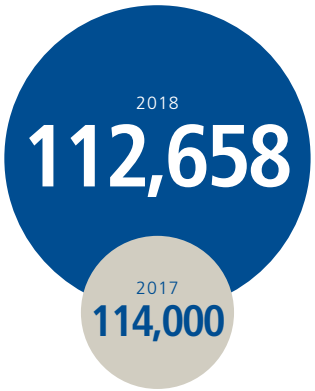
ANNUAL REPORT
2018

CARE AND LIVE

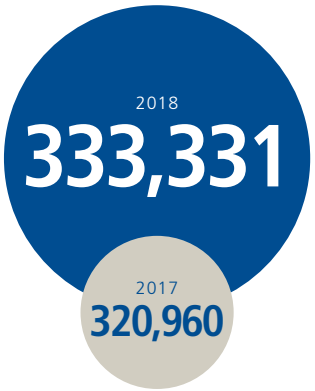
FRESENIUS
MEDICAL CARE

EMPLOYEES [1]



CHANGE
-1 %

PATIENTS



CHANGE
+4 %

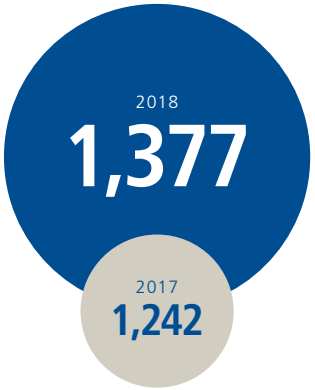
DIALYSIS CENTERS

CHANGE
+5 %

REVENUE [2]
ON A COMPARABLE BASIS [3]
IN € M

CHANGE
+4 %
CONSTANT CURRENCY

NET INCOME [4,5]
ON A COMPARABLE BASIS [6]
IN € M



CHANGE
+14 %
CONSTANT CURRENCY

DIVIDEND PER SHARE [7]
IN €

CHANGE
+10 %

Fresenius Medical Care is the world's leading provider of dialysis products and services. We care for people with chronic kidney failure, of whom around 3.4 million worldwide depend on dialysis treatment.

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

SELECTED KEY FIGURES
IN € M

	2018	2017	Change
Operating income (EBIT)	3,038	2,362	33 % cc
Operating income (EBIT) on a comparable basis [6]	2,346	2,278	6 % cc
Net cash provided by (used in) operating activities	2,062	2,192	(6 %)
Free cash flow [8]	1,059	1,351	(22 %)
Capital expenditures, net	(1,003)	(841)	19 %
Aquisitions and investments (excluding investments in securities), net	1,088	(397)	–
Operating income margin on a comparable basis [6] in %	14.2	13.6	
Return on invested capital (ROIC) [9] in %	12.4	8.6	
Equity ratio (equity/total assets) [10] in %	49.2	45.1	

cc = constant currency
[1] Full-time equivalents.
[2] Revenue 2018: 16,547 (-2 % cc compared to 2017).
[3] 2017 adjusted for the effect of IFRS 15 implementation and the contribution of Sound Physicians in H2 2017.
[4] Net income 2018: 1,982 (+60 % cc compared to 2017).
[5] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.
[6] Adjusted for the contribution of Sound Physicians in H2 2017 and in 2018 for the gain related to divestitures of Care Coordination activities, the 2018 FCPA Related Charge and contributions to the opposition to the ballot initiatives in the U.S.
[7] 2018: Proposal to be approved by the Annual General Meeting on May 16, 2019.
[8] Net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments.
[9] See calculation in the Group Management Report, chapter "Overview about the Group", section "Performance management system".
[10] As of December 31 of the respective year.

CARE AND LIVE

At Fresenius Medical Care, we care about giving our patients a future worth living. Our Company is committed to improving the quality of life for people with kidney disease around the world in many different ways, today and in the future.

The 2018 Annual Report shows the impact of this commitment in facts and figures.

Read more about how we help dialysis patients to enjoy the best possible quality of life every day in our Corporate Magazine:

www.freseniusmedicalcare.com/en/magazine

TO OUR SHARE-HOLDERS

GROUP MANAGEMENT REPORT

NON-FINANCIAL GROUP REPORT

CORPORATE GOVERNANCE

CONSOLIDATED FINANCIAL STATEMENTS

FURTHER INFORMATION

TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS

LADIES AND GENTLEMEN

The past year was an eventful one. We opened our first dialysis centers in China. We also sold our majority interest in the U.S. company Sound Physicians to streamline our "Care Coordination" business. With our equity interest in Humacyte, a biotech company that develops blood vessels using adult human cells to improve vascular access, we continued to invest in Fresenius Medical Care's future. These are just a few examples of the key projects initiated by Fresenius Medical Care in the past year.

2018 was also a year in which we were unable to fully meet our expectations. In the course of the past year, we had to adjust the ambitious targets we had initially set ourselves. There were many different reasons for this. In Europe, for example, we did not win as many

RICE POWELL
Chief Executive Officer and Chairman of the Management Board

public tenders as we had expected. In the U.S. we had a drop in the number of dialysis treatments of commercially insured patients. In addition, our business was affected by hyperinflation in Argentina.

Fresenius Medical Care generated revenue of 16.55 billion euros in the past fiscal year, down two percent on 2017 at constant currency. This is primarily attributable to the sale of Sound Physicians. On a comparable basis, revenue increased by four percent at constant currency in 2018. Net income attributable to the shareholders of Fresenius Medical Care rose by 60 percent at constant currency to 1.98 billion euros in fiscal 2018. On a comparable basis, net income increased by 14 percent.

The second phase of our Global Efficiency Program also had the desired impact. In this respect, we are actually ahead of schedule. We have also prepared measures to further optimize the cost structure of Fresenius Medical Care. In the current year, we will invest around 100 million euros in the U.S. services business, with a positive contribution to earnings expected as early as 2020.

Dear shareholders, we want you to participate in our success once again this year and will therefore propose a dividend of 1.17 euros at our Annual General Meeting in May – up a further ten percent on the previous year. This would be the 22nd consecutive dividend increase. We have also initiated a share buyback program with a volume of up to one billion euros, which is set to run for two years. In addition, the entire Management Board of Fresenius Medical Care has decided to invest a portion of their compensation for fiscal year 2018 in Company shares in order to demonstrate our commitment to the future of the Company.

Let us look further into the future: The trends and drivers affecting our growth are still intact. We want to continuously get better every day – not just for ourselves, but above all for the steadily growing number of patients worldwide. Our aspiration is to offer vital added value to these patients and to health care systems all around the world. This is the only way to achieve sustainable growth in our business.

One of the key pillars of this growth is addressing our patients' changing needs. Many patients would rather be treated at home so that they can lead a life as normal as possible instead of receiving regular treatment at a dialysis clinic for several hours, several days a week. We see this as an opportunity that we intend to seize. By acquiring NxStage, we are expanding our product portfolio with an innovative technology for home dialysis. This will enable us to offer our patients greater flexibility and more individual treatment, boosting satisfaction and thus leading to better treatment

We will propose a dividend of €1.17 at our Annual General Meeting in May – up a further 10 % on the previous year. This would be the 22nd consecutive dividend increase.

With our cost optimization program, we will invest around €100 M in the U.S. services business in the current year.

Between now and 2022, we intend to increase the share of home dialysis treatments in the U.S. from the current level of 12 to at least 15 %.

outcomes. Between now and 2022, we intend to increase the share of home dialysis treatments in the U.S. from the current level of 12 percent to at least 15 percent.

We also see additional growth potential in underserved markets. Our aim is to facilitate patients' access to dialysis services through investments, thereby opening up growth markets for the Company. Among other things, we are pressing ahead with the expansion of our business in China. We already acquired several renal focused hospitals and dialysis centers there in 2018. Over the next five years, we intend to open at least a 100 dialysis centers in this interesting market. We also offer dialysis products developed specifically for patients' needs in rapidly growing developing economies as another means of further expanding our business in these growth markets.

As well as enhancing our existing portfolio, we are looking at promising medical technologies that are still at the very beginning of their development. One example is regenerative medicine. To ensure that our patients always receive the best care, in 2018 we acquired an equity interest in Humacyte, a company that produces human acellular blood vessels. Following product approval, we will be able to offer our patients innovative vascular access with improved safety and longer durability. We are extremely committed to pursuing this and other pioneering projects in the field of regenerative medicine.

We are also systematically developing our holistic, value-based, coordinated care approach. In the U.S., for example, we are taking responsibility for the overall physical wellbeing of an increasing number of patients, and not just their dialysis treatment. We see this as a way for many markets to ensure high-quality care for their patients in the future despite rising costs in the health care system. Our expertise and experience make us the ideal partner.

As you can see, we have ambitious long-term plans. Fresenius Medical Care will continue to grow. 2019 will be a year of new beginnings. We will work to leverage the opportunities in high-growth areas more effectively and, above all, more quickly. In 2019, we will work together to set the course for Fresenius Medical Care's continued success in the future.

I would like to conclude by thanking all of the employees of Fresenius Medical Care around the world. I am proud of their motivation, the care they provide to our more than 330,000 patients, and their dedication to our Company. They are a perfect illustration of what makes Fresenius Medical Care so special: our unyielding commitment to our patients' welfare.

Yours

RICE POWELL
Chief Executive Officer and
Chairman of the Management Board

WILLIAM VALLE
North America
(since 2017)

HARRY DE WIT
Asia-Pacific
(since 2016)

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

RICE POWELL
CEO and Chairman
(since 2013)

DR. OLAF SCHERMEIER
Research and Development
(since 2013)

KENT WANZEK
Global Manufacturing and Quality
(since 2010)

MICHAEL BROSNAN
Finance
(since 2010)

CAPITAL MARKETS AND SHARES

Following a stable performance in the first three quarters of 2018, Fresenius Medical Care's share price declined significantly in the fourth quarter to close the year at €56.64. In 2019, we will focus on preparing our Company for further profitable growth. We are confident that our strategic approach will enable us to grow Fresenius Medical Care's shareholder value in the long term.

FRESENIUS MEDICAL CARE SHARES

2018 was a year of considerable volatility on the stock markets. This trend intensified in the second half of the year, with share prices declining significantly as a result. Fears of an escalation of the trade dispute between the U.S. and China put the stock markets increasingly under pressure as the year progressed. Concerns over a no-deal "Brexit" and signs of an economic slowdown also caused uncertainty on the stock markets. This led to new annual lows for the DAX in Germany and the Dow Jones in the U.S. in the fourth quarter.

The 2018 stock market year began positively for Fresenius Medical Care's shares, buoyed by the newly adopted U.S. tax reform. The share price reached its high for the year as well as its all-time high of €93.00 in late January. Its performance stabilized as the year progressed. In mid-October, Fresenius Medical Care announced that it was revising its revenue and earnings targets for 2018 as business growth had not met expectations. In an already weak stock market environment, this led to a substantial downturn in its share price. Votes on the regulation of dialysis reimbursement in some U.S. states created additional uncertainty. The ballot initiative in the State of California was rejected in early November, causing the share price to recover. In December, Fresenius Medical Care published its preliminary indicative outlook for fiscal year 2019 ahead of schedule, in which it forecast substantial investments. In an extremely nervous environment, the share price again declined significantly in response to this announcement, closing 2018 at its low for the year of €56.64. 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 11.

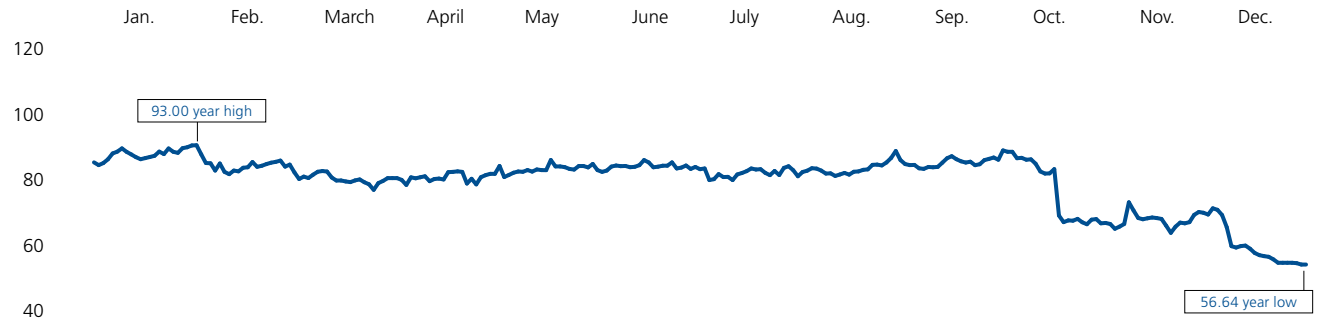
A long-term comparison, however, shows the strength and stability of Fresenius Medical Care shares: Over the past ten years, the Company's share price has almost doubled. With dividends reinvested, this corresponds to an appreciation of 7 % per annum. Fresenius Medical Care's market capitalization amounted to €17.4 BN at the end of the year under review.

T 1.1 **STOCK INDICES / SHARES**

	Country / region	Dec. 31, 2018	Dec. 31, 2017	Change	High	Low
DAX	GER	10,559	12,918	(18.3 %)	13,560	10,382
Dow Jones	U.S.	23,327	24,719	(5.6 %)	26,828	21,792
EURO STOXX Health Care	EUR	708	728	(2.7 %)	776	660
FRESENIUS MEDICAL CARE SHARES IN €	**GER**	**56.64**	**87.78**	**(35.5 %)**	**93.00**	**56.64**
FRESENIUS MEDICAL CARE ADRS IN $	**U.S.**	**32.39**	**52.55**	**(38.4 %)**	**57.51**	**31.30**

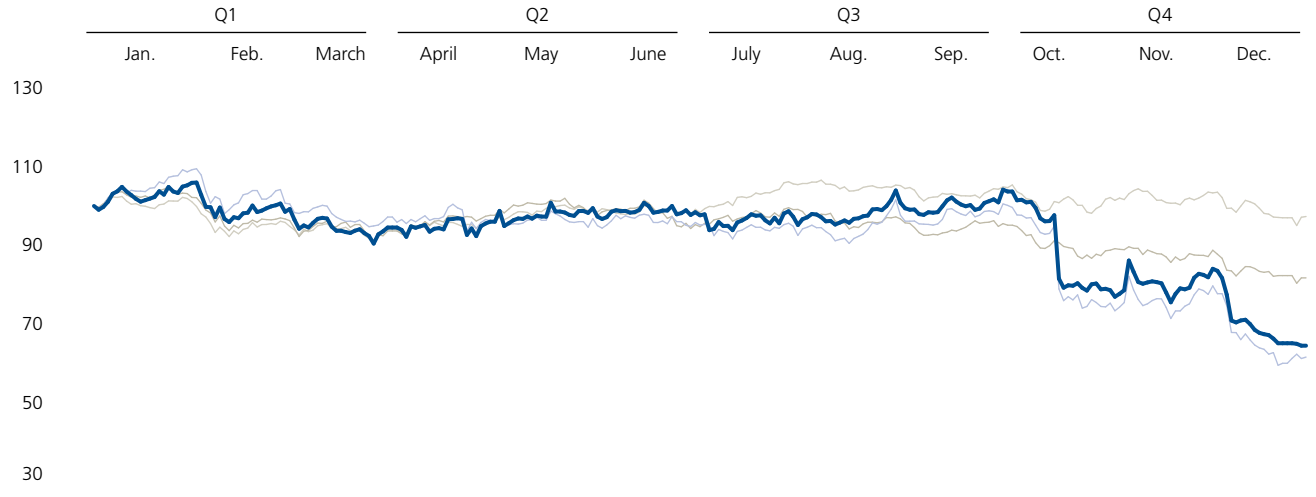
Source: Bloomberg data, own calculations

C 1.2 SHARE PRICE PERFORMANCE, ABSOLUTE, JANUARY 1, 2018 – DECEMBER 31, 2018
IN €



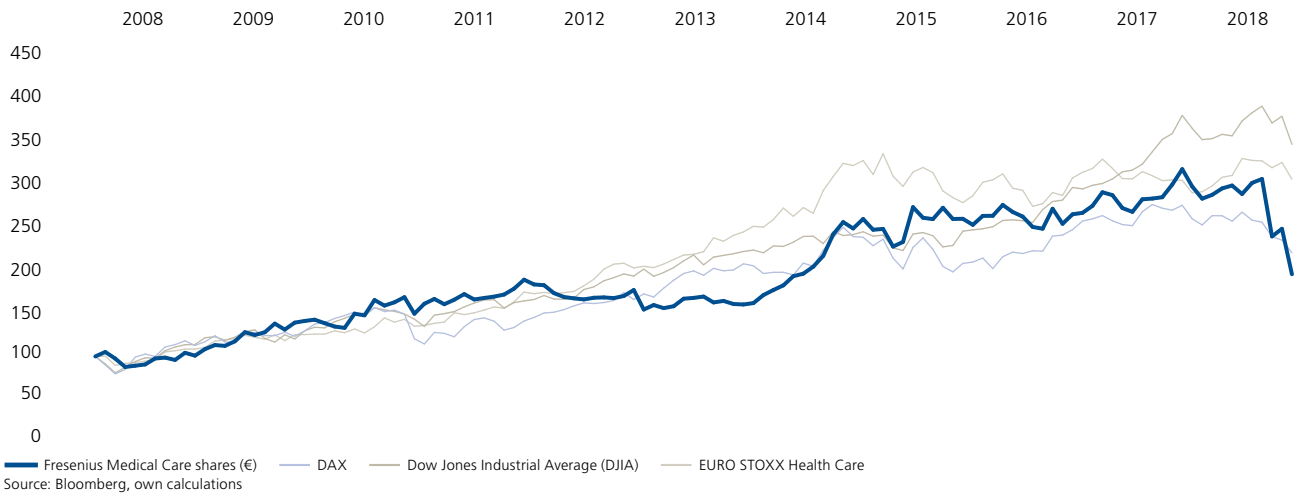
Source: Bloomberg, own calculations

C 1.3 INDEX AND SHARE PRICE PERFORMANCE, INDEXED, JANUARY 1, 2018 – DECEMBER 31, 2018



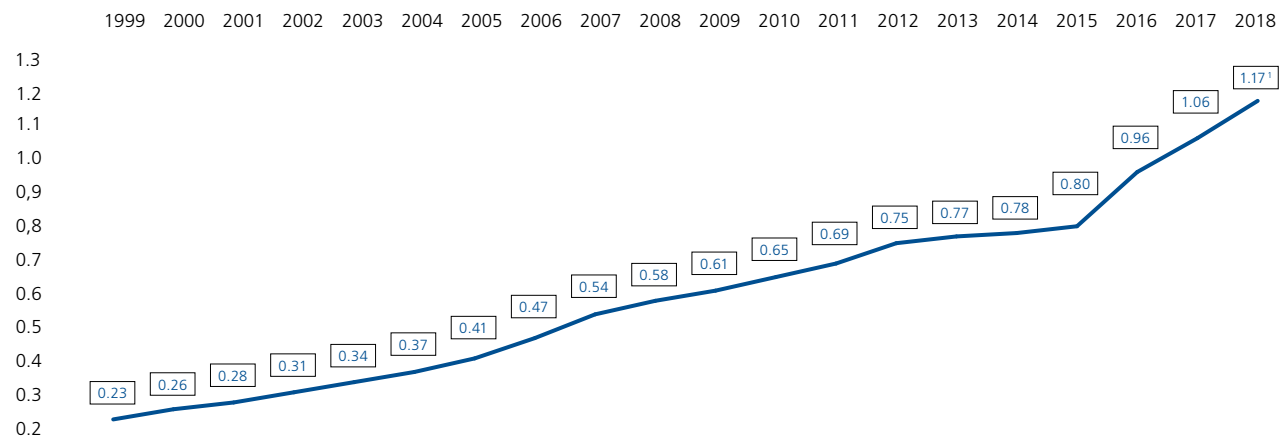
Source: Bloomberg, own calculations

C 1.4 INDEX AND SHARE PRICE PERFORMANCE IN A TEN-YEAR COMPARISON
WITH DIVIDENDS REINVESTED, INDEXED, DECEMBER 31, 2008 – DECEMBER 31, 2018



Source: Bloomberg, own calculations

C 1.5 DEVELOPMENT OF THE DIVIDEND
IN €



[1] Proposal to be approved by the Annual General Meeting on May 16, 2019.

PRICE DEVELOPMENT OF ADRS

In 2018, the price of Fresenius Medical Care shares listed on the New York Stock Exchange in the form of American Depositary Receipts (ADRs) declined by 38.4 %. Two ADRs are equivalent to one Fresenius Medical 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 21 % and our shares for around 79 % of the entire trading volume.

DIVIDEND DEVELOPMENT AND SHARE BUYBACK

At the Annual General Meeting on May 16, 2019, the General Partner and the Supervisory Board will propose a dividend to shareholders of €1.17 per share. This would mean that the dividend has risen by around 10 % each year on average since 1997.

Based on the proposed dividend and the closing share price at the end of 2018, the dividend yield on the shares is 2.1 % (2017: 1.2 %).

If the dividend proposal is accepted, the total dividend payout for 2018 with 306.9 M shares entitled to a dividend (as of December 31, 2018) will amount to around €359 M. This represents a payout ratio of around 18 %.

On top, Fresenius Medical Care has decided to create additional shareholder return by buying back shares in a total aggregate amount of up to €1 BN over the course of 2019 and 2020.

We remain committed to our ambitious goal for the dividend development to be closely aligned with our growth in earnings per share, while maintaining dividend continuity.

SHAREHOLDER STRUCTURE

Based on an analysis of the shareholder structure, we were again able to match around 87 % of the approximately 306.9 M shares outstanding with their owners. As at December 31, 2018, 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 approximately 30.8 % of the outstanding shares in our share capital. In the same analysis, we identified a further twelve institutional investors with shareholdings of more than 1 %.

According to the analysis, 721 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: 43 %).

Regarding the regional distribution of shares owned by institutional investors, 32 % of shares in the free float were held in Great Britain. The shares held in North America amounted to 23 % as of December 31, 2018. Around 12 % of all shares identified in the free float were held in France, 10 % in Germany with a further 5 % held in Norway.

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

	Number of shares	in %	in % of free float
Number of shares outstanding as at December 31, 2018	306.9	100.0	–
Identified shares	268.1	87.4	81.8
Unidentified shares	38.8	12.6	18.2
Shares in free float	212.5	69.0	–

T 1.7 GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES
IN M

	Dec. 2018		Dec. 2017	
	Number of shares	in %	Number of shares	in %
Great Britain	56.02	32	47.48	28
North America	40.83	24	12.86	8
France	21.53	12	62.10	36
Germany	17.39	10	12.75	8
Norway	8.87	5	7.56	4
Rest of Europe	14.91	9	15.81	9
Remaining regions	14.18	8	13.30	7
REGIONALLY ATTRIBUTABLE SHARES	**173.73**	**100**	**171.86**	**100**

SUSTAINABLE INVESTMENT

Investors are increasingly basing their investment decisions on whether companies act responsibly. They frequently use sustainability ratings and rankings to assess companies' performance in the area of sustainability. For the tenth consecutive year, our shares were listed in the Dow Jones Sustainability Index Europe, which takes into account ecological and social as well as economic criteria. This year, Fresenius Medical Care's reporting on ecological and social criteria in particular was given a very good rating, as was the materiality analysis presenting the economic, ecological and social topics that can have a substantial effect on our Company's performance. Since 2008, Fresenius Medical Care has also participated in the program set up by the international organization CDP for reporting on data relevant to climate protection. For further information, see the Non-Financial Group Report starting on PAGE 82.

VOTING RIGHTS NOTIFICATIONS

At the end of 2018, 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 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 28 equity analysts, known as sell-side analysts, tracked our shares and covered our Company last year. At the end of 2018, 15 analysts rated our shares as "buy", and a further 13 recommended holding our shares. There were no sell recommendations for our shares.

RATING AND FINANCING

Fresenius Medical Care is rated investment grade by the three leading rating agencies Standard & Poor's, Moody's and Fitch. In the period under review, the agencies each confirmed their rating for the Company. An overview can be found in TABLE 2.25 ON PAGE 51. In July 2018, we successfully placed a bond with a total volume of €500 M, a term of seven years and a coupon of 1.5 % per annum. It was issued in June as part of our European Medium Term Note (EMTN) program.

INVESTOR RELATIONS ACTIVITIES

Our investor relations activities in 2018 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 development and the Company's sustainability activities. These activities targeted 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 1,350 one-on-one meetings with analysts and investors and answered questions about our business performance and the Company's future. We also presented Fresenius Medical Care at 33 roadshows and 27 investment conferences around the globe. We gave private investors an insight into our Company at information events. For further information, visit our website at www.freseniusmedicalcare.com.

T 1.8 **KEY SHARE DATA**

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

T 1.9 KEY FIGURES FOR FRESENIUS MEDICAL CARE SHARES

		2018	2017	2016	2015	2014
NUMBER OF SHARES [1]	in M	306.88	306.45	306.22	305.31	303.56
Share prices (Xetra trading)						
High for the year	in €	93.00	88.90	85.65	83.13	61.85
Low for the year	in €	56.64	74.69	71.62	60.57	47.15
Year-end	in €	56.64	87.78	80.45	77.73	61.85
Share prices (ADR NYSE)						
High for the year	in $	57.51	52.72	47.43	45.72	37.63
Low for the year	in $	31.30	39.70	38.37	35.96	32.06
Year-end	in $	32.39	52.55	42.21	41.84	37.14
Market capitalization [2]						
Year-end	in € M	17,382	26,900	24,716	23,732	18,775
Index weighting						
DAX	in %	1.41	1.78	1.80	1.87	1.62
Dividend						
Dividend per share	in €	1.17 [3]	1.06	0.96	0.80	0.78
Dividend yield [4]	in %	2.1 [3]	1.2	1.2	1.3	1.3
Total dividend payout	in € M	359 [3]	325	294	244	237
Earnings per share (EPS)						
Number of shares [5]	in M	306.54	306.56	305.75	304.44	302.34
Earnings per share (EPS)	in €	6.47	4.17	3.74	3.14	2.58

[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 16, 2019.
[4] With reference to the respective year-end.
[5] Weighted average number of shares outstanding.

GROUP MANAGEMENT REPORT

GENERAL INFORMATION ABOUT THIS GROUP MANAGEMENT REPORT

In the following, we present a discussion and analysis of the Group Management Report of Fresenius Medical Care AG & CO. KGAA and its subsidiaries (together referred to as we, our, FMC AG & CO. KGAA, Fresenius Medical Care, the Group or the Company) prepared in accordance with sections 315 and 315e of the German Commercial Code and German Accounting Standards No. 17 and 20, as well as the consolidated financial statements and related notes contained elsewhere in this report. Some of the statements, including those concerning future revenue, costs and capital expenditures, possible changes in our industry as well as the competitive and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the Management Board of the Company's General Partner (Management Board) pertaining to future events that may affect us, but which we cannot assure that such events will occur or that the results will be as anticipated. Because these statements involve opportunities, risks and uncertainties, the actual results may differ materially (positive as well as negative) from the results which the forward-looking statements express or imply. The statements cover the content of and are subject to the uncertainties described in the discussions in this report in the "Outlook" starting on PAGE 58 and in the "Risks and Opportunities Report" 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 82.

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

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

OVERVIEW 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 offering 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. Our other health care services are described by the term "Care Coordination". Together with dialysis services, these constitute our health care services.

We continue to generate most of our revenue with dialysis products and dialysis care services. In our 3,928 proprietary dialysis clinics in around 50 countries worldwide, we provide care for over 333,000 dialysis patients. We are continuously expanding 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 42 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 on a decentralized basis 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.).

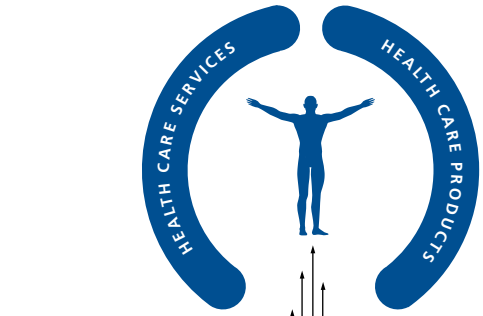
CHART 2.2 ON PAGE 19 provides an overview of our most important production sites and headquarters.

OUR PRODUCTS AND SERVICES

Fresenius Medical Care provides mainly dialysis products and services. We also offer non-dialysis services as part of Care Coordination, as well as non-dialysis products. Our services and products are shown in CHART 2.1.

Approximately 3.4 M patients worldwide regularly underwent dialysis treatment in 2018. Dialysis is a life-saving blood

C 2.1 **OUR PRODUCTS AND SERVICES**



DIALYSIS SERVICES
- End-Stage Renal Disease-related treatments
- End-Stage Renal Disease-related laboratory testing services
- Acute dialysis services

CARE COORDINATION
- Hospital-related physician services[1] (until June 28, 2018)
- Pharmacy services
- Vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services
- Health plan services
- Urgent care services
- Physician nephrology and cardiology services
- Ambulant treatment services

DIALYSIS PRODUCTS
- Hemodialysis machines and peritoneal dialysis cyclers
- Dialyzers
- Peritoneal solutions
- Hemodialysis concentrates, solutions and granulates
- Bloodlines
- Systems for water treatment
- Renal pharmaceuticals
- Other equipment and medical devices

NON-DIALYSIS PRODUCTS
- Acute cardiopulmonary products
- Apheresis products

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

C 2.2 **MAJOR LOCATIONS**

North America

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

Latin America

- **RIO DE JANEIRO, BR**
  Regional headquarters Latin America
- **08 BOGOTÁ, CO**
  Dialysis solutions
- **09 JAGUARIÚNA, BR**
  Dialysis solutions
- **10 PILAR, AR**
  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**
  Dialyzers, PD solutions
- **13 L'ARBRESLE, FR**
  Dialyzers, concentrates
- **14 PALAZZO PIGNANO, IT**
  Bloodlines
- **15 KREMS, AT**
  Adsorbers
- **16 VRŠAC, SRB**
  Dialyzers, bloodlines
- **17 ANTALYA, TR**
  Bloodlines

Asia-Pacific

- **HONGKONG, CN**
  Regional headquarters Asia-Pacific
- **18 INUKAI, JP**
  Fiber bundles
- **19 BUZEN, JP**
  Dialyzers, PD solutions
- **20 CHANGSHU, CN**
  Bloodlines, dialyzers
- **21 IPOH, MY**
  Systems for water treatment
- **22 ENSTEK, MY**
  Concentrates
- **23 SMITHFIELD, AU**
  Concentrates
- **24 SCORESBY, AU**
  Dialysis chairs, packs

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

Our health care products

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

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

- Hemodialysis (HD) – HD is by far the most common type of therapy for chronic kidney failure. Fresenius Medical Care provides a wide range of HD products, in dialysis centers as well as for use at home. They include machines, dialyzers, bloodline systems, HD solutions and concentrates, water treatment systems, as s well as data processing and analysis systems.
- Peritoneal dialysis (PD) – In PD the peritoneum is used as a natural filter. We offer systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD) in dialysis centers as well as 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 including acute cardiopulmonary products and products for apheresis therapy, which involves the removal of excess blood fats or pathogenic antibodies.

Our health care services

Dialysis services

Dialysis patients receive life-saving dialysis treatment and other associated services such as laboratory tests in our 3,928 (2017: 3,752) dialysis clinics worldwide. Dialysis treatment at our clinics is usually performed three times a week over a period of several hours by trained medical staff. We also provide advice on medical support and training for home dialysis patients in our dialysis centers.

In 2018, we treated most of our patients (61 %) in the North America Segment, followed by 20 % 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 further enhance our business beyond dialysis, for example in markets where the privatized dialysis market is relatively well developed and we already have a high market share. Although our Care Coordination business is geared toward different geographical markets, we currently provide non-dialysis services mainly in North America and Asia-Pacific. In recent years, the health care system in the U.S. has started to move away from reimbursement of individual services toward holistic and coordinated care. Our Care Coordination activities and our experience in dialysis mean that we can participate in the development of the U.S. health care system 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. In fiscal year 2018, we sold our majority interest in Sound Inpatient Physicians Inc. (Sound) effective June 28, 2018, thereby sharpening our profile in the area of Care Coordination in the U.S.

MAJOR MARKETS AND COMPETITIVE POSITION

According to our estimates, the number of dialysis patients worldwide reached around 3.4 M in 2018 (2017: 3.2 M) – a 6 % growth rate. In the same period, 333,331 patients were treated in Fresenius Medical Care's network of dialysis centers (2017: 320,960). This means that Fresenius Medical Care holds the leading position worldwide in dialysis care. More information can be found in CHART 2.3 ON PAGE 21.

Dialysis products made by Fresenius Medical Care for use in our own dialysis centers or for sale to third-party customers accounted for a market share of 35 % in 2018 (2017: 35 %). Fresenius Medical Care is therefore also the global market leader for dialysis products. In the case of hemodialysis products, we had a 39 % share of the global market (2017: 39 %) and are also the leader in this field.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of over 330 M units in 2018. Around 150 M (around 45 %) of these were made by Fresenius Medical Care, giving us by far the biggest market share. Hemodialysis machines constitute another key component of our product business. Here, too, we are the clear market leader. Of the 97,000 machines installed in 2018, according to estimates, around 50,000, or more than 50 % (2017: more than 50 %), were produced by Fresenius Medical Care.

Furthermore, we hold a strong position in the market for peritoneal dialysis products: Around 17 % (2017: around 17 %) of all peritoneal dialysis patients use products made by Fresenius Medical Care.

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

Outside the U.S., the dialysis services business is much more fragmented. With more than 1,400 dialysis centers and around 132,000 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 and 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. Some smaller production sites are under local responsibility. The centralized approach enables us to:

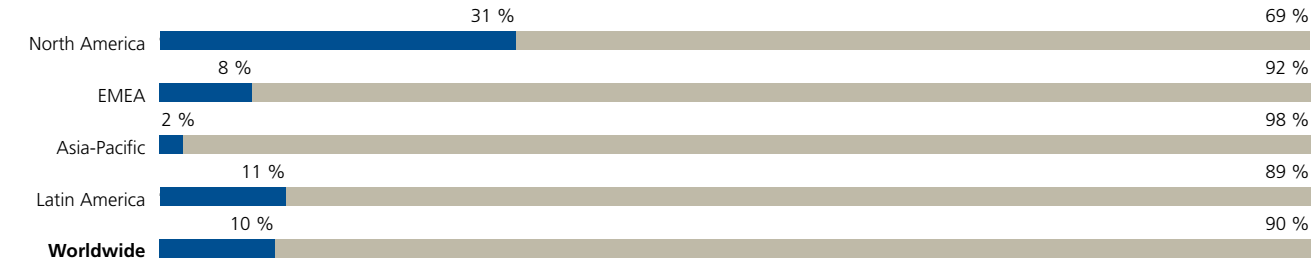
- continuously enhance the efficiency of our processes,
- optimize cost structures,
- improve returns on our capital invested in manufacturing,
- respond more flexibly and
- fulfill our commitment to meeting high-quality and safety standards.

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 2018, GMQ had 16,100 employees (full-time equivalents) (2017: 16,186). In total, we operate 42 production sites in more than 20 countries.

C 2.3 PATIENTS TREATED



Source: Company data and estimates

CORPORATE STRATEGY AND OBJECTIVES

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

STRATEGIC CORE COMPETENCIES

Fresenius Medical Care aims to further consolidate its expertise as the world's largest provider of top-quality dialysis treatments and health care 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 payors while increasing Fresenius Medical Care's corporate value in the long term. Our strategy is based on four core competencies – SEE CHART 2.4 – 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 bolsters our technology leadership position in dialysis. In addition, we strive to identify new business opportunities in value-added technologies and approaches on an ongoing basis, for example through our venture capital company Fresenius Medical Care Ventures.

› Operating outpatient facilities

By leveraging our experience gained in currently 3.928 proprietary dialysis clinics in around 50 countries, we have the knowledge to operate and manage stand-alone outpatient clinics efficiently and capture economies of scale. We are continuously optimizing and modernizing our processes and administrative structures.

› Standardizing medical procedures

Our goal is to standardize medical treatments and clinical processes while continuing to ensure high-quality clinical outcomes. We provided over 50 m dialysis treatments worldwide in 2018. Consequently, we have one of the largest renal patient databases in the world. We intend to use this information to standardize medical setups, open new clinics and integrate acquired clinics based on proven and efficient concepts.

› Coordinating patients efficiently

In an environment of growing patient numbers and changing health care systems, Fresenius Medical Care sees significant potential in providing value-based care – especially in the U.S. This approach focuses on selling solutions, providing holistic care and receiving outcome-based reimbursement rather than offering single products or services. Depending on the type of health care network in which we participate, we coordinate the care of our patients with other providers including physicians and other health care facilities. We then use the accumulated patient information to create predictive analytics.

GLOBAL EFFICIENCY PROGRAM

In 2017 we announced the second phase of our Global Efficiency Program (GEP II). The program's objectives are to identify and realize further efficiency potential and enhance the Company's overall competitiveness. In 2018, we achieved 15 % of the targeted sustained cost improvements, which is well ahead of the anticipated contribution of 10 % for the year. Therefore, the Company increases the lower end of the expected range of sustained cost improvements to €150 M and now expects €150 M to €200 M per annum by 2020.

For further information on our goals, see the "Outlook" starting on PAGE 58.

C 2.4 **CORPORATE STRATEGY**

PERFORMANCE MANAGEMENT SYSTEM

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

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

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

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

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. See the "Constant currency information" section starting on PAGE 26.

OPERATING INCOME

Operating income is the most appropriate measure for evaluating the profitability of the operating segments and therefore is also a key performance indicator. Operating income is also benchmarked based on movement at constant exchange rates. See the "Constant currency information" section starting on PAGE 26.

OPERATING INCOME MARGIN

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

DELIVERED 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. Delivered EBIT is also benchmarked based on movement at constant exchange rates. See the "Constant currency information" section starting on PAGE 26.

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

On a consolidated level, percentage growth in net income (net income attributable to shareholders of FMC AG & CO. KGAA) at constant currency is an additional key performance indicator used for internal management. Please see "Constant currency information" section starting on PAGE 26 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.

T2.5 **DELIVERED EBIT RECONCILIATION**
IN € M

	2018	2017
North America		
Operating income (EBIT)	2,665	2,086
less noncontrolling interests	(231)	(263)
Delivered EBIT	2,434	1,823
Dialysis		
Operating income (EBIT)	1,752	1,942
less noncontrolling interests	(212)	(229)
Delivered EBIT	1,540	1,713
Care Coordination		
Operating income (EBIT)	913	144
less noncontrolling interests	(19)	(34)
Delivered EBIT	894	110
EMEA		
Operating income (EBIT)	399	444
less noncontrolling interests	(4)	(4)
Delivered EBIT	395	440
Asia-Pacific		
Operating income (EBIT)	304	313
less noncontrolling interests	(9)	(7)
Delivered EBIT	295	306
Dialysis		
Operating income (EBIT)	270	286
less noncontrolling interests	(7)	(6)
Delivered EBIT	263	280
Care Coordination		
Operating income (EBIT)	34	27
less noncontrolling interests	(2)	(1)
Delivered EBIT	32	26
Latin America		
Operating income (EBIT)	29	58
less noncontrolling interests	0	0
Delivered EBIT	29	58
Total		
Operating income (EBIT)	3,038	2,362
less noncontrolling interests	(244)	(274)
DELIVERED EBIT	**2,794**	**2,088**

Please see "Constant currency information" section starting on PAGE 26 for more information on the use and calculation of financial measures at constant currency.

CAPITAL EXPENDITURES

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

CASH FLOW MEASURES

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

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

to make the necessary replacement and expansion of investments. This indicator is impacted by the profitability of our business and the development of working capital, mainly receivables. Net cash provided by (used in) operating activities in percent of revenue shows the percentage of our revenue that is available in terms of financial resources. It is an indicator of our operating financial strength.

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

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

T 2.6 **CASH FLOW MEASURES**
IN € M

	2018	2017
Revenue	16,547	17,784
Net cash provided by (used in) operating activities	2,062	2,192
Capital expenditures	(1,057)	(944)
Proceeds from sale of property, plant and equipment	54	103
Capital expenditures, net	(1,003)	(841)
Free cash flow	1,059	1,351
Net cash provided by (used in) operating activities in % of revenue	12.5	12.3
Free cash flow in % of revenue	6.4	7.6

TABLE 2.6 shows the cash flow measures 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 is a key performance indicator used for internal management. To determine the net leverage ratio, debt less cash and cash equivalents (net debt) is compared to 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 rather 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. We believe this enables us to work with a relatively large share of debt capital compared with companies in other industries.

T 2.7 **RECONCILIATION OF NET LEVERAGE RATIO**
IN € M, EXCEPT FOR NET LEVERAGE RATIO

	2018	2017
Debt	**7,546**	**7,448**
Cash and cash equivalents	2,146	978
Net debt	**5,400**	**6,470**
Operating income [1, 2]	2,215	2,372
Depreciation and amortization [1]	716	731
Non-cash charges	45	51
EBITDA [1, 2]	**2,976**	**3,154**
NET LEVERAGE RATIO [1, 2]	**1.8**	**2.1**

[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] 2018 excluding the gain related to divestitures of Care Coordination activities (SEE NOTE 4 C) of the notes to the consolidated financial statements).

TABLE 2.7 shows the reconciliation of the net leverage ratio at December 31, 2018 and 2017.

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 27 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 ON PAGE 26 provides an overview of our key performance indicators.

T 2.8 KEY PERFORMANCE INDICATORS

	2018	2017
Revenue [1]	€16,547 M	€17,298 M
Operating income	€3,038 M	€2,362 M
Operating income margin [1]	18.4 %	13.7 %
Delivered EBIT	€2,794 M	€2,088 M
Net income growth at Constant Currency [2]	60 %	14 %
Basic earnings per share growth at Constant Currency [2]	60 %	14 %
Capital expenditures	€1.0 BN	€0.8 BN
Acquisitions and investments [3]	€0.4 BN	€0.6 BN
Net cash provided by (used in) operating activities in % of revenue	12.5	12.3
Free cash flow in % of revenue	6.4	7.6
Net leverage ratio	1.8	2.1
ROIC in %	12.4	8.6

[1] 2017: Revenue adjusted for impacts from IFRS 15 Implementation of €486 M.
[2] Net income attributable to shareholders of FMC AG & Co. KGaA.
[3] Excluding investments in securities.

CONSTANT CURRENCY INFORMATION (NON-IFRS MEASURE)

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

We believe that the measures at Constant Currency (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 intrinsic elements of our growth strategy. Our worldwide research and development activities, which are centrally managed by the Global Research and Development division (GRD), enable us to develop products efficiently and systematically promote the exchange of knowledge and technology between regions.

GLOBAL RESEARCH AND DEVELOPMENT STRATEGY

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

T 2.9 RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC
IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

2018	Dec. 31, 2018	Sept. 30, 2018[2]	June 30, 2018[2]	March 31, 2018[2]	Dec. 31, 2017[2]
Total assets	26,242	25,587	25,045	23,091	22,930
Plus: Cumulative goodwill amortization	413	407	405	385	395
Minus: Cash and cash equivalents	(2,146)	(1,754)	(1,657)	(800)	(931)
Minus: Loans to related parties	(81)	(112)	(118)	(109)	(92)
Minus: Deferred tax assets	(345)	(328)	(334)	(325)	(315)
Minus: Accounts payable	(641)	(611)	(559)	(496)	(577)
Minus: Accounts payable to related parties	(154)	(194)	(183)	(236)	(147)
Minus: Provisions and other current liabilities[1]	(2,728)	(2,748)	(2,689)	(2,406)	(2,565)
Minus: Income tax payable	(165)	(209)	(330)	(239)	(194)
Invested capital	20,395	20,038	19,580	18,865	18,504
Average invested capital as of December 31, 2018	**19,476**				
Operating income[2]	3,024				
Income tax expense[2.3]	(617)				
NOPAT	2,407				
ROIC IN %	**12.4**				

2017	Dec. 31, 2017	Sept. 30, 2017[2]	June 30, 2017[2]	March 31, 2017[2]	Dec. 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**				

[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.

