price of €77.06, a weighted average fair value of €15.00 each and a total fair value of €46,088 which will be amortized over the four-year vesting period. The Company also awarded 607,828 shares of phantom stock, including 62,516 shares of phantom stock granted to members of the Management Board at a measurement date weighted average fair value of €73.81 each and a total fair value of €44,864, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

New incentive bonus plan

In 2017, the Management Board was eligible for performance-related compensation that depended upon achievement of pre-defined targets. The targets are measured based on the operating income margin, net income growth and free cash flow (net cash provided by operating activities after capital expenditures before acquisitions and investments) in percentage of revenue, 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 fiscal year 2017 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 2017 will be paid in the following year, after the consolidated financial statements for 2017 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 years ending 2017, 2016 and 2015 was €3,418, €3,281 and €801, respectively.

FMC AG & CO. KGAA Stock Option Plan 2006

The FMC AG & CO. KGAA Stock Option Plan 2006 (Amended 2006 Plan) was established with a conditional capital increase up to €12,800, subject to the issue of up to 5 M no par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. In connection with the share split effected in 2007, the principal amount was adjusted to the same proportion as the share capital out of the capital increase up to €15,000 by the issue of up to 15 M new non-par value bearer ordinary shares. After December 2010, no further grants were issued under the Amended 2006 Plan. As at December 31, 2017 there are no further exercisable stock options under the plan 2006.

Options granted under the Amended 2006 Plan to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be transferred, pledged, assigned, or otherwise disposed of.

Information on holdings under share-based plans

At December 31, 2017, the Management Board held 819,491 stock options and employees of the Company held 4,007,643 stock options under the various share-based compensation plans of the Company.

At December 31, 2017, the Management Board held 73,432 phantom shares and employees of the Company held 691,164 phantom shares under the 2011 Incentive Plan.

At December 31, 2017, the Management Board held 150,993 Performance Shares and employees of the Company held 1,042,923 Performance Shares under the LTIP 2016.

Additional information on stock options

The table below provides reconciliations for stock options outstanding at December 31, 2017, as compared to December 31, 2016.

5.58 TRANSACTIONS

	Options (in THOUS)	*Weighted Average Exercise Price in €*
Stock options for shares		
▸ **BALANCE AT DECEMBER 31, 2016**	**6,067**	**62.98**
Granted	–	–
Exercised[1]	889	47.50
Forfeited	351	52.82
▸ **BALANCE AT DECEMBER 31, 2017**	**4,827**	**65.67**

[1] *The average share price at the date of exercise of the options was €83.01.*

The following table provides a summary of fully vested options outstanding and exercisable at December 31, 2017:

5.59 SHARE OPTIONS

	Outstanding			*Exercisable*	
	Number of options	*Weighted average remaining contractual life in years*	*Weighted average exercise price in €*	*Number of options*	*Weighted average exercise price in €*
Range of exercise prices in €					
45.01 – 50.00	1,630,590	4.41	49.90	278,460	49.75
50.01 – 55.00	254,360	1.59	52.42	254,360	52.42
55.01 – 60.00	226,156	3.12	57.60	174,316	57.30
60.01 – 65.00	–	–	–	–	–
65.01 – 70.00	–	–	–	–	–
70.01 – 75.00	–	–	–	–	–
75.01 – 80.00	2,716,028	5.58	77.04	–	–
▸ **TOTAL**	**4,827,134**	**4.86**	**65.67**	**707,136**	**52.57**

At December 31, 2017, there was €9,930 total unrecognized compensation costs related to non-vested options granted under all plans. These costs are expected to be recognized over a weighted average period of one year.

During the years ended December 31, 2017, 2016, and 2015, the Company received cash of €42,234, €39,438 and €68,745, respectively, from the exercise of stock options see note 17. The intrinsic value of stock options exercised for the twelve-month periods ending December 31, 2017, 2016, and 2015 was €31,580, €31,410 and €66,594, respectively.

The compensation expenses related to equity-settled stock option programs are 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 its equity-settled stock option programs, the Company incurred compensation expense of €11,736, €23,210 and €5,933 for the years ending December 31, 2017, 2016 and 2015, respectively.

The compensation expenses related to cash-settled share based payment transactions are determined based upon the fair value at the measurement date and the number of phantom shares or Performance Shares granted which will be recognized over the four-year vesting period. In connection with cash-settled share based payment transactions, the Company recognized compensation expense of €21,576, €15,509 and €10,755 related to phantom shares for the years ending December 31, 2017, 2016 and 2015, respectively, and €38,882 and €19,513, related to Performance Shares for the year ended December 31, 2017 and 2016.

Fair value information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the Amended 2006 Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experience of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 155% of the exercise price. The Company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option. The assumptions used to determine the fair value of the 2015 grants are as follows:

5.60 WEIGHTED AVERAGE ASSUMPTIONS

	2015
Expected dividend yield	1.46%
Risk-free interest rate	0.44%
Expected volatility	22.32%
Expected life of options	8 years
Weighted average Exercise price	77.06 €
Weighted average Share price at grant date	77.25 €

Subsidiary stock incentive plans

Subsidiary stock incentive plans were established during 2014 in conjunction with two acquisitions made by the Company. Under these plans, two of the Company's subsidiaries are authorized to issue a total of 116,103,806 Incentive Units. The Incentive Units have two types of vesting conditions: a service condition and a performance condition. Of the total Incentive Units granted, eighty percent vest ratably over a four year period and twenty percent vest upon the achievement of certain of the relevant subsidiary's performance targets over a six year vesting period (the Performance Units).

Fifty percent of the Performance Units will vest upon achievement of performance targets in 2017. The remaining 50%, plus any unvested Performance Units, will vest upon achievement of performance targets in 2019. All of the Performance Units will vest upon achievement of performance targets in 2020, if not previously vested. Additionally, for one of the subsidiaries, all Performance Units not previously vested will vest upon successful completion of an initial public offering.

As of December 31, 2017, 2016 and 2015, €2,041, €13,820 and €15,721, respectively, total unrecognized compensation expenses related to unvested Incentive Units under the plans. These costs are expected to be recognized over a weighted average period of 1.3 years.

The Company used the Monte Carlo pricing model in determining the fair value of the awards under this incentive plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries.

21. OPERATING LEASES AND RENTAL PAYMENTS

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2063. Rental expense recorded for operating leases for the years ended December 31, 2017, 2016 and 2015 was €823,446, €756,393 and €690,830, respectively. For information regarding operating leases with related parties see note 5a.

Future minimum rental payments under non-cancelable operating leases for the five years succeeding December 31, 2017 and 2016 and thereafter are:

5.61 FUTURE MINIMUM RENTAL PAYMENTS
in € THOUS

	2017	2016
1 year	728,312	702,436
1–3 years	1,246,719	1,138,767
3–5 years	934,725	827,555
Over 5 years	1,595,270	1,291,060
▸ **TOTAL**	**4,505,026**	**3,959,818**

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. For the matters described below in which the Company believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

On February 15, 2011, a whistleblower (relator) action under the False Claims Act against FMCH was unsealed by order of the United States District Court for the District of Massachusetts and served by the relator. United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The relator's complaint, which was first filed under seal in February 2009, alleged that the Company sought and received reimbursement from government payors for serum ferritin and multiple forms of hepatitis B laboratory tests that were medically unnecessary or not properly ordered by a physician. Discovery on the relator's complaint closed in May 2015. Although the United States initially declined to intervene in the case, the government subsequently changed position. On April 3, 2017, the court allowed the government to intervene with respect only to certain hepatitis B surface antigen tests performed prior to 2011, when Medicare reimbursement rules for such tests changed. The court rejected the government's request to conduct new discovery, but is allowing FMCH to take discovery against the government as if the government had intervened at the outset.

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the U.S. that might violate the FCPA or other anti-bribery laws. Since that time, the Company's Supervisory Board, through its Audit and Corporate Governance Committee, has conducted investigations with the assistance of independent counsel. In a continuing dialogue, the Company voluntarily advised the SEC and the DOJ about these investigations, while the SEC and DOJ (collectively the "government" or "government agencies") have conducted their own investigations, in which the Company has cooperated.

In the course of this dialogue, the Company has identified and reported to the government, and has taken remedial actions including employee disciplinary actions with respect to, conduct that might result in the government agencies' seeking monetary penalties or other sanctions against the Company under the FCPA or other anti-bribery laws and impact adversely the Company's ability to conduct business in certain jurisdictions. The Company has recorded in prior periods a non-material accrual for certain adverse impacts that were identified.

The Company has substantially concluded its investigations and undertaken discussions toward a possible settlement with the government agencies that would avoid litigation over government demands related to certain identified conduct. These discussions are continuing and have not yet achieved an agreement-in-principle; failure to reach agreement and consequent litigation with either or both government agencies remains possible. The discussions have revolved around possible bribery and corruption questions principally related to certain conduct in the Company's products business in a number of countries.

The Company has recorded a charge of €200,000 in the accompanying financial statements. The charge is based on ongoing settlement negotiations that would avoid litigation between the Company and the government agencies and represents an estimate from a range of potential outcomes estimated from current discussions. The charge encompasses government agencies claims for profit disgorgement, as well as accruals for fines or penalties, certain legal expenses and other related costs or asset impairments.

The Company continues to implement enhancements to its anti-corruption compliance program, including internal controls related to compliance with international anti-bribery laws. The Company continues to be fully committed to FCPA and other anti-bribery law compliance.

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits pending in various federal courts alleging wrongful death and personal injury claims against FMCH and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and GranuFlo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts. In Re: Fresenius GranuFlo/NaturaLyte Dialysate Products Liability Litigation, Case No. 2013-md-02428. The Massachusetts state courts and the St. Louis City (Missouri) court subsequently established similar consolidated litigation for their cases. In Re: Consolidated Fresenius Cases, Case No. MICV 2013-03400-O (Massachusetts Superior Court, Middlesex County). Similar cases were filed in other state courts. The lawsuits alleged generally that inadequate labeling and warnings for these products caused harm to patients. On February 17, 2016, the Company reached with a committee of plaintiffs' counsel and reported to the courts an agreement in principle for settlement of potentially all cases. The agreement in principle called for the Company to pay $250,000 into a settlement fund in exchange for releases of substantially all the plaintiffs' claims, subject to the Company's right to void the settlement under certain conditions.