Our research and development strategy is globally oriented, enabling us to respond even better to the worldwide rise in demand for high-quality yet cost-efficient treatment methods. In doing so, we also take regional market conditions into account and offer a differentiated product range. In the future, we intend to deliver innovative, competitive products even more efficiently and strengthen our focus on developing countries.

In addition to research and development activities within our Company, we collaborate with external partners with the aim of building a comprehensive innovation and technology network. These partners include numerous academic institutions, such as research institutes at 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 all aspects of chronic kidney failure. Together, we are working on fundamental issues relating to dialysis treatment. We are also increasingly collaborating with start-ups with the objective of promoting an open culture of innovation and enabling access to the latest technologies.

INNOVATIONS IN 2018

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

Launch of a new hemodialysis machine

Many dialysis patients in emerging economies still do not have access to adequate treatment. The market potential in these countries is high. We are therefore developing a targeted portfolio specifically for these markets. For example, we launched the 4008A dialysis machine on the Asian market in 2018. It incorporates the most important core functions of a dialysis machine and is adapted to local conditions. Like the rest of our portfolio, the 4008A is also subject to the strict quality and patient safety standards specified by Fresenius Medical Care.

Innovative products for home dialysis

We are also currently developing an entire portfolio of state-of-the-art technologies for peritoneal dialysis in conjunction with our partners. Peritoneal dialysis is the most common form of home treatment for chronic kidney failure. A large number of these patients are treated using cyclers. The new cyclers have been optimized to meet our patients' needs: They are small, light and compact, making them ideal for use at home. This new generation of PD cyclers gives dialysis patients a high degree of flexibility. They also take into account the specific treatment requirements of children.

Research in the field of regenerative medicine

In 2018, Fresenius Medical Care's subsidiary Unicyte AG reached a pre-clinical milestone in the area of regenerative medicine for chronic kidney disease. In a second pre-clinical model, the company demonstrated that its patented nanoscale extracellular vesicles (nEVs) can restore the kidney function of patients with chronic kidney disease. nEVs are particles derived from stem cells that help to transport neurotransmitters between cells. Unicyte will continue to carry out intensive research into the potential of nEVs in the treatment of chronic and acute kidney diseases in the coming years to develop new and improved treatment options for seriously and chronically ill patients.

In 2018, Fresenius Medical Care also announced a strategic global partnership and an equity investment for a payment of $150 M with the U.S. medical company Humacyte, Inc.; for details, see "Highlights" in the "Overall business development" section on PAGE 35. Humacyte carries out medical research and development on clinical and pre-clinical investigational products and has developed the human acellular blood vessel HUMACYL, which is currently being tested for use as a vascular access for hemodialysis patients and may prove more effective than conventional synthetic grafts and fistulas. Following product approval, Fresenius Medical Care will receive exclusive global rights to commercialize HUMACYL, allowing it to offer patients with chronic kidney disease around the world a safer and more effective vascular access option including shorter catheter contact time.

Ventures

Our venture capital company Fresenius Medical Care Ventures is increasingly collaborating with start-ups with the aim of promoting an open culture of innovation and gaining access to the latest technologies. In 2018, Fresenius Medical Care Ventures invested in the Israeli medical technology com-

pany Vectorious Medical Technologies, the biotech company Corvidia Therapeutics Inc. and the digital health companies Tridiuum and SafeRide. Vectorious has developed an implantable, microcomputer-based system that optimizes the management of heart failure patients using direct, daily left-atrial pressure (LAP) measurements. Corvidia is pioneering the next generation of cardiovascular and cardiorenal treatments. Tridiuum has developed an engine for behavioral medicine based on predictive analytics, while SafeRide organizes patient transportation, e.g. to ensure that dialysis patients get to dialysis clinics regularly and reliably.

RESEARCH AND DEVELOPMENT RESOURCES

In fiscal year 2018, Fresenius Medical Care spent a total of around €134 M on research and development (2017: €131 M), corresponding to around 4 % (2017: 4 %) of our health care product revenue. At the end of 2018, our patent portfolio comprised some 9,152 property rights in approximately 1,340 patent families, i.e. groups of patents linked to the same invention. Our research and development work in fiscal year 2018 produced around 126 additional patent families. Our broad portfolio of patents will provide us with a wide range of treatment options in this competitive area in the future.

In 2018, 933 highly qualified employees (full-time equivalents) worked for Fresenius Medical Care in research and development worldwide (2017: 825). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams. Around 590 employees – the majority of our research and development staff – are based in Europe. Most research and development activities are carried out at our facilities in Schweinfurt and Bad Homburg v. d. Höhe (Germany). Other development sites are located in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). In the U.S., the Company maintains centers of excellence for the development of devices in Concord (California) and for dialyzers and other disposable products in Ogden (Utah). Development activities in Shanghai and Changshu (China) are focused on the growing demand for cost-effective dialysis systems in Asia and emerging markets. The global research and development organization coordinates collaboration and technology exchange among the various sites. Carrying out research and development responsibly is an intrinsic element of our innovation culture. More information can be found in TABLE 2.10 ON PAGE 30.

EMPLOYEES

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

As at December 31, 2018, Fresenius Medical Care employed a total of 112,658 members of staff (full-time equivalents) in 64 countries. Our workforce therefore decreased by 1 % year-on-year, or 1,342 employees in absolute terms. This was primarily the result of the divestment of Sound since the related decrease of employees was higher than the increase in employees from organic growth in our business and acquisitions.

TABLE 2.11 ON PAGE 30 shows the breakdown of employees by operating segment as well as by services and products.

Staff costs at Fresenius Medical Care decreased to €6,440 M in 2018 (2017: €6,900 M), corresponding to 39 % (2017: 39 %) of revenue. Average staff costs per employee (average full-time equivalents) amounted to €57,129 (2017: €61,287).

More information about our employees can be found in the Non-Financial Group Report starting on PAGE 82. For more information on diversity, see the Corporate Governance Report starting on PAGE 111.

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

With a focus on quality, costs and availability, GMQ has introduced a state-of-the-art infrastructure with corresponding efficient processes and systems in the last few years, as well as bundling and optimizing existing structures. All production sites follow the "Lean Manufacturing" approach and our Schweinfurt plant includes the "Lean Six Sigma" management system. The focus of Lean Manufacturing and Six Sigma is continuous improvement of all manufacturing processes to achieve a very low error rate resulting in better quality production while shortening manufacturing time.

QUALITY MANAGEMENT IN OUR DIALYSIS CLINICS

Our clinics work in conformance with the generally accepted quality standards of the industry, particularly the Kidney Disease Outcomes Quality Initiative (KDOQI) guidelines from the U.S., the European Renal Best Practice standard (ERBP) and increasingly, the Kidney Disease: Improving Global Outcomes (KDIGO), an industry initiative for global clinical practice guidelines.

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 82.

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.

T 2.10 RESEARCH AND DEVELOPMENT

	2018	2017	2016	2015	2014
Expenditures for research and development in € M	134	131	147	128	94
Number of patents	9,152	8,396	7,748	6,643	6,133
Employees [1]	933	825	794	649	599

[1] Full-time equivalents.

T 2.11 EMPLOYEES BY OPERATING SEGMENT
FULL-TIME EQUIVALENTS

	2018	2017	Change	Share
NORTH AMERICA	**55,591**	**58,265**	**(2,674)**	**50 %**
Health care services	54,374	57,098		
Health care products	1,217	1,167		
EMEA	**19,658**	**18,903**	**755**	**17 %**
Health care services	15,895	15,214		
Health care products	3,763	3,689		
ASIA-PACIFIC	**10,827**	**10,117**	**710**	**10 %**
Health care services	8,444	7,910		
Health care products	2,383	2,207		
LATIN AMERICA	**9,287**	**9,516**	**(229)**	**8 %**
Health care services	8,255	8,581		
Health care products	1,032	935		
WORLDWIDE	**112,658**	**114,000**	**(1,342)**	**100 %**
Health care services	86,968	88,803		
Health care products	8,395	7,998		
Corporate [1]	17,295	17,199	96	15 %

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

RESPONSIBILITY, ENVIRONMENTAL MANAGEMENT AND SUSTAINABILITY

For Fresenius Medical Care, sustainability means acting responsibly to achieve business success as well as environmental and social progress to secure our future as a Company in the health care industry.

After the entry into force of the CSR Directive Implementation Act in April 2017, Fresenius Medical Care further developed the sustainability reporting in a Company-wide project and has integrated a Non-Financial Group Report as a separate chapter in the Annual Report since fiscal year 2017.

We established a global sustainability governance structure, to further improve the coordination and management of sustainability topics across all regions.

Further information can be found in the Non-Financial Group Report starting on PAGE 82.

ECONOMIC REPORT

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

MACROECONOMIC AND SECTOR-SPECIFIC ENVIRONMENT

MACROECONOMIC ENVIRONMENT

Dependency on economic cycles

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

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

Exchange rate developments

Exchange rate developments in fiscal year 2018 were characterized by strong fluctuations, with the currencies of some emerging economies in particular depreciating sharply against the euro and the U.S. dollar. As Fresenius Medical Care has a worldwide presence, the results of its operations are impacted by exchange rate developments. Movements in the U.S. dollar and the euro are especially crucial as we generate a major part of our revenues in the U.S. After gaining compared to the U.S. dollar in the first half of 2018, the euro declined again in the second half of the year. On average over the course of the year, the euro traded higher against the U.S. dollar in fiscal year 2018.

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

T 2.12 **PATIENTS WITH CHRONIC KIDNEY FAILURE**

	2018	Share
Patients with chronic kidney failure	**4,148,000**	**100 %**
Of which patients with transplants	786,000	19 %
Of which dialysis patients	**3,362,000**	**81 %**
Hemodialysis (HD)	2,993,000	72 %
Peritoneal dialysis (PD)	369,000	9 %

Source: Company information and estimates

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 2018, approximately 4.1 M patients underwent dialysis treatment or received a donor organ.

Further information can be found in TABLE 2.12.

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

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

- The countries differ demographically, as age structures in the population vary worldwide.
- The prevalence of risk factors for kidney disease, such as diabetes and high blood pressure, varies widely.
- The genetic predisposition for kidney disease also differs significantly around the world.

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

The number of dialysis patients rose by around 6 % in 2018. The growth rate was lower in countries such as the U.S., Japan, and Western and Central Europe than in economically weaker regions, where it is generally above 6 %.

Comparison of dialysis treatment methods

In 2018, most dialysis patients were treated in one of approximately 43,200 dialysis centers worldwide, with an average of more than 75 patients per center. However, this figure varies considerably from country to country.

Hemodialysis is by far the most common form of therapy for chronic kidney failure. A total of 89 % of dialysis patients were treated in this way in 2018, mostly in a dialysis center. Home hemodialysis is an alternative to treatment at a dialysis center. Although take-up has been limited to date, the number of home hemodialysis patients is rising continuously. A total of 1 % of all patients are currently treated in this way. In the year under review, 11 % of all dialysis patients were treated with peritoneal dialysis, usually at home.

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

Volume of the dialysis market

According to our estimates, the volume of the global dialysis market increased to around €71 BN in 2018 (2017: €70 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 €58 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., are starting to promote coordinated, holistic care rather than reimbursing individual services.

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

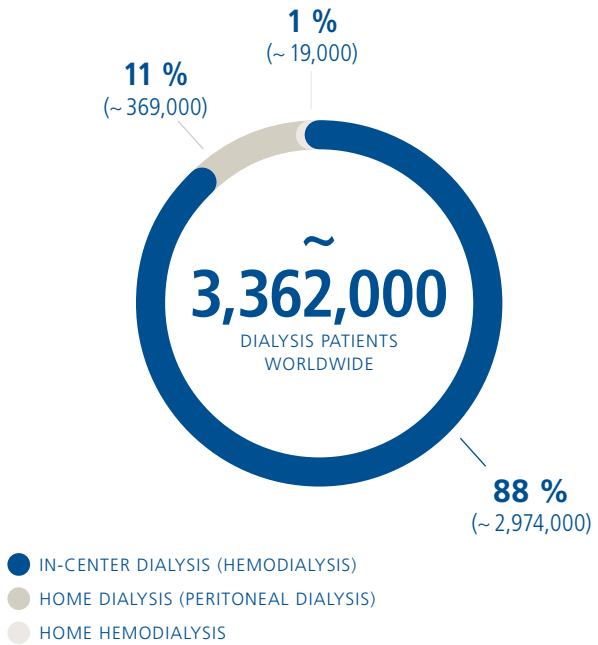
Our customers are mostly health insurers and companies

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

Health care and reimbursement systems vary from country to country

As renal replacement therapy is a life-saving medical service, patients often do not have to pay for dialysis themselves. Instead, the costs are borne by the responsible health care system. The reimbursement systems for dialysis treatment – in other words, the structures used by health care systems to regulate reimbursement for dialysis services – differ from

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



country to country and sometimes even within countries. The business activities and the 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.

Our business is significantly impacted by the environment for reimbursement and ancillary services. In the U.S. – our biggest market – most of our patients are covered by the governmental health authority, the so-called Centers for Medicare and Medicaid (CMS). In fiscal year 2018, around 33 % of our revenue was attributable to reimbursements by CMS, which also determines the reimbursement rates for its patients (Medicare / Medicaid patients).

Due to pressure to reduce health care costs, the U.S. has limited increases in the reimbursement rate in the past. As a consequence, the reimbursement rate set by CMS as part of its prospective payment system (PPS) for chronic kidney failure treatments (known as the ESRD PPS rate) barely changed year-on-year. The ESRD PPS rate for 2018 was $232.37, just 0.3 % above the 2017 base rate. A reimbursement rate of $235.27 has been determined for 2019. This represents a 1.3 % increase on the 2018 base rate including the adjustment for the wage index budget-neutrality factor.

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

More information can be found in the section "Results of operations, financial position and net assets" starting on PAGE 37.

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 constitute a substantial portion of our profits. In fiscal year 2018, 34 % of the Group's health care revenue was related to private insurers in the North America Segment. Our business is therefore directly influenced by changes in the share of reimbursements by private insurers in North America.

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 while reducing overall costs for the health care system.

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

CMS included calcimimetics in the PPS rate effective January 1, 2018, following the FDA's announcement that it had approved the intravenous calcimimetic Parsabiv for adult dialysis patients. Calcimimetics had previously only been available in oral form. CMS will continue to pay for another calcimimetic, Sensipar, based on the average sales price plus 6 % (4.3 % after giving effect to the U.S. Sequestration).

The introduction of Parsabiv also affects the way in which some insurers distribute calcimimetics to their patients. While some patients still obtain calcimimetics from their pharmacy, others receive them from their dialysis provider as a medical service. We expect to receive additional reimbursements from insurers for the calcimimetics administered at our dialysis clinics. However, as this is the first time there has been a move away from an exclusively oral drug to an intravenous one, the type of reimbursement from insurers is yet to be defined.

Reimbursement in Care Coordination in the U.S.

We are also working closely with CMS in the area of Care Coordination. For example, we are participating in a CMS ESRD care model: Dialysis providers and physicians can form entities known as ESRD Seamless Care Organizations (ESCOS) with the aim of improving the health of patients with chronic kidney failure while reducing costs for CMS. We are currently involved in 24 ESCOS. ESCOS that fulfill the minimum quality standards specified by the program while saving costs in caring for dialysis patients covered by the model that are above a certain threshold receive a portion of the cost savings as reimbursement. ESCOS that involve dialysis chains with more

than 200 clinics are required to share in the risk of cost increases and reimburse part of any such increases to CMS if the actual costs exceed the agreed thresholds. The number of patients participating in our ESCOS increased from approximately 41,000 as of January 1, 2018 to approximately 46,000 as of January 1, 2019.

We participated in the Bundled Payments for Care Improvement (BPCI) initiative with our subsidiary Sound Physicians from April 2015 until the sale of the company in June 2018. BPCI is a CMS initiative that offers bundled payments for individual services, including inpatient care, physician services, and follow-up treatment. The initiative has been extended until September 30, 2018.

Effective January 1, 2019, we will no longer offer Medicare Advantage ESRD Chronic Conditions Special Needs Plans, as patients with chronic kidney failure will have the right to register for any Medicare Advantage Plan from 2021 and will no longer need to be registered for a Special Needs Plan.

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

OVERALL BUSINESS DEVELOPMENT

HIGHLIGHTS

Acquisitions and divestitures

Divestitures of Care Coordination activities

On June 28, 2018 the Company successfully divested its controlling interest in Sound to an investment consortium led by Summit Partners, L.P., as announced in April. The total transaction proceeds were $1,771 M (€1,531 M). This sale is an important step for us in our efforts to focus more on our activities in the area of Care Coordination in the U.S. The pretax gain related to divestitures of Care Coordination activities was €809 M, which primarily related to this divestiture ((Gain) loss related to divestitures of Care Coordination activities). For further information, SEE NOTE 4 C of the notes to the consolidated financial statements.

Strategic Investments

In the second quarter of 2018, Fresenius Medical Care and the U.S. medical company Humacyte agreed on a strategic, global partnership and a 19 % ownership stake in Humacyte for a payment in the amount of $150 M. Under the terms of the agreement, Fresenius Medical Care will also obtain exclusive global rights to commercialize HUMACYL, the human acellular vessel developed by Humacyte, following approval of the product. The aim is to make HUMACYL available to as many patients as possible.

Financing

On July 4, 2018, Fresenius Medical Care placed notes with an aggregate principal amount of €500 M. The notes have a maturity of seven years and an annual coupon of 1.5 %. The issue price is 99.704 % and the resulting yield amounts to 1.545 %. The proceeds will be used for general corporate purposes, including the refinancing of upcoming maturities. This is the first issuance since the Company was upgraded to investment grade by the three leading rating agencies Standard & Poor's, Moody's and Fitch. The notes were drawn under the newly established European Medium Term Note Program (EMTN) set up by Fresenius Medical Care AG & CO. KGAA.

The Company increased the accounts receivable facility to $900 M on December 20, 2018, and extended it until December 20, 2021.

Tax reform in the U.S. (U.S. Tax Reform)

As a result of the U.S. Tax Reform that became effective on January 1, 2018, the corporate income tax rate in the U.S. decreased from 35 to 21 %. This resulted in a positive effect for Fresenius Medical Care of around €192 M in 2018, which increased net income accordingly.

Foreign Corrupt Practices Act (FCPA) related charge

The Company recorded charges of €200 M in 2017 (2017 FCPA Related Charge) and €77 M in 2018 (2018 FCPA Related Charge) encompassing estimates for the government's claims for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be

necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation. The increase recorded in 2018 took into consideration preliminary understandings with the government on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totals €224 M as of December 31, 2018. For further information on these investigations SEE NOTE 22 of the notes to the consolidated financial statements.

Information campaigns on U.S. ballot initiatives

In 2018, there were initiatives in three states in the U.S. to place dialysis-related draft legislation or regulations in upcoming ballot initiatives. These required us to commit material unforeseeable resources to participate in public discourse regarding the proposed new legislation, which in 2018 led to costs in the amount of €40 M.

Hyperinflation in Argentina

Due to the development of inflation in Argentina, the Company recorded a loss on its net monetary position of €12 M for 2018.

COMPARISON OF ACTUAL BUSINESS RESULTS WITH THE OUTLOOK

The environment for our core business of dialysis partially developed different than expected in 2018. Therefore, the outlook we set for 2018 at the beginning of the year has been adjusted during 2018.

During the first quarter we adjusted the expected revenue growth for 2018 at Constant Currency, as a result of our recent reassessment of dosing of calcimimetic drugs in the dialysis service business in the U.S. The reduction in dosing was faster than assumed and resulted in a lower than expected revenue contribution. During the second quarter we adjusted our expectations for acquisitions and investments to reflect management's updated forecast of expected investing activities for the year. In addition, the full-time equivalents target was adjusted due to the divestiture of Sound. During the third quarter we adjusted the outlook due to weaker than expected growth in the health care services business in the North America Segment and the difficult economic environment in certain emerging countries. We met this adjusted outlook.

Our 2018 outlook did not include the effects from the (gain) loss related to divestitures of Care Coordination activities, the contributions to the opposition to the ballot initiatives in the U.S. (U.S. Ballot Initiatives) and the impact of the 2018 FCPA Related Charge. We have therefore adjusted the actual results for 2018 accordingly to make them comparable with the 2018 outlook. The basis 2017 for the outlook 2018 was adjusted for the inclusion of implicit price concessions related to the IFRS 15 Implementation and for the impact of Sound (divestiture on June 28, 2018) on the second half of 2017 (Sound H2 2017). A reconciliation of the results 2018 and 2017 to the respective on a comparable basis and the results 2018 and 2017 adjusted is given in TABLES 2.15 AND 2.16 ON PAGE 39.

The outlook for the 2018 financial year was based on the prevailing exchange rates at the beginning of the year 2018. We expected revenue growth of around 8 % at Constant Currency at the beginning of the year. During the first quarter of 2018 we adjusted this outlook to 5 to 7 % and in the third quarter to 2 to 3 %. We generated revenue of €16.5 BN, a decrease of 7 % compared to prior year. At Constant Currency, revenue increased by 4 % on a comparable basis. We therefore met our adjusted expectations.

All operating segments, but above all the North America Segment contributed to the expansion of our business. Further details on the development of revenue can be found in the section "Results of operations, financial position and net assets" starting on PAGE 37.

We expected the growth of our operating income in the range of 12 to 14 % at Constant Currency in the 2018 financial year. During the third quarter 2018 we adjusted this range to 5 to 6 %. The operating income for 2018 was €3.0 BN. Adjusted for the effects from the (gain) loss related to divestitures of Care Coordination activities, the U.S. Ballot Initiatives and the impact of the 2018 FCPA Related Charge the operating income for 2018 was up by 6 % at Constant Currency on a comparable basis to €2.3 BN. We therefore met our adjusted expectations.

We expected Delivered EBIT growth in the range of 13 to 15 % at Constant Currency in 2018. During the third quarter 2018 we adjusted this range to 6 to 7 %. Delivered EBIT for 2018 was €2.8 BN. Adjusted for the effects from the (gain) loss related to divestitures of Care Coordination activities, the U.S. Ballot Initiatives and the impact of the 2018 FCPA Related Charge the Delivered EBIT for 2018 increased by 8 % at Constant Currency on a comparable basis to €2.1 BN. We therefore met our adjusted expectations.

At the beginning of the year, we set a target range for net income growth of 13 to 15 % at Constant Currency for the 2018 financial year. On an adjusted basis we set a target range of 7 to 9 %. The effects related to the prior year revenue impact from the recognition of revenue related to the agreement with the United States Departments of Veterans Affairs and Justice for reimbursement for services performed during the period of January 2009 through February 15, 2011 ("VA Agreement"), the prior year impact from cost effects net of anticipated recoveries from natural disasters ("Natural Disaster Costs"), the impact of the FCPA Related Charge in 2017 and the effects of the U.S. Tax Reform have not been included in this range on an adjusted basis. We adjusted these target ranges during the third quarter 2018 to 11 to 12 % on a comparable basis and to 2 to 3 % on an adjusted basis. Net income for 2018 increased by 14 % at Constant Currency on a comparable basis to €1.4 BN, which is within the range of our original expectations. Adjusted net income for 2018 increased by 4 % at Constant Currency to €1.2 BN, which is within the range of our adjusted expectations.

Earnings per share increased by 14 % at Constant Currency on a comparable basis and 4 % at Constant Currency on an adjusted basis. This increase is in line with the development of net income, as we expected.

We earmarked €0.9 BN to €1.0 BN for capital expenditures. With an outlay of €1.0 BN, we remained within our outlook. We expected to spend around €1.0 BN to €1.2 BN on acquisitions and investments. This number was adjusted during the second quarter to €0.6 to €0.8 BN and during the third quarter to €0.4 to €0.5 BN, excluding investments in securities. The actual figure was €0.4 BN with respect to acquisitions and investments (excluding investments in securities) and we therefore met our adjusted expectations. For further information, see the section "Results of operations, financial position and net assets".

Driven by earnings development and lower tax payments as a result of the U.S. Tax reform, net cash provided by (used in) operating activities in percent of revenue was high at 12.5 %, meeting our expectation of greater than 10 %.

Free cash flow in percent of revenue was 6.4 % in 2018, which is also in line with our expectation of greater than 4 %.

According to our forecast, the net leverage ratio should have been below 2.5 at the end of 2018. The actual net leverage ratio was down to 1.8 at the balance sheet date and is therefore as expected.

The ROIC increased to 12.4 % thus meeting our expectation of at least 8.0 %.

The proposed dividend per share of €1.17 to be approved by the Annual General Meeting on May 16, 2019 is within our expectation.

The number of employees at Fresenius Medical Care (full-time equivalents) decreased from 114,000 at the end of 2017 to 112.658 at the end of 2018 due to the divestiture of Sound. At the beginning of the year we forecasted more than 117,000 full-time equivalents, which was then adjusted during the year to more than 113,000 due to the divestiture of Sound. The number of employees was therefore slightly below our adjusted expectations.

Research and development expenditures aimed at boosting Fresenius Medical Care's ability to adapt to future requirements amounted to €134 M, so that we did achieve our adjusted expected range of €130 M to €140 M. At the beginning of the year we forecasted a range of €140 to €150 M, which was then adjusted during the year to €130 M to €140 M. Our research and development activities are focused on further developing existing product groups.

TABLE 2.14 ON PAGE 38 shows the actual results and our outlook for 2018.

TABLES 2.15 AND 2.16 ON PAGE 39 provide a reconciliation of the results 2018 and 2017 to the respective results on a comparable basis and results 2018 and 2017 adjusted. For further information see also the "Consolidated operating performance on a comparable basis and adjusted" section starting on PAGE 42.

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 operating decisions and evaluating management performance.

RESULTS OF OPERATIONS

Revenue and operating income generated in countries outside the eurozone are subject to currency fluctuations. The years ended December 31, 2018 and 2017 were negatively impacted by the development of the euro against the U.S. dollar. In the twelve-month period ended December 31, 2018 approximately 70 % of revenue and approximately 88 % of operating income were generated in U.S. dollars.

Consolidated financial statements

Health care services revenue decreased by 9 % including a 5 % negative impact from foreign currency translation. At Constant Exchange Rates, health care services revenue decreased by 4 % driven by the effect of closed or sold clinics including the effect from divestitures of Care Coordination activities (5 %), the inclusion of implicit price concessions related to the IFRS 15 Implementation (3 %) and the prior year revenue impact from the VA Agreement (1 %), partially offset by growth in same market treatments (3 %), contributions from acquisitions (1 %) and increases in organic revenue per treatment (1 %). For further information on the IFRS 15 Implementation, SEE NOTE 1 X of the notes to the consolidated financial statements.

Dialysis treatments increased by 4 % as a result of growth in same market treatments (3 %) and contributions from acquisitions (1 %).

At December 31, 2018, we owned, operated or managed 3,928 dialysis clinics (excluding those managed but not consolidated in the U.S.) compared to 3,752 dialysis clinics at December 31, 2017. In the year ended December 31, 2018, we

T 2.14 RESULTS AND OUTLOOK FOR 2018

	Results 2018	Results 2018 on a comparable basis[1]	Outlook 2018 adjusted[1]	Outlook 2018 (as reported)[1]
Revenue growth at Constant Currency[2,3]	(2 %)	4 %	2–3 %	~ 8 %
Operating income growth at Constant Currency[3,4]	33 %	6 %	5–6 %	12–14 %
Delivered EBIT growth at Constant Currency[3,4]	38 %	8 %	6–7 %	13–15 %
Net income growth at Constant Currency[3,4,5]	60 %	14 %	11–12 %	13–15 %
Net income growth at Constant Currency[3,4,5,6]	60 %	4 %	2–3 %	7–9 %
Basic earnings per share growth at Constant Currency[3,4,5]	60 %	14 %	based on expected development of net income	based on expected development of net income
Basic earnings per share growth at Constant Currency[3,4,5,6]	60 %	4 %		
Capital expenditures	€1.0 BN	–	€0.9–1.0 BN	€0.9–1.0 BN
Acquisitions and investments[7]	€0.4 BN	–	€0.4–0.5 BN	€1.0–1.2 BN
Net cash provided by (used in) operating activities in % of revenue	12.5	–	> 10	> 10
Free cash flow in % of revenue	6.4	–	> 4	> 4
Net leverage ratio	1.8	–	< 2.5	< 2.5
ROIC in %	12.4	–	≥ 8.0	≥ 8.0
Dividend per share[8]	€1.17	–	based on expected development of net income	based on expected development of net income
Employees[9]	112,658	–	> 113,000	> 117,000
Research and development expenses	€134 M	–	€130–140 M	€140–150 M

[1] Outlook 2018 (adjusted) and Results 2018 on a comparable basis: excluding the effects from the (gain) loss related to divestitures of Care Coordination activities, U.S. Ballot Initiatives and the 2018 FCPA Related Charge.
[2] Outlook 2018 (adjusted) and Results 2018 on a comparable basis: basis 2017 adjusted for IFRS 15 Implementation.
[3] Results 2018 on a comparable basis: basis 2017 adjusted for Sound H2 2017.
[4] Outlook 2018 (adjusted) and Results 2018 on a comparable basis: excluding the (gain) loss related to divestitures of Care Coordination activities.
[5] Net income attributable to shareholders of FMC AG & Co. KGaA.
[6] Outlook 2018 (adjusted) and Results 2018 on a comparable basis: in addition excluding the 2017 impacts from the VA Agreement, Natural Disaster Costs, 2017 FCPA Related Charge, as well as from the U.S. Tax Reform.
[7] Excluding investments in securities.
[8] Results 2018: Proposal to be approved by the Annual General Meeting on May 16, 2019.
[9] Full-time equivalents.

acquired 55 dialysis clinics, opened 178 dialysis clinics and combined or closed 57 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 333,331 at December 31, 2018 (December 31, 2017: 320,960).

Health care product revenue increased by 1 % including a 4 % negative impact from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 5 %. Dialysis product revenue increased by 1 %, including a 4 % negative impact from foreign currency translation. At Constant Exchange Rates, dialysis product revenues increased by 5 % due to higher sales of chronic hemodialysis products, renal pharmaceuticals, products for acute care treatments and peritoneal dialysis products. Non-dialysis product revenue decreased by 7 % to €74 M from €79 M, including a 1 % negative impact from foreign currency translation. At Constant Exchange Rates non-dialysis product revenue decreased by 6 % largely due to lower sales volumes.

The decrease period over period in the gross profit margin was 2.6 percentage points. Foreign currency translation effects represented a 0.4 percentage point increase in the current period. The decrease primarily reflects decreases in the North America Segment, the EMEA Segment, the Latin America Segment and the Asia-Pacific Segment. The decrease in the North America Segment gross profit margin was primarily due to the IFRS 15 Implementation, the prior year impact of the VA Agreement, prior year impact from the BPCI initiative driven by the initial recognition in the calendar year 2017 of

T 2.15 RECONCILIATION OF RESULTS 2018 TO RESULTS 2018 ADJUSTED
IN € M

	Results 2018	(Gain) loss related to divestitures of Care Coordination activities	2018 FCPA Related Charge	U.S. Ballot Initiatives	Results 2018 on a comparable basis	U.S. Tax Reform	Results 2018 adjusted
Revenue	16,547				16,547		16,547
Operating income	3,038	(809)	77	40	2,346		2,346
Delivered EBIT	2,794	(809)	77	40	2,102		2,102
Net income [1]	1,982	(673)	28	40	1,377	(192)	1,185

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

T 2.16 RECONCILIATION OF RESULTS 2017 TO RESULTS 2017 ADJUSTED AS BASIS FOR TARGETS 2018
IN € M

	Results 2017	IFRS 15 Implementation	Sound H2 2017	Results 2017 on a comparable basis (basis for Targets 2018)	VA Agreement	Natural Disaster Costs	U.S. Tax Reform (excl. Sound H2 2017)	2017 FCPA Related Charge	Results 2017 adjusted (basis for Targets 2018)
Revenue	17,784	(486)	(559)	16,739	(94)				16,645
Operating income	2,362		(84)	2,278	(87)	18		200	2,409
Delivered EBIT	2,088		(80)	2,008	(85)	18		200	2,141
Net income [1]	1,280		(38)	1,242	(51)	11	(240)	200	1,162

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

earnings (including earnings from prior periods), lower revenue per treatment from commercial payors, higher implicit price concessions, other small cost increases and lower earnings related to ESCOS, partially offset by favorable pricing for certain pharmaceuticals due to delays for rebasing of reimbursement, lower personnel expense and decreased costs for health care supplies. The decrease in the EMEA Segment was driven by unfavorable foreign currency transaction effects, higher personnel costs in certain countries, an unfavorable impact from acquisitions and an adverse mix effect from higher product sales albeit with lower margins in certain countries, as well as other smaller cost increases. The decrease in the Latin America Segment was largely due to the impact from hyperinflation and various other cost increases. The decrease in the Asia-Pacific Segment was driven by unfavorable foreign currency transaction effects and an adverse mix effect from acquisitions with lower margins, partially offset by a favorable impact from business growth in certain countries within the region.

The decrease period over period in the selling, general and administrative ("SG&A") expenses as a percentage of revenue was 3.0 percentage points. Foreign currency translation effects represented a 0.1 percentage point negative impact in the current period. The decrease was primarily driven by decreases in the North America Segment and at Corporate, partially offset by unfavorable impacts from the Latin America Segment and the Asia-Pacific Segment as well as an unfavorable impact from the varying margins across our four reporting segments. The decrease in the North America Segment was mainly due to the IFRS 15 Implementation, lower accruals for compensation, the positive impact from income attributable to a consent agreement on certain pharmaceuticals, favorable personnel expense, lower bad debt expense and the prior year change in fair value of subsidiary share based compensation, partially offset by prior year gains from the sale of fixed assets and investments, the impact from contributions to the opposition to the ballot initiatives in the U.S. ("U.S. Ballot Initiatives") and a discontinuation of a non-IFRS policy with no associated cash flow effect. The favorable impact from Corporate was primarily driven by lower additions to provisions related to FCPA in 2018 ("2018 FCPA Related Charge"). The increase in the Latin America Segment was driven by the impact from hyperinflation in Argentina and unfavorable foreign currency transaction effects. The increase in the Asia-Pacific Segment was largely due to unfavorable foreign currency transaction effects, partially offset by a favorable impact from acquisitions and lower accruals for compensation.

Research and development expenses increased by 2 % to €134 M from €131 M. The period over period increase, as a percentage of revenue, was 0.1 percentage points driven by an increased project portfolio.

Income from equity method investees increased by 9 % to €73 M from €67 M. The increase was driven by higher income from Vifor Fresenius Medical Care Renal Pharma Ltd., an entity in which we have ownership of 45 %, mainly due to increased sales of renal pharmaceuticals, partially offset by increased costs to support the launch and development of new projects as well as the initial consolidation from purchasing additional shares of a Care Coordination investment previously consolidated at equity.

The increase period over period in the operating income margin was 5.1 percentage points. Foreign currency translation effects represented a 0.3 percentage point increase in the

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

	2018	2017
Total revenue		
North America	11,570	12,879
EMEA	2,587	2,547
Asia-Pacific	1,689	1,623
Latin America	686	720
Corporate	15	15
TOTAL	**16,547**	**17,784**
Operating income		
North America	2,665	2,086
EMEA	399	444
Asia-Pacific	304	313
Latin America	29	58
Corporate	(359)	(539)
TOTAL	**3,038**	**2,362**
Interest income	147	51
Interest expense	(448)	(416)
Income tax expense	(511)	(443)
NET INCOME	**2,226**	**1,554**
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	**(244)**	**(274)**
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA	**1,982**	**1,280**

T 2.18 KEY INDICATORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

			Change in %	
	2018	2017	As reported	Constant Currency[1]
Revenue in € M	16,547	17,784	(7)	(2)
Health care services	13,264	14,532	(9)	(4)
Health care products	3,283	3,252	1	5
Number of dialysis treatments	50,027,579	48,269,144	4	
Same market treatment growth in %	2.8	2.7		
Gross profit as a % of revenue	31.2	33.8		
Selling, general and administrative costs as a % of revenue	17.3	20.3		
Operating income in € M	3,038	2,362	29	33
Operating income margin in %	18.4	13.3		
Delivered EBIT in € M[2]	2,794	2,088	34	38
Net income attributable to shareholders of FMC AG & Co. KGaA in € M	1,982	1,280	55	60
Basic earnings per share in €	6.47	4.17	55	60

[1] For further information on Constant Currency, see the "Performance management system" section starting on PAGE 23.
[2] For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income on a consolidated basis and for each of our operating segments, see chapter "Overview about the Group" section "Performance management system" starting on PAGE 23.

current period. The increase was largely driven by the gain related to divestitures of Care Coordination activities (SEE NOTE 4 C of the notes to the consolidated financial statements) of approximately €809 M, decreases in SG&A, as a percentage of revenue, partially offset by decreased gross profit margin.

Delivered EBIT increased by 34 % including a 4 % negative impact from foreign currency translation. At Constant Exchange Rates, the increase of 38 % was primarily due to increased operating income largely driven by the gain related to divestitures of Care Coordination activities of approximately €809 M coupled with a decrease in noncontrolling interests driven by lower performance in entities in which we have less than 100 % ownership in the U.S.

Net interest expense decreased by 17 % to €301 M from €365 M including a 3 % positive impact resulting from foreign currency translation. At Constant Exchange Rates, net interest expense decreased by 14 % largely due to the replacement of interest bearing senior notes repaid in 2017 and 2018 by debt instruments at lower interest rates, a decreased debt level and interest income from investing the proceeds from the divestiture of Sound as well as lower interest on taxes.

Income tax expense increased by 15 % to €511 M from €443 M. The effective tax rate decreased to 18.7 % from 22.2 % for the same period of 2017 largely driven by the gain related to divestitures of Care Coordination activities with a lower tax basis, the effect of U.S. Tax Reform on current tax expense and favorable prior year tax effects. These impacts were partially offset by the prior year effect of the remeasurement of deferred tax balances as a result of U.S. Tax Reform as well as non-tax deductible expenses primarily related to the U.S. Ballot Initiatives.

Net income attributable to noncontrolling interests decreased by 11 % to €244 M from €274 M. Foreign currency translation effects represented a 4 % positive impact. At Constant Exchange Rates, net income attributable to noncontrolling interests decreased by 7 % largely due to lower performance in entities in which we have less than 100 % ownership in the U.S.

Net income attributable to shareholders of FMC AG & CO. KGAA increased by 55 % to €1,982 M from €1,280 M, including a 5 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, the increase of 60 % was driven by the combined effects of the items discussed above.

Basic earnings per share increased by 55 %. Foreign currency translation effects represented a 5 % negative impact on the increase. At Constant Exchange Rates, basic earnings per share increased by 60 % 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 306.5 M in 2018 (2017: 306.6 M).

We employed 112,658 people (full-time equivalents) as of December 31, 2018 (December 31, 2017: 114,000). This 1 % decrease was primarily due to the divestiture of Sound.

Consolidated operating performance on a comparable basis and adjusted

Management believes that there are certain distinct transactions or events for which the operating results should be adjusted to enhance transparency and comparability. The following results (adjusted to exclude these items) should be analyzed in connection with the results presented above. For the year ended December 31, 2018 and 2017, the following transactions were identified that, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance:

- IFRS 15 Implementation,
- Sound H2 2017,
- VA Agreement,
- U.S. Ballot Initiatives,
- (Gain) loss related to divestitures of Care Coordination activities,
- 2018 FCPA Related Charge (SEE NOTE 22 of the notes to the consolidated financial statements),
- 2017 FCPA Related Charge (SEE NOTE 22 of the notes to the consolidated financial statements),
- Natural Disaster Costs,
- U.S. Tax Reform
  - the 2017 impact from the remeasurement of deferred tax balances as a result of the tax reform,
  - the 2018 impact from the lower corporate income tax rate of 21 % (as compared to 35 %) as a result of the tax reform.

TABLE 2.19 ON PAGE 43 reconciles the key indicators for the consolidated financial statements in accordance with IFRS to the adjusted key indicators as described. Included within the reconciliation are comparable basis line items which provide the effect of exclusions which result in the recasting of the line items for comparability year over year. While we believe these adjustments provide additional clarity to the discussion of our operating results, TABLE 2.19 ON PAGE 43 should only be viewed as a supplement to our results disclosed in accordance with IFRS above.

Segment reporting

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

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 prior programs in which we participated and current and future programs that we will be participating in and will be reflected in the discussion of our business. Currently, in our North America Segment, sub-capitation, BPCI (until June 28, 2018 – SEE NOTE 4 C of the notes to the consolidated financial statements), 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 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 (until June 28, 2018 – SEE NOTE 4 C) of the notes to the consolidated financial statements) programs as well as other shared savings programs. An increase in patient membership may indicate future earnings or losses as our performance is determined through these managed care programs.

Medical cost under management

In our North America Segment, medical cost under management represents the management of medical costs associated

T 2.19 OPERATING PERFORMANCE ON A COMPARABLE BASIS AND ADJUSTED
IN € M, EXCEPT WHERE OTHERWISE SPECIFIED

	2018	2017	Change in % As reported	Change in % Constant Currency[1]
REVENUE	**16,547**	**17,784**	**(7)**	**(2)**
IFRS 15 Implementation	–	(486)		
Sound H2 2017	–	(559)		
Revenue on a comparable basis	16,547	16,739	(1)	4
HEALTH CARE SERVICES REVENUE	**13,264**	**14,532**	**(9)**	**(4)**
IFRS 15 Implementation	–	(486)		
Sound H2 2017	–	(559)		
Health care services revenue on a comparable basis	13,264	13,487	(2)	4
OPERATING INCOME	**3,038**	**2,362**	**29**	**33**
(Gain) loss related to divestitures of Care Coordination activities	(809)	–		
Sound H2 2017	–	(84)		
2018 FCPA Related Charge	77	–		
U.S. Ballot Initiatives	40	–		
Operating income on a comparable basis	2,346	2,278	3	6
VA Agreement	–	(87)		
Natural Disaster Costs	–	18		
2017 FCPA Related Charge	–	200		
Operating income adjusted	2,346	2,409	(3)	1
INCOME TAX EXPENSE	**(511)**	**(443)**	**15**	**21**
(Gain) loss related to divestitures of Care Coordination activities	136			
Sound H2 2017	–	20		
2018 FCPA Related Charge	(49)	–		
Income tax expense on a comparable basis	(424)	(423)	0	5
VA Agreement	–	34		
Natural Disaster Costs	–	(7)		
U.S. Tax Reform (excl. Sound H2 2017)	(192)	(240)		
Income tax expense adjusted	(616)	(636)	(3)	1
NET INCOME[2]	**1,982**	**1,280**	**55**	**60**
(Gain) loss related to divestitures of Care Coordination activities	(673)	–		
Sound H2 2017	–	(38)		
2018 FCPA Related Charge	28	–		
U.S. Ballot Initiatives	40	–		
Net income on a comparable basis[2]	1,377	1,242	11	14
VA Agreement	–	(51)		
Natural Disaster Costs	–	11		
2017 FCPA Related Charge	–	200		
U.S. Tax Reform (excl. Sound H2 2017)	(192)	(240)		
Net income adjusted[2]	1,185	1,162	2	4
IN % OF REVENUE				
Gross profit	31.2	33.8		
Gross profit – adjusted	31.2	31.9		
SG&A expenses	17.3	20.3		
SG&A expenses – adjusted	16.6	17.2		
Operating income margin	18.4	13.3		
Operating income margin – adjusted	14.2	14.5		

[1] For further information on Constant Currency, see the "Performance management system" section starting on PAGE 23.
[2] Attributable to shareholders of FMC AG & Co. KGaA.