On November 28, 2017, after the plaintiff committee and the Company determined that the condition of settlement related to minimum participation had been satisfied, the Company and its insurers funded and consummated the settlement on or about this date. The Company understands that fewer than fifty (50) plaintiffs with cases pending in the U.S. District Court for Massachusetts (Boston); Los Angeles, California county court; or Birmingham, Alabama county court declined to participate in the settlement and intend to continue litigation. These remaining cases represent less than 0.5% of the total cases filed. In some instances, the non-participating plaintiffs' counsel have moved to withdraw and no substitute counsel has been engaged.

The Company's affected insurers funded $220,000 of the settlement fund, with a reservation of rights regarding certain coverage issues between and among the Company and its insurers. The Company accrued a net expense of $60,000 for consummation of the settlement, including legal fees and other anticipated costs.

Following entry of the agreement in principle, the Company's insurers in the AIG group and the Company each initiated litigation against the other, in New York and Massachusetts state courts respectively, relating to the AIG group's coverage obligations under applicable policies. In the coverage litigation, the AIG group seeks to be indemnified by the Company for a portion of its $220,000 outlay; the Company seeks to confirm the AIG group's $220,000 funding obligation, to recover defense costs already incurred by the Company, and to compel the AIG group to honor defense and indemnification obligations, if any, required for resolution of cases not participating in the settlement.

Certain of the complaints in the GranuFlo®/NaturaLyte® litigation named combinations of FMC AG & CO. KGAA, Management AG, Fresenius SE and Fresenius Management SE as defendants, in addition to FMCH and its domestic United States affiliates. Plaintiffs participating in the settlement dismissed and released their claims encompassing the European defendants.

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 remedy the repayment of sums paid to FMCH 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. The four plaintiffs are the Attorneys General for the States of Kentucky, Louisiana and Mississippi and the commercial insurance company Blue Cross Blue Shield of Louisiana in its private capacity. State of Mississippi ex rel. Hood, v. Fresenius Medical Care Holdings, Inc., No. 14-cv-152 (Chancery Court, DeSoto County); State of Louisiana ex re. Caldwell and Louisiana Health Service & Indemnity Company v. Fresenius Medical Care Airline, 2016 Civ. 11035 (U.S.D.C. D. Mass.); Commonwealth of Kentucky ex rel. Beshear v. Fresenius Medical Care Holdings, Inc. et al., No. 16-CI-00946 (Circuit Court, Franklin County).

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. FMCH filed 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 April 2019.

On August 31 and November 25, 2015, respectively, FMCH received subpoenas under the False Claims Act from the United States Attorneys for the District of Colorado and the Eastern District of New York inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. On March 20, 2017, FMCH received a subpoena in the Western District of Tennessee inquiring into certain of the operations of dialysis facility joint ventures with the University of Tennessee Medical Group, including joint ventures in which FMCH's interests were divested to Satellite Dialysis in connection with FMCH's acquisition of Liberty Dialysis in 2012. FMCH is cooperating in these investigations.

On October 6, 2015, the Office of Inspector General of the United States Department of Health and Human Services (OIG) issued a subpoena under the False Claims Act to the Company seeking information about utilization and invoicing by Fresenius Vascular Care, now known as Azura Vascular Care, facilities as a whole for a period beginning after the Company's acquisition of American Access Care LLC in October 2011 (AAC). On August 24, 2017, an additional and more detailed subpoena on the same topics was issued by the United States Attorney for the Eastern District of New York (Brooklyn), which has managed the Azura investigation from its outset. The Company is cooperating in the government's inquiry. 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® as well as FMCH's interactions with DaVita Healthcare Partners, Inc. 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. The Company 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 is cooperating 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., 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 may subject the Company to liability for overpayments and penalties under applicable laws.

On December 12, 2017, the Company 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 sale agreement, the Company retains responsibility for the Brooklyn investigation and its outcome. The Company continues to cooperate in the ongoing investigation.

On December 14, 2016, the Center for Medicare & Medicaid Services (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.

The operation of charitable assistance programs like that of the AKF is also receiving increased attention by state insurance regulators. The result may be a regulatory framework that differs from state to state. Even in the absence of the IFR or similar administrative actions, insurers are likely to continue efforts to thwart charitable premium assistance to our patients for individual market plans and other insurance coverages. If successful, these efforts would have a material adverse impact on the Company's operating results.

On January 3, 2017, the Company received a subpoena from the United States Attorney for the District of Massachusetts under the False Claims Act inquiring into the Company's interactions and relationships with the AKF, including the Company's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH is cooperating in the investigation, which the Company understands to be part of a broader investigation into charitable contributions in the medical industry.

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 the Company'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.

In 2011, FMCH received a subpoena from the United States Attorney for the Eastern District of New York (Brooklyn) requesting information under the False Claims Act concerning an assay manufactured by Bayer Diagnostics. Bayer Diagnostics was later acquired by Siemens. The assay is used to test for the serum content of parathyroid hormone (PTH). The assay has been widely used by FMCH and others in the dialysis industry for assessment of bone mineral metabolism disorder, a common consequence of kidney failure. FMCH responded fully and cooperatively to the subpoena, but concluded that it was not the focus or target of the U.S. Attorney's investigation. On March 16, 2017, the U.S. Attorney elected not to intervene on a sealed relator (whistleblower) complaint first filed in January 2011 that underlay the investigation. After the U.S. Attorney declined intervention, the United States District Court for the Eastern District unsealed the complaint and ordered the relator to serve and otherwise proceed on his own. On August 14, 2017, FMCH was dismissed with prejudice from the litigation on relator's motion. The litigation continued against other defendants Patriarca v. Bayer Diagnostics n/k/a Siemens et alia, 2011 Civ. 00181 (E.D.N.Y.).

The Company received a subpoena dated December 11, 2017 from the United States Attorney for the Eastern District of California (Sacramento) requesting information under the False Claims Act concerning Spectra Laboratories, the Company's affiliate engaged in laboratory testing for dialysis patients. The inquiry relates to allegations that certain services or materials provided by Spectra to its outpatient dialysis facility customers constitute unlawful kickbacks. The Company understands that the allegations originate with an industry competitor and is cooperating in the investigation.

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 significant adverse regulatory actions by the U.S. Food and Drug Administration (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.

The Company is also subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. With respect to other potential adjustments and disallowances of tax matters currently under review, the Company does not anticipate that an unfavorable ruling could have a material impact on its results of operations. The Company is not currently able to determine the timing of these potential additional tax payments.

Other than those individual contingent liabilities mentioned above, as well as in **note 8 and 21**, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

23. FINANCIAL INSTRUMENTS

The Company applies IFRS 7 (Financial Instruments: Disclosures). Thereby the following categories according to IAS 39 (Financial Instruments: Recognition and Measurement) are relevant: financial assets at fair value through profit or loss, loans and receivables, financial liabilities at fair value through profit or loss as well as financial liabilities recognized at amortized cost and available for sale financial assets.

The following table demonstrates the combination between categories and classes as well as the classes allocated to the balance sheet items:

5.62 FINANCIAL INSTRUMENTS – MATRIX

	Classes			
	Cash and cash equivalents	*Assets recognized at carrying amount*	*Liabilities recognized at carrying amount*	
Categories				
Financial assets at fair value through profit or loss				
Loans and receivables		Trade accounts receivable, Accounts receivable from related parties, Other current and non-current assets		
Financial liabilities at fair value through profit or loss				
Financial liabilities recognized at amortized cost			Accounts payable, Accounts payable to related parties, Short-term debt, Short-term debt from related parties, Long-term debt and capital lease obligations[1], Current provisions and other current liabilities	
Available for sale financial assets				
Not assigned to a category	Cash and cash equivalents	Other current and non-current assets	Long-term debt and capital lease obligations[2]	

[1] *Excluding capital lease obligations.*
[2] *Exclusively capital lease obligations.*

		Classes			
	Assets recognized at fair value	*Liabilities recognized at fair value*	*Noncontrolling interests subject to put provisions*	*Derivatives not designated as hedging instruments*	*Derivatives designated as hedging instruments*
				Other current and non-current assets	
		Current and non-current provisions and other current and non-current liabilities		Current and non-current provisions and other current and non-current liabilities	
	Other current assets and non-current assets				
			Other current liabilities and non-current liabilities		Other current and non-current assets, Current and non-current provisions and other current and non-current liabilities

Valuation of financial instruments

The carrying amounts of financial instruments at December 31, 2017 and 2016, classified into categories according to IAS 39, can be seen in the following table:

5.63 CARRYING AMOUNT OF FINANCIAL INSTRUMENT CATEGORIES

in € THOUS

	2017	2016
Loans and receivables	3,573,597	3,835,800
Financial liabilities recognized at amortized cost	(9,594,293)	(10,449,169)
Financial assets at fair value through profit or loss	113,713	132,406
Financial liabilities at fair value through profit or loss	(317,745)	(339,701)
Available for sale financial assets[1]	19,493	256,437
Not assigned to a category	261,484	(194,176)

[1] *The impact on the consolidated statements of shareholders' equity is not material.*

The following table presents the carrying amounts and fair values of the Company's financial instruments at December 31, 2017 and 2016:

5.64 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS

in € THOUS

	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Non-derivative financial instruments				
Cash and cash equivalents	978,109	978,109	708,882	708,882
Assets recognized at carrying amount[1]	3,728,097	3,728,097	3,987,806	3,987,806
Assets recognized at fair value	19,493	19,493	256,437	256,437
Liabilities recognized at carrying amount[2]	(9,631,997)	(10,038,690)	(10,492,944)	(10,993,377)
Liabilities recognized at fair value	(205,791)	(205,791)	(223,504)	(223,504)
Noncontrolling interests subject to put provisions	(830,773)	(830,773)	(1,007,733)	(1,007,733)
Derivative financial instruments				
Derivatives not designated as hedging instruments	1,759	1,759	16,209	16,209
Derivatives designated as hedging instruments	(2,648)	(2,648)	(3,556)	(3,556)

[1] *Not included are „Other current and non-current assets" that do not qualify as financial instruments (December 31, 2017: €653,449 and December 31, 2016: €850,630).*

[2] *Not included are „Current and non-current provisions and other current and non-current liabilities" that do not qualify as financial instruments (December 31, 2017: €1,221,209 and December 31, 2016: €1,190,462).*

Derivative and non-derivative financial instruments that are measured at fair value are categorised in the following three-tier 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.