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

Care Coordination patient encounters

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

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

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

			Change in %	
	2018	2017	As reported	Constant Currency[1]
Total North America Segment				
Revenue in € M	11,570	12,879	(10)	(6)
Health care services	10,725	12,036	(11)	(7)
Health care products	845	843	0	5
Operating income in € M	2,665	2,086	28	33
Operating income margin in %	23.0	16.2		
Delivered EBIT in € M[2]	2,434	1,823	34	39
Dialysis				
Revenue in € M	9,934	10,070	(1)	3
Number of dialysis treatments	30,843,876	29,804,196	3	
Same market treatment growth in %	2.5	2.5		
Operating income in € M	1,752	1,942	(10)	(6)
Operating income margin in %	17.6	19.3		
Delivered EBIT in € M[2]	1,540	1,713	(10)	(6)
Care Coordination				
Revenue in € M	1,636	2,809	(42)	(39)
Operating income in € M	913	144	not applicable	
Operating income margin in %	55.8	5.1		
Delivered EBIT in € M[2]	894	110	not applicable	
Member months under medical cost management[3,4]	639,329	594,962	7	
Medical cost under management in € M[3,4]	4,196	3,905	7	12
Care Coordination patient encounters[3,4]	4,407,598	6,934,300	(36)	

[1] For further information on Constant Currency, see the "Performance management system" section starting on PAGE 23.
[2] For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see chapter "Overview about the Group" section "Performance management system" starting on PAGE 23.
[3] For further information on these metrics, please refer to the discussion above of our Care Coordination measures under "Segment reporting – Business metrics for Care Coordination" 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.

North America Segment

Information about key indicators and business metrics for the North America Segment can be found in TABLE 2.20 ON PAGE 44.

Dialysis

Revenue

Dialysis revenue, which comprises dialysis care revenue and health care product revenue, decreased by 1 % including a 4 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis revenue increased by 3 %.

Dialysis care revenue decreased by 2 % to €9,089 M from €9,227 M. Foreign currency translation represented a 5 % negative impact in the current period. At Constant Exchange Rates, dialysis care revenue increased by 3 % mainly due to increases in organic revenue per treatment (3 %), growth in same market treatments (3 %) and contributions from acquisitions (1 %), partially offset by the negative effects of the IFRS 15 Implementation (3 %) and the prior year impact from the VA Agreement (1 %).

Dialysis treatments increased by 3 % primarily due to same market treatment growth (3 %) and contributions from acquisitions (1 %), partially offset by the effect of closed or sold clinics (1 %). At December 31, 2018, 204,107 patients, an increase of 3 % (December 31, 2017: 197,356), were treated in the 2,529 dialysis clinics (December 31, 2017: 2,393) that we own or operate in the North America Segment.

In the U.S., the average revenue per treatment, restated for the IFRS 15 Implementation, increased to $354 (€313 at Constant Exchange Rates) from $345 (€306). Excluding the 2017 impact from the VA Agreement, the average revenue per treatment increased to $354 (€313 at Constant Exchange Rates) from $342 (€303). The development was mainly attributable to the implementation of the PAMA oral-only provision, partially offset by lower revenue from commercial payors and higher implicit price concessions.

Cost per treatment in the U.S., restated for the IFRS 15 Implementation and the impact from Natural Disaster Costs, increased to $289 (€256 at Constant Exchange Rates) from $271 (€240). This development was largely a result of the implementation of the PAMA oral-only provision as well as increased property and other occupancy related costs, partially offset by lower costs for health care supplies.

Health care product revenue remained stable including a 5 % negative impact from foreign currency translation effects. At Constant Exchange Rates, health care product revenue increased by 5 % driven by higher sales of renal pharmaceuticals, peritoneal dialysis products and chronic hemodialysis products.

Operating income margin

The decrease period over period in the dialysis operating income margin was 1.7 percentage points with virtually no foreign currency translation effects in the current period. The decrease was largely driven by the prior year impact of the VA Agreement, the implementation of the PAMA oral-only provision, lower revenue per treatment from commercial payors, higher implicit price concessions, the impact from U.S. Ballot Initiatives, prior year gains from the sale of fixed assets and investments as well as the discontinuation of a non-IFRS policy with no associated cash flow effect, partially offset by decreased personnel expense, the IFRS 15 Implementation and lower accruals for compensation.

Delivered EBIT

Dialysis Delivered EBIT decreased by 10 %, including a 4 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis Delivered EBIT decreased by 6 % mainly as the result of decreased operating income, partially offset by lower income attributable to noncontrolling interests driven by lower performance in entities in which we have less than 100 % ownership.

Care Coordination

Revenue

Care Coordination revenue decreased by 42 % including a 3 % negative impact from foreign currency translation. At Constant Exchange Rates, Care Coordination revenue decreased by 39 % largely driven by decreases in organic revenue growth due to the implementation of the PAMA oral-only provision which moved certain pharmaceuticals into the bundled rate (22 %), decreases attributable to divestitures of Care Coordination activities (13 %) and the IFRS 15 Implementation (5 %), partially offset by contributions from acquisitions (1 %).

Operating income margin

The increase period over period in the Care Coordination operating income margin was 50.7 percentage points. Foreign currency translation effects represented a 0.2 percentage point increase in the current period. The increase was primarily driven by the (gain) loss related to divestitures of Care Coordination activities. The increase also relates to a favorable impact from pharmacy services driven by favorable pricing for certain pharmaceuticals due to delays for rebasing of

reimbursement, the implementation of the PAMA oral-only provision (as the historical dispensation of calcimimetics through pharmacy services had low margins as a result of higher costs for external services), lower bad debt expense and the prior year change in fair value of subsidiary stock based compensation, partially offset by prior year impact from the BPCI initiative driven by the initial recognition in the calendar year 2017 of earnings (including earnings from prior periods), lower earnings related to ESCOs, an unfavorable mix effect related to the switch to lower margin ambulatory surgery centers for National Cardiovascular Partners and the prior year gain from the sale of Shiel.

Delivered EBIT

Care Coordination Delivered EBIT increased to €894 M from €110 M mainly a result of increased operating income largely driven by the gain related to divestitures of Care Coordination activities of approximately €809 M coupled with decreased noncontrolling interests attributable to noncontrolling interest holders of National Cardiovascular Partners.

Care Coordination business metrics

The increase in member months under medical cost management was primarily attributable to the expansion of our existing ESCOs through the addition of new physician practice partners and dialysis facilities, partially offset by the divestment of our controlling interest in Sound on June 28, 2018 and, as a result, the conclusion of our participation in BPCI. SEE NOTE 4 C of the notes to the consolidated financial statements and NOTE 4 TO THE TABLE 2.20 ON PAGE 44.

Care Coordination's medical cost under management increased by 7 %, including a 5 % negative impact from foreign currency translation in the current period. At Constant Exchange Rates, Care Coordination's medical cost under management increased by 12 % primarily attributable to the expansion of our existing ESCOs through the addition of new physician practice partners and dialysis facilities, partially offset by the divestment of our controlling interest in Sound on June 28, 2018 and, as a result, the conclusion of our participation in BPCI. SEE NOTE 4 C of the notes to the consolidated financial statements and NOTE 4 TO THE TABLE 2.20 ON PAGE 44.

The decrease in patient encounters was primarily driven by decreased encounters for hospital related physician services as a result of our divesting our controlling interest in Sound on June 28, 2018. SEE NOTE 4 C of the notes to the consolidated financial statements and NOTE 4 TO THE TABLE 2.20 ON PAGE 44.

The North America Segment operating performance on a comparable basis and adjusted

Management believes that there are certain distinct transactions or events for which the operating results should be adjusted to enhance transparency and comparability. The following results (adjusted to exclude these items) should be analyzed in connection with the results presented above. For the year ended December 31, 2018 and 2017, the following transactions were identified that, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance:

- IFRS 15 Implementation,
- Sound H2 2017,
- VA Agreement,
- U.S. Ballot Initiatives,
- (Gain) loss related to divestitures of Care Coordination activities,
- Natural Disaster Costs.

TABLE 2.21 ON PAGE 47 reconciles the key indicators for the North America Segment in accordance with IFRS to the adjusted key indicators as described. Included within the reconciliation are comparable basis line items which provide the effect of exclusions which result in the recasting of the line items for comparability year over year. While we believe these adjustments provide additional clarity to the discussion of our operating results, TABLE 2.21 ON PAGE 47 should only be viewed as a supplement to our results disclosed in accordance with IFRS above.

EMEA Segment

Information about key indicators for the EMEA Segment can be found in TABLE 2.22 ON PAGE 48.

Revenue

Health care service revenue increased by 3 %, including a 3 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care service revenue increased by 6 % as a result of growth in same market treatments (3 %) and contributions from acquisitions (3 %).

Dialysis treatments increased by 4 % mainly due to growth in same market treatments (3 %) and contributions from acquisitions (1 %). As of December 31, 2018, 65,061 patients, an increase of 4 % (December 31, 2017: 62,490), were treated at the 776 dialysis clinics (December 31, 2017: 746) that we own, operate or manage in the EMEA Segment.

T 2.21 **NORTH AMERICA OPERATING PERFORMANCE ON A COMPARABLE BASIS AND ADJUSTED**
IN € M, EXCEPT AS OTHERWISE SPECIFIED

	2018	2017	Change in % As reported	Change in % Constant Currency[1]
REVENUE	**11,570**	**12,879**	**(10)**	**(6)**
IFRS 15 Implementation	–	(486)		
Sound H2 2017	–	(559)		
Revenue on a comparable basis	11,570	11,834	(2)	2
HEALTH CARE SERVICES REVENUE	**10,725**	**12,036**	**(11)**	**(7)**
IFRS 15 Implementation	–	(486)		
Sound H2 2017	–	(559)		
Health care services revenue on a comparable basis	10,725	10,991	(2)	2
DIALYSIS CARE SERVICES REVENUE	**9,089**	**9,227**	**(2)**	**3**
IFRS 15 Implementation	–	(284)		
Dialysis Care Services revenue on a comparable basis	9,089	8,943	2	6
CARE COORDINATION REVENUE	**1,636**	**2,809**	**(42)**	**(39)**
IFRS 15 Implementation	–	(202)		
Sound H2 2017	–	(559)		
Care Coordination revenue on a comparable basis	1,636	2,048	(20)	(17)
OPERATING INCOME (EBIT)	**2,665**	**2,086**	**28**	**33**
(Gain) loss related to divestitures of Care Coordination activities	(809)	–		
Sound H2 2017	–	(84)		
U.S. Ballot Initiatives	40	–		
Operating income on a comparable basis	1,896	2,002	(5)	(1)
VA Agreement	–	(94)		
Natural Disaster Costs	–	18		
Operating income adjusted	1,896	1,926	(2)	2

	2018	2017	Change in % As reported	Change in % Constant Currency[1]
DIALYSIS OPERATING INCOME	**1,752**	**1,942**	**(10)**	**(6)**
U.S. Ballot Initiatives	40	–		
Dialysis operating income (EBIT) on a comparable basis	1,792	1,942	(8)	(4)
VA Agreement	–	(94)		
Natural Disaster Costs	–	17		
Dialysis operating income adjusted	1,792	1,865	(4)	0
CARE COORDINATION OPERATING INCOME	**913**	**144**	not applicable	
(Gain) loss related to divestitures of Care Coordination activities	(809)	–		
Sound H2 2017	–	(84)		
Care Coordination operating income (EBIT) on a comparable basis	104	60	74	82
Natural Disaster Costs	–	1		
Care Coordination operating income adjusted	104	61	72	79
IN % OF REVENUE				
North America operating income margin	23.0	16.2		
North America operating income margin – adjusted	16.4	16.4		
Dialysis operating income margin	17.6	19.3		
Dialysis operating income margin – adjusted	18.0	19.3		
Care Coordination operating income margin	55.8	5.1		
Care Coordination operating income margin – adjusted	6.3	2.9		

[1] For further information on Constant Currency, see the "Performance management system" section starting on PAGE 23.

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

	2018	2017	Change in %	
			As reported	Constant Currency[1]
Revenue in € M	2,587	2,547	2	4
Health care services	1,274	1,237	3	6
Health care products	1,313	1,310	0	2
Number of dialysis treatments	9,731,941	9,350,024	4	
Same market treatment growth in %	3.0	3.5		
Operating income in € M	399	444	(10)	(10)
Operating income margin in %	15.4	17.4		
Delivered EBIT in € M[2]	395	440	(10)	(10)

[1] For further information on Constant Currency, see the "Performance management system" section starting on PAGE 23.
[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 23.

Health care product revenue remained stable, including a 2 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 2 %. Dialysis product revenue increased by 1 % including a 2 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, the increase of 3 % in dialysis product revenue was due to higher sales of machines, products for acute care treatments, renal pharmaceuticals, bloodlines, hemodialysis solutions and concentrates as well as peritoneal dialysis products, partially offset by lower sales of dialyzers. Non-Dialysis product revenue decreased by 7 % to €74 M from €79 M including a 1 % negative impact from foreign currency translation. At Constant Exchange Rates non-dialysis product revenue decreased by 6 % largely due to lower sales volumes.

Operating income margin

The decrease period over period in the operating income margin was 2.0 percentage points. Foreign currency translation effects represented a 0.2 percentage point increase in the operating income margin. The decrease was mainly driven by an impairment of intangible assets related to Xenios, higher personnel costs in certain countries, the release of accruals as a result of favorable court settlements related to value added tax in 2017, the favorable prior year impact from a legal settlement and unfavorable foreign currency transaction effects, partially offset by the costs related to the change in the Management Board in 2017.

Delivered EBIT

Delivered EBIT decreased by 10 %, with virtually no impact from foreign currency translation effects. The decrease was primarily due to decreased operating income.

Asia-Pacific Segment

Information about key indicators and business metrics for the Asia-Pacific Segment can be found in TABLE 2.23 ON PAGE 49.

Dialysis

Revenue

Dialysis revenue, which comprises dialysis care revenue and health care product revenue, increased by 2 % including a 4 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis revenue increased by 6 %.

Dialysis care service revenue decreased by 1 % to €568 M from €576 M, including a 3 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis care service revenue increased by 2 % as a result of growth in same market treatments (6 %), partially offset by the effect of closed or sold clinics (4 %).

Dialysis treatments increased by 3 % mainly due to growth in same market treatments (6 %), partially offset by the effect of closed or sold clinics (3 %). As of December 31, 2018, 31,476 patients, an increase of 6 % (December 31, 2017: 29,739), were treated at the 394 dialysis clinics (December 31, 2017: 381) that we own, operate or manage in the Asia-Pacific Segment.

Health care product revenue increased by 4 %, including a 4 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 8 % as a result of increased sales of chronic hemodialysis products and products for acute care treatments.

Operating income margin

The decrease period over period in the operating income margin was 1.5 percentage points. Foreign currency translation effects represented a 0.4 percentage point increase in the operating income margin. At Constant Exchange Rates, the operating income margin decreased due to unfavorable impacts from foreign currency transaction effects, partially offset by a favorable impact from business growth in certain countries within the region.

Delivered EBIT

Delivered EBIT decreased by 6 %, including a 1 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, Delivered EBIT decreased by 5 % mainly due to decreased operating income.

Care Coordination

Revenue

Care Coordination revenue increased by 24 %, including a 6 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, Care Coordination revenue increased by 30 % driven by contributions from acquisitions (25 %) and organic revenue growth (5 %).

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

			Change in %	
	2018	2017	As reported	Constant Currency [1]
Total Asia-Pacific Segment				
Revenue in € M	1,689	1,623	4	8
Health care services	776	744	4	8
Health care products	913	879	4	8
Operating income in € M	304	313	(3)	(1)
Operating income margin in %	18.0	19.3		
Delivered EBIT in € M [2]	295	306	(3)	(2)
Dialysis				
Revenue in € M	1,481	1,455	2	6
Number of dialysis treatments	4,371,742	4,249,878	3	
Same market treatment growth in %	6.4	3.3		
Operating income in € M	270	286	(6)	(4)
Operating income margin in %	18.2	19.7		
Delivered EBIT in € M [2]	263	280	(6)	(5)
Care Coordination				
Revenue in € M	208	168	24	30
Operating income in € M	34	27	27	34
Operating income margin in %	16.2	15.8		
Delivered EBIT in € M [2]	32	26	24	31
Care Coordination Patient Encounters [3]	982,169	784,054	25	

[1] For further information on Constant Currency, see the "Performance management system" section starting on PAGE 23.
[2] For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see chapter "Overview about the Group" section "Performance management system" starting on PAGE 23.
[3] For further information on patient encounters, please refer to the discussion above of our Care Coordination measures under "Segment reporting – Business metrics for Care Coordination".

Operating income margin

The increase period over period in the Care Coordination operating income margin was 0.4 percentage points. Foreign currency translation effects represented a 0.1 percentage point decrease in the operating income margin. The increase was driven by a favorable impact from acquisitions.

Delivered EBIT

Care Coordination Delivered EBIT increased by 24 %, including a 7 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, Care Coordination Delivered EBIT increased by 31 % mainly as the result of increased operating income.

Care Coordination business metrics

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

Latin America Segment

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

Revenue

Health care service revenue decreased by 5 %, including a 32 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care service revenue increased by 27 % as a result of increases in organic revenue per treatment largely driven by hyperinflation in Argentina (24 %), contributions from acquisitions (2 %) and growth in same market treatments (1 %).

Dialysis treatments increased by 4 % mainly due to contributions from acquisitions (3 %) and growth in same market treatments (1 %). As of December 31, 2018 32,687 patients, an increase of 4 % (December 31, 2017: 31,375), were treated at the 229 dialysis clinics (December 31, 2017: 232) that we own, operate or manage in the Latin America Segment.

Health care product revenue decreased by 4 % including a 15 % negative impact resulting from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 11 % driven by higher sales of machines, products for acute care treatments and peritoneal dialysis products, partially offset by lower sales of dialyzers.

Operating income margin

The decrease period over period in the operating income margin was 3.9 percentage points, including a positive foreign currency translation effect of 1.8 percentage points in the current period. The decrease was mainly due to the impact from hyperinflation in Argentina and unfavorable foreign currency transaction effects.

Delivered EBIT

Delivered EBIT decreased by 51 %, including a 14 % positive impact resulting from foreign currency translation. At Constant Exchange Rates, Delivered EBIT decreased by 65 % due to decreased operating income.

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

			Change in %	
	2018	2017	As reported	Constant Currency[1]
Revenue in € M	686	720	(5)	22
Health care services	489	515	(5)	27
Health care products	197	205	(4)	11
Number of dialysis treatments	5,080,020	4,865,046	4	
Same market treatment growth in %	1.3	1.5		
Operating income in € M	29	58	(51)	(65)
Operating income margin in %	4.2	8.1		
Delivered EBIT in € M[2]	29	58	(51)	(65)

[1] For further information on Constant Currency, see chapter "Overview about the Group" section "Performance management system" starting on PAGE 23.
[2] For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to operating income for each of our operating segments, see chapter "Overview about the Group" section "Performance management system" starting on PAGE 23.

FINANCIAL POSITION

Our investment and financing strategy did not change substantially in the past fiscal year as our business model, which is based on stable and high cash flows, allows for a 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 2025.

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, a non-IFRS Measure, see the "Net leverage ratio (Non-IFRS Measure)" section on PAGE 25. At December 31, 2018 and 2017, the net leverage ratio was 1.8 and 2.1, respectively.

The key financial risks we are exposed to include foreign exchange risk and interest rate risk. 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 63 AND NOTE 23 of the notes to the consolidated financial statements).

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

T 2.25 **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.

Rating

We are rated investment grade by the three leading rating agencies, Moody's, Standard & Poor's and Fitch.

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

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

Sources of liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term debt from third parties and related parties, as well as proceeds from the issuance of long-term debt (including the issuance of bonds under a newly established debt issuance program) and equity securities as well as divestitures. 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 53 and the "Net cash provided by (used in) financing activities" section starting on PAGE 54.

At December 31, 2018, we had cash and cash equivalents of €2,146 M (December 31, 2017: €978 M).

Free cash flow (net cash provided by (used in) operating activities, after capital expenditures, before acquisitions and investments) in 2018 amounted to €1,059 M (2017: €1,351 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 "Performance management system" section starting on PAGE 23. Free cash flow in percent of revenue was 6.4 % in 2018 (2017: 7.6 %).

Net cash provided by (used in) operating activities

During 2018 we generated net cash provided by operating activities of €2,062 M (2017: €2,192 M). Net cash provided by operating activities in percent of revenue remained stable at 12 % for 2018, the same as in prior year. 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 decrease in net cash provided by operating activities was largely driven by the impact from the 2017 payment related to the VA Agreement, increased inventory levels and the impact from a discretionary contribution of €43 M to pension plan assets in the United States, partially offset by lower income tax payments in the US driven by the lower US tax rate effective January 1, 2018 as well as payments for 2016 that had been deferred to the beginning of 2017.

The profitability of our business depends significantly on reimbursement rates. Approximately 80 % 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 2018, approximately 33 % 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.

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 2017 final rule on the Physician Fee Schedule, which partially corrected reimbursement for certain procedures that were materially undervalued in 2016.

We intend to continue to address our current cash and financing requirements using cash provided by operating activities, our existing and future credit agreements, issuances under 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 75 days at both December 31, 2018 and 2017.

DSO by segment is calculated by dividing the segment's accounts and other receivable and contract liabilities, converted to euro using the average exchange rate for the period presented, less any sales or value added tax included in the receivables, by the average daily sales for the last twelve months of that segment, converted to euro using the average exchange rate for the period. Receivables and 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. DSO amounts reported in the prior year have been adjusted to conform to the current year's presentation.

The development of DSO by reporting segment is shown in TABLE 2.26 ON PAGE 53.

The DSO increase in the North America Segment was largely due to the build-up of annually settled receivables, partially offset by a decrease due to the divestment of Sound which carried a higher than average DSO. The decreases in the DSO for the EMEA Segment and the Latin America Segment primarily relate to the improved collection efforts from health

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

	2018	2017
North America Segment	60	59
EMEA Segment	98	102
Asia-Pacific Segment	116	123
Latin America Segment	119	127
FMC AG & CO. KGAA AVERAGE DAYS SALES OUTSTANDING	**75**	**75**

care organizations in the respective regions. The decrease in the Asia-Pacific Segment was driven by an improvement of payment collections in China.

Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivable will be collectible.

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 €245 M for 2018 (2017: €992 M). TABLE 2.27 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 2018 and 2017.

The majority of our capital expenditures were used for maintaining existing clinics, equipping new clinics, maintaining and expanding production facilities (primarily in the North America Segment, France, Germany and China), capitalization of machines provided to our customers and for Care Coordination as well as capitalization of certain development costs. Capital expenditures were approximately 6 % of total revenue in 2018 (2017: 5 %).

Investments in 2018 were primarily driven by securities and an equity investment in Humacyte, a medical research, discovery and development company, to gain a 19 % fully diluted ownership stake as well as a related exclusive global distribution right to Humacyte's bioengineered human acellular vessels within the North America Segment. The remaining investments in the North America Segment, the EMEA Segment and the Latin America Segment were largely in acquisitions of dialysis clinics as well as license agreements and distribution rights in the North America Segment. In 2018, we received €1,683 M from divestitures mainly related to the divestment of Sound on June 28, 2018 (SEE NOTE 4 C of the notes to the consolidated financial statements), as well as the sale of securities in the amount of €150 M.

Investments in 2017 were mainly driven by acquisitions of clinics in the North America Segment and a Care Coordination acquisition in the Asia-Pacific Segment. In 2017, we also received €415 M from divestitures mainly related to the sale of securities of €256 M and the divestment of our non-dialysis laboratory testing services business in December 2017.

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

	Capital expenditures, net		Acquisitions, investments and purchases of intangible assets	
	2018	2017	2018	2017
North America Segment	495	437	768	328
Thereof investments in securities			480	10
EMEA Segment	140	107	77	66
Asia-Pacific Segment	43	38	21	156
Latin America Segment	24	35	36	7
Corporate	301	224	23	9
TOTAL	**1,003**	**841**	**925**	**566**

In 2019 we anticipate capital expenditures of €1.0 to €1.2 BN and expect to make acquisitions and investments, excluding investments in securities, of approximately €0.4 to €0.6 BN, see the "Outlook" starting on PAGE 58.

Net cash provided by (used in) financing activities

Net cash used in financing activities was €682 M in 2018 (2017: €799 M).

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

In 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 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.

On May 23, 2018, we paid a dividend of €1.06 for 2017 (€0.96 for 2016 paid in 2017). The total dividend payment was €325 M in 2018 (2017: €294 M).

CHART 2.28 summarizes our significant long-term financing instruments as well as their maturity structure at December 31, 2018.

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

TABLE 2.29 ON PAGE 55 summarizes our available sources of liquidity at December 31, 2018.

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, 2018 we fully utilized the commercial paper program. As of December 31, 2017 €680 M, was outstanding under the commercial paper program.

The amount of guarantees and other commercial commitments at December 31, 2018 was not significant.

At December 31, 2018, we had short-term debt (excluding the current portion of long-term debt) and short-term debt from related parties in the total amount of €1,394 M.

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

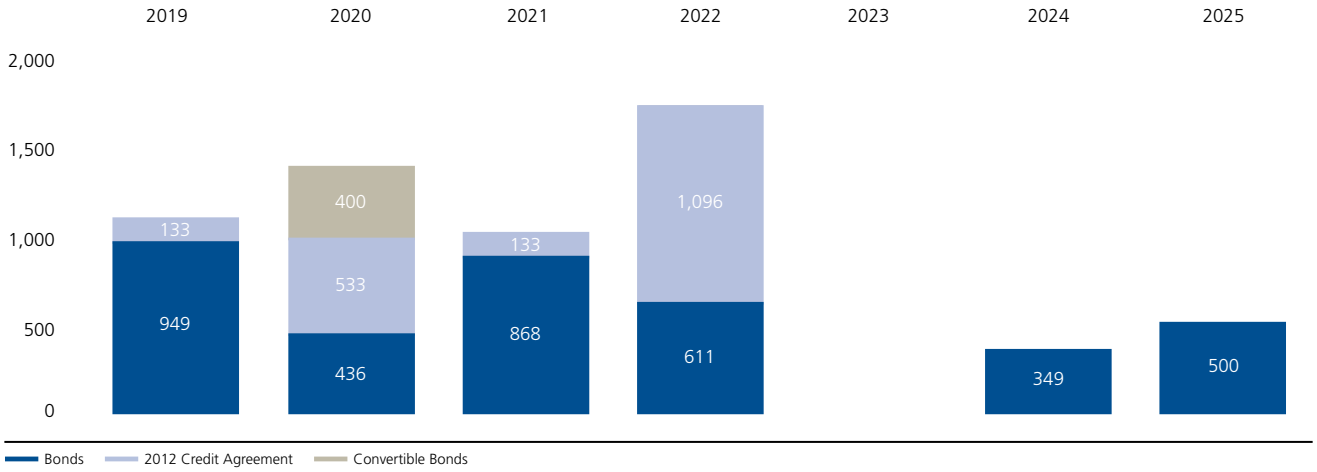


TABLE 2.30 summarizes our obligations and commitments to make future payments under our long-term debt and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit as of December 31, 2018.

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 and lease backs. However, these are subject to a number of exceptions and qualifications or may be suspended based on a ratings trigger. In addition, under our Amended 2012 Credit Agreement and Accounts Receivable Facility, we are obligated to not exceed a maximum consolidated 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, 2018, we were in compliance with all covenants under the Amended 2012 Credit Agreement and our other financing agreements. For information regarding our Amended 2012 Credit Agreement, bonds and the Accounts Receivable Facility, SEE NOTE 14 of the notes to consolidated financial statements.

T 2.29 AVAILABLE SOURCES OF LIQUIDITY
IN € M

		Expiration per period of			
	Total	Less than 1 year	1–3 years	3–5 years	Over 5 years
Accounts Receivable Facility[1]	763	–	763	–	–
Amended 2012 Credit Agreement[2]	1,385	–	–	1,385	–
Other unused lines of credit	387	387	–	–	–
TOTAL	**2,535**	**387**	**763**	**1,385**	**–**

[1] Subject to availability of sufficient accounts receivable that meet funding criteria. At December 31, 2018, the Company had letters of credit outstanding in the amount of $27 M (€23 M) which reduces the availability under the Accounts Receivable Facility to the amount shown in this table.
[2] At December 31, 2018, 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.

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

		Payments due by period of			
	Total	Less than 1 year	1–3 years	3–5 years	Over 5 years
Long-term debt[2]	6,789	1,327	2,710	1,820	932
Capital lease obligations	44	10	16	5	13
Operating leases	5,528	822	1,451	1,097	2,158
Unconditional purchase obligations for inventory	492	263	166	60	3
Other long-term obligations[3]	229	171	58	–	–
Letters of credit	25	13	12	–	–
TOTAL	**13,107**	**2,606**	**4,413**	**2,982**	**3,106**

[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 2019 are €1 M. For additional information regarding our pension plans and expected payments for the next ten years, SEE NOTE 16 of the notes to the consolidated financial statements. Further unconditional purchase agreements exist with an equity method investee of the Company. For further information on these agreements, SEE NOTE 5 of the notes to the consolidated financial statements.
[2] Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Euribor), the applicable margins, and the effects of related interest rate swaps.
[3] Other long-term obligations consist mainly of production asset acquisition commitments.

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. 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.

At our Annual General Meeting on May 16, 2019, our General Partner and our Supervisory Board will propose to the shareholders a dividend of €1.17 per share for 2018, payable in 2019 (for 2017 paid in 2018: €1.06). The total expected dividend payment is approximately €359 M compared to dividends of €325 M for 2017 paid in 2018.

Our 2019 principal financing needs are the payments outstanding for the planned acquisition of NxStage, repayment of bonds in July 2019, the share repurchase program as well as quarterly payments under our Amended 2012 Credit Agreement Term Loans. These payments as well as our dividend payment of approximately €359 M in May 2019, 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 €26,242 M, an increase of €2,217 M (9 %) over the prior year. At Constant Exchange Rates, total assets would have increased by €1,608 M (7 %) to €25,634 M.

Non-current assets increased by €744 M (4 %) to €18,395 M in 2018 and decreased to 70 % of total assets from 73 % of total assets in 2017. At Constant Exchange Rates, they would have increased by 1 % to €17,915 M compared to the prior year. This was primarily a result of higher capital expenditures, an increase in other non-current assets due to investments in debt securities, and an equity investment in Humacyte to gain a 19 % fully diluted ownership stake. It was partially offset by a decrease in goodwill mainly due to the divestiture of Sound on June 28, 2018.

Current assets increased by 23 % to €7,847 M (an increase of 21 % at Constant Exchange Rates). This increase at Constant Exchange Rates was mainly the result of an increase in cash and cash equivalents, primarily due to the short-term investment of the cash proceeds from the divestiture of Sound, other current assets due to investments in debt securities and increased income tax refundables as well as higher inventories due to increased finished goods. This was partially offset by a decrease in trade accounts and other receivables.

On the liability side of the balance sheet, our total liabilities were €13,340 M at December 31, 2018, an increase of €142 M (1 %) from €13,198 M in 2017. 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 the current portion of long-term debt. Additionally, deferred tax liabilities increased. In addition non-current provisions and other non-current liabilities decreased at Constant Exchange Rates due to the revaluation of milestone payments and earn-out agreements and of the embedded derivative related to the convertible debt.

Current liabilities account for €2,501 M of our debt, an increase of €848 M (€812 M at Constant Exchange Rates) as compared to €1,653 M in the prior year. This was mainly a result of the reclassification of bonds denominated in euro and U.S. dollar to the current portion of long-term debt, as these bonds will mature in 2019, as well as the additional issuance of commercial papers. It was partially offset by the repayment of euro- and U.S. dollar-denominated bonds that matured in the third quarter of 2018 and a reduction of the quarterly repayments of the Amended 2012 Credit Agreement. Long-term debt fell to €5,046 M from €5,795 M in the prior year, a decrease of €749 M (€891 M at Constant Exchange Rates). This was mainly a result of the reclassification of bonds denominated in euro and U.S. dollar to the current portion of long-term debt as well as the complete repayment of amounts drawn under the accounts receivable facility. It was partially offset by the issuance of new bonds. SEE ALSO NOTE 14 of the notes to the consolidated financial statements.

Shareholders' equity increased by 19 % to €12,902 M. At Constant Exchange Rates equity increased by €1,766 M. This was mainly due to net income, proceeds from exercised stock options, the valuation of noncontrolling interests subject to put provisions at fair value and effects from the purchase/sale of noncontrolling interests. The increase was partially offset by dividend payments, contributions to noncontrolling interests and the purchase of treasury stock. The equity to assets ratio increased to 49 % at December 31, 2018 from 45 % at December 31, 2017.

At Group level, the ROIC increased from 8.6 % as at December 31, 2017 to 12.4 % as at December 31, 2018. Goodwill under the item "invested capital" had a significant impact on the calculation of the ROIC. In 2018, the ROIC at Group level substantially exceeded our cost of capital. The Weighted Average Cost of Capital (WACC) was 6.3 %.

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

We continued to grow in 2018. Fresenius Medical Care generated a very solid cash flow that we use to accelerate further investments in future growth. In addition, we want our shareholders to benefit as well. We achieved a strong increase in net income, continuously strengthened our core competencies, and further positioned the Company to meet the challenges of a rapidly developing health care market. Our Global Efficiency Program is also picking up speed. In the future, we want to further optimize our cost base and take advantage of growth opportunities such as the expansion of home care in the U.S. and the increasing number of patients in emerging economies.

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 2019. 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 2019.

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 offer supplementary medical services for the treatment of our patients in the area of Care Coordination in the future.

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

T 2.31 EXPECTED GROWTH IN PATIENT NUMBERS

	Growth 2019
North America	~4 %
EMEA	~4 %
Asia-Pacific	~8 %
Latin America	~3 %
WORLDWIDE	**~6 %**

Source: Internal estimates

SECTOR-SPECIFIC ENVIRONMENT – DIALYSIS MARKET

The Company expects the number of dialysis patients worldwide to grow by about 6 % in 2019. Some significant regional differences are likely to remain: The Company anticipates an increase in the U.S., Japan and Western and Central Europe of 4 %. The number of patients with chronic kidney disease is already relatively high in these countries and regions and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates will be higher. We expect patient numbers to continue growing in the coming years – SEE TABLE 2.31.

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. Therefore, demographic change is an important indicator for the future number of dialysis patients, which is expected to increase from around 3.4 M worldwide in 2018 to about 4.9 M in 2025.
- Increase in lifestyle diseases: Diseases such as high blood pressure and diabetes are on the rise around the world. They can cause damage to the entire organism and also often impair kidney function in the long-term.
- Improved access to medical care: Thanks to ongoing efforts to establish and expand balanced and sustainable health care systems in many countries around the globe, a growing number of patients are gaining access to suitable dialysis treatments for the first time. We expect this trend to continue and drive demand for high-quality products and treatments.
- Changes in the health care industry: The health care industry is constantly changing. We believe that demand for the holistic care of chronic patients will continue to rise. In future, the focus when treating kidney patients will no longer be simply on offering individual dialysis products or services, but also on combining all fields of application related to dialysis and coordinating them more effectively.

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

The volume of the worldwide dialysis market, which amounted to about €71 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 €74 BN by 2019.

In addition, the reimbursement and ancillary services utilization environment significantly influences our business. In the U.S., our biggest sales market, the reimbursements of govern-

mental institutions are lower than the reimbursements of private insurers. Therefore, a change in the portion of reimbursements by private insurers in the U.S. influences our business.

THE COMPANY'S BUSINESS PERFORMANCE IN 2019 AND 2020

Fresenius Medical Care's outlook for 2019 and 2020 is based on the prevailing exchange rates at the beginning of the year. Outlook 2019 and 2020 as well as the basis 2018 for Outlook 2019 are and will be adjusted in order to make the business performance in the respective periods comparable for items such as: FCPA Related Charges, the IFRS 16 Implementation, the contributions from Sound in the first half year of 2018, the gain (loss) related to divestitures of Care Coordination activities and expenses for the cost optimization program. All effects from the pending acquisition of NxStage are excluded from the Outlook 2019 and 2020. For a reconciliation of the results 2018 to the results 2018 adjusted as a basis for the targets 2019, SEE TABLE 2.33 ON PAGE 61.

REVENUE

We aim to further increase our revenue at Constant Currency between 3 to 7 % in 2019. This growth rate is based on 2018 revenue excluding the contributions from Sound in the first half year 2018. For 2020 we aim to reach a mid to high single digit revenue growth rate at Constant Currency.

RESULT OF OPERATIONS

Operating income

We expect operating income and Delivered EBIT to develop in the range of -1 to 3 % at Constant Currency in 2019. The growth rate is based on 2018 operating income and Delivered EBIT excluding the contributions from Sound in the first half year 2018, the effects from the (gain) loss related to divestitures of Care Coordination activities and the 2018 FCPA Related Charge. For 2020 we aim to reach a mid to high single digit growth rate for EBIT and Delivered EBIT at Constant Currency.

Net income

We aim to achieve a development in net income (net income attributable to shareholders of FMC AG & CO. KGAA) in the range of -2 to 2 % in 2019 at Constant Currency. This growth rate is based on 2018 net income excluding the contributions from Sound in the first half year 2018, the effects from the (gain) loss related to divestitures of Care Coordination activities and the 2018 FCPA Related Charge. For 2020 we aim to reach a mid to high single digit growth rate for net income at Constant Currency.

Earnings per share

Basic earnings per share are expected to develop in the same way as net income in 2019 compared to 2018 assessed based on expected development of net income and shares outstanding.

CAPITAL EXPENDITURES AND ACQUISITIONS AND INVESTMENTS

In 2019, we intend to spend around €1.4 to €1.8 BN on capital expenditures, acquisitions and investments (excluding investments in securities). Capital expenditures should account for €1.0 to €1.2 BN. Around 40 % of this amount is earmarked for expansion investments. Approximately €0.4 to €0.6 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 2019, net cash provided by operating activities in percent of revenue is again expected to account for more than 10 %.

In 2019, 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 1.8 at the end of 2018. The target figure is expected to be better than 2.5 at the end of 2019.

PROFITABILITY

We expect ROIC to be at least 8.0 % compared to 12.4 % in 2018.

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 54.

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 2019, particularly in the area of health care. By the end of 2019, 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 €160 M to €170 M on research and development in 2019. The number of employees (currently 933 full-time equivalents) should not change significantly.

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

Our outlook for the financial years 2019 and 2020 is summarized in TABLE 2.32.

T 2.32 **OUTLOOK 2019 AND 2020**

	Results 2018 adjusted	Outlook 2019 (at Constant Currency)[1]	Outlook 2020 (at Constant Currency)[1]
Revenue[2]	€16.0 BN	Growth 3–7 %	mid to high single digit growth rate
Operating income[2]	€2.3 BN	Growth (1) to 3 %	mid to high single digit growth rate
Delivered EBIT[2]	€2.0 BN	Growth (1) to 3 %	mid to high single digit growth rate
Net income[2,3]	€1.3 BN	n.a.	n.a.
Net income growth at Constant Currency[2,3]	n.a.	Growth (2) to 2 %	mid to high single digit growth rate
Basic earnings per share growth at Constant Currency[2,3]	n.a.	assessed based on expected development of net income and shares outstanding	assessed based on expected development of net income and shares outstanding
Capital expenditures	€1.0 BN	€1.0–€1.2 BN	n.a.
Acquisitions and investments[4]	€0.4 BN	€0.4–€0.6 BN	n.a.
Net cash provided by (used in) operating activities in % of revenue	12.5	> 10	n.a.
Free cash flow in % of revenue	6.4	> 4	n.a.
Net leverage ratio	1.8	< 2.5	n.a.
ROIC in %	12.4	≥ 8.0	n.a.
Dividend per share[5]	€1.17	assessed based on expected development of net income and shares outstanding	n.a.
Employees[6]	112,658	> 117,000	n.a.
Research and development expenses	€134 M	€160–€170 M	n.a.

[1] Outlook 2019 and 2020 are and will be adjusted in order to make the business performance comparable to results 2018 adjusted for items such as: FCPA Related Charges, the IFRS 16 Implementation, the gain (loss) related to divestitures of Care Coordination activities and expenses for the cost optimization program. All effects from the pending acquisition of NxStage are excluded from the Outlook 2019 and 2020.
[2] Results 2018 adjusted: For a reconciliation of Results 2018 to Results 2018 adjusted SEE TABLE 2.33 ON PAGE 61.
[3] Net income attributable to shareholders of FMC AG & Co. KGaA.
[4] Excluding investments in securities.
[5] Results 2018: Proposal to be approved by the Annual General Meeting on May 16, 2019.
[6] Full-time equivalents.

T 2.33 **RECONCILIATION OF RESULTS 2018 TO RESULTS 2018 ADJUSTED AS BASIS FOR TARGETS 2019**
IN € M

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

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

For a reconciliation of the results 2018 to the results 2018 adjusted as a basis for the targets 2019, SEE TABLE 2.33. For further details on the consolidated operating performance on a comparable basis and adjusted, see the "Results of operations, financial position and net assets" section starting on PAGE 37.

GLOBAL EFFICIENCY PROGRAM

In 2017 we announced the second phase of our Global Efficiency Program (GEP II) The program's objectives are to identify and realize further efficiency potential and enhance our overall competitiveness. In 2018, we achieved 15 % of the targeted sustained cost improvements, which is well ahead of the anticipated contribution of 10 % for the year. Therefore, we increased the lower end of the expected range of sustained cost improvements to €150 M and now expect €150 M to €200 M per annum by 2020.

2019 COST OPTIMIZATION PROGRAM

We remain committed to a continuous optimization of our business. In 2019, we will invest around €100 M in order to sustainably improve our cost base in addition to the GEP II program. Based on enhancements in the products and services business, the 2019 cost optimization program is expected to be accretive to net income already from 2020 onwards.

Based on the ramp-up of the 2019 cost optimization program, the phasing of contributions from the GEP II and other measures initiated, we anticipate a back-end loaded acceleration of adjusted net income growth.

IMPACTS FROM THE IMPLEMENTATION OF IFRS 16

Based on a preliminary impact analysis as of December 31, 2018, applying the options and exemptions detailed in NOTE 1 X in the notes to consolidated financial statements as well as using certain assumptions, especially with regards to lease agreements newly concluded in 2019, we expect that right-of-use assets, increased by lease agreements expected to be newly concluded in 2019 and reduced by depreciation as detailed below, of approximately €3.9 BN will be presented on the consolidated balance sheet at the end of the upcoming fiscal year. Additional lease liabilities, reduced by principal payments and increased by compounding interest as well as lease liabilities on lease agreements expected to be newly concluded in 2019, are expected to be approximately €4.2 BN at the end of the upcoming fiscal year. Furthermore, we expect an increase of approximately €120 M on "machinery and equipment" within property, plant and equipment at the end of the upcoming fiscal year, as a result of new dialysis machines used in our own clinics for which sale-leaseback accounting is no longer applicable. As such, we expect an increase in other financial debt of approximately €120 M at the end of the upcoming fiscal year.

Referring to the consolidated statement of income, in the fiscal year 2019 we expect lower rental expenses of approximately €810 M as well as an increase in depreciation expense of approximately €680 M. In addition, we expect a reduction in revenues of approximately €100 M and a related operating income effect of approximately €40 M due to changes in the accounting treatment of sale-leaseback transactions. Combined, we expect an operating income improvement of

approximately €90 M. The expected lower rental expenses as well as the expected decrease in income due to changes in the accounting treatment of sale-leaseback transactions would increase Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) by approximately €770 M. In addition, we expect an increase in net interest expenses of approximately €160 M. Overall, we expect a reduction in net income of approximately €50 M.

We expect no changes to total cash outflows but there will be a shift between the cash flow categories. Cash provided by operating activities is expected to increase by approximately €600 M and Cash used in investing activities by approximately €80 M. Cash used in financing activities is expected to decrease by approximately €520 M.

We also expect that our net leverage ratio (debt less cash and cash equivalents (net debt) as compared to EBITDA, 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) will increase by about approximately 0.6 by the end of 2019.

For additional information SEE NOTE 1 X in the notes to consolidated financial statements.

MANAGEMENT'S GENERAL ASSESSMENT

In the financial year 2019 and beyond, we intend to continue the profitable growth track of Fresenius Medical Care. Our focus in 2019 will be on investments which improve our cost base as well as growth investments, such as in the area of home dialysis in North America, supported by the pending NxStage acquisition or developing economies with an increasing number of patients. By implementing the second phase of our Global Efficiency Program, we will also continue to improve our profitability in the coming years.

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 pre-emptive and 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

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

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

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

The 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 2.34 ON PAGE 64.

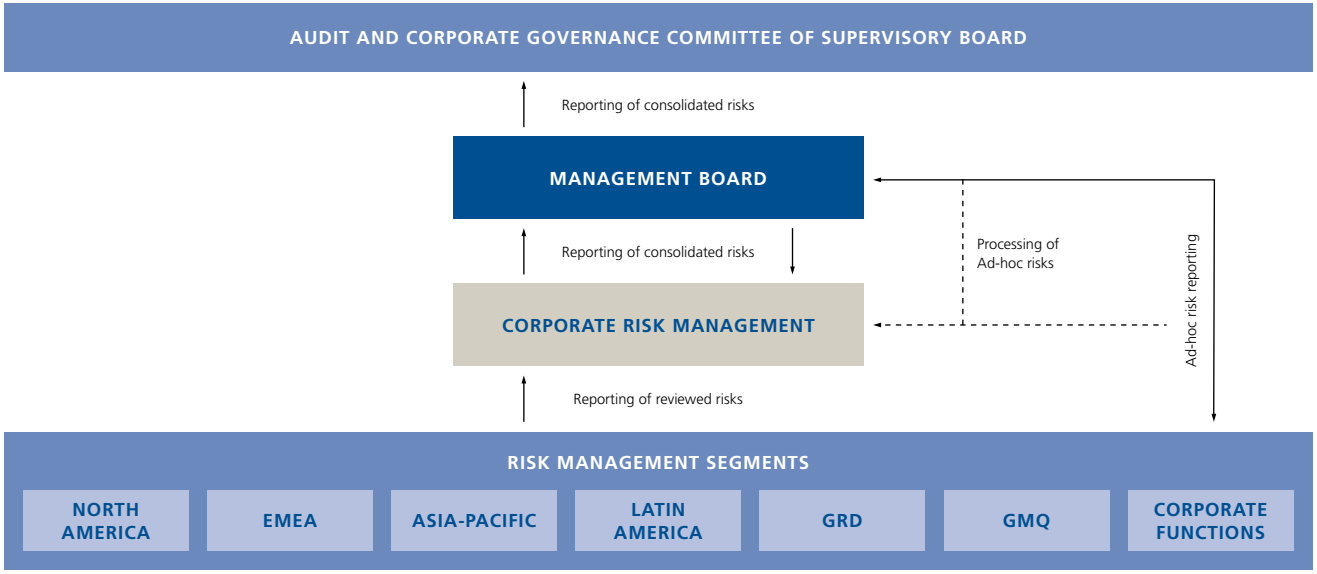
In addition to risk reporting, standard reporting to management is an important tool for managing and controlling risks, as well as for taking preventive measures in a timely manner. Therefore, the Management Board of the Company is informed on a monthly basis about the industry situation, the Company's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

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 2018, a total of 45 audits were carried out.

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

C 2.34 **RISK REPORTING**



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

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

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

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions within the accounting and the consolidation process include automated and manual reconciliations, as well as the separation of certain personnel functions to prevent potential conflicts of interest. The fact that all process owners assess the risks of their respective processes in terms of their implications for accounting also ensures that risks with a direct impact on financial reporting are identified and that controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis and considered in the preparation of the financial statements. Employees responsible for financial reporting are given regular training to be up to date with changes regarding accounting standards. The consolidation is performed centrally by the department which is responsible for the group accounting. The basis for the consolidation is derived from reporting packages and sub-group consolidated financial statements prepared and submitted by the local group entities. The preparation of the reporting 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, 2018, 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-term impact within the subsequent five years.

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

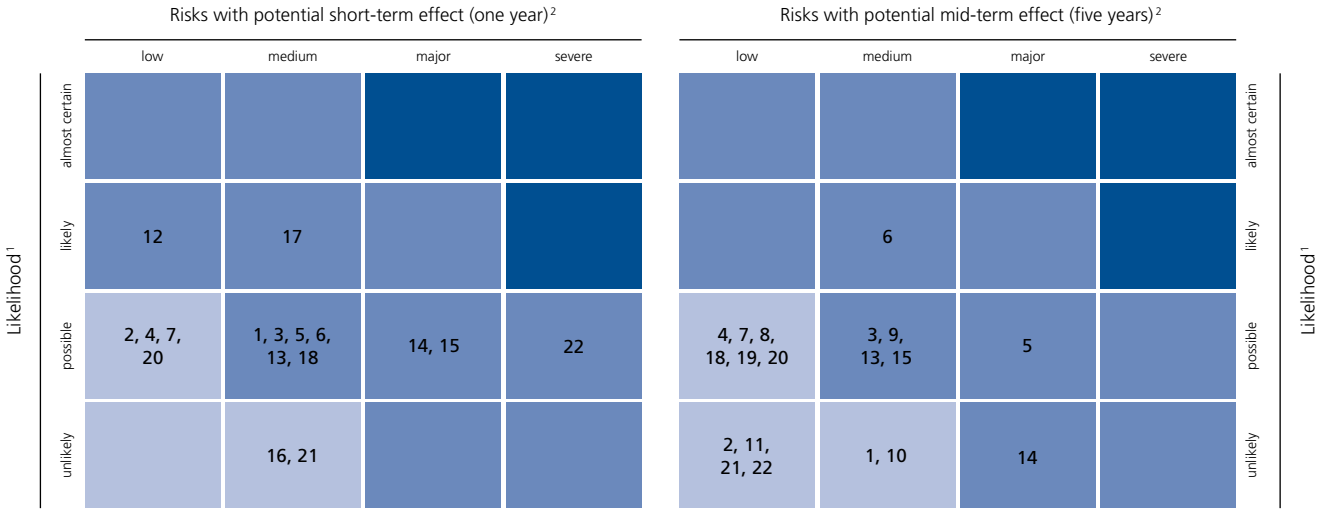
Sector-specific risks

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,
- audits and reviews by enforcement authorities, including the FDA, for compliance with applicable drug regulations,
- product labeling, advertising and other promotion,
- accurate reporting and billing for government and third-party reimbursement including accurate and complete medical records to support such billing,
- the discounting of reimbursed drug and medical device products and the reporting of drug prices to government authorities,
- the collection, dissemination, access, use, security and privacy of protected health information and other protected data,
- compliance with due diligence, warranty obligations and product liability rules and

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



RISK AREA

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

low risk medium risk high risk

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

› compensation of medical directors and other financial arrangements with physicians and other referral sources.

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. 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 QIP are not met in the clinics. Should Fresenius Medical Care fail to meet the QIP's minimum requirements to a greater extent, this could have a material adverse effect on our business, financial condition and results of operations.

Through our value-based agreements and 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 the "Comprehensive ESRD Care initiative" of the CMS as well as remuneration agreements with insurers under which the Company receives a fixed remuneration to cover all, or a defined amount of treatment costs, for a defined quantity of patients. 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 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.

Although efforts to repeal the Affordable Care Act (ACA) have been unsuccessful, further efforts to repeal or revise the ACA the posture of CMS in the current administration toward projects of this sort and litigation seeking the termination of the ACA may affect the project's future prospects in ways we currently cannot quantify or predict.

The reserves that we establish for health insurance policy benefits and other contractual rights and benefits as well as estimations of the amount of revenues from health care

services that we recognize in a reporting period are based upon assumptions and judgments concerning a number of factors which are subject to uncertainties. Those factors include trends in health care costs, expenses, general economic conditions, the complicated billing and collection process, complex and changing laws and regulations subject to interpretation, determination of primary and secondary coverage and other factors. Additionally, collections, refunds and payor retractions typically continue to occur for up to three years or longer after services are provided. To the extent the actual claims experience is less favorable than estimated based on our underlying assumptions, the timing and amount of our recognition of revenues as well as future earnings could be adversely affected or incurred losses could increase.

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. In addition, we may experience higher write-offs of Medicare deductibles and other amounts due to uninsured and underinsured patients, resulting in an increase in uncollectible accounts.

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

Composition of our customer base

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

We continuously seek to mitigate these risks by actively negotiating long-term contracts with major customers, targeted marketing activities, developing new product and pricing models as well as improving the quality of our services and products.

Reimbursement by private insurers

In the U.S. a portion of the dialysis treatments is reimbursed by private insurers and integrated care organizations; these reimbursements are in general higher than the reimbursements of the public health care systems. As a result, the payments we receive from private payors contribute a substantial portion of our profit. In 2018, approximately 34 % of our consolidated health care revenues were attributable to private payors in the North America Segment. If these payors succeed in lowering reimbursement rates in the 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 and pharmacy benefit managers may have any adverse impact on our ability to negotiate favorable coverage terms and commercially reasonable rates with such insurers.

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

A portion of our patients who are currently covered by private insurers may 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. Policy-

makers 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 2018, the Company derived approximately 33 % of its worldwide revenue from Medicare and Medicaid reimbursements in the U.S. Consequently, changes in legislation or reimbursement practices regarding e.g. the End-Stage Renal Disease Prospective Payment System (ESRD PPS), the Physician Fee Schedule, the Clinical Laboratory Fee Schedule, and the Ambulatory Surgical Center Payment System could influence the volume of Medicare and Medicaid reimbursements for services provided and the insurance coverage.

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

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

The U.S. administration has publicly announced its intention to pursue significant changes to existing health care insurance programs, especially programs in connection with the ACA. 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.

While in 2017, the U.S. administration announced its decision to end subsidies, known as cost-sharing reduction (CSR) payments under the insurance exchanges created under the ACA, the Administration eventually did fund CSRs in 2018 and has requested funding for CSRs in 2019. If CSR funding ceases at any point, commercial insurers have indicated that premium rates would need to increase and that they may withdraw from the insurance exchanges created under the ACA. So far average premiums for 2019 appear to be only moderately higher compared to 2018, though there is large variation between states with some states having significant increases. In addition, there is ongoing litigation over the Federal Government's obligation to pay the CSRs and over the constitutionality of provisions of the ACA. It is not predictable, whether the U.S. administration will agree to the CSRs in 2019, continue to dismantle the insurance exchanges through other means, or how the ongoing litigation might be determined. As a result, a reduction in the availability of insurance through such exchanges could reduce the number of our commercially insured patients and shift such patients to Medicare and Medicaid.

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

Risks relating to the Company's business

Growth

The health care industry experiences continuing consolidation particularly among health care providers. This development could adversely affect the Company's ability to find suitable acquisition targets and to increase future growth and product sales. Additionally, the ability to make future acquisitions as well as to develop de novo dialysis clinics and health care centers 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, underperformance subsequent to integration, associated requirements from competition authorities or non-compliant business practices not disclosed by the seller or not uncovered during due diligence. We also compete with other health care companies in seeking suitable acquisition targets and developing de novo clinics. Any or all of these factors generally could adversely affect future growth, including growth of our product sales.

Competitors

The Company faces numerous competitors in both its health care services business and dialysis products business, some of which may possess substantial financial, marketing or research and development resources. Competition from new and existing competitors and especially new competitive developments such as increasing disruption in the health care industry as well as innovations in technology and care delivery models could materially adversely affect the future pricing and sale of our products and services. In particular, technological innovation has historically been a significant competitive factor in the dialysis products business. The introduction of new products or services by competitors could render one or more of the Company's products or services less competitive or even obsolete, which could also affect the Company's sales and distribution of pharmaceuticals for which, to some extent, the Company is obligated to make certain minimum annual royalty payments.

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

Research and development

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

Referral practices

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

Patents

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

Procurement

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

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

Personnel

The Company's continued growth in the health care business will depend upon the ability to attract and retain skilled workforce, including highly skilled nurses and other medical personnel. Competition for those employees is intense and shortages for these sought-after employees, such as nurses, or skilled engineers and research and development personnel, may increase the Company's personnel and recruiting costs and/or impair our reputation for production of technologically advanced products. Moreover, the Company considers that future success in the provider business depends on the ability to attract and retain qualified physicians to serve as employees of or consultants to the Company's health care services businesses. The Company's health care products business depends on the development of new products, technologies and treatment concepts to be competitive. Additionally, in recruiting, employing and retaining personnel we may be exposed to risks relating to various labor laws, legislative, union or other labor-related activities or changes. Further, these factors could preclude us from integrating acquired companies into our operations, which could increase our costs, decrease our productivity and prevent us from realizing synergies from acquisitions. If we are unable to manage the risks mentioned, then our growth and results of operations could be adversely impacted.

Corruption and fraud

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

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the United States that might violate the Foreign Corrupt Practices Act or other anti-bribery laws. The Company's Supervisory Board, through its Audit and Corporate Governance Committee, conducted investigations with the assistance of independent counsel. In a continuing dialogue, the Company voluntarily advised the Securities and Exchange Commission and the United States Department of Justice (collectively and interchangeably the "government") about these investigations. The government also conducted its own investigations, in which the Company cooperated.

In the course of this dialogue, the Company identified and reported to the government, and took remedial actions including employee disciplinary actions with respect to, conduct that resulted in the government seeking monetary penalties and other remedies against the Company and disgorgement of related profits revolving principally around conduct in the Company's products business in a limited number of countries outside the United States.

The Company recorded charges of €200 M in 2017 and €77 M in 2018 encompassing estimates for the government's claims for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation. The increase recorded in 2018 took into consideration preliminary understandings with the government on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totals €224 M as of December 31, 2018. The Company has reached an agreement in principle with the government agencies encompassing the terms understood to be necessary for settlement.

The Company believes that the previously-recorded charge appropriately accounts for the consequences of the resolution as related to its financial statements. The agreement in principle remains subject to memorialization in fully integrated documents and final approval by authorized officials of the government and the Company.

The Company continues to implement enhancements to its anti-corruption compliance program, including internal con-

trols related to compliance with international anti-bribery laws. The Company continues to be fully committed to compliance with the Foreign Corrupt Practices Act and other applicable anti-bribery laws.

Information systems and business processes

As the Company continues to grow and introduces more international operations, the processes within the Company are increasingly complex. Accordingly, it is more and more dependent on information and communication technologies and -systems to structure its processes and harmonize them between different regions. An insufficient design of those systems and business processes as well as insufficient resources could lead to non-availability of certain information, causing inefficient workflows, deficient internal and external communication and intransparencies regarding operations. A breakdown of these systems could temporarily lead to standstill of parts of our business and consequently cause heavy damages.

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

Using its Information Security Management System (ISMS), which is based on the internationally recognized security standard ISO 27002, the security guidelines and processes within the Company are enhanced continuously. Business data is backed up regularly and disaster recovery plans, which are regularly tested and improved, are in place. The Company operates three data centers at geo-graphically 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, 2018 respectively December 31, 2017, the Group had financial debt of €7.55 BN respectively €7.45 BN. The Company's credit agreements and notes include covenants that require maintaining certain financial ratios or meeting other financial tests. The covenants also restrict the Company's ability to dispose of assets, incur debt, pay dividends and other restricted payments, create liens or make investments or acquisitions. The breach of any of the covenants could result in a default and acceleration of payments of the indebtedness, which would have an adverse effect on the Company's business, financial condition and results of operations. The Company considers itself able to maintain the required financial ratios at present and in the near future.

Currencies and interests

The Company actively manages foreign currency and interest rate exposures that are part of its normal business activities.

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

The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate. The euro-denominated interest rate swaps expire in 2019 and have an interest rate of 0.32 %. As of December 31, 2018 respectively December 31, 2017, the notional amount of the euro-denominated interest rate swaps in place was €204 M respectively €228 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, 2018 was €1,043 M, primarily for hedging euro exposure to the U.S. dollar and various other currencies. Economic hedges, which are used by the Company, are accounted for as recognized hedges in the consolidated financial statements, when necessary.

The estimation and quantification of transaction risks from foreign currencies is determined according to the statistical model Cash Flow at Risk ("CFaR"). CFaR indicates the maximum amount of a potential loss of the forecasted foreign exchange cash flow of the next twelve months that occurs with a probability of 95 %. As of December 31, 2018, the Company's CFaR amounts to €52.3 M.

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

Litigation and other exposures

Risks associated with investigations and litigations are continuously identified, assessed and reported within the Company. The Company is involved in various legal proceedings and investigations resulting from its business operations. A 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 notes to the consolidated financial statements. For other proceedings the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time.

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

Taxes

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

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

International operations

The Company operates dialysis clinics in around 50 countries and sells a range of equipment, products and services to cus-

tomers in around 150 countries. The Company's international operations are subject to a number of risks, including but not limited to the following:

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

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

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

Unpredictable events

Fresenius Medical Care operates dialysis facilities or manufacturing facilities in many regions of the world, with diverse geographic, societal and economic conditions. 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 and profitability.

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

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 total goodwill write off in the affected cash generating units.

In addition, uncertainty in the financial markets could adversely affect the variable interest rates payable under certain of our credit facilities or could make it more difficult to obtain or renew such facilities or to obtain other forms of financing in the future. Any or all of these factors, or other consequences of the continuation, or worsening, of domestic and global economic conditions which cannot currently be predicted, could continue to adversely affect our businesses and results of operations.

Changes in the risk situation

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

Regarding the classification of 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, there were significant changes regarding several risks:

In consequence of increased regulatory requirements concerning production processes the risk regarding the regulatory environment (1) increased to a medium risk.

The risk regarding U.S. federal health care programs (3) has increased to medium due to proposed changes to payment methodologies in certain shared savings programs.

Furthermore, a reevaluation of the litigation and potential exposures risk (18) leads to a medium assessment of risks regarding this topic.

With regard to the five-year period, there were significant changes regarding one risk:

The expected increasing usage of IT in combination with growing threat potentials across industries, has increased the risk regarding information systems and business processes (15) to a medium risk.

OPPORTUNITIES MANAGEMENT

OPPORTUNITIES MANAGEMENT SYSTEM

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

OPPORTUNITIES

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our 3,928 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 contribute significantly 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

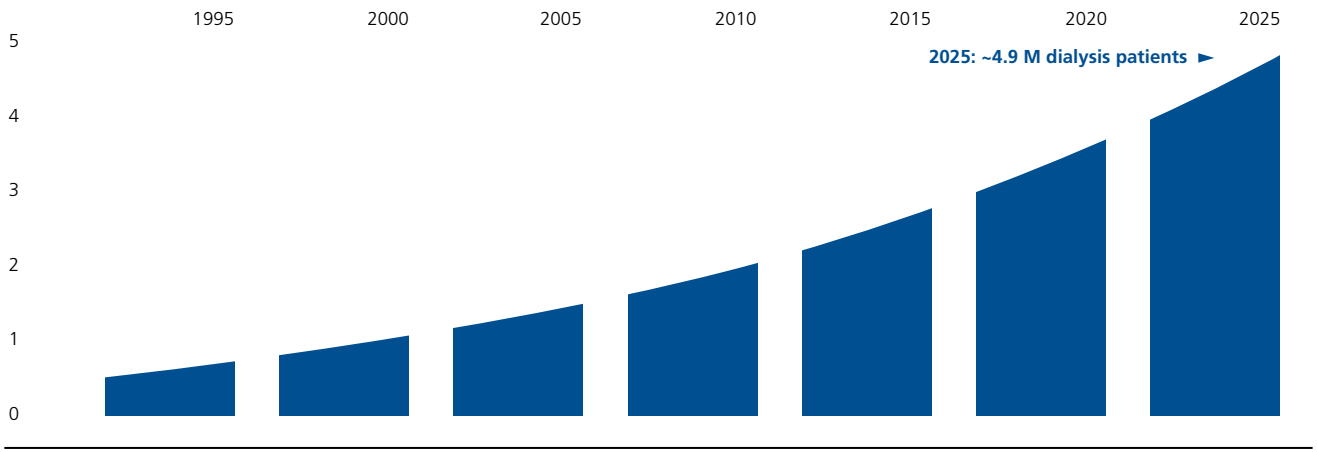
Patient growth and demographic development

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 and is expected to reach around 3.6 M patients in 2019 and approximately 4.9 M by 2025 – SEE CHART 2.36 ON PAGE 76. Social trends are contributing 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 chronic kidney failure. In developing and emerging countries, the growing population and gradually improved access to dialysis as a result of increasing wealth are key factors that further boost demand for dialysis products and services. We want to continue making a significant contribution to meeting this demand in the future.

Changes in legal and political conditions

The extent to which private companies can offer dialysis treatment and in what form depends on the health care system of the respective country 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:

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



Source: Internal estimates

› 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 eight-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 non-profit organizations. For a number of years, Fresenius Medical Care has also been able to offer dialysis services in outpatient medical care centers. At the end of 2018, we were involved in 47 care centers (2017: 40). 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 offer various levels of care flexibly for hospitals, health insurers, local or national authorities. Depending on the contract, we can 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, grow its market share, and extend its range of products and services with new forms of health care.

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 means 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 therapy.

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 the term "Care Coordination". These include vascular care and medication management for patients with kidney disease, as well as our pharmacy business. This provides us with opportunities for the future.

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 important role in dialysis. This scenario presents us with opportunities for growth. Home dialysis as well as the associated technologies and products will therefore continue to be a key focal point of our research and development 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, all production sites follow the "Lean Manufacturing" approach and our Schweinfurt plant includes the "Lean Six Sigma" management system. The focus of Lean Manufacturing and Six Sigma is continuous improvement of all manufacturing processes to achieve a very low error rate resulting in better quality production while shortening manufacturing time. 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 research and development. 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 risk management system implemented at Fresenius Medical Care forms the basis for assessing the Group's overall risk. The Company's overall risk position is determined by the individual risks described above. Changes in the Group's risk situation compared to the previous reporting period occurred

as stated in the paragraph of the same name. We have currently not identified any risks that could endanger the continued existence of Fresenius Medical Care. As part of the Company-wide review of the integrated management system, we monitor the effectiveness of the implemented risk management system and, where necessary, make improvements. The Management Board will continue to expand our risk management as well as the review of the related management system to be able to identify, examine and evaluate potential risks even more quickly and initiate appropriate countermeasures. We believe that we have taken all necessary organizational steps to recognize potential risks early on and respond to them appropriately.

We remain confident that our integrated global business model and our earning power provide us with a sound basis for our business development, allowing us to capture the potential arising for the Company. In view of our leading position in the dialysis market, our innovative strength, our dedicated staff, and our structured processes for identifying risks early on and managing opportunities, we 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 of the notes to the consolidated financial statements starting on page 154. The Company's management and supervisory structure is set out in the Corporate Governance Report starting on page 111.

CORPORATE GOVERNANCE DECLARATION

In fiscal year 2018, the Company made use of the option to publish the Corporate Governance Declaration (Erklärung zur Unternehmensführung) on the Company's website pursuant to sec. 315d German Commercial Code (HGB) in conjunction with sec. 289f para. 1 HGB. The Corporate Governance Declaration is available on the Company's website at http://www.freseniusmedicalcare.com/en/home/investors/corporate-governance/declaration-on-corporate-governance. It is also set out in the Corporate Governance Report starting on PAGE 111.

CHANGE IN MANAGEMENT STRUCTURE

Effective September 1, 2018, Dr. Katarzyna Mazur-Hofsäß was appointed new Chief Executive Officer (CEO) for the Segment EMEA. She followed Dominik Wehner, who resigned from his position effective December 31, 2017. In the interim period Rice Powell, Chief Executive Officer of Fresenius Medical Care and Chairman of the Management Board, managed the EMEA region.

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 125.

TAKEOVER-RELATED DISCLOSURES

Share capital held by the Company's shareholders (excluding treasury shares held by the Company) at December 31, 2018 totals approximately €307 M, divided into 306,878,701 non-par bearer shares, each arithmetically representing €1 of the share capital. The total of non-par bearer shares include 42,596

shares issued to Company employees in 2018 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 buyback program, the Company repurchased 7,548,951 shares in 2013. The Company redeemed 6,549,000 of these repurchased shares on February 16, 2016. On the basis of the authorization again granted by the Company's Annual General Meeting on May 12, 2016 to conduct a share buyback program, the Company repurchased further 660,000 shares between December 11, 2017, and December 21, 2017 and further 431,000 shares between May 28, 2018 and June 8, 2018. The Company redeemed the 1,091,000 shares repurchased in 2017 and 2018 on December 12, 2018. As of December 31, 2018, the Company therefore holds 999,951 treasury shares. Treasury shares held correspond to approximately €1 M or 0.32 % 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 course of share buyback programs. Including treasury shares, the Company share capital therefore amounted to €308 M at December 31, 2018, divided into 307,878,652 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, 2018, Fresenius SE & CO. KGAA, Bad Homburg v.d. Höhe, Germany holds 94,380,382 shares of the Company, corresponding to 30.66 % 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 30.75 % of the Company's voting rights.

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

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

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

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

In addition to the above, the following conditional 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 €10.057 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. 71a ff. AktG exceed 10 % of the Company's share capital. The acquisition can be made via the stock exchange or by means of a public invitation to submit offers for sale. The authorization may not be used for the purposes of trading in its own shares. The general partner is authorized to use the shares of the Company acquired on the basis of this or an earlier authorization for all legally admissible purposes, in particular (i) to withdraw them from circulation without any requirement for a further resolution to be taken at the Annual General Meeting, (ii) to sell them to third parties in return for contributions in kind, (iii) rather than using conditional capital, to 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 19, 2019

Fresenius Medical Care AG & CO. KGAA

Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

NON-FINANCIAL GROUP REPORT

ABOUT THIS NON-FINANCIAL GROUP REPORT

The following section provides an overview of the ongoing sustainability efforts of Fresenius Medical Care, as required by Sections 315b and 315c in conjunction with Sections 289c to 289e of the German Commercial Code. Our Non-Financial Group Report provides insights into developments from January 1 to December 31, 2018 and incorporates disclosures relating to the following six key aspects:

› responsibility for patients,
› responsibility for employees,
› our approach to anti-bribery and anti-corruption,
› responsibility to respect human rights,
› responsibility for the environment,
› relationship with suppliers.

In accordance with the International Financial Reporting Standards (IFRS) 10 and 11, the report includes information on Fresenius Medical Care AG & CO. KGAA and its subsidiaries (hereinafter referred to as Fresenius Medical Care, the Company or we). The report has been compiled in reference to the international sustainability standards of the Global Reporting Initiative (GRI). It is based on a materiality analysis as outlined in GRI Disclosure 102-46 (defining the content and topic boundaries of the report) and includes a description of the Code of Ethics and Business Conduct according to GRI Disclosure 103 (specifying the management approach).

The auditing firm KPMG AG Wirtschaftsprüfungsgesellschaft (KPMG), Berlin, Germany, has assessed the separate Non-Financial Group Report of Fresenius Medical Care and has performed a limited assurance engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000. For the Independent Practitioner's Report on a Limited Assurance Engagement, please refer to PAGE 101.

OUR BUSINESS MODEL

Fresenius Medical Care provides products and services for people with chronic kidney failure. Through our network of 3,928 dialysis clinics, we offer dialysis treatments to more than 330,000 patients around the globe.

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 in addition to 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.

Fresenius Medical Care has a decentralized organizational structure with operational segments that are managed on a regional basis (North America, EMEA [Europe, Middle East and Africa], Asia-Pacific and Latin America). Fresenius Medical Care's global research and development activities, which are managed centrally by the Global Research and Development (GRD) function, enable us to develop products efficiently and systematically promote the exchange of knowledge and technology between regions. 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, and distribution in North America. In addition, some production sites are under local responsibility. For further information on Fresenius Medical Care's business model, please refer to PAGE 18 in the Group Management Report.

OUR RESPONSIBILITY

Operating on a global scale means having global responsibility. As the world market leader in dialysis, Fresenius Medical Care is aware of its responsibilities. With our compliance programs and our Code of Ethics and Business Conduct, we aim to achieve adherence to applicable legal regulations and our internal guidelines.

Our business is highly regulated and subject to a variety of complex laws, rules and regulations. We are committed to conducting our business activities in compliance with applicable legal standards as well as internal and external provisions and requirements. Our patients, 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.

ADHERING TO THE CODE OF ETHICS AND BUSINESS CONDUCT

Our Code of Ethics and Business Conduct constitutes a binding framework that governs how Fresenius Medical Care employees interact with patients, colleagues, suppliers and society. The Code defines practices beyond legal requirements. It covers material non-financial topics that are relevant for Fresenius Medical Care ranging from patient care, quality and innovation, anti-corruption and bribery to worker protection, the environment and health and safety. The Code of Ethics and Business Conduct and our underlying values also include Fresenius Medical Care's commitment to respecting 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 as well as to the operations of all direct and indirect subsidiaries that are majority-owned or controlled in some other way by us. Our employees are obliged to adhere to the principles in the Code of Ethics and Business Conduct.

In 2018, Fresenius Medical Care has updated and aligned its core values globally. The global value set – "Collaborative", "Proactive", "Reliable" and "Excellent" – is anchored in our vision to create a future worth living for dialysis patients, worldwide, every day. The roll-out of the updated values will be completed in 2019. For further information please refer to the "Responsibility for employees" section starting on PAGE 91.

COMPLIANCE AT FRESENIUS MEDICAL CARE

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

Compliance with the Code of Ethics and Business Conduct 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 are responsible for implementing and communicating these principles within the organization. Training programs on the Code of Ethics and Business Conduct are designed to increase awareness of the applicable rules and help employees to understand them better and comply with them. The training programs are held regularly and are mandatory for all relevant employees. Standardized processes are in place to allow employees to attend the programs.

To comply with government regulations and reduce the risk of legal proceedings, Fresenius Medical Care relies on its management structure, its regulatory and legal resources and the effective implementation of its compliance programs to direct, manage and monitor its operations. As regulatory and legal risks concern our business as well, the Company is involved in legal proceedings resulting from its business operations, some of which could have a negative effect on Fresenius Medical Care's financial condition and results of operation in the event of a negative outcome. For further information on legal matters, please refer to the notes to the consolidated financial statements starting on PAGE 154.

NON-FINANCIAL RISKS

Fresenius Medical Care has established a Group-wide risk management process. No reportable non-financial risks were identified in this process for fiscal year 2018.

The German Commercial Code requires Fresenius Medical Care to report on all known significant risks in connection with its own business activities and business relations as well as its products and services, as long as they are very likely to occur and would have a severe negative impact on material non-financial topics. In 2018, no such non-financial risks were identified. For further information on Fresenius Medical Care's risk management, please refer to the "Risks and Opportunities Report" starting on PAGE 63.

SUSTAINABILITY MANAGEMENT

For Fresenius Medical Care, sustainability means acting responsibly to achieve business success as well as environmental and social progress to secure our future as a globally operating company in the health care industry.

Responsible conduct in compliance with our core values and applicable legal requirements is a key element of our corporate culture. Our business activities are based on responsible management with a focus on integrity, sound corporate governance and adherence to compliance principles. This approach has been recognized and honored: Fresenius Medical Care was included in the Dow Jones Sustainability Index (DJSI) Europe for the tenth consecutive year and has once again earned recognition for its sustainability efforts in 2018. Furthermore, we actively participate in CDP, a non-profit organization that encourages companies to disclose their environmental impact.

GLOBAL SUSTAINABILITY GOVERNANCE

In 2018, we have set up a global sustainability governance structure at Fresenius Medical Care to further improve the coordination and management of sustainability topics across all regions and global functions. This means that sustainability is now firmly established at Management Board level. Responsibility for the Company's sustainability efforts lies with the Sustainability Decision Board, Fresenius Medical Care's highest decision-making body for sustainable development (SEE CHART 3.1), which is headed by the Chief Executive Officer (CEO). Sustainability-related results and progress are presented on a regular basis to the Management Board and the Supervisory Board. The Management Board and the Supervisory Board discuss the results of the sustainability efforts in the form of the Non-Financial Report. In this context, the Supervisory Board reviews the Non-Financial Report and is supported by the auditor's limited assurance engagement.

The Sustainability Decision Board and the Corporate Sustainability Committee enable the Corporate Sustainability Office to manage Fresenius Medical Care's sustainability program. The Corporate Sustainability Committee has an advisory and steering role. It consists of senior representatives of all regions and global functions who have been nominated so that regional and functional interests are appropriately represented in our sustainability program.

The Corporate Sustainability Office has introduced a global sustainability program in 2018 to further strengthen and harmonize our sustainability management concepts. The first initiatives have already been launched as part of this program and focus on patient satisfaction, occupational health and safety, suppliers, human and labor rights as well as data privacy and security.

C 3.1 **GLOBAL SUSTAINABILITY GOVERNANCE**

MATERIALITY ANALYSIS

In 2017, Fresenius Medical Care conducted a materiality analysis to identify topics that are material to us in the context of our business model, legal requirements and the interests of stakeholders. We defined the material non-financial topics in a three-step process comprising an external analysis, an internal analysis and a final prioritization and validation of the topics identified.

For the external analysis, we conducted benchmarking with other companies in the health care business. Furthermore, we drew on external initiatives such as the Sustainable Development Goals (SDGS) as well as ratings and rankings including the DJSI, CDP and MSCI, key sector reports and examples proposed by law to assess the effects of Fresenius Medical Care's business activities on non-financial aspects. The internal perspective was discussed 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 point of view. The consolidated material topics were then validated by senior executives of Fresenius Medical Care as well as by the senior management of all relevant operating segments and global functions. The material aspects defined as part of this process were reviewed and reconfirmed in 2018. These aspects reflect Fresenius Medical Care's commitment to responsibility and represent the focal points of our Non-Financial Group Report.

As can be seen in CHART 3.2, we report on five matters in accordance with the German Commercial Code. In the last section, we address the cross-cutting topic of the "Relationship with suppliers" and describe our approach to incorporating non-financial topics in our supply chain.

C 3.2 **MATERIALITY ANALYSIS**

RESPONSIBILITY FOR PATIENTS	RESPONSIBLITY FOR EMPLOYEES	OUR APPROACH TO ANTI-BRIBERY AND ANTI-CORRUPTION	RESPONSIBILITY TO RESPECT HUMAN RIGHTS	RESPONSIBILITY FOR THE ENVIRONMENT
Social matters:	**Employee matters:**	**Anti-corruption and bribery:**	**Human rights:**	**Environmental matters:**
– Quality of care – Quality of products – Patient support in emergency situations – Protection of patients' medical information	– Employment structure – Employer attractiveness and employee retention – Employee engagement – Diversity – Training and education – Occupational health and safety	– Compliance with laws and regulations – Compliance organization for anti-bribery and anti-corruption including discounts, rebates as well as grants, gifts and entertainment	– Working conditions – Grievance mechanisms – Non-discrimination	– Water – Energy – Greenhouse gas emissions – Waste – Waste water

RELATIONSHIP WITH SUPPLIERS

RESPONSIBILITY FOR PATIENTS

Fresenius Medical Care's vision is to create a future worth living for patients, worldwide, every day. To live up to this vision, we endeavor to improve patients' lives with services and products of an uncompromised quality.

Social responsibility for our patients is one of the most important non-financial aspects of our business. We fulfill this responsibility by attaching particular importance to the quality of care and patient satisfaction, customer health and product safety, as well as the protection of patients' medical information.

QUALITY OF CARE AND PATIENT SATISFACTION

Fresenius Medical Care is committed to providing exceptional clinical care to its patients. To measure the quality of our products and services, we apply different frameworks in our clinics and production facilities. This subsection focuses on the quality management system used in our dialysis clinics. For our quality management system at plant level, please refer to the "Customer health and product safety" section starting on PAGE 89.

As a health care company, we consider patient care to be a social responsibility which we take very seriously. Fresenius Medical Care aims to improve patients' quality of life by offering them high-quality products and services. For this reason, we have set out clear and consistent general principles regarding patient care for all members of staff who interact with patients treated in our own dialysis centers. According to these principles, clinical care must be consistent with national and international scientific guidelines, Fresenius Medical Care's policy and the physician's orders. Among other things, we expect all staff to:

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

QUALITY STANDARDS AND GUIDELINES

To improve the quality of Fresenius Medical Care's dialysis care services, we continuously 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. These include the Kidney Disease: Improving Global Outcomes (KDIGO) foundation, the Kidney Disease Outcome Quality Initiative (KDOQI) and the European Renal Best Practice Guidelines (ERBP), together with industry-specific clinical benchmarks and our own quality targets (SEE TABLE 3.3 ON PAGE 87). In each operating segment, responsibility for this process lies with our Chief Medical Officers (CMOs) and relevant specialist departments. Together they develop and review internal quality policies, standards and guidelines based on the general standards and international guidelines mentioned above. Our specialists use various IT systems and algorithms in line with local requirements to calculate, monitor and review key performance indicators (KPIS) relating to quality. In addition, they use IT-supported systems and processes to assess such data within the scope provided by the standards and guidelines, aiming to continuously improve the quality of patient care at Fresenius Medical Care.

QUALITY PARAMETERS

As a further indicator of our culture of quality improvement, we implement and monitor quality parameters so that the quality of care remains on a consistently high level. As part of this approach, we regularly share aggregated data on the quality of care (SEE TABLE 3.3 ON PAGE 87) as well as our financial results with executives in the individual operating segments as well as with our Management Board. In addition, Fresenius Medical Care publishes selected results of its treatment analyses on a quarterly basis to provide transparency on the quality of patient care and to emphasize Fresenius Medical Care's social responsibility towards its patients.

Fresenius Medical Care uses the following global 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 volume of body space to be cleaned of toxins (the urea distribution volume in the patient, V).
- The hemoglobin value in patients' blood should be kept within a defined range. Hemoglobin is the component of red blood cells that transports oxygen within the human body. An insufficient level of hemoglobin in the blood indicates anemia.

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

In the reporting year, Fresenius Medical Care included the quality parameters of 88 % of its dialysis clinics worldwide in its table of quality parameters by operating segment (2017: 88 %; prior year information on the coverage of dialysis clinics was adjusted to conform to the current year's presentation).

T 3.3 QUALITY PARAMETERS BY OPERATING SEGMENT
RELATING TO THE FOURTH QUARTER OF THE RESPECTIVE YEAR

		Description	Possible impact if too low	North America		Europe, Middle East and Africa		Latin America		Asia-Pacific	
				2018	2017	2018	2017	2018	2017	2018	2017
in %	Kt/V[1] ≥ 1.2	Effectiveness of dialysis: measures how well the body is cleaned of uremic toxins	More days spent in hospital; increased mortality	97	97	95	95	91	93	96	96
	Hemoglobin[2,3,4] = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicator for anemia	72	73	83	83	53	52	58	58
	Calcium[1] = 8.4–10.2 mg/dl			86	85	81	80	75	77	74	75
	Albumin[5] ≥ 3.5 g/dl			81	79	90	88	90	90	89	88
	Phosphate[1,6] ≤ 5.5 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	62	63	81	81	75	76	67	70
	Patients without catheter (after 90 days)[7]	Measures the number of patients with vascular access	More days spent in hospital	83	83	79	80	80	81	86	88
in days	Days in hospital per patient year[8]	Result of complications during dialysis	Restrictions in quality of life	10.2	10.7	7.5	7.7	4.2	4.1	3.3	3.8

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

For reasons of comparability, all data shown in TABLE 3.3 ON PAGE 87 is collected at the same time. As we continuously measure the quality of care we offer our patients, medical data collected at a later point in time as well as lab test results might affect the quality parameters retroactively, requiring us to adjust them at a later stage.

HOLISTIC DIALYSIS CARE FOR PATIENTS WORLDWIDE

Fresenius Medical Care has identified a need for integrated care for patients with advanced renal disease to optimize care transition, 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 as well as 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.

Thanks to our efforts to improve patient care, Fresenius Medical Care North America came top in the industry in the government's Five-Star Quality of Care Rating. In the rating, one to five stars are assigned to facilities based on a series of measurements relating to their clinical performance and patient outcomes. In the 2018 star rating release, Fresenius Medical Care had the highest percentage of clinics rated with four or five stars of all major dialysis providers in the U.S.

As demand for holistic care will continue to rise in the future, our aim is to combine all fields of application related to dialysis and coordinate them more effectively. As part of this approach, a group of dialysis facilities, nephrologists and other health care providers in the North America region are working together to deliver high-quality care that meets the patient's individual needs and preferences. With a focus on the patient, an integrated care team is dedicated to selling solutions, providing holistic care and receiving outcome-based reimbursement rather than offering single products or services. Our commitment to value-based care is demonstrated by our significant participation in the End-Stage Renal Disease (ESRD) Seamless Care Organization (ESCO) program with currently around 39,500 patients participating in the program. The results show improved health outcomes for patients receiving care through ESCOs. This success was validated by an independent report which showed a 6 % decrease in hospitalization rates for patients included in the ESCO program.

PATIENT SATISFACTION

Patient surveys are essential to measure, manage and improve the services and care we offer our patients. Fresenius Medical Care carries out patient surveys in selected countries with the aim of collecting information on patients' experience, finding out where further improvements can be made and in which areas we should expand our services. The survey results are used to identify process improvements and consequently to improve patients' quality of life and the care given to each individual patient.

To improve local responsiveness, responsibility for the patient surveys lies with each region. In the U.S., for example, the state-run public health care authority, the Centers for Medicare & Medicaid Services (CMS), determines the content of patient satisfaction surveys. Our EMEA, Latin America and Asia-Pacific Segments also conduct surveys to measure and improve patient satisfaction. In EMEA and Latin America, the surveys are part of the quality management system. In all three regions, the survey results are analyzed and discussed with central functions at country level to identify and act upon strengths and weaknesses in the area of patient care. For further information on our grievance mechanisms, please refer to the "Responsibility to respect human rights" section starting on PAGE 96.

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 continue providing our patients with their vital dialysis treatment, even in extreme conditions such as severe storms or floods, Fresenius Medical Care has established a system of regionally organized emergency response teams. 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 to our disaster response activity, Fresenius Medical Care donates funds, dialysis machines and medical supplies to organizations that urgently require help. In 2018, our response to the life-threatening conditions caused by Hurricanes Michael and Florence in the U.S. is a good example of Fresenius Medical Care's social responsibility and our strong commitment to our patients. Our Disaster Response Team prepared for the storm well in advance and actively monitored its track so that we could continue caring for our

patients as well as providing support and safety for our employees. Applying best practices from prior seasons, Fresenius Medical Care made sure that all patients and staff were accounted for after the storm and was happy to report only minor damages to the facilities.

As a result of our commitment to our patients and employees, and based on our response to the extreme hurricane season of 2017, we were one of three finalists for the U.S. Chamber of Commerce Foundation's 2018 Corporate Citizenship Awards in the Best Disaster Response and Community Resilience Program category. The Citizenship Awards honor partnerships and organizations that leverage their resources, expertise and talent to make a positive impact.