The valuation of the Company's derivatives was determined using significant other observable inputs (Level 2).

Non-derivative financial instruments

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as trade accounts receivable, accounts receivable from related parties, accounts payable, accounts payable to related parties and short-term debt as well as certain other financial instruments are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The fair value of available for sale financial assets quoted in an active market is based on price quotations at the period-end date (Level 1).

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 (Level 2). 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 (Level 3). The Company assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

Following is a roll forward of variable payments outstanding for acquisitions for the years ended 2017, 2016 and 2015:

5.65 VARIABLE PAYMENTS OUTSTANDING FOR ACQUISITIONS

in € THOUS

	2017	2016	2015
▸ **BEGINNING BALANCE AT JANUARY 1**	**223,504**	**51,125**	**41,911**
Acquisitions and divestitures	21,128	195,701	31,712
Repayments	(32,764)	(25,826)	(24,760)
(Gain) loss recognized in profit or loss	(2,685)	613	(1,080)
Foreign currency translation and other changes	(3,391)	1,891	3,342
▸ **ENDING BALANCE AT DECEMBER 31**	**205,792**	**223,504**	**51,125**

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 (Level 3). Additionally, there are put provisions that are valued by an external valuation firm. The external valuation estimates the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue (Level 3). 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.

Following is a roll forward of noncontrolling interests subject to put provisions for the years ended 2017, 2016 and 2015:

5.66 NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS

in € THOUS

	2017	2016	2015
▸ **BEGINNING BALANCE AT JANUARY 1**	**1,007,733**	**791,075**	**551,045**
Contributions to noncontrolling interests	(164,404)	(169,260)	(148,562)
Purchase of noncontrolling interests	(121,057)	(1,785)	(3,237)
Sale of noncontrolling interests	70,528	53,919	10,370
Contributions from noncontrolling interests	14,794	29,144	15,096
Expiration of put provisions and other reclassifications	(6,329)	(8,814)	4,692
Changes in fair value of noncontrolling interests	(20,012)	115,627	154,235
Net income	160,916	164,515	143,422
Foreign currency translation	(111,396)	33,312	64,014
▸ **ENDING BALANCE AT DECEMBER 31**	**830,773**	**1,007,733**	**791,075**

Credit risk resulting from a decrease in the value of the Company's financing receivables and allowances on credit losses of financing receivables are immaterial.

Derivative financial instruments

Market risk

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, 2017 and December 31, 2016, the Company had €11,574 and €24,312 of derivative financial assets subject to netting arrangements and €12,730 and €26,751 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €5,505 and €13,673 as well as net liabilities of €6,661 and €16,112 at December 31, 2017 and December 31, 2016, 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.

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.

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.

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 in accordance with Section 315 e of the German Commercial Code (HGB) the Company has chosen the euro as its reporting currency see note 1h. 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 and, on a small scale, foreign exchange options. At December 31, 2017 and December 31, 2016, the Company had no foreign exchange options.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in 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. These amounts recorded in AOCI are subsequently reclassified into earnings as a component of cost of revenue for those contracts that hedge product purchases and sales or as an adjustment of interest income/expense for those contracts that hedge loans, in the same period in which the hedged transaction affects earnings. The notional

amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totalled €91,068 and €103,358 at December 31, 2017 and December 31, 2016, respectively.

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 €665,108 and €1,407,611 at December 31, 2017 and December 31, 2016, 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. At December 31, 2017, the Company's CFaR amounts to €50,813, 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 €50,813.

Significant influence on the Company's foreign currency risk is exerted by the U.S. dollar, the Chinese Yuan Renminbi, the South Korea Won, the Russian Ruble and the Indian Rupee. The following table shows the Company's most significant net positions in foreign currencies at December 31, 2017:

5.67 SIGNIFICANT NET POSITIONS IN FOREIGN CURRENCIES

in € THOUS

	2017
USD	198,755
CNY	150,384
KRW	81,285
RUB	72,410
INR	44,655

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 euro-denominated interest rate swaps expire in 2019 and have a weighted average interest rate of 0.32%. Interest payable and receivable under the swap agreements is accrued and recorded as an adjustment to interest expense.

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 less than 1% on the consolidated net income and the shareholder's equity of the Company.

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.

At December 31, 2017 and December 31, 2016, the notional amount of the euro-denominated interest rate swaps in place was €228,000 and €252,000.

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, 2017 and December 31, 2016, the Company had €16,495 and €35,814, respectively, related to settlements of pre-hedges deferred in AOCI, net of tax.

Derivative financial instruments valuation

The following table shows the carrying amounts of the Company's derivatives at December 31, 2017 and December 31, 2016:

5.68 DERIVATIVE FINANCIAL INSTRUMENTS VALUATION

in € THOUS

	2017		2016	
	Assets[2]	Liabilities[2]	Assets[2]	Liabilities[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	531	(2,182)	2,018	(4,101)
Non-current				
Foreign exchange contracts	30	(11)	17	(76)
Interest rate contracts	–	(1,016)	–	(1,414)
▶ **TOTAL**	**561**	**(3,209)**	**2,035**	**(5,591)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	11,279	(9,520)	37,743	(21,415)
Non-current				
Foreign exchange contracts	–	–	–	(119)
Derivatives embedded in the Convertible Bonds	–	(102,434)	–	(94,663)
Share Options to secure the Convertible Bonds	102,434	–	94,663	–
▶ **TOTAL**	**113,713**	**(111,954)**	**132,406**	**(116,197)**

[1] *At December 31, 2017 and December 31, 2016, the valuation of the Company's derivatives was determined using significant other observable inputs (Level 2).*
[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in Other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in current provisions and other current liabilities. The non-current portions indicated as assets or liabilities are included in the consolidated balance sheets in Other non-current assets or Non-current provisions and other non-current liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency. The 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 €43,297 (2016: €42,139), interest expense of €397,187 (2016: €408,508) as well as allowances for doubtful accounts of €549,631 (2016: €430,974).

Interest income in 2017 primarily results from the valuation of the Share Options which the Company purchased in connection with the issuance of the Convertible Bonds, interest on overdue receivables and lease receivables. In 2016 a large part of interest income results from the valuation of the derivatives embedded in the Convertible Bonds.

The major part of interest expenses relates to financial liabilities of the Company which are not accounted for at fair value through profit or loss.

In the fiscal year 2017 net losses from foreign currency transactions amount to €36,159 (2016: net gains €5,688).

The following table shows the effect of derivatives on the consolidated financial statements:

5.69 THE EFFECT OF DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS

in € THOUS

	Amount of Gain (Loss) recognized in AOCI on derivatives (effective portion)		*Location of (Gain) Loss reclassified from AOCI in Income (effective portion)*	*Amount of (Gain) Loss reclassified from AOCI in Income (effective portion)*	
	for the year ended December 31			*for the year ended December 31*	
	2017	*2016*		***2017***	*2016*
Derivatives in cash flow hedging relationships					
Interest rate contracts	(388)	1,050	Interest income/expense	27,875	26,335
Foreign exchange contracts	2,001	(2,407)	Costs of Revenue	(1,505)	133
▸ **TOTAL**	**1,613**	**(1,357)**		**26,370**	**26,468**

	Location of (Gain) Loss recognized in Income on derivatives	*Amount of (Gain) Loss recognized in Income on derivatives*	
		for the year ended December 31	
		2017	*2016*
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expenses	(8,275)	(2,109)
Foreign exchange contracts	Interest income/expense	9,435	2,937
Derivatives embedded in the Convertible Bonds	Interest income/expense	7,771	(11,877)
Share Options to secure the Convertible Bonds	Interest income/expense	(7,771)	11,877
▸ **TOTAL**		**1,160**	**828**

At December 31, 2017, the Company had foreign exchange derivatives with maturities of up to 14 months and interest rate swaps with maturities of up to 22 months.

The following table shows when the cash flow from derivative financial instruments is expected to occur:

5.70 CASH FLOW FROM DERIVATIVE FINANCIAL INSTRUMENTS

in € THOUS

	Expected in period of			
	Less than 1 year	*1–3 years*	*3–5 years*	*Over 5 years*
2017				
Designated as hedging instrument	(2,370)	(530)	–	–
Not designated as hedging instrument	1,762	–	–	–
2016				
Designated as hedging instrument	(2,879)	(953)	–	–
Not designated as hedging instrument	16,331	(119)	–	–

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 €114,274 at December 31, 2017 (2016: €134,441). The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all receivables and cash and cash equivalents. In order to control this credit risk, the Management of the Company carries out an ageing analysis of trade accounts receivable. For details on the ageing analysis and on the allowance for doubtful accounts 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.

The following table shows all non-discounted payments agreed by contract concerning financial liabilities and derivative financial instruments recorded in the consolidated balance sheets:

5.71 PAYMENTS AGREED BY CONTRACTS

in € THOUS

	Payments due by period of			
	Less than 1 year	*1–3 years*	*3–5 years*	*Over 5 years*
2017				
Accounts payable	590,493	11	–	–
Accounts payable to related parties	147,349	–	–	–
Other current financial liabilities	1,446,458	–	–	–
Short-term debt[1]	769,279	–	–	–
Long-term debt and capital lease obligations[2,3]	198,585	1,463,857	1,328,177	66,063
Bonds	946,099	1,613,103	1,532,235	365,213
Variable payments outstanding for acquisitions	15,921	87,533	116,776	16,918
Noncontrolling interests subject to put provisions	473,189	200,299	81,424	115,960
Letters of credit	–	59,404	1,409	–
Derivative financial instruments – in cash flow hedging relationships	2,901	560	–	–
Derivative financial instruments – not designated as hedging instrument	9,523	102,434	–	–
2016				
Accounts payable	575,556	101	–	–
Accounts payable to related parties	264,069	–	–	–
Other current financial liabilities	1,521,104	–	–	–
Short-term debt[1]	575,010	–	–	–
Long-term debt and capital lease obligations[2,3]	302,133	2,320,334	418,309	19,865
Bonds	741,243	2,206,333	1,601,433	1,117,126
Variable payments outstanding for acquisitions	78,717	43,659	107,145	23,042
Noncontrolling interests subject to put provisions	527,243	229,508	173,819	136,443
Letters of credit	–	18,212	–	–
Derivative financial instruments – in cash flow hedging relationships	4,897	970	–	–
Derivative financial instruments – not designated as hedging instrument	21,427	94,782	–	–

[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, 2017 and 2016.*
[3] *Excluding bonds.*

Product purchases and sales designated as cash flow hedges are expected to affect profit and loss in the same period in which the cash flows occur.

24. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2017, 2016, and 2015 are as follows:

5.72 OTHER COMPREHENSIVE INCOME (LOSS)

in € THOUS

	2017			2016			2015		
	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	6,840	(27,393)	(20,553)	(31,423)	7,085	(24,338)	30,169	(8,830)	21,339
Components that may be reclassified subsequently to profit or loss:									
Foreign currency translation adjustment	(1,284,173)	–	(1,284,173)	368,429	–	368,429	674,727	–	674,727
Other comprehensive income (loss) relating to cash flow hedges:									
Changes in fair value of cash flow hedges during the period	1,613	(430)	1,183	(1,357)	568	(789)	12,700	(4,070)	8,630
Reclassification adjustments	26,370	(7,977)	18,393	26,468	(7,607)	18,861	41,496	(11,317)	30,179
Total other comprehensive income (loss) relating to cash flow hedges	27,983	(8,407)	19,576	25,111	(7,039)	18,072	54,196	(15,387)	38,809
▸ **OTHER COMPREHENSIVE INCOME (LOSS)**	**(1,249,350)**	**(35,800)**	**(1,285,150)**	**362,117**	**46**	**362,163**	**759,092**	**(24,217)**	**734,875**

25. SUPPLEMENTARY CASH FLOW INFORMATION

The following additional information is provided with respect to net cash provided by (used in) investing activities for the years ended December 31, 2017, 2016 and 2015:

5.73 DETAILS FOR NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES

in € THOUS

	2017	2016	2015
Details for acquisitions			
Assets acquired	(758,720)	(792,941)	(194,703)
Liabilities assumed	128,552	113,491	31,402
Noncontrolling interests subject to put provisions	68,069	43,628	6,870
Noncontrolling interests	14,293	14,448	886
Non-cash consideration	8,851	220,849	62,400
▸ **CASH PAID**	**(538,955)**	**(400,525)**	**(93,145)**
Less cash acquired	17,630	20,660	2,878
▸ **NET CASH PAID FOR ACQUISITIONS**	**(521,325)**	**(379,865)**	**(90,267)**
Cash paid for investments	(17,999)	(129,764)	(165,931)
Cash paid for intangible assets	(26,370)	(12,171)	(29,345)
▸ **TOTAL CASH PAID FOR ACQUISITIONS AND INVESTMENTS, NET OF CASH ACQUIRED, AND PURCHASES OF INTANGIBLE ASSETS**	**(565,694)**	**(521,800)**	**(285,543)**
Details for divestitures			
Cash received from sale of subsidiaries or other businesses, less cash disposed	157,025	1,324	38,753
Cash received from divestitures of available for sale financial assets	256,136	116,922	–
Cash received from repayment of loans	2,227	72,001	188,070
▸ **PROCEEDS FROM DIVESTITURES**	**415,388**	**190,247**	**226,823**

The following table shows a reconciliation of debt to net cash provided by (used in) financing activities for 2017:

5.74 RECONCILIATION OF DEBT TO NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES

in € THOUS

			Non-cash changes					
	Jan. 1, 2017	Cash Flow	Acquisitions	Foreign currency translation	Amortization of debt issuance costs	New leases	Other	Dec. 31, 2017
Short-term debt	572,010	202,687	(5,091)	(9,298)	–	–	(29)	760,279
Short-term debt from related parties	3,000	6,000	–	–	–	–	–	9,000
Long-term debt and capital lease obligations (excluding Accounts Receivable Facility)[1]	7,392,067	(491,428)	108,535	(656,556)	20,109	8,801	3,206	6,384,734
Accounts Receivable Facility	165,037	157,564	–	(29,138)	210	–	–	293,673

[1] *Cash flow excluding repayments of variable payments outstanding for acquisitions in the amount of €25,590.*

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 at Corporate. The Company's global research and development is also centrally managed at Corporate. These corporate activities do not fulfill the definition of a segment according to IFRS 8. 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.

The key data used by the management board of the Company's General Partner to control the segments are based on IFRS figures. Until December 31, 2016 U.S. GAAP based figures were used to control the segments. Thus, the segment information was given in accordance with U.S. GAAP. To conform to the current year's presentation, the previous year's values are adjusted accordingly.

Information pertaining to the Company's segment and Corporate activities for the twelve-month periods ended December 31, 2017, 2016 and 2015 is set forth below:

5.75 SEGMENT AND CORPORATE INFORMATION

in € THOUS

	North America Segment	EMEA Segment	Asia-Pacific Segment	Latin America Segment	Segment Total	Corporate	Total
2017							
Revenue external 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	–	–	–	–	–	–	(353,890)
▶ INCOME BEFORE INCOME TAXES	**–**	**–**	**–**	**–**	**–**	**–**	**2,008,549**
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	15,556,059	3,585,486	2,074,150	670,126	21,885,821	2,139,307	24,025,128
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
2016							
Revenue external customers	12,030,093	2,409,110	1,474,132	643,373	16,556,708	13,007	16,569,715
Inter-segment revenue	3,105	–	31	241	3,377	(3,377)	–
▶ REVENUE	**12,033,198**	**2,409,110**	**1,474,163**	**643,614**	**16,560,085**	**9,630**	**16,569,715**
▶ OPERATING INCOME	**1,936,079**	**474,396**	**289,434**	**59,162**	**2,759,071**	**(350,169)**	**2,408,902**
Interest	–	–	–	–	–	–	(366,369)
▶ INCOME BEFORE INCOME TAXES	**–**	**–**	**–**	**–**	**–**	**–**	**2,042,533**
Depreciation and amortization	(389,217)	(109,128)	(43,344)	(15,577)	(557,266)	(144,270)	(701,536)
Income (loss) from equity method investees	58,547	(2,637)	1,372	1,357	58,639	–	58,639
Total assets	17,281,852	3,576,784	1,762,903	691,980	23,313,519	2,190,021	25,503,540
thereof investment in equity method investees	289,400	187,169	96,513	25,072	598,154	–	598,154
Additions of property, plant and equipment and intangible assets	522,406	118,671	49,907	33,414	724,398	248,936	973,334
2015							
Revenue external customers	11,016,596	2,369,255	1,353,273	690,783	15,429,907	24,951	15,454,858
Inter-segment revenue	4,770	1	129	403	5,303	(5,303)	–
▶ REVENUE	**11,021,366**	**2,369,256**	**1,353,402**	**691,186**	**15,435,210**	**19,648**	**15,454,858**
▶ OPERATING INCOME	**1,648,193**	**522,310**	**269,841**	**43,428**	**2,483,772**	**(355,271)**	**2,128,501**
Interest	–	–	–	–	–	–	(352,825)
▶ INCOME BEFORE INCOME TAXES	**–**	**–**	**–**	**–**	**–**	**–**	**1,775,676**
Depreciation and amortization	(360,012)	(103,641)	(40,178)	(13,371)	(517,202)	(130,965)	(648,167)
Income (loss) from equity method investees	18,746	6,147	2,277	1,178	28,348	–	28,348
Total assets[1]	15,816,770	3,010,906	1,580,433	555,187	20,963,296	2,282,986	23,246,282
thereof investment in equity method investees	237,487	189,237	95,537	23,694	545,955	–	545,955
Additions of property, plant and equipment and intangible assets	461,846	117,593	42,594	45,002	667,035	244,372	911,407

[1] *Prior year information was adjusted to conform to the current year's presentation due to a reclass of deferred taxes at December 31, 2015 in the amount of €154,181.*

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in the table below:

5.76 GEOGRAPHIC PRESENTATION
in € THOUS

	Germany	North America	Rest of the World	Total
2017				
Revenue external customers	433,105	12,878,665	4,471,802	17,783,572
Long-lived assets	908,633	13,037,452	3,131,506	17,077,591
2016				
Revenue external customers	380,887	12,030,093	4,158,735	16,569,715
Long-lived assets	838,121	14,380,369	2,863,802	18,082,292
2015				
Revenue external customers	360,884	11,016,596	4,077,378	15,454,858
Long-lived assets	496,756	13,500,024	2,593,004	16,589,784

27. SUBSEQUENT EVENTS

No significant activities have taken place subsequent to the balance sheet date December 31, 2017 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

I. 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 2017 amounted to €23,302 (2016: €23,626) and consisted of non-performance-related compensation (including additional benefits) in the total amount of €5,768 (2016: €5,535), short-term performance-related compensation in the total amount of €8,640 (2016: €8,641) and components with long-term incentive effects (multi-year variable remuneration) in the total amount of €8,894 (2016: €9,450). Components with long-term incentive effects, which were granted in or for the 2017 fiscal year, include exclusively share-based compensation with cash settlement.

Under the Fresenius Medical Care Long-Term Incentive Plan 2016 (hereinafter: LTIP 2016), a total of 73,746 performance shares (in 2016: 79,888) were allocated to the members of the Management Board of Fresenius Medical Care Management AG, in the fiscal year 2017. The fair value of the performance shares granted in the fiscal year 2017 was €75.12 (in 2016: €76.80) each for grants denominated in euro and $86.39 (in 2016: $85.06) each for grants denominated in U.S. dollar on the grant date.

Due to the fact that the targets were met in the fiscal year 2017, in addition to the performance shares granted under the LTIP 2016, the Management Board members of Fresenius Medical Care Management AG were entitled to further share-based compensation with cash settlement in the amount of €3,418 (2016: €3,281).

At the end of fiscal year 2017, the members of the Management Board of Fresenius Medical Care Management AG held a total of 150,993 performance shares (2016: 79,888) and 73,432 phantom stock (2016: 81,019). In addition, they held a total of 819,491 stock options at the end of fiscal year 2017 (2016: 1,010,784 stock options).

As of December 31, 2017, aggregate pension obligations of €21,753 (December 31, 2016: €24,908) existed relating to existing pension commitments. In the fiscal year 2017, the appropriation to the pension reserves amounted to €212 (2016: €4,035).

In the fiscal year 2017, no loans or advance payments of future compensation components were made to 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, if such claims exceed their liability under German law. To secure such obligations, the Company has concluded a Directors & Officers liability insurance with an excess in compliance with the specifications according

to German stock corporation law. The indemnity covers each member of the Management Board during their respective term on the Management Board and also for claims that arise in connection therewith after the respective termination of their term.

Mr. Dominik Wehner, who was a member of the Management Board until the end of December 31, 2017, receives all compensation components he is entitled to for the fiscal year. 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 Mr. Dominik Wehner will receive annual basic compensation of €425 and an annual bonus of 30% of his basic compensation and that he 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 €42 p. a. The compensation components granted to Mr. Dominik Wehner under the Fresenius Medical Care Long-Term Incentive Program 2011, the LTIP 2016 and the Share Based Award must be paid or can be exercised, as the case may be, by the relevant regular vesting date pursuant to the applicable conditions. Except for the Share Based Award for 2017, Mr. Dominik Wehner will no longer be granted any components with long-term incentive effects as of the fiscal year 2018 (including).

In the fiscal year, Mr. Ronald Kuerbitz, who was a member of the Management Board until February 17, 2017, received fixed compensation (in the amount of €109) and fringe benefits (in the amount of €43). For the fiscal year 2017, Mr. Ronald Kuerbitz was not granted any one-year or multi-year variable compensation components. The long-term compensation components in the amount of €977 granted and vested by February 17, 2017 pursuant to the applicable conditions were fully paid to him in the fiscal year 2017. All long-term compensation components granted and not vested by February 17, 2017 have been cancelled without substitution. As of February 17, 2017, Mr. Ronald Kuerbitz receives annual non-compete compensation of €538 for the post-employment non-compete obligation agreed. In addition, Mr. Ronald Kuerbitz received one-off compensation of €852 which had been agreed with him in the context of his resignation from the Management Board of the General Partner. The payment of this compensation is linked to the successful completion of various projects, part of which have not yet been completed as at the time of the agreement, and thus ensures that Mr. Ronald Kuerbitz's involvement even after his resignation from the Management Board. After the end of his service agreement, he acts as advisor to National Medical Care, Inc. as of August 14, 2017 until the end of August 13, 2018. The consideration to be granted for such services (including reimbursement of expenses) amounts to €55 for the fiscal year.

Mr. Roberto Fusté, who resigned the Management Board as of March 31, 2016, received pension payments in the amount of €239 (2016: €0) in the fiscal year. Additionally, Mr. Roberto Fusté received a compensation in connection with his post-contractual non-compete clause in the amount of €377 as well as an advisory fee in the amount of €377 as agreed in the agreement for his advisory to the Chairman of the Management Board concluded on the occasion of the termination of his service agreement with effect as of December 31, 2016.

To Prof. Emanuele Gatti, who was a member of the Management Board until March 31, 2014, pension payments were made in the fiscal year 2017 in a total amount of €338 (2016: €338) without any fringe benefits during the fiscal year (2016: €7). Prof. Emanuele Gatti was additionally granted and paid in the fiscal year 2017 a partial compensation in connection with his post-contractual non-compete clause in the amount of €163 (2016: €488).

Dr. Rainer Runte, who also resigned from office as a member of the Management Board effective from March 31, 2014, did not receive any annual non-compete compensation in the fiscal year for his post-contractual non-compete obligation, since it was not effective anymore in the fiscal year (2016: €486). A consulting agreement was entered into with Dr. Rainer Runte for the period beginning March 1, 2017 which term meanwhile has been extended until March 31, 2018. The annual consideration to be granted by Fresenius Medical Care Management AG for such services amounts to €165 for the fiscal year.

Fresenius Medical Care Management AG and Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, entered into a consulting agreement, in lieu of a pension agreement, for the period January 1, 2013 to December 31, 2022; meanwhile, the term of this agreement has been reduced in the fiscal year 2017 to December 31, 2021. On the basis of this consulting agreement during the fiscal year a consulting compensation amounting to €580 (2016: €585) including the reimbursement of expenses were paid to Dr. Ben Lipps.

Other than that, the former members of the Management Board of Fresenius Medical Care Management AG did not receive any compensation in the fiscal year 2017. As of December 31, 2017 the pension obligations vis-à-vis these persons amounted to a total of €21,930 (December 31, 2016: €20,469).

A post-employment non-competition covenant was agreed upon with all members of the Management Board. If such covenant becomes applicable, the Management Board members receive a compensation for non-competition amounting to half of their respective annual fixed compensation for each year of the respective application of the non-competition covenant, up to a maximum of two years.

FMC AG & CO. KGAA publishes detailed and individualized information for each member of the Management Board of Fresenius Medical Care Management AG on the components of their compensation as well as on the shares owned by members 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 http://www.freseniusmedicalcare.com/en/home/investors/corporate-governance/declaration-of-compliance/.

II. Compensation of the supervisory board

In fiscal year 2017 the total compensation fees to all members of the Supervisory Board of FMC AG & CO. KGAA amounted to €876 (2016: €552). This includes a fixed compensation of €409 (2016: €366) as well as a compensation to all members of the Audit Committee of €185 (2016: €179). Additionally, for the previous year the entitlement to a payment of variable performance-related compensation of €282 (2016: €0) was generated. Furthermore, in fiscal year 2017 the members of the Supervisory Board which are also members of the Joint Committee of FMC AG & CO. KGAA, receive attendance fees of €0 (2016: €7) pursuant to Article 13 e para. 3 of the articles of association.

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 fiscal year 2017 the total compensation for the members of the supervisory board of the Fresenius Medical Care Management AG amounted to €1,039 (2016: €714). This includes fixed compensation components for the work in the supervisory board in the amount of €357 (2016: €330) and compensation components for the work in the Committees of €447 (2016: €384). Additionally, for the previous year the entitlement to a payment of variable performance-related compensation of €235 (2016: €0) was generated.

29. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In 2017, 2016 and 2015, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and its affiliates were expensed as follows:

5.77 FEES

in € THOUS

	2017		2016		2015	
	Consolidated group	*thereof Germany*	*Consolidated group*	*thereof Germany*	*Consolidated group*	*thereof Germany*
Audit fees	8,629	1,232	7,896	1,060	7,831	1,052
Audit-related fees	59	18	53	42	101	17
Tax fees	830	169	164	–	198	–
Other fees	716	110	4,703	4,689	5,066	5,063

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, the audit of employee benefit plans and pension schemes, 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 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 have 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: http://www.freseniusmedicalcare.com/en/home/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 2017 will be distributed as follows:

5.78 PROPOSAL FOR THE DISTRIBUTION OF EARNINGS
in € THOUS, except for share data

Payment of a dividend of €1.06 per share on share capital of €306,451 entitled to receive dividends	324,838
Balance to be carried forward	4,629,569
▸ **TOTAL**	**4,954,407**

Hof an der Saale,
February 26, 2018

Fresenius Medical Care AG & Co. KGaA
Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

RICE POWELL **MICHAEL BROSNAN** **DR. OLAF SCHERMEIER**

WILLIAM VALLE **KENT WANZEK** **HARRY DE WIT**

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Dr. Gerd Krick
Chairman

Member of the Supervisory Boards of:
Fresenius Management SE (Chairman)
Fresenius SE & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

Dr. Dieter Schenk
Vice Chairman
Attorney and Tax Advisor

Member of the Supervisory Boards of:
Fresenius Management SE (Vice Chairman)
Fresenius Medical Care Management AG
(Vice Chairman)
Bank Schilling & Co. AG (Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Vice Chairman, until May 7, 2017)
TOPTICA Photonics AG (Chairman)

Member of the Foundation Board of:
Else Kröner-Fresenius-Stiftung (Chairman)

Rolf A. Classon

Member of the Supervisory Board of:
Fresenius Medical Care Management AG

Member of the Board of Directors of:
Hill-Rom Holdings, Inc., U.S. (Chairman)
Tecan Group Ltd., Switzerland (Chairman)
Catalent, Inc., U.S. (Non-Executive Director)
Perrigo Company plc, Ireland
(Non-Executive Director, since May 8, 2017)

William P. Johnston
Operating Executive of The Carlyle Group L.P., 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)
HCR-Manor Care, Inc., U.S. (Non-Executive Director)

Deborah Doyle McWhinney
Lloyds Banking Group plc, Great Britain
(Non-Executive Director)
Fluor Corporation, U.S. (Non-Executive Director)
IHS Markit Ltd., Great Britain (Non-Executive Director)

Pascale Witz

Member of the Board of Directors of:
Savencia S.A., France (Non-Executive Director)
Horizon Pharma plc, U.S.
(Non-Executive Director, since August 3, 2017)
Regulus Therapeutics Inc., U.S.
(Non-Executive Director, since June 1, 2017)
Perkin Elmer Inc., U.S.
(Non-Executive Director, since October 30, 2017)
PWH Advisors SASU, France
(President and Chief Executive Officer,
since November 10, 2017)

SUPERVISORY BOARD COMMITTEES

Audit and Corporate Governance Committee
William P. Johnston (Chairman)
Rolf A. Classon (Vice Chairman)
Dr. Gerd Krick
Deborah Doyle McWhinney

Nomination Committee
Dr. Gerd Krick (Chairman)
Dr. Dieter Schenk (Vice Chairman)
Rolf A. Classon

Joint Committee[1]
Rolf A. Classon
William P. Johnston
Dr. Gerd Krick[2]

[1] *Additional member of the Joint Committee as representative of Fresenius Medical Care Management AG is Stephan Sturm (Chairman). He is not a member of the Supervisory Board of FMC AG & Co. KGaA.*
[2] *Member of the Joint Committee as representative of Fresenius Medical Care Management AG.*

MANAGEMENT BOARD OF THE GENERAL PARTNER FRESENIUS MEDICAL CARE MANAGEMENT AG

Rice Powell
Chairman and Chief Executive Officer

Member of the Management Boards of:
Fresenius Medical Care Holdings, Inc., U.S.
(Chairman of the Board of Directors)
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Vice Chairman)