POLITICAL DIALOGUE AND ENGAGEMENT TO SUSTAIN BEST POSSIBLE CARE

As a company with global operations we are subject to a wide range of regulatory changes and political decisions that impact our business activities. In this context, we consider it our responsibility to represent the interests of our stakeholders, including our patients and employees in an open dialogue with governments, associations, organizations and various groups in society. Our principles for political activities as set forth in our Code of Ethics and Business Conduct form the basis of our political dialogue and engagement in compliance with applicable laws and regulations. In 2018, we participated in public discourse regarding a proposed legislation in three states in the U.S. For further information, please refer to the Group Management Report starting on PAGE 17.

CUSTOMER HEALTH AND PRODUCT SAFETY

For Fresenius Medical Care, customer health and product safety means creating a safe and healthy clinical environment to avoid potential harm caused by our products. The quality and safety of our products and services are the foundation of our business success. This subsection describes our quality management efforts at production level, aiming to constantly improve the quality of products. For a description of the management system in our dialysis clinics, please refer to the "Quality of care and patient satisfaction" section starting on PAGE 86.

Depending on the target market and the country of production, Fresenius Medical Care is subject to different rules and regulations. In the European Union, these include the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH), the Restriction of Hazardous Substances (RoHS) legislation and the Medical Device Directive 93/42/EEC. Furthermore, we continuously strive to meet the requirements of selected relevant standards, including those of the Association for the Advancement of Medical Instrumentation (AAMI), the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). To fulfill our commitment to customer health and product safety while complying with the numerous relevant regulatory requirements, our processes are embedded in comprehensive quality management systems (QMS). These QMS enable all of our products and procedures to comply with quality and safety standards from their development to market approval, manufacturing and use in clinics through to training customers and dealing with complaints.

OUR GLOBAL QUALITY POLICY AND QUALITY MANUALS

To allow us to provide our products and processes with a high quality, Fresenius Medical Care is committed to adhering to its Global Quality Policy, which is a key component of our QMS. The policy reflects our commitment to providing uncompromised product and service quality, while maintaining compliance with relevant regulations. By approving the Global Quality Policy, the heads of the GRD and GMQ functions, who are also members of the Management Board, confirmed their commitment to implementing a harmonized quality management system and maintaining its effectiveness.

Aside from quality policies, quality manuals are a vital framework for describing our quality systems. For this reason, the North America Segment has developed a quality manual to satisfy applicable regulatory requirements and internal policies and procedures. In 2018, the GMQ and GRD functions in EMEA, Latin America and Asia-Pacific have also introduced a quality manual. This manual identifies key policies and procedures, describes corporate oversight responsibilities and includes sub-system policies according to ISO 13485 and ISO 9001 as well as other documents needed by the organization to allow effective process planning, operation and control.

QUALITY MANAGEMENT SYSTEMS AND QUALITY INSPECTIONS

Quality management systems and quality inspections play an important role when it comes to the quality, safety and efficacy of medical and pharmaceutical products and supplies. It is therefore of great importance to Fresenius Medical Care that all plants have successfully passed the annual ISO 13485,

ISO 9001 or Good Manufacturing Practice (GMP) inspections required for recertification.

As regulatory requirements vary around the world, our QMS are managed at a regional or local level. Responsibility always lies with the Head of Quality of the corresponding region. As part of this approach, local sites are subject to management reviews and regular internal quality audits performed by personnel who are not directly involved in the processes. Furthermore, our manufacturing sites in all regions undergo external audits by notified bodies and authorities such as the U.S. Food and Drug Administration (FDA) or the German Ministry of Health. Any cases of non-conformance are forwarded to the respective department to determine and implement appropriate corrective and preventive actions in due time.

As a result of this management concept, all of our sites in North America are GMP-compliant and four out of eight sites are certified according to ISO 13485. In EMEA, all sites coordinated by GMQ are certified according to ISO 9001 and ISO 13485. In Asia-Pacific, three out of eight sites are GMP-compliant. Furthermore, all plants that produce medical devices or pharmaceuticals are certified in accordance with ISO 9001 and/or ISO 13485. In Latin America, one plant is certified in accordance with ISO 13485. Furthermore, all production sites are GMP-compliant and have the applicable certifications required by law to manufacture, import, distribute and export pharmaceutical products and medical devices.

REPORTING ADVERSE EVENTS AND PRODUCT COMPLAINTS

Patient safety is given top priority at Fresenius Medical Care. To continuously improve the quality and safety of its products and services, the Company reviews adverse events and analyzes product complaints. It uses this information to maximize safety in its facilities. Furthermore, we require all staff involved in the relevant tasks to understand, be familiar with, and follow Fresenius Medical Care's policies regarding the reporting of adverse events and product complaints.

PROTECTION OF PATIENTS' MEDICAL INFORMATION

As a company in the health care sector, we are entrusted with sensitive personal data on patients' treatment. We use this data to continuously optimize the quality of care we provide and fulfill our social responsibility towards our patients, as described in the "Quality of care and patient satisfaction" section starting on PAGE 86.

Fresenius Medical Care takes data privacy and security seriously and respects the privacy of all its stakeholders. We are committed to maintaining trust of our stakeholders and protecting patients' medical information. As we highly value quality, honesty and integrity, we use our best efforts to handle patient data with the expected and appropriate care. This includes continuous attention and dedication to the protection of personal data that we process.

We aim to apply adequate and global minimum privacy standards relating to the way we handle patient data at Fresenius Medical Care, and its affiliates, subsidiaries and majority controlled joint ventures. As legal requirements differ throughout the world, we have established the Global Privacy Foundation, which specifies a consistent set of minimum requirements so that personal data is used appropriately throughout its life cycle. While the Global Privacy Foundation creates a baseline requirement for all our affiliates to comply with, Fresenius Medical Care is also committed to adhering to applicable local laws that may impose stricter standards.

Fresenius Medical Care's global privacy program is overseen by its Management Board, which is informed on a bi-annual basis of the program status and any privacy-related issues that need to be addressed. Through the Global Head of Data Protection and Cybersecurity Laws as well as the Global Privacy Team, the Fresenius Medical Care affiliates are guided in order to meet their compliance with the global privacy program. The Global Privacy Team maintains the Global Privacy Foundation by developing policies, procedures and guidelines, planning training and awareness programs, monitoring and reporting on compliance, collecting, investigating and resolving privacy inquiries, concerns and complaints as well as determining and updating appropriate sanctions for violations of these rules. Each Fresenius Medical Care affiliate is accountable for establishing and implementing at the minimum the baseline global privacy program for its operations. They shall, as deemed appropriate, designate resources who are qualified to serve in such capacity by virtue of their background, experience, education, and training.

In 2018, Fresenius Medical Care continued to further develop its global privacy program with a focus on its General Data Protection Regulation (GDPR) readiness program so that our systems, databases and applications meet GDPR requirements.

As expressed in our Code of Ethics and Business Conduct, Fresenius Medical Care is committed to protecting the privacy

of its patients and only uses information collected in accordance with local data protection and privacy rules. Furthermore, Fresenius Medical Care's employees are expected to promptly report lost, stolen or damaged devices owned by the Company or containing Company information. To safeguard the confidentiality of sensitive patient information, all relevant employees of Fresenius Medical Care with access to patient data are instructed to never disclose personal information to any unauthorized persons, either inside or outside the Company, who do not have a legal right of access to this information.

RESPONSIBILITY FOR EMPLOYEES

Fresenius Medical Care's employees work hard to provide products and services of a consistently high quality worldwide. As we depend on skilled staff for our continued growth, we constantly strive to attract, retain and develop qualified employees. Fresenius Medical Care acknowledges its responsibility as an employer to maintain high occupational, health and safety standards.

EMPLOYEES AND EMPLOYMENT STRUCTURE

With 112,658 employees worldwide (full-time equivalents [FTES], 2017: 114,000), Fresenius Medical Care is one of the largest health care providers and the largest vertically integrated dialysis company in the world. The 1 % decrease in the number of employees in 2018 was primarily due to the divestiture of Sound Inpatient Physicians. In Germany, Fresenius Medical Care employed 6,466 employees (FTES) at the end of the reporting year (2017: 6,010 [FTES]), accounting for around 6 % (2017: 5 %) of the total workforce. This underscores the very high degree of internationalization in Fresenius Medical Care. The majority of employees work in the area of production and services (86 %) followed by administrative functions (10 %) – SEE TABLE 3.4.

T 3.4 EMPLOYEES PER FUNCTIONAL AREA
FTES AS A PERCENTAGE OF TOTAL EMPLOYEES PER FUNCTIONAL AREA AS AT DECEMBER 31

	2018	2017
Production and services	86	87
Administration	10	9
Sales and marketing	3	3
Research and development	1	1

To enable 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 2008 and the end of 2018, the number of employees at Fresenius Medical Care increased by 47,992 (FTES), in line with our overall growth. Fresenius Medical Care does all it can to continue being an attractive employer. The global voluntary turnover rate in 2018 was 12.9 % (SEE TABLE 3.5). The fluctuation rate reflects the average for many countries. The increase is mainly due to the growing global competition for medical specialists. We respond to this trend with initiatives such as aligning the corporate value set and introducing comprehensive employee surveys in all regions. These serve to highlight the attractiveness and advantages of Fresenius Medical Care as a globally active employer that improves the lives of patients every day. We will use the surveys to take additional appropriate measures locally, if necessary.

On average, employees stay with Fresenius Medical Care for 7.4 years (SEE TABLE 3.5). The length of service at Fresenius Medical Care thus shows a positive trend and, after evaluating the employee survey, encourages Fresenius Medical Care to identify specific measures at local level in order to further improve this development.

T 3.5 EMPLOYEE RETENTION [1]
SELECTED HR METRICS AS AT DECEMBER 31

	2018	2017
Voluntary turnover rate [2]	12.9 %	12.2 %
Average service length in years [3]	7.4	7.0

[1] Based on country data representing 96 % of Fresenius Medical Care employees. Prior year information was adjusted to reflect the increased scope and to conform to the current year's presentation. Recently acquired entities like Cura in Australia have been excluded.
[2] Calculated as the number of employees who left the organization voluntarily in relation to the number of employees at the end of the year. Based on an internal review of our definitions, we have now excluded events like rehires.
[3] Average length of employment at Fresenius Medical Care.

Fresenius Medical Care brings together a wide range of cultures and skills under one roof. We value the diversity that our employees provide in the form of their qualifications, personal strengths, characteristics, interests, perspectives and ideas. We will continue to promote diversity in the future, emphasizing and embracing it as an asset. Moreover, Fresenius Medical Care does not tolerate discriminatory or any other unlawfully prejudiced behavior, as outlined in the "Responsibility to respect human rights" section starting on PAGE 96.

In 2018, 69 % of employees were women, with the highest proportion in North America (72 %), which is typical for the medical device and health care industry (SEE TABLE 3.6). For further information on gender diversity at top management level, please refer to the Declaration on Corporate Governance starting on PAGE 111.

T 3.6 FEMALE EMPLOYEES
AS A PERCENTAGE OF OVERALL EMPLOYEES AS AT DECEMBER 31

	2018	2017
North America	72	70
EMEA	67	67
Latin America	67	68
Asia-Pacific	65	65
TOTAL	**69**	**69**

The average age of employees in 2018 was 42.1 years. Around 17 % of employees were below 30, the majority of 56 % were between 30 and 49 years old and 27 % of employees were 50 years and older (SEE TABLE 3.7). This distribution reflects a high proportion of skilled and experienced employees as required in many areas of work in our industry.

T 3.7 DEMOGRAPHIC OVERVIEW [1]
AVERAGE AGE OF EMPLOYEES AS AT DECEMBER 31

	2018	2017
Average age in years	42.1	41.7
Share of employees under 30	17 %	18 %
Share of employees between 30 and 49	56 %	56 %
Share of employees 50+	27 %	26 %

[1] Based on country data representing 96 % of Fresenius Medical Care employees. Prior year information was adjusted to reflect the increased scope and to conform to the current year's presentation. Recently acquired entities like Cura in Australia have been excluded.

GLOBAL PEOPLE STRATEGY

Fresenius Medical Care's Human Resources (HR) function provides and manages the necessary frameworks, policies and processes to enable our employees to contribute to our success and growth. HR is organized 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 CEO. Regional and divisional HR functions work closely with local HR representatives, employees and managers to adapt this strategy to regional and functional requirements, and allow us to provide HR services of a high quality on a daily basis.

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

The Global People Strategy rests on three pillars (SEE CHART 3.8 ON PAGE 93). These enable Fresenius Medical Care's continued success, driven by our purpose, values and commitment to our patients and employees.

1) **Driving culture that attracts, engages, and retains our employees.** 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. We aim to further boost the commitment of our employees by expanding our employee engagement activities on a global scale. To create a better common basis, Fresenius Medical Care has harmonized its approach to employee surveys worldwide to determine and evaluate employee commitment and obtain feedback in a more comparable way. In 2018, the North America region was the first to implement the new employee engagement survey.

   To provide employees with a consistent reference framework regarding our culture, Fresenius Medical Care has aligned its core values globally and launched campaigns to communicate and foster their application throughout the Company. The new harmonized global value set – "Collaborative", "Proactive", "Reliable" and "Excellent" – is anchored in our motto: "Creating a future worth living. For patients. Worldwide. Every day." The roll-out of the globally harmonized values will be completed in 2019. In

the next step, we will revise and update our internal training material as well as our Code of Ethics and Business Conduct.

2) **Managing talent to provide skills and resources today and in the future.** Lifelong learning and education as well as personal and professional development are crucial elements of employee motivation and prerequisites for a successful career. In addition, they are critical for giving us a competitive edge. Fresenius Medical Care invests in its employees and provides them with attractive development opportunities, taking their roles and individual strengths into consideration. This is reflected in various local, regional and global development programs. For instance, in the reporting year, we developed and started to implement a global leadership development program for the top 400 leaders, built around specified leadership expectations. Fresenius Medical Care also runs the Clinical Advancement Program (CAP), a development program designed specifically for state-registered nurses in the U.S. and the new FAME program with a focus on providing management essentials in the Asia-Pacific region. Another aspect of this investment is the use of online training, which is available in all countries in which Fresenius Medical Care employs staff.

To further boost our global talent management, we continued to refine the process for regularly reviewing leadership talent and succession planning and expanded our scope, including a focus on female talent. The results support managers and HR colleagues in recognizing and delivering "best-fit" solutions in the future; they are the basis for identifying, promoting and developing future leaders at Fresenius Medical Care.

3) **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 and organize itself accordingly. 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 hand, 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. For example, we regularly bring together senior managers on a global, regional and functional level to discuss our future strategy and priorities. In addition, Fresenius Medical Care defines cross-functional targets in various business areas to encourage employees to set aligned priorities for their projects. Furthermore, the Company continues to work on digitizing its HR processes to enable HR services of a consistently high quality in future. This is complemented by the application of software solutions to carry out HR-related analyses that provide insights for well-informed decisions with regard to the organization.

C 3.8 **THE THREE PILLARS OF THE GLOBAL PEOPLE STRATEGY**

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT

Fresenius Medical Care is committed to giving top priority to occupational health and safety (OHS) management and to providing a healthy and productive workplace for its employees and business partners. To this end, we promote a safe and secure work environment to prevent harm.

We aim 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, and
› implementing corrective actions, as appropriate.

As part of this concept, we have introduced KPIs for occupational health and safety to our production sites and our dialysis clinics to provide information, as required by government authorities. To further strengthen and harmonize our management concepts and KPIs in this context, we launched an occupational health and safety initiative in 2018 as part of our global sustainability program.

At Fresenius Medical Care, the topic of occupational health and safety is managed locally, allowing us to meet local and regional legislative requirements. In many countries, medical facilities are obliged to fulfill country-specific occupational health and safety requirements to achieve certification. In North America, operational activities related to occupational health and safety are monitored and evaluated by a specialized department. This function also assesses external regulatory and legal requirements and incorporates them into our internal policies and guidelines together with regional and local management. 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 the regulations of the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency as well as state and local statutes.

In the EMEA region, we have established an Environmental Health & Safety (EHS) Basic System that focuses on compliance and risk control in connection with environmental and employee matters. The EHS Basic System applies to all operational units within the Integrated Management System (IMS) that have a certified quality management system in place. Aside from the EHS Basic System, all operational units in EMEA are required to file an annual declaration of responsible management confirming their compliance with environmental and occupational health and safety regulations (Declaration of EHS Compliance). Our occupational health and safety procedures in the EMEA region are bundled in a central management system for occupational health and safety based on the British Standards for Occupational Health and Safety Assessment Series 18001 (BS OHSAS 18001), which is incorporated into our IMS. As a result, we conduct internal reviews and audits as part of our regional QMS to monitor compliance with occupational health and safety policies and procedures in the dialysis care business.

In Latin America, we have established occupational health and safety management systems under local responsibility. In our GMQ-managed production sites dedicated functions like work safety officers or EHS officers are responsible for introducing OHS guidelines, policies and procedures in accordance with local regulations. These functions record and report work-related injuries to local authorities, the local OHS committee or local management. Our dialysis care business in Latin America has introduced OHS guidelines, policies or procedures in accordance with local regulations. All of these sites are subject to regular internal reviews as well as external audits from government agencies or national regulatory bodies.

In Asia-Pacific, occupational health and safety management in our production sites is under local responsibility. All production sites have dedicated personnel including OHS Committees, HR or EHS departments responsible for overseeing the application of OHS laws and regulations. As part of this management approach, our production sites have established OHS guidelines, policies or procedures in accordance with the applicable local regulations. In the provider business, the clinical quality team has introduced a risk management system that covers occupational health and safety aspects. This includes infection prevention and control, medication management, the safe use of sharps and disposables as well as other clinical quality tools. We provide a clinical framework including guidelines, standards, operating procedures and policies. To monitor compliance with the clinical framework as well as country, state and federal legislation, we regularly perform internal clinical quality audits.

OUR APPROACH TO ANTI-BRIBERY AND ANTI-CORRUPTION

Our efforts to help patients around the world to lead a better life by offering high-quality products and services are based on our commitment to our core values: Collaborative, Proactive, Reliable, Excellent. 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 Fresenius Medical Care's work and business relationships with its patients, customers, business partners, public authorities, investors and the general public, as well as with its employees.

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

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

ABC COMPLIANCE ORGANIZATION

Fresenius Medical Care has appointed a global Chief Compliance Officer who is responsible for the worldwide compliance organization with respect to 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 our ABC Compliance Program to the Audit and Corporate Governance Committee of the Supervisory Board of Fresenius Medical Care.

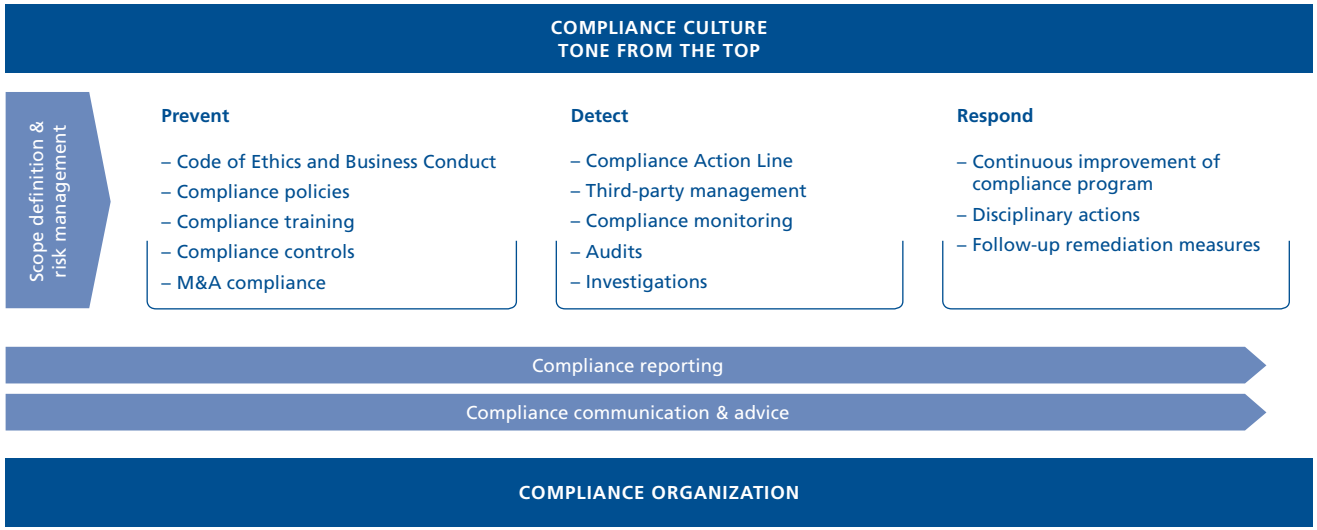
The mission of Fresenius Medical Care's ABC Compliance Organization is to empower the organization to:

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

ABC COMPLIANCE PROGRAM

By complying with laws as well as our values and rules, our employees contribute to the perception of Fresenius Medical Care 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.

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



The ABC Compliance Program includes a training program, compliance policies and procedures including corrective action for failure to follow policies, provisions for anonymous reporting of suspected violations of applicable laws or company policies, and internal monitoring and reviews of Fresenius Medical Care's compliance procedures. The ABC Compliance Program is risk-based and rests on three pillars (SEE CHART 3.9 ON PAGE 95):

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

The ABC Compliance Program is continuously being improved. When 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, reimbursement 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.

In 2018, Fresenius Medical Care continued to implement enhancements to its ABC Compliance Program and continued to conduct ABC compliance training for its 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.

RESPONSIBILITY TO RESPECT HUMAN RIGHTS

As a global health care company, we continuously work to save lives, promote health and improve the quality of life of our patients. With our products and services, we improve access to good and affordable health care in many countries. To us, human rights are an integral part of our corporate responsibility.

To fulfill its responsibility as a health care company, Fresenius Medical Care is committed to respecting human rights in its operations and complying with the laws of the countries in which it does business. Further relevant commitments towards our patients and employees are embedded in our Code of Ethics and Business Conduct.

Based on the materiality analysis conducted by the Company, Fresenius Medical Care considers three human rights aspects to be particularly relevant to its business model:

- Fresenius Medical Care is committed to providing all employees and business partners with fair and safe working conditions. We give top priority to employee protection, as outlined in the "Occupational health and safety management" section starting on PAGE 93.

  We respect the freedom of association and the recognition of the right to collective bargaining. Our employees can join labor unions, seek representation and engage in collective bargaining in accordance with local laws.

  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. We do not tolerate any form of discrimination or harassment based on, in particular, gender, race, ethnic origin, skin color, nationality or national origin, religion or belief, age, marital status, citizenship, disability, sexual orientation, veteran status or any other unlawful discriminatory consideration.

  We strive to provide a work environment free from all forms of discrimination, harassment – including verbal, physical or sexual harassment – violence or any other form of intimidation from and against supervisors, co-workers, employees, vendors, consultants, visitors, patients or customers in connection with our business.

› Fresenius Medical Care recognizes the importance of open communication and aims to create an environment where patients and employees can report grievances. Grievance letter boxes, hotlines as well as patient surveys are available in many of Fresenius Medical Care's clinics and help us to improve our systems and processes.

The Code of Ethics and Business Conduct and the underlying corporate values include our commitment to respect human rights and to treat all patients and employees with dignity and respect. Fresenius Medical Care also encourages its suppliers and business partners to share this commitment, as outlined in detail in the "Relationship with suppliers" section starting on PAGE 99.

RESPONSIBILITY FOR THE ENVIRONMENT

As a global player in the health care sector, our responsibility extends beyond our business operations. We are committed to achieving environmental improvements throughout the entire life cycle of our products and to reducing the impact of our operations on the environment.

At Fresenius Medical Care, we actively reduce the environmental impact from our operations by monitoring and continuously improving our environmental performance, using resources as efficiently as possible, and seeking to leverage the advantages of new technology. Internationally agreed standards such as ISO 14001 help us to take a strategic approach to improving our environmental performance.

ENVIRONMENTAL MANAGEMENT AT FRESENIUS MEDICAL CARE

Environmental management at Fresenius Medical Care includes management of water, waste water, energy, waste as well as greenhouse gas emissions. These topics are the focus of our environmental management activities. We aim to achieve environmental improvements along the entire life cycle of our products and reduce negative environmental impacts and risks for our patients and employees.

We are subject to a broad range of federal, state and local laws and regulations relating to the protection of the environment. These laws regulate, among other things, the discharge of substances into the environment, the handling and disposal of waste and waste water and the remediation of contaminated sites. As we operate in highly regulated markets, we have established management structures in line with our decentralized structure to comply with applicable laws and regulations.

In North America, environmental management is established at regional level. As part of this approach, we constantly monitor national and international regulations relating to environmental, chemical and occupational health and safety issues so that our internal policies, guidelines and SOPS are up-to-date. For the purpose of compliance with applicable laws and internal guidelines, manufacturing sites, distribution centers and laboratories are subject to regular audits by our Corporate Audit team. Furthermore, we regularly analyze energy, water and waste and review them to reduce consumption and improve efficiency in all our facilities. 91 % of our dialysis clinics in the U.S. are covered by this approach.

In the EMEA Segment, environmental management is part of Fresenius Medical Care's Integrated Management System (IMS). Its aim is to systematically reduce and control risks associated with environmental protection, comply with applicable legislation and meet the expectations of our customers and patients. Since our environmental certification strategy is focused on but not limited to production sites with high consumption levels, eight of our largest production sites in the EMEA Segment are certified according to ISO 14001. Two of these production sites are also certified according to ISO 50001. In addition, almost 50 % of our dialysis clinics are certified according to ISO 14001. Compliance with ISO standards is regularly reviewed by internal and external experts.

At present, more than 70 % of our clinics in the EMEA Segment use the integrated software solution e-con5 for eco-controlling. This software is designed to monitor and reduce energy, water and waste while improving the quality and consistency of environmental data. In the years to come, we intend to continuously increase the proportion of clinics using e-con5. For further information on our Environmental Health & Safety (EHS) Basic System and the Declaration of EHS Compliance, please refer to the "Occupational health and safety management" section starting on PAGE 93.

In Latin America, we have implemented an environmental management program to control and improve our environmental performance in terms of energy, water and waste in

our dialysis clinics. More than 92 % of our clinics are covered by the integrated software solution e-con5 for eco-controlling. The environmental data is reviewed on a regular basis to control developments as well as target achievements and define measurements and activities for improvement.

ENVIRONMENTAL DATA

To enable us to use resources as efficiently as possible, each region collects environmental data. This data is analyzed with the aim of reducing consumption and improving efficiency. In 2018, the Corporate Sustainability Office started to collate and review this data on a quarterly basis to manage the issue at global level.

Fresenius Medical Care monitors and reports data on the following environmental topics including dialysis services and manufacturing at global level:

› water consumption,
› energy consumption and
› greenhouse gas emissions (Scope 1 and 2).

In 2018, Fresenius Medical Care used 42 M m^3 of water and 2.4 M MWh of energy, resulting in 218 K tons of scope 1 and 548 K tons of scope 2 CO_2 equivalents worldwide. The figures include data on energy and water consumption provided by GMQ-coordinated manufacturing sites as well as data on electricity and water consumption from our dialysis centers. Greenhouse gases are calculated based on energy data. Due to the timing of this publication and the availability of data sources such as energy or water bills, we have performed a limited number of extrapolations to complete the data set for this reporting year.

ENVIRONMENTALLY SOUND AND EFFICIENT OPERATIONS IN GMQ AND GRD

Our corporate GMQ function encourages local sustainability projects as part of our Green & Lean initiatives with the aim of continuously improving Fresenius Medical Care's environmental performance and incorporating environmental management best practices into our business operations. This means that each plant is responsible for defining, planning and implementing environmental initiatives.

Green & Lean reporting enables best practices to be shared between plants with a view to reducing emissions, promoting the responsible and efficient use of natural resources as well as recycling waste and waste water. The key objectives of the initiatives are compliance with applicable environmental regulations, managing and reducing environmental risks and implementing environmentally sustainable operations. In 2018, our Green & Lean initiatives included the conversion to LED lighting in our warehouses and production areas, waste water heat recovery, the replacement of production chillers and boilers to adapt to environmental conditions and the increased use of solar power. We also saved water and waste water by implementing and optimizing reverse osmosis systems, autoclaves and purification systems. Furthermore, we improved our production processes and recycling activities and were consequently able to reduce waste produced at our manufacturing sites.

Our commitment to using natural resources efficiently is also part of the environmental policy set out by our GMQ function in EMEA and Latin America as well as by GRD. In this policy, we pledge to minimize the impact of our activities on the environment, comply with applicable laws and regulations and provide safe and healthy working conditions for all employees. Using natural resources efficiently, preventing environmental pollution, recycling waste efficiently, and enhancing our environmental performance are core elements of our efforts to continually improve our environmental management system.

REDUCING ENVIRONMENTAL IMPACT ALONG THE PRODUCT LIFE CYCLE

At Fresenius Medical Care, innovations and new technologies help us to reduce our impact on the environment and the use of resources. Most of the water utilized by Fresenius Medical Care is needed to produce dialysate during life-saving dialysis treatment in our dialysis centers around the world. The amount of dialysate and consequently the amount of water required per dialysis treatment is determined by a variety of factors including the blood flow rate, the selected dialyzer and the treatment method, most of which are the direct responsibility of the physician.

In its efforts to save resources, it is of utmost importance to Fresenius Medical Care that resource efficiency does not compromise the quality of care or product quality. With our latest machine generations, the 5008 and 6008 series, we have developed a dialysis machine that supports patient safety while at the same time being eco-friendly by automatically adjusting the dialysate flow to the effective blood flow. This allows us to save substantial amounts of dialysate, water and energy while maintaining a constant dialysis quality. We are continuously increasing sales of these machines worldwide. In 2018, more than one in five dialysis machines we produced belonged to one of these resource-friendly machine generations.

With the aim of reducing our environmental impact, we take a life-cycle approach that takes into consideration all significant environmental impacts along the entire product life cycle. To this end, we have established a simplified, lean product life cycle assessment (Screening LCA) as part of our EMEA environment, health and safety program. Based on international guidelines, we calculate the environmental impact caused during the different stages of a product's life cycle in order to meet the requirements of ISO 14001 and IEC 60601-1-9. Our Screening LCA covers the majority of our active medical device product lines.

RELATIONSHIP WITH SUPPLIERS

We believe that our commitment to sustainability needs to be reflected in our procurement practices. Therefore, we expect our suppliers to comply with our Sustainability Principles along their own supply chain and establish adequate procedures for this purpose.

As both a manufacturer of dialysis products and a provider of health care services, we work with suppliers, service providers and partners, who all contribute to Fresenius Medical Care's sustainable growth and business success. Based on our corporate strategy, we benefit from the advantages gained from covering the entire value chain. A high degree of vertical integration allows us to offer products with uncompromised quality from the raw material to the finished product.

To further strengthen and harmonize our commitment to sustainable procurement practices, we have launched an initiative to promote sustainable supply as part of our global sustainability program. To this end, we have set up a global, cross-functional working group with a focus on supplier relationship management and risk management within our supply chain as well as a sustainable supply strategy.

SUSTAINABILITY PRINCIPLES AND 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. Moreover, the GMQ Procurement function at Fresenius Medical Care manages demand for materials and services at our production sites around the globe so that they are delivered in the required quality, at the right time and at the best cost.

GMQ Procurement is a centrally managed matrix organization with global leadership. Its task is to align strategies within the regional and local units of North America, EMEA, Latin America and Asia-Pacific. This enables global coordination and governance while retaining local responsibility for implementation.

As the connecting interface between supply markets and internal demands, GMQ Procurement has drafted the Sustainability Principles, a standard document that describes Fresenius Medical Care's minimum expectations of its suppliers in the areas of environmental management, human rights, occupational health and safety as well as compliance with applicable laws and regulations. The Sustainability Principles take international standards into consideration.

In detail, the Sustainability Principles comprise the following aspects:

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

Where applicable local laws impose stricter requirements than those provided by the Sustainability Principles, the stricter standard applies.

The Sustainability Principles are part of Fresenius Medical Care's standard operating procedures (SOPS) in EMEA, Latin America and Asia-Pacific, forming an integral part of our supplier contracts along with contract specifications, our general terms and conditions as well as any supplementary information.

ASSESSING SUPPLIERS' COMPLIANCE

Fresenius Medical Care is committed to ethical, sustainable and socially responsible procurement. We care about the way our suppliers do business. Therefore, before doing any kind of business, we screen all potential business partners for inclusion in sanctions lists. This is repeated before we enter into any transaction with them. Screening is in line with applicable sanctions regulations, including but not limited to sanctions laws imposed by the United Nations Security Council as well as the sanctions laws and regulations of the United States and the European Union. In North America, suppliers are screened to determine whether they are included in the Office of Inspector General's (OIG) List of Excluded Individuals/Entities (LEIE).

In addition to the screening of sanctions lists, Fresenius Medical Care may ask its suppliers to self-assess their compliance with our Sustainability Principles. To obtain an objective evaluation of the supplier's processes, the Company may also request a third-party assessment as well as documented evidence to confirm compliance with the Sustainability Principles. In accordance with these principles, Fresenius Medical Care is entitled to conduct on-site inspections to verify the information provided. As a rule, these on-site inspections can either be conducted by employees of Fresenius Medical Care or by independent auditors. In addition, on-site audits are also regularly conducted by independent certification bodies including the U.S. Food and Drug Administration (FDA) and the China Food and Drug Administration (CFDA).

LIMITED ASSURANCE REPORT OF THE INDEPENDENT AUDITOR REGARDING THE SEPARATE NON-FINANCIAL GROUP REPORT [1]

To the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale

We have performed an independent limited assurance engagement on the separate Non-Financial Group Report, (further Non-Financial Group Report), of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale (further Fresenius Medical Care) according to §§ 315b, 315c in connection with 289c to 289e of the German Commercial Code (HGB) for the period from January 1 to December 31, 2018.

MANAGEMENT'S RESPONSIBILITY

The legal representatives of Fresenius Medical Care are responsible for the preparation of the Non-Financial Group Report in accordance with §§ 315b, 315c in connection with 289c to 289e HGB.

This responsibility of the legal representatives includes the selection and application of appropriate methods to prepare the Non-Financial Group Report and the use of assumptions and estimates for individual disclosures which are reasonable under the given circumstances. Furthermore, this responsibility includes designing, implementing and maintaining systems and processes relevant for the preparation of the Non-Financial Group Report in a way that is free of – intended or unintended – material misstatements.

INDEPENDENCE AND QUALITY ASSURANCE ON THE PART OF THE AUDITING FIRM

We are independent from the Company in accordance with the requirements of independence and quality assurance set out in legal provisions and professional pronouncements and have fulfilled our additional professional obligations in accordance with these requirements.

Our audit firm applies the legal provisions and professional pronouncements for quality assurance, in particular the Professional Code for German Public Auditors and Chartered Accountants (in Germany) and the quality assurance standard of the German Institute of Public Auditors (Institut der Wirtschaftsprüfer, IDW) regarding quality assurance requirements in audit practice (IDW QS 1).

PRACTITIONER'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Non-Financial Group Report based on our work performed within our limited assurance engagement.

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised): "Assurance Engagements other than Audits or Reviews of Historical Financial Information" published by IAASB. This standard requires that we plan and perform the assurance engagement to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Non-Financial Group Report, has not been prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB. We do not, however, issue a separate conclusion for each disclosure. In a limited assurance engagement the evidence gathering procedures are more limited than in a reasonable assurance engagement and therefore significantly less assurance is obtained than in a reasonable assurance engagement. The choice of audit procedures is subject to the auditor's own judgement.

[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.

Within the scope of our engagement, we performed amongst others the following procedures:

- inquiries of personnel of the Corporate Sustainability Office who are responsible for the materiality analysis to get an understanding of the process for identifying material topics and respective report boundaries for Fresenius Medical Care,
- a risk analysis, including a media research, to identify relevant information on Fresenius Medical Care's sustainability performance in the reporting period,
- evaluation of the design and implementation of the systems and processes for the collection, processing and control of disclosure on environmental, employee and social matters, 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 Lyon site of Fresenius Medical Care SMAD S.A.S., Savigny (France),
- assessment of the overall presentation of the disclosures.

CONCLUSION

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Group Report of Fresenius Medical Care for the period from January 1 to December 31, 2018 is not prepared, in all material respects, in accordance with §§ 315b and 315c in conjunction with 289c to 289e HGB.

RESTRICTION OF USE / CLAUSE ON GENERAL ENGAGEMENT TERMS

This assurance report is issued for purposes of the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale, only. We assume no responsibility with regard to any third parties.

Our assignment for the Supervisory Board of Fresenius Medical Care AG & CO. KGAA, Hof an der Saale, and professional liability is governed by the General Engagement Terms for Wirtschaftsprüfer and Wirtschaftsprüfungsgesellschaften (Allgemeine Auftragsbedingungen für Wirtschaftsprüfer und Wirtschaftsprüfungsgesellschaften) in the version dated January 1, 2017 (https://www.kpmg.de/bescheinigungen/lib/aab_english.pdf). By reading and using the information contained in this assurance report, each recipient confirms notice of provisions of the General Engagement Terms (including the limitation of our liability for negligence to €4 M as stipulated in No. 9) and accepts the validity of the General Engagement Terms with respect to us.

Frankfurt am Main, February 19, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

HELL
Wirtschaftsprüfer
[German Public Auditor]

GLÖCKNER
Wirtschaftsprüfer
[German Public Auditor]

CORPORATE GOVERNANCE

REPORT BY THE SUPERVISORY BOARD

The past fiscal year was a challenging year for Fresenius Medical Care, in which several developments had a negative impact on the business results and in which the business developments lagged behind the Company's expectations. These included the overall weaker than expected performance of health care services in North America and difficult economic conditions in certain emerging markets. As a consequence, the record results achieved in the previous fiscal year 2017 could not be surpassed again as projected, despite good results yet again. Fresenius Medical Care has already identified suitable measures to promote further sustainable, profitable growth for the Company and has begun to implement them. This also includes various investments, such as the expansion of the infrastructure for home dialysis in the U.S., which will be possible in the course of the takeover of NxStage Medical, Inc., as well as further investments in future growth markets in the product and service business, for example in China.

Significant events concerning the organization and composition of the management board of the General Partner, Fresenius Medical Care Management AG, (hereinafter the "Management Board") or the Supervisory Board of Fresenius Medical Care AG & Co. KGaA (hereinafter the "Company") were, inter alia:

› New appointment to the Management Board EMEA
Dr. Katarzyna Mazur-Hofsäß has been appointed as member of the Management Board of the General Partner with responsibility for the Europe, Middle East and Africa (EMEA) region with effect from September 1, 2018. She is a trained physician with over 25 years of experience in the medical and pharmaceutical sectors. In the last five years prior to her appointment, she was a member of the management for the EMEA region of the medical technology company Zimmer Biomet Holdings, Inc.

› Succession in the chairmanship and the vice chairmanship of the Supervisory Board
In the past fiscal year, the Supervisory Board elected Dr. Dieter Schenk in succession to Dr. Gerd Krick, who resigned from his position as member and Chairman of the Supervisory Board following the Annual General Meeting 2018, to the new Chairman of the Supervisory Board, and Mr. Rolf A. Classon in succession to Dr. Schenk as the new Vice Chairman of the Supervisory Board.

› Replacement to the Supervisory Board
In light of Dr. Krick's resignation from the Supervisory Board, Professor Dr. Gregor Zünd was appointed by court as a member of the Supervisory Board. The appointment was made in accordance with the profile of skills and expertise that the Supervisory Board resolved for its composition in accordance with the German Corporate Governance Code. The Supervisory Board resolved to propose to the Annual General Meeting on May 16, 2019 that Professor Dr. Zünd be elected as a member of the Supervisory Board for the period until the Annual General Meeting 2021.

The Supervisory Board also in the past fiscal year observed all duties imposed on it by law, the Articles of Association and the Rules of Procedure. In this context it also took into account the recommendations of the German Corporate Governance Code. The Supervisory Board supervised the General Partner, Fresenius Medical Care Management AG, within its responsibility and regularly advised the Management Board. The members of the Supervisory Board in their entirety are familiar with the sectors in which Fresenius Medical Care operates.

All relevant questions of the business policy, the Company's planning and the strategy were subject to the deliberations of the Supervisory Board. Reports of the Management Board on the progress of the business, the profitability and liquidity as well as on the situation and perspectives of the Company and the Group formed the basis for the work of the Supervisory Board. Further topics were the risk situation and risk management. Additional items on the agenda were discussions on acquisition and investment projects. These as well as also all further significant business events were comprehensively discussed by the Supervisory Board and its committees. Furthermore, the Supervisory Board also in the past year reviewed the development of the acquisitions of the previous years. Key benchmarks for this review were, inter alia, the planning and projections at the time of each respective transaction. The Supervisory Board passed resolutions within its competencies according to law and the Articles of Association.

MEETINGS

In the past fiscal year, five meetings of the Supervisory Board, some of which lasted several days, as well as several telephone conferences, took place. 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 105 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 it. Between meetings, the Management Board reported to the Supervisory Board in writing. During the meetings, the Management Board also informed the Supervisory Board verbally. In addition, the Supervisory Board also last year was in contact with members of the senior management level. The members of the Management Board were further available to the Supervisory Board for follow-up queries. The Chairman of the Supervisory Board – until May 17, 2018 in person of Dr. Krick, thereafter in person of Dr. Schenk – maintained continuous contact with the Management Board outside the meetings, in particular with the Chairman of the Management Board. In case of important occasions or events, the Chairman of the Management Board promptly informed the Chairman of the Supervisory Board. In such cases, the Chairman of the Supervisory Board subsequently informed the other members of the Supervisory Board in the next meeting at the latest. During the entire fiscal year, the Chairman of the Supervisory Board also was in close contact with the other members of the Supervisory Board.

T 4.1 PARTICIPATION OF MEMBERS OF THE SUPERVISORY BOARD IN MEETINGS AND TELEPHONE CONFERENCES IN 2018

	Supervisory Board	Audit and Corporate Governance Committee	Nomination Committee	Joint Committee
Rolf A. Classon (since November 30, 2018 Vice Chairman of the Supervisory Board)	5/5	10/10	7/7	0/0
William P. Johnston	5/5	10/10	–	0/0
Dr. Gerd Krick (until May 17, 2018 Chairman and member of the Supervisory Board)	3/3	5/5	0/0	0/0[1]
Deborah Doyle McWhinney (resigned as member of the Supervisory Board effective November 1, 2018)	4/4	7/9	–	–
Dr. Dieter Schenk (since May 17, 2018 Chairman of the Supervisory Board, prior to that Vice Chairman of the Supervisory Board)	5/5	–	7/7	–
Pascale Witz	4/5	–	–	–
Prof. Dr. Gregor Zünd (since October 29, 2018 member of the Supervisory Board)	1/1	–	–	–

[1] On behalf of the General Partner.

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 to grow strongly in the core business with dialysis products und the treatment of dialysis patients. Key elements for this are the recently completed acquisition of NxStage Medical, Inc. and the strategic global partnership entered into in the past fiscal year with the U.S. medical company Humacyte, Inc. which, after regulatory approval, makes it possible to market the human acellular vessel HUMACYL developed by Humacyte exclusively and worldwide. In addition, the Company made several acquisitions in the past fiscal year, primarily in China, where it acquired interests in various renal and dialysis center operators. These acquisitions are also important strategic steps in the business development of Fresenius Medical Care.

Fresenius Medical Care in the past fiscal year sold the majority stake in Sound Inpatient Physicians Holdings, LLC in light of the strategic development of its own offerings in the Care Coordination business area in the U.S.

The business development, the competitive situation and the Management Board's planning in the individual regions and functions were also at the centre of the Supervisory Board's discussions. Another focus of the discussions and consultations were several extensive investment projects, inter alia for the construction of a new production line in the production

facility located in Ogden, U.S., for the product freeflux of Fresenius Kabi. In joint consultations with the Management Board, the development of the production quantities and their expansion were discussed. In the past year, the Supervisory Board also informed itself about the quality assurance systems and about the results of the product quality testing in the production facilities.

In the past fiscal year, the Supervisory Board again discussed the development of cost reimbursement in the various health care systems, in particular in the U.S. With a view to the continued aim of increasing efficiency and the corresponding measures taken by the management already in previous years, the Supervisory Board also informed itself also in the last year about the success of the measures taken to improve the cost situation.

A bond with a volume of EUR 500 M was successfully issued in the year under review.

The Supervisory Board was regularly informed about the Company's compliance. Findings of the internal audit department were also taken into account. In particular, the Supervisory Board has informed itself intensively and on an ongoing basis about the negotiations with the U.S. Department of Justice and the U.S. Securities and Exchange Commission (SEC) concerning alleged violations of provisions of the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-corruption laws.

The Supervisory Board also dealt with its own composition and organisation. Dr. Schenk was elected as the new Chairman of the Supervisory Board in succession to Dr. Krick, and Mr. Classon was elected as the new Vice Chairman of the Supervisory Board in succession to Dr. Schenk. In accordance with the profile of skills and expertise to be taken into account for its composition in accordance with the German Corporate Governance Code, the Supervisory Board has further decided that Professor Dr. Zünd shall be proposed to the competent court in succession to Dr. Krick as a member of the Supervisory Board of the Company.

The Supervisory Board has formed committees from among its members that support the Supervisory Board as a whole in its supervisory and advisory functions. The respective chairmen have regularly reported to the Supervisory Board on the work of the committees. Details of the composition of the Supervisory Board's committees can be found in the Declaration on Corporate Governance which can be found on PAGES 111 ET SEQQ.

AUDIT AND CORPORATE GOVERNANCE COMMITTEE

The Audit and Corporate Governance Committee convened four times in the past fiscal year. In addition, six 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 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 audit engagement for the report according to Form 20-F, which comprises the consolidated financial statements according to the International Financial Reporting Standards (IFRS), was issued by the committee. The committee further negotiated the fee agreement with the auditor. Key audit matters of the past fiscal year were the recoverability of the carrying amount of goodwill and of long-term financial assets, the measurement of tax provisions and of the provision relating to the FCPA investigations, and the divestiture of the stake in Sound Inpatient Physicians Holdings, LLC.

Furthermore, already in the last year and in accordance with the provisions of Regulation (EU) No 537/2014 of the European Parliament and of the Council of April 16, 2014 ("EU Auditor Regulation"), the Audit and Corporate Governance Committee initiated a tender procedure for the audit of the financial statements for the fiscal year 2020 and subsequent fiscal years. On this basis, and in line with the committee's preference, the Supervisory Board has resolved to propose PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft to the Annual General Meeting 2020 as the auditor for fiscal year 2020 and to the Annual General Meeting 2019 as auditor for the potential review of interim financial information for fiscal year 2020 that is prepared prior to the Annual General Meeting 2020. The committee declared that its recommendation was free from undue influence by third parties and that it had not been imposed with a clause restricting the selection options within the meaning of Art. 16 para. 6 of the EU Auditor Regulation.

Representatives of the auditor participated in all meetings and telephone conferences of the committee and informed the members of the committee of their auditing activities. In addition, they provided information on any significant results of their audit and were available for additional information. In the absence of the members of the Management Board, they reported on the cooperation with them.

The Audit and Corporate Governance Committee dealt with the supervision of the accounting and its process, with the effectiveness of the internal control system, the risk management system, the internal audit system, the audit and compliance. With respect to the Company's compliance, the committee accompanied, inter alia, the already in the past fiscal year substantially concluded review triggered by the alleged violations of provisions of the FCPA. In this context, the committee also dealt with the provision recorded for this purpose as well as a review of the internal control system. In the course of its audit, the auditor audited the internal control and risk management system in relation to the financial reporting as well as the early risk recognition system. The audit showed that the General Partner has appropriately implemented the measures required under Sec. 91 para. 2 of the German Stock Corporation Act, in particular regarding the establishment of a monitoring system, and that the monitoring system is suitable for the early identification of developments that may affect the Company's ability to continue as a going concern. With a view to the internal control system over financial reporting and the implementation of the relevant provisions of the Sarbanes-Oxley Act it granted an unqualified audit opinion on February 20, 2019. 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 Audit and Corporate Governance Committee has regularly reported to the Supervisory Board on the results of the discussions and resolutions in the committee.

With a view to the resignation of Dr. Krick and Ms. Deborah Doyle McWhinney from the Supervisory Board of the Company and, at the same time, from the Audit and Corporate Governance Committee, the Supervisory Board in its meeting of February 11, 2019 resolved to appoint Ms. Pascale Witz as an additional member to the Committee.

NOMINATION COMMITTEE

The Nomination Committee prepares candidate proposals and proposes to the Supervisory Board of the Company suitable candidates for its election proposals to the General Meeting. In the past fiscal year, the Nomination Committee convened seven times, also by telephone conferences, to identify suitable candidates for the succession to Dr. Krick and Ms. McWhinney and for proposal to the Supervisory Board.

The Nomination Committee has proceeded well in identifying suitable candidates for the succession to Ms. McWhinney and is already in talks with individual candidates. After completing its preparations, the Nomination Committee will submit its proposal to the Supervisory Board. The Supervisory Board intends to propose to the Annual General Meeting in succession to Ms. McWhinney again a female member or, if such a proposal is not possible before the expiration of the relevant period, to propose to the competent court a female member for appointment as a member of the Supervisory Board of the Company.

JOINT COMMITTEE

The Company has a Joint Committee which 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 no meeting was 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. Classon, Johnston, Dr. Krick (Chairman and member of the Supervisory Board until May 17, 2018) and Dr. 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 30.66 % 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.

In the year under review, consulting or other service relationships between members of the Supervisory Board and the Company did not exist. For legal advisory services that were provided in the fourth quarter of 2017, legal fees in a total amount of approximately €219 THOUS (plus VAT) were paid in the year under review to individual companies of the internationally operating law firm Noerr, of which Dr. Schenk was a partner until December 31, 2017. 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. The Supervisory Board considers, taking into account the shareholder structure, 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. Witz and Professor Dr. Zünd (member of the Supervisory Board since October 29, 2018). The same applied for Ms. McWhinney (resigned as member of the Supervisory Board effective November 1, 2018). With a view to the regulations of the SEC, the Supervisory Board also considered Dr. Krick (Chairman and member of the Supervisory Board until May 17, 2018) as independent.

There were no conflicts of interest of members of the Management Board or Supervisory Board that would have been required to be disclosed to the Supervisory Board.

In its meeting on March 14, 2018, the Supervisory Board approved a profile of skills and expertise for the entire Supervisory Board. The profile of skills and expertise is available on the Company's website under www.freseniusmedicalcare.com/en in the section "About us" and there in the sub-section "Supervisory Board". The Supervisory Board will strive to make its election proposals to the Annual General Meeting in accordance with the profile of skills and expertise. The status of implementation of the profile of skills and expertise is reported in the Corporate Governance Report.

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 2018. It is permanently available to the public on the Company's website www.freseniusmedicalcare.com/en in the section "Investors" and there in the sub-section "Corporate Governance".

The Corporate Governance Report of the General Partner and of the Supervisory Board together with the Declaration on Corporate Governance is available on PAGES 111 ET SEQQ. The Declaration on Corporate Governance was discussed by the Supervisory Board and approved in its meeting of March 12, 2019.

ANNUAL AND CONSOLIDATED FINANCIAL STATEMENTS

The annual financial statements and the annual management report of Fresenius Medical Care AG & CO. KGAA were prepared in accordance with the regulations of the German Commercial Code (HGB). The consolidated financial statements and consolidated management report follow Sec. 315e of the German Commercial Code in accordance with IFRS as applicable in the European Union. Accountancy, the annual financial statements, the annual management report as well as the consolidated financial statements and the consolidated annual management report for 2018 were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. Said company was elected as auditor by resolution of the Annual General Meeting of May 17, 2018 and mandated by the Supervisory Board. The auditor has provided each of the aforementioned documents with an unqualified certificate. The audit reports of the auditor were made available to the Audit and Corporate Governance Committee and the Supervisory Board. The Audit

and Corporate Governance Committee reviewed the annual and consolidated financial statements as well as the management reports and included the audit reports of, and the discussions with, the auditor in its discussions. The Audit and Corporate Governance Committee reported to the Supervisory Board on this.

The Supervisory Board also reviewed the annual financial statements, the annual management report, the consolidated financial statements and the consolidated annual management report in each case for the past fiscal year. The documents were provided to it in good time. The Supervisory Board declared its agreement to the result of the audit of the annual financial statements and the consolidated financial statements by the auditor. The representatives of the auditor who signed the audit reports participated in the discussions of the Supervisory Board of the annual and consolidated financial statements. They reported to the Supervisory Board on the significant findings of their audit and were available for additional information. Also according to the final results of its own review, no objections are be raised by the Supervisory Board as regards the annual financial statements, the annual management report, the consolidated financial statements and the consolidated annual management.

In its meeting on February 11, 2019 the Supervisory Board discussed the draft of the report according to Form 20-F. The report according to Form 20-F was filed with the SEC on February 20, 2019. It contains, inter alia, also the consolidated financial statements.

The annual financial statements and annual management report of Fresenius Medical Care AG & CO. KGAA as well as the consolidated financial statements and the consolidated annual management report for the past fiscal year, as presented by the General Partner, were approved by the Supervisory Board at its meeting on March 12, 2019.

The Supervisory Board also approved the General Partner's proposal for the application of profit which provides for a dividend of € 1.17 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 the international sustainability standard of 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, in accordance with the international standard on assurance engagements ISAE 3000. 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 are be raised by the Supervisory Board as regards the separate Non-Financial Group Report.

DEPENDENCY REPORT

The General Partner prepared a report on its relationships to Fresenius SE & CO. KGAA and the latter's affiliates in accordance with Sec. 312 of the German Stock Corporation Act for the past fiscal year. The report contains the following final declaration:

"In conjunction with the legal transactions and measures set out in the report on relationships with affiliated companies, and on the basis of the circumstances of which we were aware at the time when the legal transactions were carried out or when the measures were taken or not carried out, FMC AG & CO. KGAA has received adequate consideration for every legal transaction, and has not suffered any disadvantage as a result of the fact that measures have or have not been carried out."

Both the Audit and Corporate Governance Committee and the Supervisory Board received the dependency report in

good time and reviewed it. The auditor participated in the relevant meetings. It reported on the main results of his audit and was available for additional information. On February 19, 2019, 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.

CHANGES IN THE SUPERVISORY BOARD AND ACKNOWLEDGEMENTS

Dr. Krick has resigned from his office as Chairman and member of the Supervisory Board after the Annual General Meeting on May 17, 2018. After the founding of the Company in 1996, Dr. Krick was initially chairman of the Management Board of Fresenius Medical Care and in this function laid the foundation for the worldwide success of the Company. Two years later, he took over as Chairman of the Supervisory Board. The Supervisory Board would like to thank him for his very valuable work and untiring commitment to the benefit of the Company.

The Supervisory Board also thanks Ms. McWhinney, who resigned from the Supervisory Board effective November 1, 2018 for personal and familial reasons. The Supervisory Board expresses its gratitude for her energetic and valuable commitment.

Finally, the Supervisory Board also thanks the members of the Management Board as well as all employees of the Group for their commitment. Thank you very much for the still successful work performed in a challenging environment in the past fiscal year!

Bad Homburg v. d. Höhe, March 12, 2019

On behalf of the Supervisory Board

DR. DIETER SCHENK
Chairman

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

The Management Board and the Supervisory Board of Fresenius Medical Care are committed to responsible management that is focused on achieving a sustainable increase in the value of the Company. Long-term strategies, solid financial management, strict adherence to legal and ethical business standards, and a transparent communication of the Company are its key elements.

The Management Board of the General Partner, Fresenius Medical Care Management AG (hereinafter: the Management Board), and the Supervisory Board of Fresenius Medical Care AG & CO. KGAA (hereinafter: FMC AG & CO. KGAA or the Company) hereunder report on the year 2018 as the year under review (hereinafter: the year under review) pursuant to section 289f of the German Commercial Code (Handelsgesetzbuch, HGB) and to number 3.10 of the German Corporate Governance Code (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.

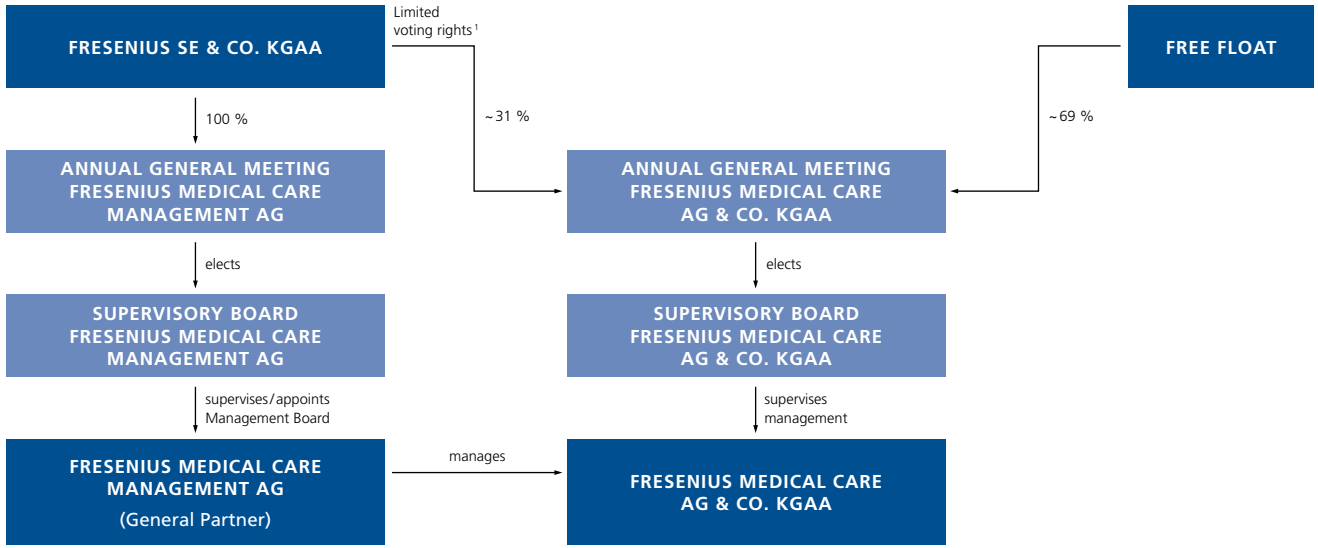
DECLARATION ON CORPORATE GOVERNANCE

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 CHART 4.2.

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

C 4.2 **STRUCTURE OF FRESENIUS MEDICAL CARE AG & CO. KGAA**
BASED ON DATA AS OF DECEMBER 31, 2018



[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.

FUNCTIONING OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AS WELL AS COMPOSITION AND FUNCTIONING OF THEIR COMMITTEES

The German Stock Corporation Act prescribes a dual management system (so-called two-tier management system) for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares consisting of a management body and a supervisory board. The business activities of a partnership limited by shares are conducted by one or several personally liable shareholders (General Partner). In the case of FMC AG & CO. KGAA, this is Fresenius Medical Care Management AG. Its Management Board is also responsible for conducting the business activities of the KGAA. Within the scope of statutory allocation of competences, the Supervisory Board is responsible for supervising and advising the Management Board and is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are in each case statutorily defined and are strictly separated from one another. Corresponding to FMC AG & CO. KGAA, Fresenius Medical Care Management AG has its own Supervisory Board.

THE GENERAL PARTNER AND ITS BODIES

The Management Board of Fresenius Medical Care Management AG

The General Partner – Fresenius Medical Care Management AG – represented by its Management Board, which acts on its own responsibility, manages the Company and conducts the Company's business. Its actions and decisions are directed towards the interests of the Company.

The Management Board of the General Partner manages the Company's business in accordance with the applicable laws and the Articles of Association as well as the rules of procedure within the meaning of section 77 para. 2 German Stock Corporation Act (AktG) 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 which determines the departmental responsibilities of the individual Management Board members. The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least twelve times a year. The meetings and the taking of resolutions by the Management Board are led by the Chairman of the Management Board. If he is unavailable, this task resides with the Management Board member named by the Chairman, or, if no member has been named, with the participating Management Board member most senior in office. The Chairman of the meeting determines the order of the agenda items and the mode of voting. In principle, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members. In case of a voting tie, the Chairman of the Management Board has the casting vote.

In the year under review, the Management Board was composed of six members until August 31, 2018. With effect as of September 1, 2018, Dr. Katarzyna Mazur-Hofsäß was appointed as the responsible member of the Management Board for the regions of Europe, Middle East and Africa (EMEA). Since then, the Management Board is composed of seven members. The members of the Management Board and their areas of responsibility are introduced on the Company's website at www.freseniusmedicalcare.com in the "About us" section.

Irrespective of the overall responsibility of the entire Management Board, each Management Board member is responsible for his or her own area of departmental responsibility. The Management Board members keep each other informed on an ongoing basis about all relevant business occurrences in their areas of departmental responsibility. In the case of interdepartmental matters, the Management Board members concerned are requested to coordinate with each other. The Chairman of the Management Board coordinates the affairs of the individual departments.

Matters of outstanding importance and significance are resolved on by the entire Management Board pursuant to the rules of procedure. In order to increase the efficiency of the Management Board's work, the Supervisory Board of the General Partner established a Management Board Committee for certain cross departmental matters. Such Management Board Committee essentially deals with corporate matters of subsidiaries of FMC AG & CO. KGAA or acquisitions that do not reach the minimum relevance and importance level required for being referred to the entire Management Board. The Management Board Committee must be composed of at least three members, among them the Chairman of the Management Board and the Chief Financial Officer as well as the Management Board member responsible for the respective matter or another Management Board member appointed by the Chairman at his reasonable discretion exercised in each case. In its meetings the Management Board Committee decides with a simple majority of the votes cast; outside of meetings the Management Board Committee decides with the simple majority of its members.

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

The Supervisory Board of Fresenius Medical Care Management AG

As a stock corporation, Fresenius Medical Care Management AG has its own Supervisory Board, which according to its Articles of Association consists of six members. In the year under review, 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 in the year under review were Dr. Dieter Schenk (Vice Chairman), Mr. Rolf A. Classon, Ms. Rachel Empey, Mr. William P. Johnston and Dr. Gerd Krick.

Further information on the members of the Supervisory Board of Fresenius Medical Care Management AG who are at the same time members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA are available on the Company's website at www.freseniusmedicalcare.com in the "About us" section. In addition, the following information is provided for the year under review with regard to the mandates exercised by the Chairman of the Supervisory Board of Fresenius Medical Care Management AG, Mr. Stephan Sturm, and with regard to the mandates exercised by the additional members of the Supervisory Board of Fresenius Medical Care Management AG, Ms. Rachel Empey and Dr. Gerd Krick who are not at the same time members of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA:

Stephan Sturm
Chairman of the Management Board
of Fresenius Management SE,
the General Partner of Fresenius SE & Co. KGaA
Supervisory Board
Fresenius Kabi AG (Chairman)
Deutsche Lufthansa AG
Comparable foreign body
VAMED AG, Austria (Vice Chairman)

Rachel Empey
Member of the Management Board
of Fresenius Management SE (Chief Financial Officer),
the General Partner of Fresenius SE & Co. KGaA
Supervisory Board
Fresenius Kabi AG (Vice Chairman)
Comparable foreign body
Inchcape plc, United Kingdom (Non-executive director)

Dr. Gerd Krick
Member of Supervisory Boards
Supervisory Board
Fresenius SE & Co. KGaA (Chairman)
Fresenius Management SE (Chairman)
Comparable foreign body
VAMED AG, Austria (Chairman)

Because of his extraordinary contributions to the development of the Company and his comprehensive experience, Dr. Ben Lipps is honorary chairman of the Supervisory Board of Fresenius Medical Care Management AG.

The Supervisory Board of Fresenius Medical Care Management AG appoints the members of the Management Board and supervises and advises the Management Board in its management responsibilities. 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 114.

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

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

Supervisory Board committee	Responsibility	Number of meetings
Human Resources Committee **Chairman** Mr. Stephan Sturm **Vice Chairman** Dr. Gerd Krick **Other members** Mr. William P. Johnston, Dr. Dieter Schenk, Mr. Rolf A. Classon	Advice on complex special matters such as the appointment of Management Board members and their compensation	As required
Regulatory and Reimbursement Assessment Committee **Chairman** Mr. Rolf A. Classon **Vice Chairman** Mr. William P. Johnston **Other member** Dr. Dieter Schenk	Advice on complex special matters such as regulatory provisions and reimbursement in the dialysis segment	As required
Nomination Committee **Chairman** Mr. Stephan Sturm **Other members** Dr. Gerd Krick, Dr. Dieter Schenk	Preparing recommendations on suitable candidates for an election to the Supervisory Board, who are to be presented to the Supervisory Board for the purpose of its proposal to the General Meeting	As required

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 members: Dr. Gerd Krick (until May 17, 2018, until then at the same time Chairman), Dr. Dieter Schenk (until May 17, 2018 Vice Chairman, since then Chairman), Mr. Rolf A. Classon (since November 30, 2018 Vice Chairman), Mr. William P. Johnston, Ms. Deborah Doyle McWhinney (resigned effective November 1, 2018); Ms. Pascale Witz and Professor Dr. Gregor Zünd (since October 29, 2018).

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 122.

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 118) and refrains from an age limit for its members and from a duration limit on the term of membership of the Supervisory Board. Instead, the Supervisory Board shall also consist of members with long-term experience and thus individuals who are generally older in order to ensure a balanced ratio of Supervisory Board members of diverse age and various terms of membership. Therefore, with the exception of the determination of target figures for women's 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.

The Supervisory Board is – in its own initiative – paying attention to the requirement to have in its entirety the knowledge, capabilities and professional expertise required for the due observation of the duties of the Supervisory Board of a listed company operating internationally in the dialysis business. Following the necessary detailed preparation, the Supervisory Board has resolved a profile of competence (skills and expertise) for the entire Supervisory Board in the first quarter of the fiscal year 2018. The profile of competence (skills and expertise) contains requirements for the individual Supervisory Board members as well as requirements for the entire Supervisory Board and is available on the Company's website at www.freseniusmedicalcare.com in the "About us" section. The Supervisory Board will take into consideration such profile of competence (skills and expertise) when discussing its election proposals to the General Meeting.

As a consequence of the resignation of Ms. Deborah Doyle McWhinney with effect to November 1, 2018 only one of the current five Supervisory Board members is female. The share of female Supervisory Board members hence, at the end of the year under view, falls short of the target of 30 % as set by the Supervisory Board for its composition. Apart from that, the current composition of the Supervisory Board meets the aims designated for the composition of the board and corresponds to the resolved profile of competence (skills and expertise). The Supervisory Board intends to propose to the Annual General Meeting in succession to Ms. Deborah Doyle McWhinney again a female member or, if such a proposal is not possible before the expiration of the relevant period, to propose to the competent court a female member for appointment as a member of the Supervisory Board of the Company. Upon a corresponding election by the Annual General Meeting, or of a court appointment in accordance with the application, respectively, again two out of six members will be female and the target of 30 % female Supervisory Board members, as set by the Supervisory Board, will be surpassed again.

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 in particular if it entertains any personal or business relations with the Company, its corporate bodies, a controlling shareholder or an enterprise associated with the latter which may cause a substantial and not merely temporary conflict of interests. 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 (until her resignation), Ms. Pascale Witz and Professor Dr. Gregor Zünd (since his appointment). 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 123.

The term of office of the members of the Supervisory Board is in principle 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. The term of office of Professor Dr. Gregor Zünd, who was judicially appointed by the local court of Hof as a member of the Supervisory Board, is limited until the end of the next Annual General Meeting, as requested. The Supervisory Board has resolved to propose to the Annual General Meeting 2019 to elect Professor Dr. Gregor Zünd as a member of the Supervisory Board until the end of the Annual General Meeting of the year 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 available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section. 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. In accordance with these, the Supervisory Board meets regularly at least twice per calendar half year. The convocation period for meetings of the Supervisory Board is generally two weeks. The deliberations of the Supervisory Board are conducted by the Chairman or, if the latter is unavailable, by the Vice Chairman. The Chairman of the meeting also determines the order of the agenda items and the mode of voting. As a rule, the Supervisory Board decides by simple majority of votes cast if decisions are taken in physical meetings and otherwise with the simple majority of its members, unless other majorities are prescribed by a mandatory provision of law in the individual case. The provisions of

the rules of procedure for the Supervisory Board of the Company also apply to its committees, unless their rules of procedure contain deviating provisions. The Chairman of the Supervisory Board coordinates the work and direction of the Supervisory Board; he also represents the Supervisory Board vis-à-vis third parties.

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, based on a corresponding questionnaire. 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 its committees are efficiently organized and that the co-operation of the Supervisory Board and the 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. The Supervisory Board members are in their entirety familiar with the sector FMC AG & CO. KGAA operates in. The members of the Supervisory Board regularly update themselves via in-house sources and via external sources about the current status of supervisory requirements. In addition to the information provided to them by several external experts, also experts of the Company's departments regularly provide reports about relevant developments, such as – for example – relevant new developments in the revision of legal rules or in jurisprudence and also about recent developments in regulations on accounting and annual auditing. In this way, the Supervisory Board, with the Company's reasonable assistance, ensures an ongoing qualification of its members and also a further development and updating of their expertise, power of judgment and experience, which is required for the Supervisory Board including its committees to duly perform their tasks.

Details of the key activities of the Supervisory Board's consultations in the year under review can be found in the Report by the Supervisory Board starting on PAGE 104.

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 – SEE TABLE 4.4. The Supervisory Board regularly and timely receives briefings on the committees' work.

Information on the Audit and Corporate Governance Committee

With the consent of the Supervisory Board, the Audit and Corporate Governance Committee adopted rules of procedure. On the basis of the relevant provisions of the Articles of Association of the Company (section 12 para. 2) they define the composition, work and tasks of the Audit and Corporate Governance Committee. According to these, the Audit and Corporate Governance Committee shall consist of at least three and not more than five exclusively independent mem-

T4.4 **COMMITTEES OF THE SUPERVISORY BOARD OF FMC AG & CO. KGAA**

Supervisory Board committee	Responsibility	Number of meetings
Audit and Corporate Governance Committee **Chairman** Mr. William P. Johnston **Vice Chairman** Mr. Rolf A. Classon **Other members** Dr. Gerd Krick (until May 17, 2018), Ms. Deborah Doyle McWhinney (until her resignation effective November 1, 2018), Ms. Pascale Witz (since February 11, 2019)	› Supervision of the accounting, the accounting process, the effectiveness of the internal control system, of the risk management system, of the internal audit system, the annual audit and of compliance, › Supervision of the annual auditing, in particular with regard to the independence of the auditor and the additional services provided by it, issuing the auditing mandate, determining the focus areas of the auditing and the fee agreement, › Addressing the report pursuant to Form 20-F, which contains, inter alia, the consolidated group financial statements and the consolidated group financial report, › Assessment of the General Partner's report on relations to affiliated companies.	At least four times per year and additionally as required
Nomination Committee **Chairman** Dr. Gerd Krick (until May 17, 2018) **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

bers who, in particular, are to meet the criteria of independence pursuant to section 12 para. 2 sentence 3 of the Articles of Association as well as pursuant to the rules of the New York Stock Exchange. In addition, pursuant to section 107 para. 4 in connection with section 100 para. 5 of the German Stock Corporation Act at least one member must have expertise in the fields of accounting or auditing. Moreover, in accordance with the recommendations of the Code, 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 13a et seqq. of the Articles of Association of the Company. The Joint Committee is convened only as required, namely in certain legal transactions defined in the Articles of Association to be qualified as substantial transactions and for which the General Partner requires the consent of the Joint Committee – SEE TABLE 4.5.

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

Good corporate governance requires an efficient co-operation between the management and the Supervisory Board on the basis of mutual trust. The General Partner and the Supervisory Board of the Company work together closely 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. The deliberations of the Supervisory Board covered all significant questions of business policy, the Company planning and the strategy. Further subjects were the risk situation and risk management.

T 4.5 **JOINT COMMITTEE**

Joint Committee	Responsibility	Number of meetings
Members Fresenius Medical Care Management AG Mr. Stephan Sturm, Dr. Gerd Krick **Members Fresenius Medical Care AG & Co. KGaA** Mr. Rolf A. Classon, Mr. William P. Johnston	Approval of certain legal transactions as defined in the Articles of Association, such as material acquisitions or divestments	As required

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

Based on this, the Company and the General Partner have adopted a diversity concept for the composition of the Management Board of the General Partner and the Supervisory Board of the Company reflecting this understanding. The goal of this concept is the inclusion of differing perspectives and various aspects in the cooperation and decision-making in order to increase the understanding for the manifold requirements on a globally active company with heterogeneous groups of customers. The individual qualification, e.g. expertise, skills and experience, however, continues to be the core selection criterion for the election proposals for new members of the Supervisory Board to the General Meeting; diversity aspects are considered to ensure a comprehensive and balanced decision process. For preparation of any nomination proposal, the respective competent governance body or the competent committee, as the case may be, thoroughly evaluates the current composition of the governance body to be filled and carefully analyzes each potential candidate's profile with regard to these criteria, aspects and in consider-

ation of the findings of the evaluation. When finally consulting and making a decision for any nomination 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 to actively manage diversity in senior management levels below the Management Board. To this end, diversity aspects such as gender are particularly taken into account in the evaluation of the "talent pipelines". Additional reports, for example on the number and proportion of female junior talents in talent evaluation and the succession planning process, support the focus on diversity in development planning and the preparation for filling vacancies. This serves to strengthen the pursued diversity concept and to identify suitable talents at an early stage.

The current diversity level of the Management Board of the General Partner and Supervisory Board of the Company across selected aspects is displayed in the TABLES 4.6 AND 4.7.

Gender diversity and definition of targets

The Supervisory Board of FMC AG & CO. KGAA is obliged to define targets for the representation of female members in the Supervisory Board as well as an implementation period and to report on the defined targets and their achievement during the relevant reference period or in the event of a failure to meet these targets, on the reasons for this, as part of the declaration on corporate governance. The definition of targets for the composition of the Management Board is for companies which, like Fresenius Medical Care, are organized in the legal form of a partnership limited by shares, is by contrast expressly not required. Likewise, also the Supervisory

T 4.6 DIVERSITY LEVEL OF THE MANAGEMENT BOARD

Management Board	Gender	Nationality	Education	Age
Rice Powell	Male	U.S.-American	Biology	63
Michael Brosnan	Male	U.S.-American	Business	63
Dr. Katarzyna Mazur-Hofsäß [1]	Female	Polish/German	Medicine	55
Dr. Olaf Schermeier	Male	German	Engineering	46
William Valle	Male	U.S.-American	Business	58
Kent Wanzek	Male	U.S.-American	Business	59
Harry de Wit	Male	Dutch	Medicine and Physiotherapy	56

[1] Dr. Katarzyna Mazur-Hofsäß has been appointed to the Management Board of the General Partner with effect as of September 1, 2018.

T 4.7 DIVERSITY LEVEL OF THE SUPERVISORY BOARD

Supervisory Board of the Company	Gender	Nationality	Education	Age
Dr. Gerd Krick [1]	Male	Austrian	Engineering	80
Dr. Dieter Schenk	Male	German	Law	66
Rolf A. Classon	Male	U.S.-American/Swedish	Political Science	73
William P. Johnston	Male	U.S.-American	Law	74
Deborah Doyle McWhinney [2]	Female	U.S.-American	Communication	63
Pascale Witz	Female	French	Biochemistry	52
Prof. Dr. Gregor Zünd [3]	Male	Swiss	Medicine	59

[1] Dr. Gerd Krick has resigned on May 17, 2018 from the Supervisory Board of the Company.
[2] Ms. Deborah Doyle McWhinney has resigned effective as of November 1, 2018 from the Supervisory Board of the Company.
[3] Professor Dr. Gregor Zünd has been appointed as a member of Supervisory Board of the Company with effect as of October 29, 2018.

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 May 10, 2017 to set the target for the representation of female Supervisory Board members at 30 % and has set an implementation period ending on May 9, 2022. With two female members (33 %) in the year under review, the composition of the Supervisory Board was in line with this target until the resignation of Ms. Deborah Doyle McWhinney effective from November 1, 2018. The Supervisory Board intends to propose to the Annual General Meeting in succession to Ms. Deborah Doyle McWhinney again a female member or, if such a proposal is not possible before the expiration of the relevant period, to propose to the competent court a female member for appointment as a member of the Supervisory Board of the Company. Upon a corresponding election by the Annual General Meeting, or of a court appointment in accordance with the application, respectively, again two out of six members will be female and the target of 30 % female Supervisory Board members, as set by the Supervisory Board, will be surpassed again.

Pursuant to the Act on Equal Participation of Women and Men in Leadership Positions, the Management Board is obliged to define targets for female representation in the two top management levels below the Management Board as well as an appropriate implementation period. In a first step, the Management Board on September 28, 2015, had resolved to define the two top management levels below the Management Board in relation to the participation of executives in the group-wide Long-Term Incentive Program ("LTIP"). In a second step, the Management Board resolved on January 13, 2016 upon targets for female representation for the two top management levels below the Management Board and upon the implementation period to end on December 31, 2020. Notwithstanding the determination of these two management levels, the best indicator for Fresenius Medical Care for women holding management positions worldwide is the total number of participants in the group-wide LTIP. Compared with 2017, the proportion of women in these management positions slightly increased and continues to amount to around 33 % at the end of the year under review.

The first management level includes all managers worldwide who directly report to a member of the Management Board and in addition participate in the LTIP. The target that shall be achieved by end of the implementation period on December 31, 2020 is 18.8 %. The proportion of female executives (as of December 31, 2018) was 21.1 % (2017: 19.2 %) and has risen with a slight reduction in the total number of persons of the first management level. The target of 18.8 % that shall be achieved by end of the implementation period on December 31, 2020, hence, has at present already been surpassed by the Company.

The second management level includes all managers worldwide who directly report to a management executive of the first management level and in addition participate in the LTIP. The target (until December 31, 2020) is 28.2 %. While the absolute number of female managers at the second management level could be increased, their percentage share decreased slightly as the total number of persons at the second management level increased. The share of female managers as of December 31, 2018 was 27.4 % (2017: 28.3 %).

Overall, the recruiting and staffing practice of Fresenius Medical Care as well as the selection decisions regarding the hiring and promotion to top management levels will also in the future be taken with a focus on the specific qualifications of the individual. For this reason, the Management Board will select candidates for the top management of Fresenius Medical Care according to the candidate's excellence and suitability for the specific role and function in such management positions, regardless of their race, gender or other non-performance related attributes. However, the increased focus on diversity in Fresenius Medical Care's talent pipelines will further support an inclusive work environment and ensure that Fresenius Medical Care's employees continue to have equal career opportunities.

RELEVANT INFORMATION ABOUT CORPORATE GOVERNANCE PRACTICES

COMPLIANCE

Global business activities mean having global responsibility. As the global market leader in providing dialysis services and products, Fresenius Medical Care is aware of its responsibility. Every day, Fresenius Medical Care strives to improve the lives of its patients world-wide with high-quality products and services.

Fresenius Medical Care takes the highest medical standards as benchmark for quality. Fresenius Medical Care is committed to conducting its business activities in compliance with all relevant legal standards as well as internal and external provisions and requirements. The patients, customers, payors,

investors and regulators of Fresenius Medical Care as well as all other stakeholders expect Fresenius Medical Care's business to be conducted based on responsible management, taking into account integrity, sound corporate governance and adherence to compliance principles.

Fresenius Medical Care's Code of Ethics and Business Conduct

Fresenius Medical Care's Code of Ethics and Business Conduct is the basis for everything Fresenius Medical Care and its employees do, whether in their dealings with patients, colleagues, suppliers or communities. The Code of Ethics and Business Conduct defines corporate governance practices beyond the legal requirements. It covers Fresenius Medical Care's material non-financial topics such as patient care, quality and innovation, anti-corruption, worker protection, environment, health and safety, as well as non-discrimination. The Code of Ethics and Business Conduct together with the underlying corporate core values also includes Fresenius Medical Care's commitment to respecting human rights. It applies to every function and division worldwide, to every employee of Fresenius Medical Care, and to the Company's direct and indirect majority-owned or controlled affiliates anywhere in the world. Employees must adhere to the principles in the Code of Ethics and Business Conduct. The Code of Ethics and Business Conduct is publicly available on the Company's website at www.freseniusmedicalcare.com in the section "About us" in the sub-section "Compliance".

Ensuring compliance

Compliance with the rules is essential for the long-term success of Fresenius Medical Care as it determines the corporate culture and is an integral part of day-to-day work. Specialized functions at a global, regional and local level 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.

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.

RISK AND OPPORTUNITY MANAGEMENT

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

Further information about the risk and opportunity management system can be found in the "Risks and Opportunities Report" starting on PAGE 63.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

The German Corporate Governance Code includes nationally and internationally accepted standards of good and responsible corporate governance in the form of recommendations and suggestions. The Code aims for making the rules for managing and supervising companies in Germany more transparent and comprehensible. The Code is also intended to enhance the confidence of international and national investors and of the public as well as of employees and customers in the management and supervision of German listed stock corporations.

The Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA endorse the standards set forth in the German Corporate Governance Code. The vast majority of the recommendations and suggestions in the Code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company.

The current annually required Declaration of Compliance according to section 161 of the German Stock Corporation Act issued by the Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG &

CO. KGAA as of December 2018 is reported hereinafter. The current and previous Declarations of Compliance and other extensive information on corporate governance are permanently made publicly available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

DECLARATION BY THE MANAGEMENT BOARD OF THE GENERAL PARTNER OF FRESENIUS MEDICAL CARE AG & CO. KGAA, FRESENIUS MEDICAL CARE MANAGEMENT AG, AND BY THE SUPERVISORY BOARD OF FRESENIUS MEDICAL CARE AG & CO. KGAA ON THE GERMAN CORPORATE GOVERNANCE CODE PURSUANT TO SECTION 161 GERMAN STOCK CORPORATION ACT (AKTIENGESETZ)

The Management Board of the General Partner of Fresenius Medical Care AG & CO. KGAA, Fresenius Medical Care Management AG, (hereafter: the Management Board) and the Supervisory Board of Fresenius Medical Care AG & CO. KGAA declare that since issuance of the previous declaration of compliance in December 2017 the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (hereafter: the Code) in the version of February 7, 2017 since publication thereof in the Federal Gazette have been met and will be met in the future. Only the following recommendations of the Code in its version of February 7, 2017 have not been met and will not be met to the extent described below:

Code number 4.2.3 paragraph 2 sentence 6: Caps regarding specific compensation amounts

Pursuant to Code number 4.2.3 paragraph 2 sentence 6, the amount of compensation for Management Board members shall be capped, both overall and for variable compensation components.

This recommendation is not met. The service agreements with members of the Management Board do not provide for caps regarding specific amounts for all compensation components and accordingly not for caps regarding specific amounts for the overall compensation. The performance-oriented short-term compensation (the variable bonus) is capped. As regards stock options, phantom stock and performance shares as compensation components with long-term incentives, the service agreements with members of the Management Board do provide for a possibility of limitation but not for caps regarding specific amounts. Introducing caps regarding specific amounts in relation to such stock-based compensation components would contradict the basic idea of the members of the Management Board participating appropriately in the economic risks and opportunities of the Company. Instead of that, Fresenius Medical Care pursues a flexible concept considering each individual case. In situations of extraordinary developments in relation to the stock-based compensation which are not related to the performance of the Management Board, the Supervisory Board may cap the stock-based compensation.

Code number 4.2.3 paragraph 4: Severance payment cap

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

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

Code number 4.2.5 paragraph 3: Presentation in the Compensation Report

Pursuant to Code number 4.2.5 paragraph 3, the presentation of the compensation for each individual member of the Management Board in the Compensation Report shall inter alia present the maximum and minimum achievable compensation for variable compensation components by using corresponding model tables.

Fresenius Medical Care, in deviation from Code number 4.2.3 paragraph 2 sentence 6, does not provide for caps regarding specific amounts for all variable compensation components and, therefore, does not provide for caps regarding specific amounts for the overall compensation. In this respect, the compensation report cannot meet the recommendations of the code. Irrespective thereof, Fresenius Medical Care will continue to present its compensation system and the amounts paid to members of the Management Board in its compensation report in a comprehensive and transparent manner. The compensation report will include tables relating to the value of the benefits granted as well as to the allocation in the year under review which follow the structure and largely also the specifications of the model tables.

Code number 5.1.2 paragraph 2 sentence 3: Age limit for members of the Management Board

Pursuant to Code number 5.1.2 paragraph 2 sentence 3 an age limit shall be specified for members of the Management Board. As in the past, Fresenius Medical Care will refrain from determining an age limit for members of the Management Board in the future. Complying with this recommendation would unduly limit the selection of qualified candidates.

Code number 5.4.1 paragraph 2 and paragraph 4: Specification of concrete objectives regarding the composition of the Supervisory Board and their consideration when making election proposals

Pursuant to Code number 5.4.1 paragraph 2 and paragraph 4, the Supervisory Board shall specify concrete objectives regarding its composition and shall prepare a profile of competence for the entire Supervisory Board. Within the Company-specific situation the composition of the Supervisory Board shall reflect appropriately the international activities of the Company, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code number 5.4.2, an age limit and a regular limit to Supervisory Board members' term of office, both to be specified, as well as diversity. Proposals by the Supervisory Board to the General Meeting shall take these targets into account, while simultaneously aiming at fulfilling the profile of competence of the entire Supervisory Board. The status of the implementation shall be published in the Corporate Governance Report. These recommendations are partly not met.

The composition of the Supervisory Board needs to be aligned to the enterprise's interest and has to ensure the effective supervision and consultation of the Management Board. Hence, it is a matter of principle and of prime importance that each member is suitably qualified. When discussing its election proposals to the General Meeting, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code number 5.4.2, and diversity, while simultaneously aiming at fulfilling the profile of competence of the entire Supervisory Board.

In the enterprise's interest not to limit the selection of qualified candidates in a general way, the Supervisory Board, however, confines itself to pursue self-defined targets for the representation of female Supervisory Board members and particularly refrains from an age limit and from a duration limit on the term of membership. Instead, the Supervisory Board shall also consist of members with long-term experience and thus individuals who are generally older in order to ensure a balanced ratio of Supervisory Board members of diverse age and various terms of membership.

Following the necessary detailed preparation, the Supervisory Board has developed the profile of competence for the entire Supervisory Board and resolved upon it on March 14, 2018. Since then, the Supervisory Board takes into consideration such profile of competence when discussing its election proposals to the General Meeting, and the respective recommendations pursuant to Code number 5.4.1 paragraph 2 sentence 1 and paragraph 4 sentence 1 are thus met.

Bad Homburg v.d.H., December 2018

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 prefer-

ence voting rights do not exist. As a matter of principle, the General Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review) respectively, its sole shareholder, Fresenius SE & CO. KGAA, can exercise at the General Meeting the voting rights connected with the shares they hold in FMC AG & CO. KGAA. However, the General Partner and its sole shareholder are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the members of the Supervisory Board of FMC AG & CO. KGAA, as well as the election of the auditor of the annual financial statements. This is to guarantee that the other shareholders in the partnership limited by shares (KGAA) can solely decide on these matters, particularly those concerning the control of the management.

GENERAL MEETING

Shareholders can exercise their voting rights at the General Meeting, by proxy via a representative of their choice or by a Company-nominated proxy acting on their instructions. Proxy voting instructions to a Company nominee can be issued before and during the Annual General Meeting until the end of the general debate.