Michael Brosnan
Chief Financial Officer

Member of the Management Board of:
Fresenius Medical Care Holdings, Inc., U.S.
(Member of the Board of Directors)

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Dr. Olaf Schermeier
Chief Executive Officer for Research and Development

Member of the Supervisory Board of:
Xenios AG (Vice Chairman)
Medos Medizintechnik AG (Vice Chairman)

William Valle
(since February 17, 2017)
Chief Executive Officer for North America

Member of the Management Board of:
Fresenius Medical Care Holdings, Inc., U.S.
(Member of the Board of Directors,
since January 14, 2017)

Kent Wanzek
Chief Executive Officer for Global Manufacturing Operations

Member of the Management Board of:
Fresenius Medical Care Holdings, Inc., U.S.
(Member of the Board of Directors)

Harry de Wit
Chief Executive Officer for Asia-Pacific

Member of the Board of Directors of:
New Asia Investments Pte Ltd., Singapore

Ronald Kuerbitz
(until February 17, 2017)
Former Chief Executive Officer for North America

Member of the Management Boards of:
Fresenius Medical Care Holdings, Inc., U.S.
(Member of the Board of Directors,
until January 13, 2017)
Specialty Care Services Group, LLC, U.S.
(Member of the Board of Directors,
until January 13, 2017)

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (until May 23, 2017)

Dominik Wehner
(until the end of December 31, 2017)
Former Chief Executive Officer for Europe, Middle East and Africa and Labor Relations Director for Germany

Member of the Supervisory Board of:
Xenios AG
(Chairman, until the end of December 31, 2017)
Medos Medizintechnik AG
(Chairman, until the end of December 31, 2017)

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (until the end of December 31, 2017)

REPRODUCTION OF THE INDEPENDENT AUDITOR'S REPORT

Based on the results of our audit, we have issued the following unqualified audit opinion:

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 statement of financial position as of December 31, 2017, and the consolidated statement of income, the consolidated statements of operations and comprehensive income or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2017, 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, 2017.

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, 2017, and of its financial performance for the financial year from January 1 to December 31, 2017, 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.

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 German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [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) point (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, 2017. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of goodwill

Please refer to note 1f to the consolidated financial statements for information on the accounting policies applied. Details on the assumptions used can be found under note 2a 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, 2017, amounts EUR 12.1 billion, representing approx. 50% of total assets and thus having a material effect on the Group's financial position.

Impairment testing of goodwill is complex and greatly dependent on Fresenius Medical Care's assessment of future business performance. Impairment testing is subject to a multitude of assumptions. These assumptions particularly incorporate 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 units. Furthermore, an interest rate must be determined 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.

There is the risk for the consolidated financial statements that the need to recognize impairment losses is not realized. There is also the risk that the disclosures in the notes on impairment testing are not appropriate or are incomplete.

Our audit approach

To test impairment of goodwill, 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 to ensure that the budget is approved by the supervisory board for their appropriateness and effectiveness. We reconciled the budgets used for discounted cash flow calculations to the budget approved by the supervisory board for 2018-2020 and to the medium-term planning for the subsequent years.

We also confirmed the accuracy of the Company's previous forecasts by comparing the budgets of previous financial years with actual earnings 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. 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. Particularly for CGUs where the recoverable amount only marginally exceeds the carrying amount, we conducted our own sensitivity analyses to simulate the effects of changes to individual assumptions and parameters.

Finally, we assessed whether the disclosures in the notes on impairment of goodwill are appropriate and complete.

Our observations

The valuation methods are consistent with the applicable accounting policies. The assumptions and parameters used for valuation are appropriate overall.

The required disclosures in the notes on impairment testing of goodwill are appropriate and complete.

Complete recognition and measurement of provisions for self-insurance programs

Please refer to note 2d to the consolidated financial statements for information on the accounting policies applied. Please see note 12 to the consolidated financial statements for information on movements in provisions.

The financial statement risk

The Company has an insurance program through its largest subsidiary (based in North America) comprising professional, product and general liability, as well as for damage to cars, employee compensation claims and compensation claims for medical malpractice, and thereby bears risks itself to a certain extent. The provisions for self-insurance programs recognized in the consolidated financial statements of Fresenius Medical Care AG & Co. KGaA as of December 31, 2017, amount to EUR 223.5 million and cover the estimated future payments for reported claims and for incurred but not reported claims.

Recognition and measurement of provisions for self-insurance programs is complex and subject to judgment, as Fresenius Medical Care must refer to historical values (historical experience) to make estimates, particularly with respect to claims incidence (number) and claims severity (cost). These assumptions are subject to uncertainty by their very nature. To confirm the values that the Group determines itself, Fresenius Medical Care engages external actuaries for selected self-insurance programs. There is the risk for the consolidated financial statements that the provisions for self-insurance programs are not fully recognized or measured inappropriately.

Our audit approach

We assessed the controls established by the Group to ensure that the underlying items are recognized in full and that the underlying assumptions and parameters are appropriate and suitable, for their appropriateness and effectiveness.

To evaluate the assumptions as well as recognition and valuation methods applied, we involved our own actuaries in the audit team. With their help, we analyzed and evaluated the assumptions and parameters used by the Company (such as factors determining claims), also taking into account the values determined by the external actuaries engaged by Fresenius Medical Care. We evaluated the competence, professional skills and impartiality of the external actuaries. Furthermore, we determined a range based on our own expected value and assessed whether the provision amount determined by Fresenius Medical Care was within this range.

Our observations

The methods used for recognition and measurement are consistent with the applicable accounting policies. The underlying assumptions and parameters are appropriate.

Recognition and measurement of the provision relating to U.S. Foreign Corrupt Practices Act investigations

Please refer to **note 1r** to the consolidated financial statements for information on the accounting policies applied. Please refer to **note 12** for the provision recognized. Explanatory notes on the processes and current investigations can be found in **note 22** to the consolidated financial statements and in the Group Management Report in the section "Risks and opportunities – risk management".

The financial statement risk

Some aspects of the Company's business involve competing for contracts with customers that are directly or indirectly related to government. This type of business and the tender processes that typically accompany it entail risks of non-compliance with legal requirements. The Company also operates in a number of countries where it is normal business practice to deploy external sales representatives.

In 2012, the Company was made aware of practices in countries outside the USA that could constitute a violation of the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-corruption legislation. Following this, the company's supervisory board conducted its own investigations through its Audit & Corporate Governance Committee, which also involved consulting external lawyers. The findings of the investigations were presented to the competent U.S. government authorities (Securities and Exchange Commission and the Department of Justice) on several occasions.

A violation of legal provisions in this context can lead to fines, penalty payments, prosecution, claims for damages and restrictions placed on future business operations, which could have a material effect on the Company's financial performance. To avoid court proceedings, the Company is currently in discussions with the U.S. government authorities in respect of a potential settlement. These discussions are still ongoing; a legal dispute with one or both authorities is therefore possible in the event of failure of the negotiations.

On the basis of the ongoing settlement negotiations, the Company has formed a provision of €200.0 M, which is assessed to be an estimate of the settlement amount. The provision takes account of claims by government authorities for the seizure of profits as well as provisions for fines and penalties, certain legal fees and other associated costs or impairment losses. Both recognition and measurement of this provision are based on estimates of Fresenius Medical Care AG & Co. KGaA that require judgment.

There is the risk for the consolidated financial statements that the provision recognized for this purpose is insufficient or excessive.

There is also the risk that the required disclosures in the notes are incomplete or not appropriate.

Our audit approach

We received regular updates on the findings of the internal investigations and on how the meetings with the U.S. government agencies were proceeding. For this purpose, we mainly consulted the client representatives of the Corporate Legal and Corporate Compliance departments and obtained information from the lawyers who had carried out the investigation for the Company. Moreover, the Company provided us with written confirmation of the current state of affairs.

We also held discussions with the Chairman of the Supervisory Board, the Chairman of the Audit & Corporate Governance Committee, members of the Management Board and contact persons from Corporate Accounting, Corporate Compliance and Corporate Legal. We assessed written correspondence with relevant authorities with the assistance of our internal lawyers and evaluated underlying documents and minutes.

On the basis of this information, we assessed the assumptions made by Fresenius Medical Care AG & Co. KGaA overall to determine the provision and reviewed the calculation of the provision for computational accuracy.

We also assessed the completeness and accuracy of the disclosures in the notes relating to the matter.

Our observations

Recognition of the provision for potential violations of the FCPA is appropriate. The provision amount has been accurately calculated and the assumptions of Fresenius Medical Care AG & Co. KGaA underlying this calculation are appropriate.

The notes include all required information relating to this matter.

OTHER INFORMATION

The parent company's management is responsible for the other information. The other information comprises the annual report, with the exception of the audited consolidated financial statements and Group Management Report and our auditor's report.