The Annual General Meeting of FMC AG & CO. KGAA took place on May 17, 2018 in Frankfurt/Main (Germany). Approximately 80 % 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 2017,
- allocation of distributable profit,
- approval of the actions of the General Partner for the fiscal year 2017,
- approval of the actions of the Supervisory Board for the fiscal year 2017,
- election of the auditors and consolidated group auditors for the fiscal year 2018,
- modernization and revision of various provisions of the Company's Articles of Association.

All documents and information on the Annual General Meeting are available on the Company's 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 business dealings with the Company by members of the corporate bodies are to be disclosed to the Supervisory Board of FMC AG & CO. KGAA immediately and are subject to its approval, if necessary. The Supervisory Board reports to the General Meeting on possible conflicts of interests of its members and on the treatment of such conflicts.

Mr. Rice Powell as the Chairman of Fresenius Medical Care Management AG's Management Board is, with the approval of Fresenius Medical Care Management AG's Supervisory Board, at the same time a member of the Management Board of Fresenius Management SE.

The member of the Supervisory Board of FMC AG & CO. KGAA Dr. Dieter Schenk (until May 17, 2018 Vice Chairman, since then Chairman) is also member and Vice Chairman of the Supervisory Board of Fresenius Medical Care Management AG and of the Supervisory Board of Fresenius Management SE, the General Partner of Fresenius SE & CO. KGAA.

Dr. Dieter Schenk continues to be Chairman of the foundation board of the Else Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE as well as limited shareholder of Fresenius SE & CO. KGAA and, in addition, member and chairman of the foundation board's steering committee, which, since the termination of the execution of the estate of Mrs. Else Kröner in June 2018, carries out the tasks previously performed by the executors and which include the administration of the Else Kröner-Fresenius-Stiftung's participation in Fresenius SE & CO. KGAA and the exercise of the voting rights attached thereto.

Dr. Gerd Krick, who resigned from office as member and Chairman of the Supervisory Board of FMC AG & CO. KGAA on May 17, 2018, is also member of the Supervisory Board of Fresenius Medical Care Management AG. Dr. Gerd Krick is also member and Chairman of the Supervisory Board of Fresenius Management SE as well as of the Supervisory Board of Fresenius SE & CO. KGAA. Dr. Gerd Krick receives a pension from Fresenius SE & CO. KGAA with a view to his previous work on its Management Board.

The members of the Supervisory Board of FMC AG & CO. KGAA Mr. William P. Johnston and Mr. Rolf A. Classon are also members of the Supervisory Board of Fresenius Medical Care Management AG.

During the year under review, consulting or other service relationships between members of the Supervisory Board and the Company did not exist. With a view to Code number 5.4.6 para. 3 sentence 2, it is noted that for legal advisory services that were provided in the fourth quarter of 2017, legal fees in a total amount of approximately €219 THOUS (plus VAT) were paid in the year under review to individual companies of the internationally operating law firm Noerr, of which Dr. Dieter Schenk was a partner until December 31, 2017.

There were no conflicts of interest of board members that would have been required to be disclosed to the Supervisory Board and of which the Supervisory Board would inform the General Meeting.

MANAGERS' TRANSACTIONS

According to Article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation), the members of the Management Board and the Supervisory Board as well as other persons discharging managerial responsibilities and all persons who are closely associated with the aforementioned persons shall notify FMC AG & CO. KGAA of any subsequent transaction with shares in Fresenius Medical Care and additional related financial instruments conducted on their own account once a total amount of € 5,000 has been reached within a calendar year. FMC AG & CO. KGAA is required to publish the respective information.

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

TRANSPARENCY OF REPORTING

Fresenius Medical Care meets all 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 the website of Fresenius Medical Care play an essential role in these efforts. They provide investors and other interested persons equally with direct and timely access to the information Fresenius Medical Care releases.

FINANCIAL ACCOUNTING AND AUDIT, STOCK EXCHANGE LISTING

Fresenius Medical Care prepares Consolidated Financial Statements and a Group Management Report as well as Interim Consolidated Quarterly Reports in accordance with the "International Financial Reporting Standards" (IFRS) as adopted by the EU as well as in accordance with the provisions of the German Commercial Code (Handelsgesetzbuch, HGB). The financial reporting is based on these statements. The Consolidated Financial Statements are published within the first 90 days of the end of each fiscal year, and the Consolidated Quarterly Reports within the first 45 days of the end of each quarter.

The Annual Financial Statements and the Management Report of FMC AG & CO. KGAA are prepared in accordance with the legal requirements of the German Commercial Code. The Annual Financial Statements are decisive for the distribution of the annual profit.

Moreover, an Annual Report of Fresenius Medical Care, which includes the Consolidated Financial Statements and the Group Management Report in accordance with IFRS and the German Commercial Code, is published each year.

Fresenius Medical Care's shares are listed on the stock exchange in the U.S. (as so-called American Depositary Receipts) and in Germany. Fresenius Medical Care is therefore subject to a number of regulations and recommendations regarding the management, administration and monitoring of the Company. On the one hand, in addition to mandatory requirements under stock corporation and commercial law, Fresenius Medical Care complies with the regulations of Deutsche Börse and adhere to most of the recommendations of the German Corporate Governance Code. On the other hand, being a non-U.S. company (a so-called "foreign private issuer") Fresenius Medical Care is subject to the regulations connected to Fresenius Medical Care's listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. Fresenius Medical Care fully complies with the current requirements applicable to the Company.

COMPENSATION REPORT

The Compensation Report of FMC AG & CO. KGAA summarizes the main elements of the 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 compensation of the Supervisory Board of the Company are described. The Compensation Report is part of the Management Report on the annual financial statements and the annual consolidated group financial statements of FMC AG & CO. KGAA as at December 31, 2018. 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 Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation of the Management Board members. The Supervisory Board of Fresenius Medical Care Management AG is assisted in this task by a personnel committee, the Human Resources Committee, a committee which is composed of individual members of the Supervisory Board of Fresenius Medical Care Management AG and which is also responsible for the tasks of a compensation committee. The Human Resources Committee is composed of Mr. Stephan Sturm (Chairman), Dr. Gerd Krick (Vice Chairman), Mr. 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 geared to promoting sustainable corporate development. It consists of three components:

1) non-performance-based compensation (base salary and fringe benefits),
2) short-term performance-based compensation (one-year variable compensation),
3) components with long-term incentive effects (multi-year variable compensation comprised of share-based compensation with cash settlement and stock options, the latter granted in previous fiscal years).

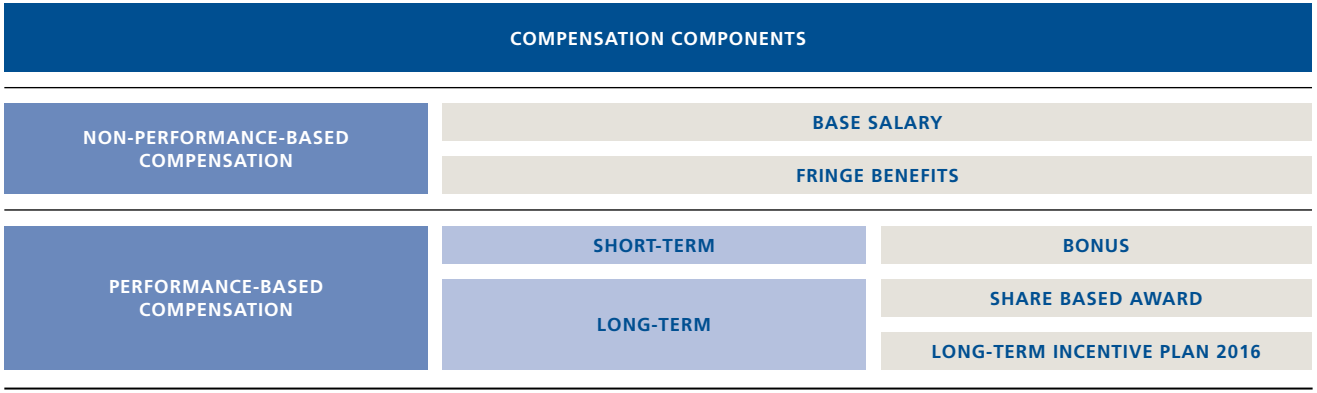
More information about the compensation components is provided in CHART 4.8 ON PAGE 126.

I. Non-performance-based compensation

The Management Board members receive a base salary. In Germany or (applicable to Mr. Harry de Wit, who is resident in Hong Kong) Hong Kong, as the case may be, the base salary is paid in twelve equal monthly instalments. To the extent the base salary is paid to members of the Management Board in the U.S., the payment is made in accordance with local customs in twenty-four equal instalments.

Moreover, the members of the Management Board received fringe benefits. These consisted mainly of payments for insurance premiums, the private use of company cars and special payments such as school fees, housing, rent and relocation supplements, reimbursement of fees for the preparation of tax returns, reimbursement of charges, compensation for forfeited compensation benefits from the previous employment relationship, anniversary payments, contributions to pension, accident, life and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) and other benefits in kind and fringe benefits, also in case accruals have been set up therefore.

C 4.8 **COMPENSATION COMPONENTS GRANTED DURING THE FISCAL YEAR**



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 one-year variable compensation consists of an amount that is payable without deferral after the end of the fiscal year (Bonus) and an amount that is converted into virtual shares of the Company as an amount to be deferred (the so-called Share Based Award, together with the Bonus the „Total Bonus"). The share-based compensation with cash settlement consists of the Share Based Award as well as of Performance Shares, which have been granted in the context of the Fresenius Medical Care Long-Term Incentive Plan 2016 (hereinafter: LTIP 2016).

More information about the performance-based compensation components is provided in CHART 4.11 ON PAGE 127.

Under the Fresenius Medical Care Long-Term Incentive Program 2011 (hereinafter: LTIP 2011), individual members of the Management Board may under certain conditions also exercise stock options already granted or receive a share-based compensation with cash settlement from already granted phantom stock.

One-year variable compensation and Share Based Award

The amount of the one-year variable compensation and of the Share Based Award depends on the achievement of the following individual and joint targets which are derived from the corporate strategy:

- 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 Management Board department or function. In the case of Messrs. Rice Powell and Michael Brosnan (both with corporate group functions) as well as Dr. Olaf Schermeier (Research and Development), the net income growth is weighted with 80 %. In the case of Dr. Katarzyna Mazur-Hofsäß (Management Board member since September 1, 2018) and Messrs. William Valle and Harry de Wit (each of them being Management Board members with regional responsibility) as well as Mr. Kent Wanzek (Global Manufacturing and 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 4.9.

T 4.9 **WEIGHTING OF TARGETS**

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

The degree of the achievement of the specific targets (target achievement) is determined by comparing the actual values with the target values to be achieved. The net income growth 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 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 and 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 4.10.

T 4.10 TARGET VALUES

	0 % target achievement (Minimum)	100 % target achievement	120 % target achievement (Maximum)
Net income growth	0.00 %	8.00 %	10.00 %
Free cash flow in % of revenues	3.00 %	5.71 %	6.00 %
Operating margin	Individual target corridors between 13.00 and 18.50 %, depending on the respective responsibilities		

The degree of overall target achievement of each member of the Management Board is determined by the weighted arithmetic mean of the target achievement of the individual targets. Multiplying the degree of the respective overall target achievement by the respective base salary and another fixed multiplier results in the Total Bonus, of which a 75 % share is paid out in cash to the 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 as Bonus. Since the degree of target achievement is limited to a maximum of 120 %, the Management Board's maximum achievable one-year variable compensation has maximum limits (cap).

C 4.11 PERFORMANCE-BASED COMPENSATION COMPONENTS GRANTED IN THE FISCAL YEAR

PERFORMANCE-BASED COMPENSATION		
SHORT-TERM	BONUS	Annual payment in cash after lapse of the fiscal year
		Targets: Net income growth, Free cash flow in % of revenues, Operating margin
		Overall target achievement: 0 – 120 %
LONG-TERM	SHARE BASED AWARD	Deferred part of the Total Bonus converted into virtual shares of the Company
		Exercise and payment after three years at the earliest
		Payment amount in cash depends on Company's share price at exercise
	LTIP 2016	Performance Share Plan with a vesting period of four years and payment in cash
		Targets: Revenue growth, Net income growth, and ROIC level against target ROIC
		Overall target achievement: 0 – 200 %

For the fiscal year and the previous year, the amount of cash compensation payments to members of the Management Board without components with long-term incentive effects can be found in TABLE 4.12 ON PAGE 128.

The portion of the one-year variable compensation not paid out for the fiscal year in question, amounting to 25 % of the Total Bonus, is converted into virtual shares not backed by

T 4.12 AMOUNT OF CASH PAYMENTS
IN € THOUS

	Non-performance-based compensation				Short-term performance based compensation		Cash compensation (without long-term incentive components)	
	Base salary		Fringe benefits		Bonus			
	2018	2017[1]	2018	2017[1]	2018	2017[1]	2018	2017[1]
Members of the Management Board serving as of December 31, 2018								
Rice Powell	1,270	1,217	195	173	2,376	2,297	3,841	3,687
Michael Brosnan	720	735	56	134	1,300	1,315	2,076	2,184
Dr. Katarzyna Mazur-Hofsäß[2]	233	–	844[3]	–	370	–	1,447	–
Dr. Olaf Schermeier	490	490	131	134	970	970	1,591	1,594
William Valle[2]	792	721	330	88	1,395	1,291	2,517	2,100
Kent Wanzek	550	575	126	85	1,076	1,085	1,752	1,745
Harry de Wit	480	480	315	321	950	950	1,745	1,751
Former members of the Management Board who resigned during the fiscal year 2017[4]								
Ronald Kuerbitz	–	109	–	43	–	–	–	152
Dominik Wehner	–	425	–	38	–	732	–	1,195
TOTAL	**4,535**	**4,752**	**1,997**	**1,016**	**8,437**	**8,640**	**14,969**	**14,408**

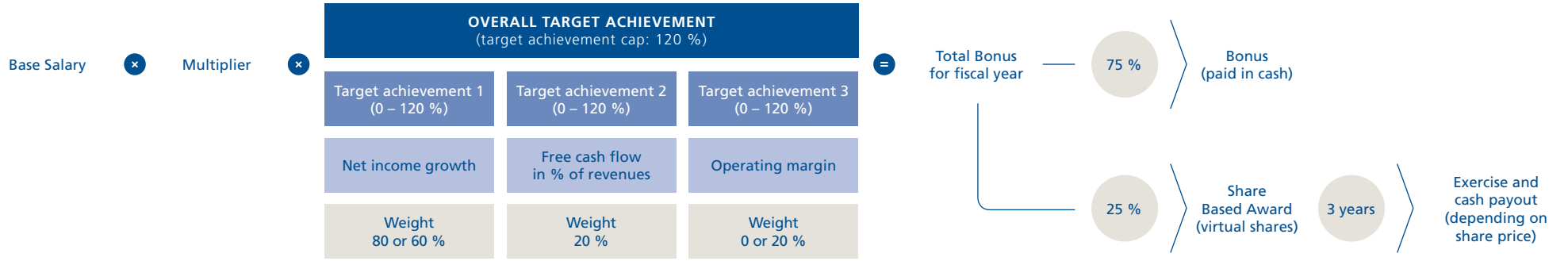
[1] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek).
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Katarzyna Mazur-Hofsäß has been appointed as member of the Management Board only with effect as of September 1, 2018 and Mr. William Valle with effect as of February 17, 2017 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[3] The other benefits of Dr. Katarzyna Mazur-Hofsäß include a one-off special payment in the amount of € 800 THOUS by which Dr. Katarzyna Mazur-Hofsäß was compensated for forfeited compensation benefits from the previous employment relationship.
[4] Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017 and Mr. Ronald Kuerbitz with effect as of February 17, 2017.

equity and allocated to the members of the Management Board in the form of the so-called Share Based Award. The Share Based Award is attributed to the compensation components with long-term incentive effect and can be exercised at the earliest after a period of three years following the grant date. In special cases (e.g. occupational disability, entry into retirement, non-renewal of expired employment contracts by the Company), a shorter period may apply. The payment from the Share Based Award is made in cash and depends on the share price of FMC AG & CO. KGAA upon exercise.

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 €3,414 THOUS (2017: €3,418 THOUS). Based on the already fixed value, the allocation of the specific number of virtual shares made by the Supervisory Board in principle 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 respective exercise date and, thus, as the basis for the determination of the payment amount of the respective share-based compensation.

More information about the functionality of the Total Bonus is provided in CHART 4.13 ON PAGE 129.

C 4.13 **FUNCTIONALITY OF THE TOTAL BONUS (BONUS AND SHARE BASED AWARD) IN PRINCIPLE**



Personal investment from the Bonus 2018 with stock holding condition

To take adequate account of the business development in the fiscal year 2018, the Supervisory Board decided that the members of the Management Board – by mutual agreement – acquire shares in FMC AG & CO. KGAA for a portion of their Bonus. The shares acquired in this way may only be sold by the respective member of the Management Board after a period of three years from the date of acquisition has expired. The respective portion of the Bonus for which a member of the Management Board acquires shares in FMC AG & CO. KGAA depends on the respective overall target achievement.

The net amounts to be invested by the members of the Management Board can be found in TABLE 4.14.

T 4.14 **PERSONAL INVESTMENT FROM THE NET BONUS AMOUNT FOR THE FISCAL YEAR 2018**

	Amount	Currency
Rice Powell	605,219	US$
Michael Brosnan	315,434	US$
Dr. Katarzyna Mazur-Hofsäß	80,194	€
Dr. Olaf Schermeier	224,542	€
William Valle	305,466	US$
Kent Wanzek	344,019	US$
Harry de Wit	164,970	€

As a consequence of this personal investment, between 51 % and 60 % of the Total Bonus for the fiscal year 2018 of the respective member of the Management Board will be invested in shares of the Company or converted into Share Based Awards, which can be sold or exercised, respectively, at the earliest after a period of three years. This calculation is based on the simplified assumption of a personal tax and duty burden of 50 % on the payout of the Bonus.

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-based component 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 follows on the LTIP 2011, under which, as of the end of 2015, no further stock options may be granted. Performance Shares are virtual compensation instruments not backed by equity. These may provide entitlement to a cash payment depending on the achievement of the performance targets described below and the development of FMC AG & CO. KGAA's share price. The 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, both the total loss of all granted Performance Shares as well as a doubling (at most) of that number being possible. The number of Performance Shares after the three-year performance period, resulting from the respective target achievement, is considered as vested four years after the date the respective allocation was made. The above-mentioned number of Performance Shares is then multiplied by the average price of the Company's shares during 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 based on the three following performance targets which are derived from the long-term corporate strategy:

- revenue growth,
- annual growth of the net income attributable to the shareholders of FMC AG & CO. KGAA (net income growth) as well as
- increase of the return on invested capital (Return on Invested Capital (hereinafter: ROIC)).

The target corridors and targets are as set out in TABLE 4.15.

Upon the introduction of the LTIP 2016, the initial ROIC target for the year 2016 was set at 7.3 %. On this basis, it increases by 0.2 percentage points each year. Consequently, the ROIC target for 2017 was 7.5 % and for 2018 was 7.7 % (2018). In subsequent years, it will increase to 7.9 % (2019) and 8.1 % (2020). 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.

T 4.15 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 %	

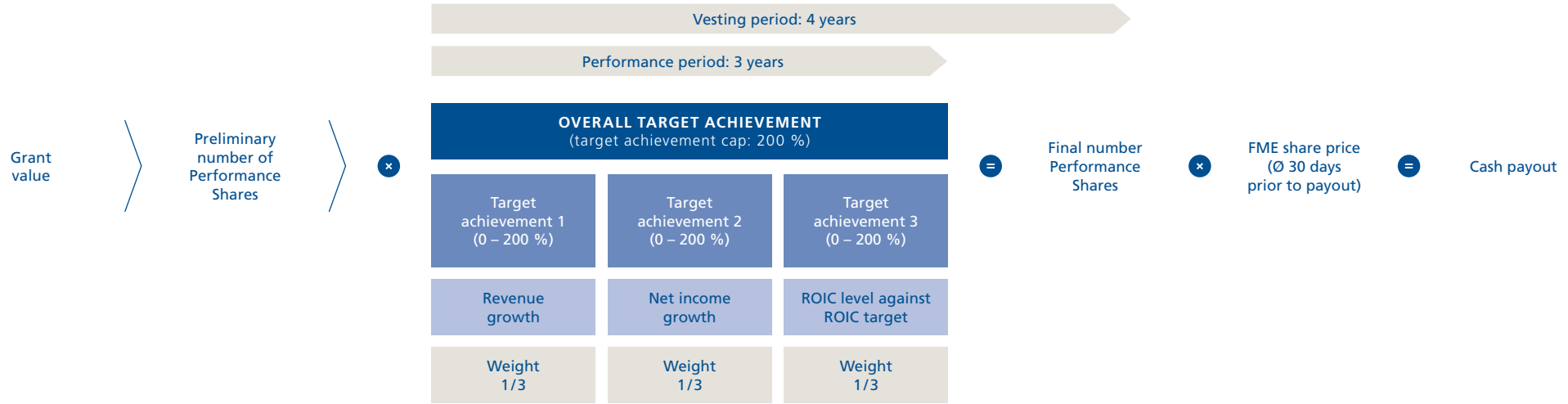
Each of these three performance targets accounts for one-third in the calculation of the yearly target achievement, which is calculated for each year of the three-year performance period. The overall target achievement at the end of the three-year performance period is determined by the arithmetic value of these three average yearly target achievements. The overall target achievement can lie in a corridor between 0 % and 200 % and in this respect has a maximum limit (target achievement cap).

The number of Performance Shares granted to the 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.

More information about the functionality of the LTIP 2016 is provided in CHART 4.16.

In the course of the fiscal year, a total of 632,804 Performance Shares (2017: 614,985) were granted to all eligible participants under the LTIP 2016. This includes 73,315 Performance Shares (2017: 73,746) with a total value of €5,783 THOUS (2017: €5,474 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 €80.55 (2017: €75.12) for grants in euro (applies to Messrs. Dr. Olaf Schermeier and Harry de Wit) and to $94.11 (2017: $86.39) for grants in U.S. dollars (applies to Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek). Dr. Katarzyna Mazur-Hofsäß (member of the Management Board since September 1, 2018) was granted Performance Shares in December of the fiscal year whose fair value on the grant date was €69.05. At the end of the fiscal year, the Management Board members being in office on December 31, 2018 held a total of 204,693 Performance Shares (2017: 150,993).

C 4.16 FUNCTIONALITY OF THE LTIP 2016 IN PRINCIPLE



For the fiscal year, the value of the share-based compensation with cash settlement granted to the members of the Management Board in each case, is shown respectively compared to the previous year, IN TABLE 4.17.

T 4.17 LONG-TERM INCENTIVE COMPONENTS
IN € THOUS

	Share-based compensation with cash settlement[1]	
	2018	**2017[2]**
Members of the Management Board serving as of December 31, 2018		
Rice Powell	2,391	2,247
Michael Brosnan	1,307	1,290
Dr. Katarzyna Mazur-Hofsäß[3]	858	–
Dr. Olaf Schermeier	1,081	1,039
William Valle[3]	1,402	1,265
Kent Wanzek	1,084	1,060
Harry de Wit	1,074	1,033
Former members of the Management Board who resigned during the fiscal year 2017[4]		
Ronald Kuerbitz	–	–
Dominik Wehner	–	960
TOTAL	**9,197**	**8,894**

[1] This includes Performance Shares pursuant to the LTIP 2016 as well as Share Based Awards 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. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek).
[3] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Katarzyna Mazur-Hofsäß has been appointed as member of the Management Board only with effect as of September 1, 2018 and, therefore, she has 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 and Mr. Ronald Kuerbitz with effect as of February 17, 2017.

The Supervisory Board has agreed on a limitation option for the component with a long-term incentive effect in the event of extraordinary developments.

The components with long-term incentive effect entitle to a cash payment or can be exercised only after the expiration of the predefined waiting and/or vesting periods. Their value is distributed over the waiting periods and is proportionally accounted for as an expense in the respective fiscal year.

The expenses pertaining to components with long-term incentive effects for the fiscal year and for the previous year are set out IN TABLE 4.18.

T 4.18 EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS
IN € THOUS

	Stock Options		Share-based compensation with cash settlement[1]		Share-based compensation	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Members of the Management Board serving as of December 31, 2018						
Rice Powell	659	957	391	1,960	1,050	2,917
Michael Brosnan	330	174	245	639	575	813
Dr. Katarzyna Mazur-Hofsäß[2]	–	–	9	–	9	–
Dr. Olaf Schermeier	236	385	229	1,058	465	1,443
William Valle[2]	–	–	114	121	114	121
Kent Wanzek	295	398	128	1,131	423	1,529
Harry de Wit	–	–	222	596	222	596
Former members of the Management Board who resigned during the fiscal year 2017						
Ronald Kuerbitz[3]	–	(438)	–	(852)	–	(1,290)
Dominik Wehner[4]	–	718	–	3,965	–	4,683
TOTAL	**1,520**	**2,194**	**1,338**	**8,618**	**2,858**	**10,812**

[1] This includes expenses for Performance Shares under the LTIP 2016, expenses for phantom stock under the LTIP 2011 and expenses for the Share Based Award.
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Katarzyna Mazur-Hofsäß has been appointed as member of the Management Board only with effect as of September 1, 2018 and Mr. William Valle with effect as of February 17, 2017 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[3] Mr. Ronald Kuerbitz resigned from the Management Board with effect as of February 17, 2017. Following Mr. Ronald Kuerbitz's resignation from the Management Board, no further expenses arose. 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.
[4] 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 are payable or can be exercised, as the case may be, by the relevant regular vesting date pursuant to the applicable conditions.

Focus on sustainable corporate development

The compensation of the Management Board is designed to promote sustainable corporate development. This is ensured, among other things, by the fact that the portion of the long-term compensation is always greater than the portion of short-term compensation. To the extent the portion of the performance-based components with long-term incentive effects (i.e. Performance Shares and Share Based Award) does not reach 50 % of the sum of all variable compensation components for the respective fiscal year, it has been contractually provided that the one-year variable compensation is reduced accordingly and the Share Based Award is increased correspondingly.

In addition, on the basis of the LTIP 2016 plan conditions and in accordance with the employment contracts concluded with individual members of the Management Board as from January 1, 2018, the Company is entitled to reclaim already earned and paid compensation components (claw back). Such right to reclaim exists in particular in case of relevant violations of internal guidelines or undutiful conduct.

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 total number of stock options and phantom stock awards, whereas the Chairman of the Management Board was 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. The success target 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 has been saved, each in comparison to January 1, 2013, and the respective success target for fiscal years 2015 to 2018 – each as expected and communicated – has been achieved and confirmed by the auditor. If with regard to any reference period or more than one of the four reference periods the respectively governing success target is not achieved, the stock options and phantom stock awards are cancelled to such proportion to which the success target was not achieved, i.e. by 25 %, by 50 %, by 75 % or completely.

At the end of the fiscal year the members of the Management Board held a total of 602,389 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 819,491 stock options originating from the Stock Option Plan 2011. 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 206. Moreover, the Management Board members held, by the end of the fiscal year, a total of 54,711 phantom stock (2017: 73,432) pursuant to the Phantom Stock Plan 2011.

The development and status of stock options in the fiscal year of the members of the Management Board serving at December 31 of the fiscal year are shown in more detail IN TABLE 4.19 ON PAGE 134.

T 4.19 **DEVELOPMENT AND STATUS OF THE STOCK OPTIONS**

		Rice Powell	Michael Brosnan	Dr. Katarzyna Mazur-Hofsäß	Dr. Olaf Schermeier	William Valle	Kent Wanzek	Harry de Wit	Total
Options outstanding January 1, 2018	Number	284,793	149,400	–	96,488	60,000	131,970	–	722,651
	Weighted average exercise price in €	64.73	64.23	–	63.88	64.16	65.10	–	64.53
Options exercised during the fiscal year	Number	28,012	–	–	–	30,000	62,250	–	120,262
	Weighted average exercise price in €	52.48	–	–	–	51.33	51.77	–	51.83
	Weighted average share price in €	90.53	–	–	–	88.74	84.21	–	86.81
Options outstanding December 31, 2018	Number	256,781	149,400	–	96,488	30,000	69,720	–	602,389
	Weighted average exercise price in €	66.06	64.23	–	63.88	76.99	76.99	–	67.07
	Weighted average remaining contractual life in years	3.97	3.51	–	3.99	4.57	4.57	–	3.96
	Range of exercise prices in €	49.76–76.99	49.76–76.99	–	49.76–76.99	76.99	76.99	–	49.76–76.99
Options exercisable December 31, 2018	Number	107,381	74,700	–	46,688	–	–	–	228,769
	Weighted average exercise price in €	50.86	51.47	–	49.90	–	–	–	50.86

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 4.20 ON PAGE 135.

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 Messrs. Rice Powell, Michael Brosnan, Dr. Olaf Schermeier and Mr. Kent Wanzek have been granted by Fresenius Medical Care Management AG. In addition, pension commitments from the participation in employee pension schemes of other Fresenius Medical Care companies exist for individual members of the Management Board.

Each of the pension commitments by Fresenius Medical Care Management AG provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 at the earliest or upon occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit) or of reduction of earning capacity (Erwerbsminderung), calculated by reference to the amount of the recipient's most recent base salary. In deviation from this, individual members of the Management Board (Messrs. Rice Powell and Kent Wanzek) have this entitlement already upon reaching the age of the 63 if they have been members of the Management Board of Fresenius Medical Care Management AG for at least ten years at the

T 4.20 TOTAL COMPENSATION
IN € THOUS

	Cash compensation (without long-term incentive components)		Components with long-term incentive effect		Total compensation (including long-term incentive components)	
	2018	2017[1]	2018	2017[1]	2018	2017[1]
Members of the Management Board serving as of December 31, 2018						
Rice Powell	3,841	3,687	2,391	2,247	6,232	5,934
Michael Brosnan	2,076	2,184	1,307	1,290	3,383	3,474
Dr. Katarzyna Mazur-Hofsäß[2]	1,447	–	858	–	2,305	–
Dr. Olaf Schermeier	1,591	1,594	1,081	1,039	2,672	2,633
William Valle[2]	2,517	2,100	1,402	1,265	3,919	3,365
Kent Wanzek	1,752	1,745	1,084	1,060	2,836	2,805
Harry de Wit	1,745	1,751	1,074	1,033	2,819	2,784
Former members of the Management Board who resigned during the fiscal year 2017[3]						
Ronald Kuerbitz	–	152	–	–	–	152
Dominik Wehner	–	1,195	–	960	–	2,155
TOTAL	**14,969**	**14,408**	**9,197**	**8,894**	**24,166**	**23,302**

[1] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek).
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Katarzyna Mazur-Hofsäß has been appointed as member of the Management Board only with effect as of September 1, 2018 and Mr. William Valle with effect as of February 17, 2017 and, therefore, they have received compensation payments to be set out herein only in each case as of such date.
[3] Mr. Dominik Wehner resigned from the Management Board with effect as of the end of December 31, 2017 and Mr. Ronald Kuerbitz with effect as of February 17, 2017.

time of their final retirement from active employment (early retirement); in this case, the benefits are reduced by 0.5 % per calendar month that the member leaves active employment before reaching the age of 65.

The retirement pension will be based on 30 % of the last base salary 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 to 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, the rights to the aforementioned benefits remain, although the pension to be paid is reduced – unless the Management Board member is leaving because of the occurrence of an event insured against (occupational disability, incapacity to work, pension payments to surviving dependents in case of

death or, if applicable, early retirement) – in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching the age of 65.

Based on individual contractual commitments, the members of the Management Board Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek additionally participated in the U.S.-based 401(k) savings plan in the fiscal year; in this regard, contributions in the amount of $8,250 (2017: $8,100) were earned in the fiscal year in each case and allocated in January 2019 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 at this with contributions of up to 50 % of the yearly made payments.

Furthermore, the members of the Management Board Messrs. Rice Powell and Michael Brosnan have acquired non-forfeitable benefits from participation in employee pension plans of Fresenius Medical Care North America, which provide payment of pensions as of the age of 65 and the payment of reduced benefits as of the age of 55. In March 2002, the rights to receive benefits from the pension plans were frozen at the level then applicable.

Based on an individual contractual commitment, the member of the Management Board Mr. Harry de Wit additionally participated in the Hong Kong-based "Mandatory Provident Fund Scheme" in the fiscal year. In this regard, contributions in the amount of 18,000 HKD (2017: 18,000 HKD) as per statutory requirement were made to the Trustee for Mr. de Wit in the fiscal year. This scheme requires employees to contribute a limited portion of their relevant income as per statutory requirements.

Additions to pension provisions in the fiscal year for Management Board members serving as of December 31 of the fiscal year amounted to €5,071 THOUS (2017: €212 THOUS). The pension commitments are shown in TABLE 4.21.

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 base salary for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board members contain no express provisions that are triggered by a change of control.

The new or extended employment contracts concluded with individual members of the Management Board with effect from January 1, 2018 provide for a severance payment cap. Under this cap, payments in connection with the early termination of a Management Board activity in the event of dismissal for cause (Abberufung aus wichtigem Grund) may not exceed the value of two years' compensation and may not compensate more than the remaining term of the contract. For the calculation of the relevant annual compensation, only the non-performance-based compensation components are applied. If there is good cause for the termination of the employment contract, no severance payments are made.

T 4.21 **DEVELOPMENT AND STATUS OF PENSION COMMITMENTS**
IN € THOUS

	As of January 1, 2018	Increase	As of December 31, 2018
Rice Powell	10,004	2,936	12,940
Michael Brosnan	5,653	1,381	7,034
Dr. Katarzyna Mazur-Hofsäß	–	–	–
Dr. Olaf Schermeier	764	210	974
William Valle	–	–	–
Kent Wanzek	3,043	544	3,587
Harry de Wit	–	–	–
TOTAL	**19,464**	**5,071**	**24,535**

V. Miscellaneous

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of twelve months, although after six months of sick leave, insurance benefits may be set off against such payments. If a Management Board member dies, the surviving dependents will be paid three more monthly instalments after the month of death, not to exceed, however, the amount due between the time of death and the scheduled expiration of the respective employment contract.

Mr. Dominik Wehner was a member of the Management Board until the end of December 31, 2017. In his termination agreement, it was agreed with respect to the compensation components he is entitled to by contract for the period from January 1, 2018 to March 31, 2022 that he will annually receive a base salary of €425 THOUS and an amount of 30 % of his base salary. In addition, Mr. Dominik Wehner is entitled to fringe benefits such as the private use of his company car, contributions to financial planning, insurance benefits and contributions to pension and health insurance in a total amount of approximately €38 THOUS per annum The compensation components granted to Mr. Dominik Wehner under the LTIP 2011, the LTIP 2016 and the Share Based Award are payable 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 is no longer eligible to be granted any components with long-term incentive effects as of the fiscal year 2018. 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, Mr. Ronald Kuerbitz, who was a member of the Management Board until February 17, 2017, was granted no base salary (2017: €109 THOUS) and no fringe benefits (2017: €43 THOUS) and no one-year or multi-year variable compensation components (2017: €0 THOUS). Since February 17, 2017 and for a maximum period of two years, Mr. Ronald Kuerbitz receives annual non-compete compensation of €515 THOUS (2017: €538 THOUS) for the post-employment non-compete obligation agreed with him. In addition, Mr. Ronald Kuerbitz received one-off compensation of €852 THOUS in the fiscal year 2017 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 was linked to the successful completion of various projects, part of which had not yet been completed as at the time of the agreement, and thus ensured 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 would act as an 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 €212 THOUS (2017: €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 €124 THOUS per year.

Mr. Roberto Fusté, who was a member of the Management Board until March 31, 2016, received pension payments in the amount of approximately €261 THOUS (2017: €239 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 (2017: €377 THOUS) and an advisory fee in the amount of €377 THOUS (2017: €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 (2017: €338 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 no non-compete compensation (2017: €163 THOUS) as the non-compete obligation already expired in the course of the previous year.

A consulting agreement was entered into with Dr. Rainer Runte, who was a member of the Management Board until March 31, 2014, with effect since March 1, 2017 the term of which meanwhile was extended until December 31, 2018. By this consulting agreement, Dr. Rainer Runte provided consulting services on certain fields. The consideration (including the reimbursement of expenses) to be granted by Fresenius Medical Care Management AG for such services amounts to €226 THOUS for the fiscal year (2017: €165 THOUS).

Instead of a pension provision, a consulting agreement was entered into with Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, for the period January 1, 2013 to December 31, 2021. By this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame and he will be subject to a non-compete covenant. The consideration to be granted by Fresenius Medical Care Management AG for such services (including reimbursement of expenses) amounts for the fiscal year to €522 THOUS (2017: €580 THOUS). The present value of this agreement (including pension payments for the surviving spouse in case of death) amounts to €1,586 THOUS (2016: €1,996 THOUS) as at December 31 of the fiscal year.

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

The payments to U.S. 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, to the extent such claims exceed their liability under German law. To secure such obligations, a Directors & Officers liability insurance exists with a deductible that corresponds to the specifications according to the German Stock Corporation Act.

Former members of the Management Board did not receive any compensation in the fiscal year other than mentioned herein. As of December 31 of the fiscal year, pension obligations towards this group of persons exist in an amount of €25,163 THOUS (2017: €21,930 THOUS).

VI. Adjustments to the compensation system for the Management Board

The compensation system for the Management Board of the General Partner shall be adjusted. It is intended to submit the adjusted compensation system to the general meeting of the Company.

VII. Tables of the value of benefits granted and received

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 received as well as on the pension expenses for the fiscal year. The model tables provided in the appendix to the German Corporate Governance Code shall be used to present this information. TABLES 4.22 TO 4.24 starting on PAGE 139 include information on the value of benefits granted and received. They adhere to the structure and, to the greatest extent possible, the standards of the model tables of the German Corporate Governance Code.

T 4.22 BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2018 (CONTINUATION SEE NEXT PAGE)
IN € THOUS

	Rice Powell Chairman of the Management Board Member of the Management Board since December 21, 2005 [1]				**Michael Brosnan** Chief Financial Officer Member of the Management Board since January 1, 2010				**Dr. Katarzyna Mazur-Hofsäß** Member of the Management Board for EMEA Member of the Management Board since September 1, 2018				**Dr. Olaf Schermeier** Member of the Management Board for Global Research and Development Member of the Management Board since March 1, 2013			
	2018	**2018** Minimum	**2018** Maximum	**2017** [2]	**2018**	**2018** Minimum	**2018** Maximum	**2017** [2]	**2018**	**2018** Minimum	**2018** Maximum	**2017** [2]	**2018**	**2018** Minimum	**2018** Maximum	**2017** [2]
Base salary	1,270	1,270	1,270	1,217	720	720	720	735	233	233	233	–	490	490	490	490
Fringe benefits	195	195	195	173	56	56	56	134	844	844	844	–	131	131	131	134
TOTAL NON-PERFORMANCE-BASED COMPENSATION	**1,465**	**1,465**	**1,465**	**1,390**	**776**	**776**	**776**	**869**	**1,077**	**1,077**	**1,077**	**–**	**621**	**621**	**621**	**624**
One-year variable compensation	2,096	191	2,515	2,008	1,188	108	1,425	1,212	386	105	463	–	809	74	970	809
Multi-year variable compensation/components with long-term incentive effects	2,390	–	n.a.	2,247	1,307	–	n.a.	1,289	857	–	n.a.	–	1,080	–	n.a.	1,039
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)	977	–	n.a.	916	600	–	n.a.	624	123	–	n.a.	–	323	–	n.a.	323
thereof Performance Shares – LTIP 2016 (4-year term/4-year vesting period)	1,413	–	n.a.	1,331	707	–	n.a.	665	734	–	n.a.	–	757	–	n.a.	716
TOTAL NON-PERFORMANCE-BASED COMPENSATION AND PERFORMANCE-BASED COMPENSATION	**5,951**	**1,656**	**n.a.**	**5,645**	**3,271**	**884**	**n.a.**	**3,370**	**2,320**	**1,182**	**n.a.**	**–**	**2,510**	**695**	**n.a.**	**2,472**
Pension expense	674	674	674	773	667	667	667	694	–	–	–	–	189	189	189	204
VALUE OF BENEFITS GRANTED	**6,625**	**2,330**	**n.a.**	**6,418**	**3,938**	**1,551**	**n.a.**	**4,064**	**2,320**	**1,182**	**n.a.**	**–**	**2,699**	**884**	**n.a.**	**2,676**

[1] The indicated date refers to the appointment as member of the Management Board of the General Partner.
[2] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek).

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2018 (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	William Valle Member of the Management Board for North America Member of the Management Board since February 17, 2017				**Kent Wanzek** Member of the Management Board for Global Manufacturing and Quality Member of the Management Board since January 1, 2010				**Harry de Wit** Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016			
	2018	**2018** Minimum	**2018** Maximum	**2017**[1]	**2018**	**2018** Minimum	**2018** Maximum	**2017**[1]	**2018**	**2018** Minimum	**2018** Maximum	**2017**[1]
Base salary	792	792	792	721	550	550	550	575	480	480	480	480
Fringe benefits	330	330	330	88	126	126	126	85	315	315	315	321
TOTAL NON-PERFORMANCE-BASED COMPENSATION	**1,122**	**1,122**	**1,122**	**809**	**676**	**676**	**676**	**660**	**795**	**795**	**795**	**801**
One-year variable compensation	1,306	119	1,568	1,190	908	83	1,090	949	792	72	950	792
Multi-year variable compensation/components with long-term incentive effects	1,403	–	n.a.	1,265	1,084	–	n.a.	1,059	1,074	–	n.a.	1,033
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)	696	–	n.a.	600	377	–	n.a.	394	317	–	n.a.	317
thereof Performance Shares – LTIP 2016 (4-year term/4-year vesting period)	707	–	n.a.	665	707	–	n.a.	665	757	–	n.a.	716
TOTAL NON-PERFORMANCE-BASED COMPENSATION AND PERFORMANCE-BASED COMPENSATION	**3,831**	**1,241**	**n.a.**	**3,264**	**2,668**	**759**	**n.a.**	**2,668**	**2,661**	**867**	**n.a.**	**2,626**
Pension expense	–	–	–	–	369	369	369	402	–	–	–	–
VALUE OF BENEFITS GRANTED	**3,831**	**1,241**	**n.a.**	**3,264**	**3,037**	**1,128**	**n.a.**	**3,070**	**2,661**	**867**	**n.a.**	**2,626**

[1] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek).