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 doing so, consider whether the other information

- is materially inconsistent with the consolidated financial statements, with the Group Management Report or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

In accordance with our engagement letter, we conducted a separate assurance engagement of the non-financial statement. Please refer to our assurance report dated February 26, 2018 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 the 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 control.
- 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 independence requirements, 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 11, 2017. We were engaged by the supervisory board on December 8, 2017. 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 26, 2018

KPMG AG
Wirtschaftsprüfungsgesellschaft
(Original German version signed by:)

BOCK
Wirtschaftsprüfer
(German Public Auditor)

KAST
Wirtschaftsprüfer
(German Public Auditor)

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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 26, 2018

Fresenius Medical Care AG & Co. KGaA
Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

RICE POWELL **MICHAEL BROSNAN** **DR. OLAF SCHERMEIER**

WILLIAM VALLE **KENT WANZEK** **HARRY DE WIT**

REGIONAL ORGANIZATION

6.1 REGIONAL ORGANIZATIONS OF FRESENIUS MEDICAL CARE

Europe, Middle East, Africa				
Austria	FMC Austria GmbH	Vienna	■■	100%
Belgium	FMC Belgium N.V.	Antwerp	■	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	Tartu	■	100%
Finland	FMC Suomi Oy	Helsinki	■	100%
France	FMC France S.A.S.	Créteil	■■■	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.	Tel Aviv	■	100%
Italy	FMC Italia S.p.A.	Cremona	■■■	100%
Kazakhstan	FMC Kazakhstan LLP	Almaty	■	100%
Lebanon	FMC Lebanon S.a.r.l.	Beirut	■	99%
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%
Slovenia	FMC Slovenija d.o.o.	Zreče	■■	100%
South Africa	FMC South Africa (Pty.) Ltd.	Johannesburg	■■	100%
Spain	NMC of Spain, S.A.U.	Madrid	■■■	100%
Sweden	FMC Sverige AB	Stockholm	■■	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 Gulf Service FZ-LLC	Dubai	■	100%
North America				
Mexico	FMC de México, S.A. de C.V.	Guadalajara	■■■	100%
U.S.	FMC Holdings, Inc.	New York	■■■	100%
Latin America				
Argentina	FMC Argentina S.A.	Buenos Aires	■■■	100%
Brazil	FMC Ltda.	São Paulo	■■■	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%
Asia-Pacific				
Australia	FMC Australia Pty. Ltd.	Sydney	■■■	100%
China	FMC (Shanghai) Co., Ltd.	Shanghai	■■■	100%
Hong Kong	FMC Hong Kong Ltd.	Hong Kong	■■	100%
India	FMC India Private Ltd.	New Delhi	■■	100%
Indonesia	PT FMC Indonesia	Jakarta	■■	100%
Japan	Fresenius-Kawasumi Co., Ltd.	Tokyo	■■	70%
Malaysia	FMC Malaysia Sdn. Bhd.	Kuala Lumpur	■■■	100%
Pakistan	FMC Pakistan (Private) Ltd.	Lahore	■	100%
Philippines	FMC Philippines, Inc.	Makati City	■■	100%
Singapore	Asia Renal Care (SEA) Pte. Ltd.	Singapore	■■	100%
South Korea	FMC Korea Ltd.	Seoul	■	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 2017. We use FMC for Fresenius Medical Care except for all subsidiaries marked with *. Some percentages of subsidiaries represent direct and indirect shareholdings.*

MAJOR SUBSIDIARIES

6.2 MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE

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, Africa						
Austria	FMC Austria GmbH, Vienna	100	27.1	1.7	5.4	40
Belgium	FMC Belgium N.V., Antwerp	100	33.1	1.8	6.6	39
Czech Republic	FMC-CR, s.r.o., Prague	100	41.5	1.8	4.9	64
Denmark	FMC Danmark A/S, Taastrup	100	10.5	0.7	4.0	23
Estonia	OÜ FMC Estonia, Tallin	100	4.4	0.0	0.4	44
Finland	FMC Suomi Oy, Helsinki	100	18.5	0.8	5.7	23
France	FMC France S.A.S., Créteil	100	116.4	4.5	21.5	188
	FMC SMAD S.A.S., Savigny	100	169.0	12.2	104.8	541
Germany	FMC Deutschland GmbH, Bad Homburg v.d.H.	100	1,878.5	0.0	526.7	3,637
	FMC GmbH, Bad Homburg v.d.H.	100	275.2	0.0	45.3	379
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	82.9	5.5	55.0	186
Hungary	FMC Dializis Center Kft., Budapest*	100	28.9	(2.5)	(2.4)	610
	FMC Magyarország Egészségügyi Kft., Budapest	100	17.0	0.7	5.1	42
Israel	FMC Israel Ltd., Tel Aviv	100	13.2	(2.8)	30.6	378
Italy	FMC Italia S.p.A., Cremona	100	109.5	7.8	71.9	219
	SIS-TER S.p.A., Cremona	100	100.0	3.8	21.5	312
Lebanon	FMC Lebanon S.a.r.l., Beirut	99	5.8	(0.8)	(0.3)	16
Morocco	FMC Nord Ouest et Centre Afrique S.A., Casablanca	100	14.9	0.4	9.9	71
Poland	FMC Polska S.A., Poznań	100	50.1	3.5	152.7	75
	Fresenius Nephrocare Polska Sp.z.o.o., Poznań	100	94.0	2.7	27.1	963
Portugal	FMC Portugal, S.A., Lisbon	100	42.5	3.0	17.5	37
	NephroCare Portugal, S.A., Lisbon	100	108.5	13.6	76.0	934
Romania	FMC Romania S.r.l., Bucharest	100	29.7	1.7	21.4	74
Russian Federation	ZAO Fresenius SP, Moscow	100	104.0	8.9	34.0	223
Serbia	FMC Srbija d.o.o., Vršac	100	65.4	6.5	30.6	1,005
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	16.9	1.1	8.4	23
Slovenia	FMC Slovenija d.o.o., Zreče	100	5.8	0.6	3.2	13
	NEFRODIAL d.o.o., Zreče	100	10.8	0.3	1.3	99
South Africa	FMC South Africa (Pty.) Ltd., Johannesburg	100	52.4	1.1	22.3	737
Spain	FMC España, S.A.U., Madrid	100	100.7	13.4	131.1	205
	NMC of Spain, S.A.U., Madrid	100	0.0	10.0	69.1	1,318
Sweden	FMC Sverige AB, Stockholm	100	22.6	0.8	8.7	36
Switzerland	FMC (Schweiz) AG, Oberdorf	100	39.7	2.0	11.5	46
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	17.8	0.6	4.9	40
	RKZ Dialysecentrum B.V., Beverwijk	90	2.2	0.6	1.2	14
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	61.1	0.8	45.8	183
Ukraine	FMC Ukraine TOV, Kiev	100	2.4	(1.5)	(2.4)	76
North America						
Mexico	FMC de México, S.A. de C.V., Guadalajara[5]	100	101.2	5.0	30.2	1,483
U.S.	FMC Holdings, Inc., New York	100	12,779.7	972.8	7,400.0	66,863

[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 statement (IFRS) of FMC Holdings, Inc.*

6.2 MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE

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]
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	230.9	11.9	67.8	2,914
Brazil	FMC Ltda., São Paulo	100	149.4	(8.7)	35.0	756
Chile	Pentafarma S.A., Santiago de Chile	100	22.6	2.5	19.7	67
Colombia	FMC Colombia S.A., Bogotá	100	92.8	2.6	88.7	1,709
Ecuador	MANADIALISIS S.A., Quito	100	21.1	1.9	6.2	759
Peru	FMC del Perú S.A., Lima	100	14.4	0.9	9.1	151
Asia-Pacific						
Australia	FMC Australia Pty. Ltd., Sydney	100	109.5	0.5	150.0	413
	FMC Day Hospitals Holding Pty Ltd., Milsons Point	70	63.5	2.0	109.4	564
China	FMC (Jiangsu) Co. Ltd., Changshu	100	63.5	7.0	63.1	1,107
	FMC (Shanghai) Co., Ltd., Shanghai	100	346.5	10.0	140.6	505
Hong Kong	Biocare Technology Company Limited, Hong Kong	100	34.5	5.2	4.6	14
	Excelsior Renal Service Co., Limited, Hong Kong	51	33.3	3.0	18.2	1,027
	FMC Hong Kong Limited, Hong Kong	100	31.0	4.6	64.7	65
India	FMC India Private Ltd., New Delhi	100	57.2	3.4	27.4	289
Indonesia	PT FMC Indonesia, Jakarta	100	28.8	1.2	14.9	94
Japan	FMC Japan K.K., Tokyo	100	52.6	5.3	93.9	428
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	13.5	0.4	15.8	59
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	30.2	1.0	22.9	260
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	12.8	(0.2)	5.1	52
Philippines	FMC Philippines, Inc., Makati City	100	31.1	0.8	15.8	132
	FMC Renalcare Corp., Makati City*	100	2.7	(0.3)	(3.9)	107
Singapore	Asia Renal Care (SEA) Pte. Ltd., Singapore	100	0.1	2.1	24.8	272
South Korea	FMC Korea Ltd., Seoul	100	157.5	11.2	97.9	225
	NephroCare Korea Inc., Seoul	100	4.4	0.1	5.1	18
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	61.0	4.1	26.1	107
Thailand	FMC Ltd., Bangkok	100	38.1	2.7	11.9	66
	NephroCare (Thailand) Co., Ltd., Bangkok	100	4.8	0.4	3.5	56
Vietnam	FMC Vietnam LLC, Ho Chi Minh City	100	7.1	0.0	2.1	30

[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 statement (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 liquid contained in the ▶ **blood** remains in the bloodstream and does not pass through the arterial walls into the surrounding tissue. On the other hand, it transports various important substances. For example, numerous drugs as well as free fatty acids and hormones are bound to albumin and transported 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 indirectly hold shares (instead of holding the shares themselves) in a non-U.S. company. Fresenius Medical Care shares are listed on the New York Stock Exchange (NYSE) in the form of American depositary receipts.

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.

ARTERIOVENOUS (AV) VASCULAR ACCESS
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 a large blood vessel with an increased blood flow, providing access for ▶ **hemodialysis**. Adequate vascular access is a prerequisite for hemodialysis.

AUTOFLOW / ECOFLOW
The 5008 and 6008 series hemodialysis machines have an AutoFlow function. This adapts the dialysate flow to the effective blood flow, ensuring that water, energy and ▶ **dialysate** are used more efficiently. The devices also have an EcoFlow function, which minimizes the use of ▶ **dialysate** and energy in all phases other than actual treatment, for example during preparation when the ▶ **dialyzer** is rinsed with dialysate.

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** and ▶ **acute dialysis**. Biofine is recyclable and PVC-free.

BLOOD
Fluid circulating in the body consisting of 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 responsible for transporting oxygen. They are produced by erythropoietin, a hormone formed in the kidneys.

BLOOD CELLS, WHITE
Leukocytes

Blood cells that defend 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 ▶ **blood** forms solid clots, stemming the flow of blood. The damaged wall of a blood vessel is covered by a fibrin clot that stops hemorrhaging and helps repair the vessel. Coagulation disorders can lead to increased hemorrhaging and / or thrombosis, and even embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants (such as heparin).

BLOODLINE SYSTEM
Tubing system connecting a patient's blood circulation to a ▶ **dialyzer** during dialysis treatment.

BODY COMPOSITION MONITOR
BCM
A device that can precisely measure the composition of the human body and its fluid status to determine the degree of overhydration in dialysis patients.

C

CALCIMIMETICS
Drugs that have a positive effect on the bone and mineral metabolism, which is often disturbed in kidney patients. Similar to ▶ **phosphate binders**, calcimimetics expand the treatment options for patients with chronic kidney failure.

CATHETER
A flexible tube inserted surgically through the skin into a blood vessel or a 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 to reinforce non-financial reporting by certain major capital market companies in their (group) management reports.

D

DAYS SALES OUTSTANDING
DSO
Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

DAX
German stock index. Calculated on the basis of the weighted prices of the 30 largest German stock corporations in terms of market capitalization and trading volume.

DEBT/EBITDA RATIO
Important indicator in corporate management. It is calculated by comparing the company's debt with earnings before interest, tax, depreciation and amortization (EBITDA) and other non-cash charges.

DELIVERED EBIT
Operating income less non-controlling interests. We consider delivered EBIT to be an important indicator for investors because of the significance of non-controlling interests for our operating activities. Delivered EBIT 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. As the main regulatory hormone in sugar metabolism, insulin usually helps to control this condition.

DIALYSATE
Dialysis solution. Fluid used in ▶ **dialysis** to remove the substances filtered during treatment and excess water from the ▶ **blood**.

DIALYSIS
Form of renal replacement therapy where a semi-permeable membrane – the patient's peritoneum in ▶ **peritoneal dialysis**, the membrane of the dialyzer in ▶ **hemodialysis** – is used to clean a patient's ▶ **blood**.

DIALYSIS SOLUTION
▶ **Dialysate**

DIALYZER
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".

DIALYZER MEMBRANE
Semi-permeable barrier in the ▶ **dialyzer** that separates the ▶ **blood** from the ▶ **dialysate**.

DIVIDEND
Portion of a company's profit. Dividing the profit to be distributed by the number of outstanding shares results in the dividend per share, which is paid to shareholders usually once a year in the form of cash.

E

EBIT
Earnings before interest and taxes
A financial ratio to describe a company's profitability, irrespective of regional taxation and different forms of financing.

EBITDA
Earnings before interest, taxes, depreciation and amortization
A financial ratio to describe a company's operating performance before investments.

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 (more than 5% of the registered share capital), and can therefore be acquired and traded by the general public.

G

GLOMERULAR FILTRATION RATE
GFR

Indicates the volume of liquid filtered by the ▶ **kidneys** from the ▶ **blood** per minute (primary urine). This can be more than 90 ml/min in healthy kidneys (stage 1). 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/1.73 meters)

Stage 2 – kidney damage with slightly decreased GFR
60 – 89 GFR (ml/min/1.73 meters)

Stage 3 – kidney damage with moderately decreased GFR
30 – 59 GFR (ml/min/1.73 meters)

Stage 4 – kidney damage with greatly decreased GFR
15 – 29 GFR (ml/min/1.73 meters)

Stage 5 – kidney failure (or dialysis)
< 15 GFR (ml/min/1.73 meters)

GLOBAL REPORTING INITIATIVE
GRI

The Global Reporting Initiative has defined standards 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.

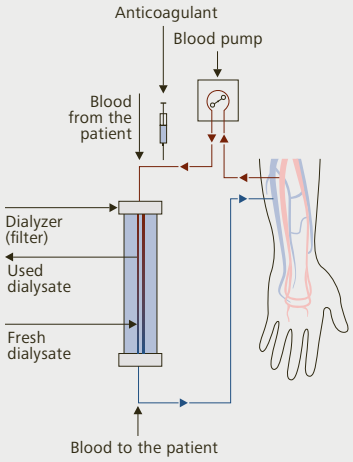
H

HEMODIAFILTRATION
HDF

Process combining ▶ **hemodialysis** and ▶ **hemofiltration**. This is based on the theory that low-molecular substances such as urea and creatinine are predominantly removed by diffusive transportation as in hemodialysis, whereas the 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 more permeable synthetic membranes (high-flux dialyzers) with a superior ultrafiltration performance.

HEMODIALYSIS
HD

Treatment method for dialysis patients in which the patient's ▶ **blood** flows through disposable 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 carries oxygen through the body.

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 treatments.

I

IFRS
International Financial Reporting Standards
Accounting standards issued by the International Accounting Standards Board (IASB).

IRON COMPOUNDS
Products for treating anemia resulting from iron deficiency in dialysis patients. An example of this is Venofer.

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. In contrast to chronic kidney failure, ▶ **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, the patient has to 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 legal business form equivalent to a partnership limited by shares. An entity with its own legal identity in which at least one general partner (personally liable shareholder, or Komplementäraktionär) has full liability with regard to the company's creditors, while the other shareholders (Kommanditaktionäre) participate in the capital stock divided into shares without being personally liable for the company's debts.

$\frac{KT}{V}$
Indicator to evaluate treatment quality. It is calculated by dividing the product of urea clearance through dialysis (K) and the duration of treatment (t) by the filtration rate of certain toxins (V).

L

LEAN SIX SIGMA
Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of improving quality.

M

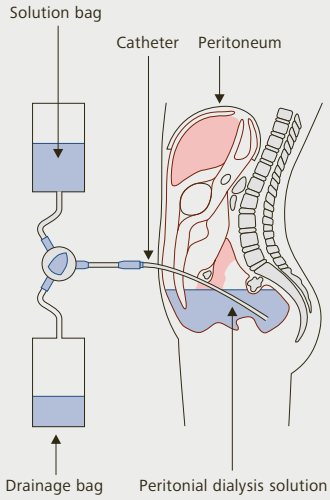
MARKET CAPITALIZATION
The total value of all outstanding shares of a company. It is calculated by multiplying the number of shares by the share price.

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 (end-stage renal disease, ESRD), the disabled or needy.

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 and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and removes them together with excess water. Most treatments are supported by a machine – the cycler – and are administered by patients at home or at work several times a day or during the night.



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.

RETURN ON EQUITY
ROE

An indicator of a company's profitability related to shareholders' equity.

RETURN ON INVESTED CAPITAL
ROIC

Refers to 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 purpose of improving financial accounting. The intention of SOX is to strengthen the confidence of shareholders and other stakeholders in the company by extending regulations relating to financial reporting and internal monitoring systems. The law demands greater commitment from management with regard to the provision of complete and correct information. The rules apply for 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.

SUPPLY CHAIN MANAGEMENT
The management of all tasks along the supply chain from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

U

U.S. GAAP
United States Generally Accepted Accounting Principles.

V

VOLATILITY
Price fluctuation of a security or currency.

FIVE-YEAR SUMMARY

6.3 FIVE-YEAR SUMMARY

in € M, except share data

	2017	2016	2015	2014	2013
Statements of income					
Revenue	17,784	16,570	15,455	12,145	11,215
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,098	3,110	2,777	2,221	2,173
Operating income (EBIT)	2,362	2,409	2,129	1,693	1,683
Delivered EBIT[1]	2,088	2,133	1,873	1,532	1,574
Net Income (attributable to shareholders of FMC AG & Co. KGaA)	1,280	1,144	955	781	811
Basic earnings per share *in €*	4.17	3.74	3.14	2.58	2.67
Balance sheets					
Current assets	6,374	6,884	6,172	5,291	4,323
Non-current assets[2]	17,651	18,620	17,074	15,382	12,196
Total assets[2]	24,025	25,504	23,246	20,673	16,519
Current liabilities[3]	5,300	5,299	4,139	3,027	2,713
Non-current liabilities[2,3]	7,897	9,154	9,301	9,258	6,815
Equity	10,828	11,051	9,806	8,388	6,991
Total liabilities and equity[2]	24,025	25,504	23,246	20,673	16,519
Total debt	7,448	8,132	7,943	7,799	6,063
Cash flow					
Net cash provided by (used in) operating activities	2,192	1,932	1,767	1,355	1,532
Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments)	1,351	1,017	924	662	984
Share data					
Year-end ordinary share price Frankfurt, Xetra *in €*	87.78	80.45	77.73	61.85	51.73
Year-end ordinary share price (ADS) New York *in $*	52.55	42.21	41.84	37.14	35.58
Weighted average number of shares	306,563,400	305,748,381	304,440,184	302,339,124	303,815,122
Total dividend amount[4]	325	294	244	237	232
Dividend per share[4] *in €*	1.06	0.96	0.80	0.78	0.77
Employees					
Full-time equivalents	114,000	109,319	104,033	99,895	90,690
Operational ratios *in %*					
Operating income margin	13.3	14.5	13.8	13.9	15.0
Basic earnings per share growth	11.6	19.3	21.4	−3.2	−12.0
Organic revenue growth	6.6	7.0	6.5	5.3	4.6
Return on invested capital (ROIC)[2]	8.6	7.8	7.1	6.9	7.8
Net debt/EBITDA ratio[5]	2.1	2.3	2.6	3.1	2.5
Net cash provided by (used in) operating activities *in % of revenue*	12.3	11.7	11.4	11.2	13.7
Free cash flow *in % of revenue*	7.6	6.1	6.0	5.5	8.8
Equity ratio (equity/total assets)[2]	45.1	43.3	42.2	40.6	42.3
Dialysis care data					
Treatments *in M*	48.3	46.5	44.6	42.7	40.5
Patients	320,960	308,471	294,381	286,312	270,122
Dialysis clinics	3,752	3,624	3,418	3,361	3,250

[1] *Operating income (EBIT) 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; 2014: €174 M; 2013: €185 M).*
[3] *Debt issuance costs were reclassified from current liabilities to non-current liabilities to conform to the current year's presentation (2014 and 2013 €5 M each year).*
[4] *2017: Proposal to be approved by the Annual General Meeting on May 17, 2018.*
[5] *EBITDA is adjusted for non-cash charges (2017: €51 M; 2016: €65 M; 2015: €48 M; 2014: €32 M; 2013: €35 M).*

FINANCIAL CALENDAR 2018

Subject to change.

Q 1

MAY 3

REPORT ON THE FIRST QUARTER 2018

MAY 17

ANNUAL GENERAL MEETING FRANKFURT AM MAIN, GERMANY

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MAY 23

PAYMENT OF DIVIDEND

Subject to the approval by the Annual General Meeting.

Q 2

JULY 31

REPORT ON THE SECOND QUARTER 2018

Q 3

OCTOBER 30

REPORT ON THE THIRD QUARTER 2018

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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 Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this 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.

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