T 4.23 BENEFITS GRANTED TO FORMER MEMBERS OF THE MANAGEMENT BOARD WHO RETIRED IN FISCAL YEAR 2017 OR WITH END OF THE FISCAL YEAR 2017
IN € THOUS

	Ronald Kuerbitz Member of the Management Board for North America Member of the Management Board until February 17, 2017				**Dominik Wehner** Member of the Management Board for EMEA Member of the Management Board until the end of December 31, 2017			
	2018	**2018** Minimum	**2018** Maximum	**2017**	**2018**	**2018** Minimum	**2018** Maximum	**2017**
Base salary	–	–	–	109	–	–	–	425
Fringe benefits	–	–	–	43	–	–	–	38
TOTAL NON-PERFORMANCE-BASED COMPENSATION	**–**	**–**	**–**	**152**	**–**	**–**	**–**	**463**
One-year variable compensation	–	–	–	1,366	–	–	–	701
Multi-year variable compensation/components with long-term incentive effects	–	–	n.a.	–	–	–	n.a.	960
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)	–	–	n.a.	–	–	–	n.a.	244
thereof Performance Shares – LTIP 2016 (4-year term/4-year vesting period)	–	–	n.a.	–	–	–	n.a.	716
TOTAL NON-PERFORMANCE-BASED COMPENSATION AND PERFORMANCE-BASED COMPENSATION	**–**	**–**	n.a.	**1,518**	**–**	**–**	n.a.	**2,124**
Pension expense	–	–	–	797	–	–	–	146
VALUE OF BENEFITS GRANTED	**–**	**–**	n.a.	**2,315**	**–**	**–**	n.a.	**2,270**

T 4.24 ALLOCATIONS (CONTINUATION SEE NEXT PAGE)
IN € THOUS

	Serving members of the Management Board as of December 31, 2018							
	Rice Powell Chairman of the Management Board Member of the Management Board since December 21, 2005[1]		**Michael Brosnan** Chief Financial Officer Member of the Management Board since January 1, 2010		**Dr. Katarzyna Mazur-Hofsäß** Member of the Management Board for EMEA Member of the Management Board since September 1, 2018		**Dr. Olaf Schermeier** Member of the Management Board for Global Research and Development Member of the Management Board since March 1, 2013	
	2018	**2017[2]**	**2018**	**2017[2]**	**2018**	**2017[2]**	**2018**	**2017[2]**
Base salary	1,270	1,217	720	735	233	–	490	490
Fringe benefits	195	173	56	134	844	–	131	134
TOTAL NON-PERFORMANCE BASED COMPENSATION	**1,465**	**1,390**	**776**	**869**	**1,077**	**–**	**621**	**624**
One-year variable compensation	2,376	2,297	1,300	1,315	370	–	970	970
Multi-year variable compensation/components with long-term incentive effects	2,777	2,787	131	2,288	–	–	277	130
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)								
Grant 2013	–	205	–	126	–	–	–	72
Grant 2014	131	–	76	–	–	–	55	–
thereof Stock Option Plan 2006 (7-year term/3-year vesting period)								
Grant 2010	–	2,506	–	2,111	–	–	–	–
thereof LTIP 2011 – Stock Option Plan 2011 (8-year term/4-year vesting period)								
Grant 2011	2,536	–	–	–	–	–	–	–
Grant 2012	–	–	–	–	–	–	–	–
Grant 2013	–	–	–	–	–	–	–	–
Grant 2014	–	–	–	–	–	–	–	–
thereof LTIP 2011 – Phantom Stock Plan 2011 (5-year term/4-year vesting period)								
Grant 2012	–	76	–	51	–	–	–	–
Grant 2013	110	–	55	–	–	–	–	58
Grant 2014	–	–	–	–	–	–	222	–
Other	–	–	–	–	–	–	–	–
TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION	**6,618**	**6,474**	**2,207**	**4,472**	**1,447**	**–**	**1,868**	**1,724**
Pension expense	674	773	667	694	–	–	189	204
ALLOCATION	**7,292**	**7,247**	**2,874**	**5,166**	**1,447**	**–**	**2,057**	**1,928**

Footer see next page

ALLOCATIONS (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	Serving members of the Management Board as of December 31, 2018					
	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 and Quality Member of the Management Board since January 1, 2010		**Harry de Wit** Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016	
	2018	**2017**[2]	**2018**	**2017**[2]	**2018**	**2017**[2]
Base salary	792	721	550	575	480	480
Fringe benefits	330	88	126	85	315	321
TOTAL NON-PERFORMANCE BASED COMPENSATION	**1,122**	**809**	**676**	**660**	**795**	**801**
One-year variable compensation	1,395	1,291	1,076	1,085	950	950
Multi-year variable compensation/components with long-term incentive effects	2,693	20	5,401	218	–	–
thereof Share Based Award – New Incentive Bonus Plan 2010 (3-year term/3-year vesting period)						
Grant 2013	–	–	–	167	–	–
Grant 2014	–	–	104	–	–	–
thereof Stock Option Plan 2006 (7-year term/3-year vesting period)						
Grant 2010	–	–	–	–	–	–
thereof LTIP 2011 – Stock Option Plan 2011 (8-year term/4-year vesting period)						
Grant 2011	532[3]	–	1,573	–	–	–
Grant 2012	333[3]	–	786	–	–	–
Grant 2013	466[3]	–	786	–	–	–
Grant 2014	1,331[3]	–	2,097	–	–	–
thereof LTIP 2011 – Phantom Stock Plan 2011 (5-year term/4-year vesting period)						
Grant 2012	–	20	–	51	–	–
Grant 2013	31	–	55	–	–	–
Grant 2014	–	–	–	–	–	–
Other	–	–	–	–	–	–
TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION	**5,210**	**2,120**	**7,153**	**1,963**	**1,745**	**1,751**
Pension expense	–	–	369	402	–	–
ALLOCATION	**5,210**	**2,120**	**7,522**	**2,365**	**1,745**	**1,751**

[1] The indicated date refers to the appointment as member of the Management Board of the General Partner.
[2] Please note for purposes of comparison between the amounts indicated and those of the fiscal year that the compensation is subject to foreign exchange rate fluctuations depending on whether it is contractually denominated in euro (Dr. Katarzyna Mazur-Hofsäß as well as Messrs. Dr. Olaf Schermeier and Harry de Wit) or U.S. dollar (Messrs. Rice Powell, Michael Brosnan, William Valle and Kent Wanzek).
[3] The indicated amounts are allocations from multi-year variable compensation which have been granted to the member of the Management Board William Valle prior to his appointment to the Management Board: LTIP 2011 – Phantom Stock Plan 2011 – Grant 2011 – fair value at grant €81, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2012 – fair value at grant €48, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2013 – fair value at grant €47, LTIP 2011 – Phantom Stock Plan 2011 – Grant 2014 – fair value at grant €135.

COMPENSATION OF THE SUPERVISORY BOARD

The compensation of the FMC AG & CO. KGAA Supervisory Board is set out in section 13 of the Articles of Association.

Each Supervisory Board member receives a base salary of $88 THOUS (2017: $88 THOUS) for each full fiscal year, payable in four equal instalments at the end of a calendar quarter. The Chairman of the Supervisory Board receives additional compensation of $88 THOUS (2017: $88 THOUS) and the Vice Chairman receives additional compensation of $44 THOUS (2017: $44 THOUS) per respective full fiscal year.

In addition, each member of the Supervisory Board receives as a variable performance-based compensation component (hereinafter also: "performance-based compensation") an additional remuneration which is based upon the respective average growth 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 performance-based compensation is $60 THOUS in case of achieving a 3-year average EPS growth corridor from 8.00 to 8.99 %, $70 THOUS in the corridor from 9.00 to 9.99 % and $80 THOUS in case of a 3-year average EPS growth of 10.00 % or more. If the aforementioned targets are reached, the respective variable remuneration amounts of the performance-based compensation are earned to their full extent, i.e., within these margins there is no pro rata remuneration. In any case, this component is limited to a maximum of $80 THOUS per annum. Reciprocally, the members of the Supervisory Board are entitled to the remuneration component only 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 annual financial statements for the respective fiscal year. For the fiscal year 2018, the 3-year average EPS growth for the fiscal years 2016, 2017 and 2018 was relevant.

In application of the principles above, for the fiscal year the entitlement to a payment of performance-based compensation of $641 THOUS was achieved (2017: $587 THOUS).

As a member of a committee, a Supervisory Board member of FMC AG & CO. KGAA additionally annually receives $44 THOUS (2017: $44 THOUS). A member of a committee who serves as chairman or vice chairman of a committee additionally receives $22 THOUS and $11 THOUS a year, respectively (2017: $22 THOUS and $11 THOUS, respectively), payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee of the Supervisory Board and in the Joint Committee of the Company as well as in the capacity of their respective chairmen and vice chairmen, no separate remuneration shall be granted to the members of the Supervisory Board. In accordance with section 13e para. 3 of the Articles of Association of FMC AG & CO. KGAA, the members of the Joint Committee are, however, entitled to receive an attendance fee in the amount of $3.5 THOUS.

Should a member of the FMC AG & CO. KGAA Supervisory Board at the same time be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG and receive compensation for his/her work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a FMC AG & CO. KGAA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the Chairman of the FMC AG & CO. KGAA Supervisory Board and the Vice Chairman, to the extent that they are at the same time chairman and vice chairman, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the vice chairman of the FMC AG & CO. KGAA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as vice chairman of the FMC AG & CO. KGAA Supervisory Board 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 office, 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 TABLES 4.25 AND 4.26 starting on PAGE 145.

T 4.25 COMPENSATION OF THE SUPERVISORY BOARD
IN € THOUS [1]

	Base salary for Supervisory Board at FMC Management AG		Base salary for Supervisory Board at FMC AG & Co. KGaA		Compensation for committee services at FMC Management AG		Compensation for committee services at FMC AG & Co. KGaA		Total amount of non-performance-based compensation	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Dieter Schenk [2]	44	58	91	58	93	97	–	–	**228**	**213**
Stephan Sturm [3]	149	156	–	–	65	68	–	–	**214**	**224**
Rolf A. Classon [4]	37	39	41	39	112	117	47	49	**237**	**244**
Rachel Empey [5]	75	26	–	–	–	–	–	–	**75**	**26**
William P. Johnston	37	39	37	39	102	107	56	58	**232**	**243**
Dr. Gerd Krick [6]	60	39	42	117	56	58	14	39	**172**	**253**
Pascale Witz [7]	–	–	75	78	–	–	–	–	**75**	**78**
Prof. Dr. Gregor Zünd [8]	–	–	13	–	–	–	–	–	**13**	**–**
Deborah Doyle McWhinney [9]	–	–	62	78	–	–	31	39	**93**	**117**
TOTAL	**402**	**357**	**361**	**409**	**428**	**447**	**148**	**185**	**1,339**	**1,398**

[1] Shown without VAT and withholding tax; translation of U.S. dollar amounts at respective average exchange rates for the respective year.
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Dieter Schenk was appointed at the same time as vice chairman of the Supervisory Board until May 17, 2018 and as chairman of the Supervisory Board of FMC AG & Co. KGaA since May 17, 2018.
[3] Chairman of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[4] Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. Rolf A. Classon was appointed at the same time as vice chairman of the Supervisory Board of FMC AG & Co. KGaA since November 30, 2018.
[5] Member of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[6] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Gerd Krick was appointed as a member of the Supervisory Board of FMC Management AG until May 17, 2018, and, therefore, received compensation payments to be set out herein until this date. Dr. Gerd Krick is a member of the Supervisory Board of FMC Management AG. The compensation was paid out by FMC Management AG.
[7] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA.
[8] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Prof. Dr. Gregor Zünd was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA as of October 29, 2018, and, therefore, received compensation payments to be set out herein as of this date.
[9] Former member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid out by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Deborah Doyle McWhinney resigned as a member of the Supervisory Board of FMC AG & Co. KGaA effective November 1, 2018, and, therefore, received compensation payments to be set out herein until then.

T 4.26 COMPENSATION OF THE SUPERVISORY BOARD
IN € THOUS [1]

	Performance-based compensation in FMC Management AG		Performance-based compensation in FMC AG & Co. KGaA		Performance-based compensation		Total compensation	
	2018	2017	2018	2017	2018	2017	2018	2017
Dr. Dieter Schenk [2]	34	35	34	35	68	70	**296**	**283**
Stephan Sturm [3]	68	71	–	–	68	71	**282**	**295**
Rolf A. Classon [4]	34	35	34	35	68	70	**305**	**314**
Rachel Empey [5]	68	24	–	–	68	24	**143**	**50**
William P. Johnston	34	35	34	35	68	70	**300**	**313**
Dr. Gerd Krick [6]	42	35	25	35	67	70	**239**	**323**
Pascale Witz [7]	–	–	68	71	68	71	**143**	**149**
Prof. Dr. Gregor Zünd [8]	–	–	12	–	12	–	**25**	**–**
Deborah Doyle McWhinney [9]	–	–	57	71	57	71	**150**	**188**
TOTAL	**280**	**235**	**264**	**282**	**544**	**517**	**1,883**	**1,915**

[1] Shown without VAT and withholding tax; translation of U.S. dollar amounts at respective average exchange rates for the respective year.
[2] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Dieter Schenk was appointed at the same time as vice chairman of the Supervisory Board until May 17, 2018 and as chairman of the Supervisory Board of FMC AG & Co. KGaA since May 17, 2018.
[3] Chairman of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[4] Please note for purposes of comparison of the amounts indicated for the fiscal year that Mr. Rolf A. Classon was appointed at the same time as vice chairman of the Supervisory Board of FMC AG & Co. KGaA since November 30, 2018.
[5] Member of the Supervisory Board of FMC Management AG, but not a member of the Supervisory Board of FMC AG & Co. KGaA; compensation paid by FMC Management AG.
[6] Please note for purposes of comparison of the amounts indicated for the fiscal year that Dr. Gerd Krick was appointed as a member of the Supervisory Board of FMC Management AG until May 17, 2018, and, therefore, received compensation payments to be set out herein until this date. Dr. Gerd Krick is a member of the Supervisory Board of FMC Management AG. The compensation was paid out by FMC Management AG.
[7] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA.
[8] Member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Prof. Dr. Gregor Zünd was appointed as a member of the Supervisory Board of FMC AG & Co. KGaA as of October 29, 2018, and, therefore, received compensation payments to be set out herein as of this date.
[9] Former member of the Supervisory Board of FMC AG & Co. KGaA, but not a member of the Supervisory Board of FMC Management AG; compensation paid out by FMC AG & Co. KGaA. Please note for purposes of comparison of the amounts indicated for the fiscal year that Mrs. Deborah Doyle McWhinney resigned as a member of the Supervisory Board of FMC AG & Co. KGaA effective November 1, 2018, and, therefore, received compensation payments to be set out herein until then.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENTS OF INCOME

T 5.1 **CONSOLIDATED STATEMENTS OF INCOME**
IN € THOUS, EXCEPT PER SHARE DATA

	Note	2018	2017	2016
Revenue				
Health care services		13,264,289	14,531,636	13,505,363
Health care products		3,282,584	3,251,936	3,064,352
TOTAL	4a, 26	**16,546,873**	**17,783,572**	**16,569,715**
Costs of revenue				
Health care services		9,899,714	10,347,512	9,631,341
Health care products		1,492,416	1,417,806	1,322,428
TOTAL		**11,392,130**	**11,765,318**	**10,953,769**
GROSS PROFIT		**5,154,743**	**6,018,254**	**5,615,946**
Operating (income) expenses				
Selling, general and administrative	4b	2,865,679	3,618,073	3,132,715
(Gain) loss related to divestitures of Care Coordination activities	4c	(809,003)	(25,763)	(13,543)
Research and development	4d	133,615	130,704	146,511
Income from equity method investees	26	(73,346)	(67,199)	(58,639)
OPERATING INCOME		**3,037,798**	**2,362,439**	**2,408,902**

	Note	2018	2017	2016
Other (income) expense				
Interest income	4g	(147,409)	(51,375)	(63,401)
Interest expense	4g	448,471	416,199	426,809
INCOME BEFORE INCOME TAXES		**2,736,736**	**1,997,615**	**2,045,494**
Income tax expense	4 h	511,079	443,081	625,442
NET INCOME		**2,225,657**	**1,554,534**	**1,420,052**
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		**243,733**	**274,746**	**276,072**
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA		**1,981,924**	**1,279,788**	**1,143,980**
BASIC EARNINGS PER SHARE	19	**6.47**	**4.17**	**3.74**
FULLY DILUTED EARNINGS PER SHARE	19	**6.45**	**4.16**	**3.73**

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

T 5.2 **CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**
IN € THOUS

	Note	2018	2017	2016
NET INCOME		**2,225,657**	**1,554,534**	**1,420,052**
Other comprehensive income (loss)				
Components that will not be reclassified to profit or loss				
Actuarial gains (losses) on defined benefit pension plans	16, 24	(28,070)	6,840	(31,423)
Income tax (expense) benefit related to components of other comprehensive income not reclassified	16, 24	7,713	(27,393)	7,085
TOTAL		**(20,357)**	**(20,553)**	**(24,338)**
Components that may be reclassified subsequently to profit or loss				
Gain (loss) related to foreign currency translation	24	327,317	(1,284,173)	368,429
Gain (loss) related to cash flow hedges [1]	23, 24	23,560	27,983	25,111
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	23, 24	(6,734)	(8,407)	(7,039)
TOTAL		**344,143**	**(1,264,597)**	**386,501**
OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX		**323,786**	**(1,285,150)**	**362,163**
TOTAL COMPREHENSIVE INCOME		**2,549,443**	**269,384**	**1,782,215**
Comprehensive income attributable to noncontrolling interests		285,691	150,611	310,580
COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA		**2,263,752**	**118,773**	**1,471,635**

[1] Including cost of hedging in the amount of €(1,335) for the twelve months ended December 31, 2018.
The following notes are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

T 5.3 **CONSOLIDATED BALANCE SHEETS**
IN € THOUS, EXCEPT SHARE DATA

	Note	2018	2017
Assets			
Cash and cash equivalents	6	2,145,632	978,109
Trade accounts and other receivables	7	3,337,706	3,389,326
Accounts receivable from related parties	5	92,662	111,643
Inventories	8	1,466,803	1,290,779
Other current assets	9	804,083	604,450
TOTAL CURRENT ASSETS		**7,846,886**	**6,374,307**
Property, plant and equipment	10	3,836,010	3,491,771
Intangible assets	11	681,331	683,058
Goodwill	11	12,209,606	12,103,921
Deferred taxes	4h	345,686	315,168
Investment in equity method investees	26	649,780	647,009
Other non-current assets		672,969	409,981
TOTAL NON-CURRENT ASSETS		**18,395,382**	**17,650,908**
TOTAL ASSETS		**26,242,268**	**24,025,215**
Liabilities			
Accounts payable		641,271	590,493
Accounts payable to related parties	5	153,781	147,349
Current provisions and other current liabilities	12	2,904,288	2,858,730
Short-term debt	13	1,205,294	760,279
Short-term debt from related parties	13	188,900	9,000
Current portion of long-term debt and capital lease obligations	14	1,106,519	883,535
Income tax payable		68,229	50,507
TOTAL CURRENT LIABILITIES		**6,268,282**	**5,299,893**

	Note	2018	2017
Long-term debt and capital lease obligations, less current portion	14	5,045,515	5,794,872
Non-current provisions and other non-current liabilities	15	750,738	1,004,672
Pension liabilities	16	551,930	530,559
Income tax payable		97,324	99,493
Deferred taxes	4h	626,521	467,540
TOTAL NON-CURRENT LIABILITIES		**7,072,028**	**7,897,136**
TOTAL LIABILITIES		**13,340,310**	**13,197,029**
Shareholders' equity			
Ordinary shares, no par value, €1.00 nominal value, 384,822,972 shares authorized, 307,878,652 issued and 306,878,701 outstanding as of December 31, 2018 and 385,913,972 shares authorized, 308,111,000 issued and 306,451,049 outstanding as of December 31, 2017 respectively	17	307,879	308,111
Treasury stock, at cost	17	(50,993)	(108,931)
Additional paid-in capital	17	3,873,345	3,969,245
Retained earnings	17	8,831,930	7,137,255
Accumulated other comprehensive income (loss)	24	(1,203,750)	(1,485,578)
TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY		**11,758,411**	**9,820,102**
Noncontrolling interests	17	1,143,547	1,008,084
TOTAL EQUITY		**12,901,958**	**10,828,186**
TOTAL LIABILITIES AND EQUITY		**26,242,268**	**24,025,215**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

T 5.4 **CONSOLIDATED STATEMENTS OF CASH FLOWS**
IN € THOUS

	Note	2018	2017	2016
Operating activities				
Net income		2,225,657	1,554,534	1,420,052
Adjustments to reconcile net income to net cash provided by operating activities				
Depreciation and amortization	10, 11, 26	724,847	735,479	701,536
Change in deferred taxes, net		89,171	(203,046)	232
(Gain) loss on sale of fixed assets, investments and divestitures		(807,106)	(94,123)	(5,381)
Compensation expense related to share-based plans	20	10,745	46,811	27,433
Investments in equity method investees, net		(28,369)	(57,009)	(52,948)
Changes in assets and liabilities, net of amounts from businesses acquired				
Trade accounts and other receivables		(188,866)	(194,087)	(246,926)
Inventories		(157,092)	(62,692)	(60,230)
Other current and non-current assets		(95,251)	176,115	47,314
Accounts receivable from related parties		18,376	95,025	(71,773)
Accounts payable to related parties		4,480	(110,375)	120,745
Accounts payable, provisions and other current and non-current liabilities		363,910	638,501	347,073
Paid interest		(311,971)	(340,632)	(354,246)
Received interest		56,809	37,601	44,602
Income tax payable		514,957	644,866	565,396
Paid income taxes		(358,386)	(675,157)	(550,906)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		**2,061,911**	**2,191,811**	**1,931,973**

	Note	2018	2017	2016
Investing activities				
Purchases of property, plant and equipment		(1,057,276)	(944,460)	(930,520)
Proceeds from sale of property, plant and equipment		54,529	103,225	15,957
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	3, 25	(925,267)	(565,694)	(521,800)
Proceeds from divestitures	3, 25	1,682,975	415,388	190,247
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES		**(245,039)**	**(991,541)**	**(1,246,116)**
Financing activities				
Proceeds from short-term debt		650,634	443,996	805,191
Repayments of short-term debt		(205,790)	(241,309)	(342,505)
Proceeds from short-term debt from related parties		217,646	122,079	124,300
Repayments of short-term debt from related parties		(37,746)	(116,079)	(138,800)
Proceeds from long-term debt		612,388	582,311	2,071
Repayments of long-term debt and capital lease obligations		(1,076,204)	(1,099,329)	(662,823)
Increase (decrease) of accounts receivable securitization program		(298,912)	157,564	112,025
Proceeds from exercise of stock options		47,404	47,591	47,467
Purchase of treasury stock	17	(37,221)	(57,938)	–
Dividends paid	17	(324,838)	(293,973)	(244,251)
Distributions to noncontrolling interests		(296,293)	(386,340)	(294,302)
Contributions from noncontrolling interests		67,196	42,797	71,910
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		**(681,736)**	**(798,630)**	**(519,717)**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**32,387**	**(132,413)**	**38,012**
Cash and cash equivalents				
Net increase (decrease) in cash and cash equivalents		1,167,523	269,227	204,152
Cash and cash equivalents at beginning of period		978,109	708,882	504,730
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6	**2,145,632**	**978,109**	**708,882**

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS´ EQUITY

T 5.5 **CONSOLIDATED STATEMENTS OF SHAREHOLDERS´ EQUITY (CONTINUATION SEE NEXT PAGE)**
IN € THOUS, EXCEPT SHARE DATA

		Ordinary shares		Treasury stock				Accumulated other comprehensive income (loss)					
	Note	Number of shares	No par value	Number of shares	Amount	Additional paid in capital	Retained earnings	Foreign currency translation	Cash flow hedges	Pensions	Total FMC AG & Co. KGaA shareholders´ equity	Non-controlling interests	Total equity
BALANCE AT DECEMBER 31, 2015		**312,863,071**	**312,863**	**(7,548,951)**	**(384,966)**	**4,224,395**	**5,369,493**	**(364,636)**	**(55,271)**	**(232,311)**	**8,869,567**	**936,024**	**9,805,591**
Proceeds from exercise of options and related tax effects	20	907,720	908			41,029					41,937		41,937
Compensation expense related to stock options	20					23,210					23,210		23,210
Withdrawal of treasury stock	17	(6,549,000)	(6,549)	6,549,000	333,973	(327,424)					–		–
Dividends paid	17						(244,251)				(244,251)		(244,251)
Purchase/ sale of noncontrolling interests						(1,095)					(1,095)	63,974	62,879
Contributions from/ to noncontrolling interests											–	(237,103)	(237,103)
Noncontrolling interests subject to put provisions	23						(183,346)				(183,346)		(183,346)
Net Income							1,143,980				1,143,980	276,072	1,420,052
Other comprehensive income (loss) related to:													
Foreign currency translation	24							338,617	(908)	(3,788)	333,921	34,508	368,429
Cash flow hedges, net of related tax effects	24								18,072		18,072		18,072
Pensions, net of related tax effects	16									(24,338)	(24,338)		(24,338)
Comprehensive income											1,471,635	310,580	1,782,215
BALANCE AT DECEMBER 31, 2016		**307,221,791**	**307,222**	**(999,951)**	**(50,993)**	**3,960,115**	**6,085,876**	**(26,019)**	**(38,107)**	**(260,437)**	**9,977,657**	**1,073,475**	**11,051,132**
Proceeds from exercise of options and related tax effects	20	889,209	889			42,944					43,833		43,833
Compensation expense related to stock options	20					11,736					11,736		11,736
Purchase of treasury stock	17			(660,000)	(57,938)						(57,938)		(57,938)
Dividends paid	17						(293,973)				(293,973)		(293,973)
Purchase/sale of noncontrolling interests						(45,550)					(45,550)	28,421	(17,129)
Contributions from/ to noncontrolling interests											–	(244,423)	(244,423)

CONSOLIDATED STATEMENTS OF SHAREHOLDERS´ EQUITY (CONTINUATION OF THE PREVIOUS PAGE)

IN € THOUS, EXCEPT SHARE DATA

	Note	Ordinary shares		Treasury stock		Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)			Total FMC AG & Co. KGaA shareholders´ equity	Non-controlling interests	Total equity
		Number of shares	No par value	Number of shares	Amount			Foreign currency translation	Cash flow hedges	Pensions			
Noncontrolling interests subject to put provisions	23						65,564				65,564		65,564
Net Income							1,279,788				1,279,788	274,746	1,554,534
Other comprehensive income (loss) related to:													
Foreign currency translation	24							(1,177,885)	195	17,652	(1,160,038)	(124,135)	(1,284,173)
Cash flow hedges, net of related tax effects	24								19,576		19,576		19,576
Pensions, net of related tax effects	16									(20,553)	(20,553)		(20,553)
Comprehensive income											118,773	150,611	269,384
BALANCE AT DECEMBER 31, 2017		**308,111,000**	**308,111**	**(1,659,951)**	**(108,931)**	**3,969,245**	**7,137,255**	**(1,203,904)**	**(18,336)**	**(263,338)**	**9,820,102**	**1,008,084**	**10,828,186**
Adjustment due to initial application of IFRS 9							(5,076)				(5,076)		(5,076)
ADJUSTED BALANCE AT DECEMBER 31, 2017		**308,111,000**	**308,111**	**(1,659,951)**	**(108,931)**	**3,969,245**	**7,132,179**	**(1,203,904)**	**(18,336)**	**(263,338)**	**9,815,026**	**1,008,084**	**10,823,110**
Proceeds from exercise of options and related tax effects	20	858,652	859			37,918					38,777		38,777
Compensation expense related to stock options	20					6,713					6,713		6,713
Purchase of treasury stock	17			(431,000)	(37,221)						(37,221)		(37,221)
Withdrawal of treasury stock	17	(1,091,000)	(1,091)	1,091,000	95,159	(94,068)					–		–
Dividends paid	17						(324,838)				(324,838)		(324,838)
Purchase/ sale of noncontrolling interests						(46,463)					(46,463)	63,939	17,476
Contributions from/ to noncontrolling interests												(214,167)	(214,167)
Noncontrolling interests subject to put provisions	23						42,665				42,665		42,665
Net Income							1,981,924				1,981,924	243,733	2,225,657
Other comprehensive income (loss) related to:													
Foreign currency translation	24							292,431	(18)	(7,054)	285,359	41,958	327,317
Cash flow hedges, net of related tax effects	24								16,826		16,826		16,826
Pensions, net of related tax effects	16									(20,357)	(20,357)		(20,357)
Comprehensive income											2,263,752	285,691	2,549,443
BALANCE AT DECEMBER 31, 2018		**307,878,652**	**307,879**	**(999,951)**	**(50,993)**	**3,873,345**	**8,831,930**	**(911,473)**	**(1,528)**	**(290,749)**	**11,758,411**	**1,143,547**	**12,901,958**

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, numbers are stated in thousands, except share data.

1. THE COMPANY, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

THE COMPANY

Fresenius Medical Care AG & Co. KGaA (FMC AG & Co. KGaA or the Company), a German partnership limited by shares (Kommanditgesellschaft auf Aktien) registered in the commercial registry of Hof an der Saale under HRB 4019, with its business address at Else-Kröner-Str. 1, 61352 Bad Homburg v. d. Höhe, is the world's largest kidney dialysis company, based on publicly reported 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, physician nephrology and cardiology services, health plan services, urgent care services and ambulant treatment services. Until June 28, 2018, Care Coordination also included 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," the "Company" or the "Group" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires. "Fresenius SE" and "Fresenius SE & Co. KGaA" refer to Fresenius SE & Co. KGaA. "Management AG" and the "General Partner" refer to Fresenius Medical Care Management AG which is FMC AG & Co. KGaA's general partner and is wholly owned by Fresenius SE. "Management Board" refers to the members of the management board of Management AG and, except as otherwise specified, "Supervisory Board" refers to the supervisory board of FMC AG & Co. KGaA. The term "North America Segment" refers to the North America operating segment, the term "EMEA Segment" refers to the Europe, Middle East and Africa operating segment, the term "Asia-Pacific Segment" refers to the Asia-Pacific operating segment, and the term "Latin America Segment" refers to the Latin America operating segment. For further discussion of the Company's operating segments, SEE NOTE 26.

BASIS OF PRESENTATION

The FMC AG & Co. KGaA as a stock exchange listed company in a member state of the European Union ("EU") fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as adopted in the EU, applying section 315e of the German Commercial Code ("HGB").

The consolidated financial statements of FMC AG & Co. KGaA at December 31, 2018 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, 2018, there were no IFRS or IFRIC interpretations as endorsed by the EU relevant for reporting that differed from IFRS as issued by the IASB.

Moreover, the notes include information required by HGB according to Section 315e (1) HGB. In addition to the IFRS consolidated financial statements, a Group Management Report must be prepared according to section 315e HGB in conjunction with section 315 HGB.

The Company is included in the IFRS consolidated financial statements of Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, pursuant to Section 315e of the German Commercial Code (HGB), published in the Federal Gazette and drawn up for the smallest circle of companies. The consolidated financial statements for the largest circle of companies are drawn up by Fresenius Management SE, Bad Homburg v. d. Höhe, and also published in the Federal Gazette.

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Such financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are of a normal recurring nature. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in all future periods affected.

In order to improve clarity of presentation, various items are aggregated in the consolidated balance sheets and consolidated statements of income. These items are analyzed separately in the notes where this provides useful information to the users of the consolidated financial statements.

The consolidated balance sheets contain all information required to be disclosed by IAS 1 (Presentation of Financial Statements) and are in accordance with Accounting Interpretation 1 ("AIC 1", Balance Sheet Classification according to current/non-current Distinction in compliance with IAS 1) classified on the basis of the liquidity of assets and liabilities following the consolidated balance sheets. The consolidated statements of income are classified using the cost-of-sales accounting format.

Starting on July 1, 2018, the Company's subsidiaries in Argentina applied IAS 29, Financial Reporting in Hyperinflationary Economies, due to the inflation in Argentina. Pursuant to IAS 29, the Company recorded a loss on its net monetary position of €12,297 for the year ended December 31, 2018. While IAS 29 requires that comparative financial statements be restated in the current measuring unit as of the reporting date, the Company's presentation currency is not hyperinflationary and therefore IAS 21, The Effects of Changes in Foreign Exchange Rates, requires the comparative amounts to be disclosed as current year amounts in the prior year financial statements. The Company did not restate the prior year statement of comprehensive income and consolidated balance sheet, but recorded €34,616 as an adjustment to equity as of December 31, 2017. The Company calculated the loss and the adjustment to prior year equity with the use of the Consumer Price Index (Índice de precios al consumidor) as published by the Argentine Statistics and Census Institute for year ended December 31, 2018, which lists the level at 184 index points, a 48 % increase since January 1, 2018.

As a result of the implementation of IFRS 15, Revenue from Contracts with Customers (IFRS 15) and IFRS 9, Financial Instruments (IFRS 9), the Company has updated its accounting policies accordingly. Please refer to NOTE 1 X below for further details on the updated policies.

Finance lease receivables in the amount of €58,336 in the prior years' comparative consolidated financial statements have been reclassified from other currents assets to trade accounts and other receivables to conform to the current year's presentation.

The IFRIC issued an agenda decision in September 2017 relating to the applicability of IAS 12, Income Taxes (IAS 12) to the accounting for interest and penalties related to income taxes. The IFRIC observed in the agenda decision that entities do not have an accounting policy choice between applying IAS 12 and applying IAS 37, Provisions, contingent liabilities and contingent assets (IAS 37), to interest and penalties. In September 2018 the Accounting Standards Committee of Germany (ASCG) approved an interpretation regarding the accounting for interest and penalties related to German income taxes. As a result, the Company restated the consolidated financial statements. The effects identified on the Group financial positions are as follows: an increase of interest expense of €19,012 and €18,301, an increase of interest income of €8,078 and €21,262 and a decrease of income tax expense of €10,934 and €2,961 for 2017 and 2016, respectively, an increase of non-current provisions and other non-current liabilities of €29,027, an increase of other non-current assets of €87, a decrease of income tax payable non-current portion of €28,940, an increase of current provisions and other current liabilities of €14,970, and a decrease of income tax payable current portion of €14,970 as of December 31, 2017.

In 2018, the Company divested its controlling interest in Sound Inpatient Physicians, Inc. (Sound) (SEE NOTE 4 C for more information). The related gain is shown in a separate line on

the consolidated statements of income in the line item "(Gain) loss related to divestitures of Care Coordination activities." To conform to the current presentation on the consolidated statements of income for 2017, the costs of revenue for health care services was reduced for a loss of €14,534 and selling general and administrative expenses was increased for a gain of €40,297. The net effect of this shift in line items was a gain of €25,763 shown in "(Gain) loss related to divestitures for Care Coordination." To conform to the current presentation on the consolidated statements of income for 2016, a gain of €13,543 that was previously in selling, general and administrative expenses is now presented separately in the new line item on the consolidated statements of income.

At February 19, 2019, the Management Board authorized the consolidated financial statements for issue and passed it through to the Supervisory Board for review and authorization.

SIGNIFICANT ACCOUNTING POLICIES

A) Principles of consolidation and composition of the Group

The financial statements of consolidated entities have been prepared using uniform accounting methods in accordance with IFRS 10, Consolidated Financial Statements (IFRS 10). 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, Joint Arrangements (IFRS 11), over which the Company has control. FMC AG & CO. KGAA controls an entity if it has power over the entity through existing rights that give the Company the current ability to direct the activities that significantly affect the Company's return. In addition, the Company is exposed to, or has rights to, variable returns from the involvement with the entity and the Company has the ability to use its power over the entity to affect the amount of the Company's return.

The equity method is applied in accordance with IAS 28, Investments in Associates and Joint Ventures (IAS 28). Generally, equity method investees are entities in which FMC AG & CO. KGAA, directly or indirectly, holds 50 % or less of the voting power and can exercise significant influence over their financial and operating policies.

The disclosure of business acquisitions is performed according to IFRS 3, Business Combinations (IFRS 3) by offsetting investments in subsidiaries against the underlying revaluated equity at the date of acquisition. The identifiable assets and liabilities of subsidiaries as well as the noncontrolling interests are recognized at their fair values. Any remaining debit balance is recognized as goodwill and is tested at least once a year for impairment. Any excess of the net fair value of identifiable assets and liabilities over cost still existing after reassessing the purchase price allocation is recognized immediately in profit or loss.

All significant intercompany revenues, expenses, income, receivables and payables are eliminated. Profits and losses on items of property, plant and equipment and inventory acquired from other group entities are also eliminated.

Deferred tax assets and liabilities are recognized on temporary differences resulting from consolidation procedures.

Noncontrolling interest (NCI) is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent and is recognized at its fair value at the date of first consolidation. Profits and losses attributable to the noncontrolling interests are separately disclosed in the consolidated statements of income.

The Company writes put options on NCI mainly for dialysis clinics in which nephrologists or nephrology groups own an equity interest. While in certain of the dialysis clinics the Company is generally the majority owner, other non-affiliated parties, such as groups of nephrologists or a single nephrologist, hold an NCI position. Generally, the put options associated with this business model are valid for an unlimited time. Accordingly, they do not constrain a long-term investment into a dialysis clinic by the NCI holder. The put options provide for settlement in cash. For these put options, IAS 32, Financial Instruments: Presentation (IAS 32) paragraph 23 requires the Company to recognize a liability for the present value of the exercise price of the option. The potential purchase price liability is recorded in other current provisions and other current liabilities and other non-current provisions and other non-current liabilities at fair value at the balance sheet date. The exercise price of the option is generally based on fair value which is approximated by a multiple of earnings, e.g. a multiple of the proportionate earnings before interest, taxes, depreciation and amortization of the dialysis clinic, and is therefore

affected by the periodic changes in the profitability of such a clinic. The Company believes the accounting treatment of the change in fair value of the put liability under IFRS to this date has not been finally clarified. In the absence of an IFRS that specifically applies to the accounting for put options on NCI, the Company, in line with IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors (IAS 8) paragraph 10, applied the present access method. According to the present access method, NCI are further recorded in equity as "noncontrolling interests". The initial recognition of the purchase price liability, as well as valuation differences, is recorded neutral to profit or loss by reclassification from equity (SEE NOTE 1 G). This presentation results in information that is relevant to the economic decision-making needs of users and to provide reliable financial information as the Company sees these NCI with written put options as equity holders and accordingly attributes net income to NCI.

The consolidated financial statements for 2018 include FMC AG & CO. KGAA as well as 2,036 companies. In 2018, 49 companies were accounted for by the equity method. Since beginning of 2018, 134 companies were first-time consolidations and 278 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 2018, the fully consolidated German subsidiaries (SEE TABLE 5.6 ON PAGE 158) of the Company will apply the exemption provided in Section 264 (3) or Section 264b of the HGB and therefore will be exempt from applying certain legal requirements to prepare notes to the statutory standalone financial statements and a management report as well as the requirements of an independent audit and public disclosure.

B) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term investments with original maturities of up to three months. Short-term investments are highly liquid and readily convertible into known amounts of cash. The risk of changes in value is insignificant.

C) Trade accounts and other receivables

Trade accounts and other receivables are posted at the nominal value less individual allowances for doubtful accounts. For information regarding allowance for doubtful accounts SEE NOTE 2 C.

D) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or net realizable value (SEE NOTE 8). Costs included in inventories are based on invoiced costs and/or production costs as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

E) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation (SEE NOTE 10). Maintenance and repair costs (day-to-day servicing) are expensed as incurred. The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing parts and major inspections if it is probable that the future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. 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 four to 50 years for buildings and improvements with a weighted average life of 14 years and three to 19 years for machinery and equipment with a weighted average life of eleven 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.

T 5.6 COMPANIES EXEMPT FROM APPLYING CERTAIN LEGAL REQUIREMENTS

Name of the company	Registered office of the company
Ärztliches Versorgungszentrum Ludwigshafen GmbH im Lusanum	Ludwigshafen am Rhein, Germany
DiZ München Nephrocare GmbH	Munich, Germany
ET Software Developments GmbH	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 Dortmund, GmbH	Dortmund, Germany
Nephrocare Friedberg GmbH	Friedberg, Germany
Nephrocare Grevenbroich GmbH	Grevenbroich, Germany
Nephrocare Hagen GmbH	Hagen, Germany

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 Mühlhausen GmbH	Mühlhausen, 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 Recklinghausen GmbH	Recklinghausen, Germany
Nephrocare Rostock GmbH	Rostock, Germany
Nephrocare Salzgitter GmbH	Salzgitter, Germany
Nephrocare Schrobenhausen GmbH	Schrobenhausen, Germany
Nephrocare Starnberg GmbH	Starnberg, Germany
Nephrocare Wetzlar GmbH	Wetzlar, Germany
Nephrocare Witten GmbH	Witten, Germany
Nephrologisch-Internistische Versorgung Ingolstadt GmbH	Ingolstadt, Germany
Nova Med GmbH Vertriebsgesellschaft für medizinischtechnische Geräte und Verbrauchsartikel	Bad Homburg v. d. Höhe, Germany
VIVONIC GmbH	Sailauf, Germany
Zentrum für Nieren- und Hochdruckkrankheiten Bensheim GmbH	Bensheim, Germany

F) 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 eight years. Technology is amortized over its useful life of 16 years. Internally developed intangibles are amortized on a straight-line basis over a useful life of nine years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which on average is eleven years. Customer relationships are amortized over their useful life of nine years. All other intangible assets are amortized over their weighted average useful lives of seven years. The weighted average useful life of all amortizable intangible assets is nine years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment (SEE NOTE 1 N).

To perform the annual impairment test of goodwill, the Company identified its groups of cash generating units (CGUS) and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those CGUS. CGUS reflect the lowest level on which goodwill is monitored for internal management purposes.

One CGU was identified in the North America Segment, in the EMEA Segment, in the Asia-Pacific Segment and in the Latin America Segment. For the purpose of goodwill impairment testing, all corporate assets and liabilities are allocated to the CGUS. At least once a year, the Company compares the recoverable amount of each CGU to the CGU's carrying amount. The recoverable amount (value in use) of a CGU is determined using a discounted cash flow approach based upon the cash flow expected to be generated by the CGU. In case that the value in use of the CGU is less than its carrying amount, the difference is at first recorded as an impairment of the carrying amount of the goodwill.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

For further information SEE NOTE 2 A.

G) Financial instruments

Effective January 1, 2018, the Company classifies its financial instruments in accordance with IFRS 9 in the following measurement categories: at amortized cost, at fair value through profit and loss (FVPL) and at fair value through other comprehensive income (FVOCI).

Financial assets are classified depending on the business model in which the financial assets are held and the contractual terms of the cash flows. Financial assets are only reclassified when the business model for managing those assets changes. During the reporting period no financial instruments were reclassified. Purchases and sales of financial assets are accounted for on the trading day. The Company does not make use of the fair value option, which allows financial liabilities to be classified at FVPL upon initial recognition. At initial recognition financial asset and financial liabilities are measured at fair value. Subsequent measurement is either at cost, FVPL or FVOCI.

In general, financial liabilities are classified and subsequently measured at amortized cost, with the exception of contingent considerations resulting from a business combination, noncontrolling interests subject to put provisions as well as derivative financial liabilities.

Investments in equity instruments are recognized and subsequently measured at fair value. The Company's equity investments are not held for trading. In general, changes in the fair

value of equity investments are recognized in the income statement. However, at initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic equity investments in other comprehensive income (loss) (OCI).

The Company invested in several debt securities, with the objective to achieve both collecting contractual cash flows and selling the financial assets. All debt securities are consequently measured at fair value. Some of these securities give rise on specified dates to cash flows that are solely payments of principle and interest. These securities are subsequently measured at FVOCI. Other securities are measured at FVPL.

The Company, as option writer on behalf of existing put options, can be obligated to purchase the noncontrolling interests held by third parties. The obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The initial recognition and subsequent measurement is recognized in equity. For further information related to the estimation of these fair values, SEE NOTE 23.

Derivative financial instruments which primarily include foreign currency forward contracts and interest rate swaps are recognized as assets or liabilities at fair value in the balance sheet (SEE NOTE 23). From time to time, the Company may enter into other types of derivative instruments which are dealt with on a transaction by transaction basis.

Changes in the fair value of derivative financial instruments classified as cash flow hedges are recognized in accumulated OCI (AOCI) in shareholders' equity. The Company only designated the change in fair value of the spot element of foreign exchange forward contracts as the hedging instrument in cash flow hedging relationships. The forward elements are separately accounted for as cost of hedging in a separate component within AOCI. The ineffective portion of cash flow hedge is recognized in the income statement. The change in fair value of derivatives that do not qualify for hedge accounting is recorded in the income statement and usually offsets the changes in value recorded in the income statement for the underlying asset or liability.

Derivatives embedded in host contracts are accounted for as separate derivatives if their economic characteristics and risks are not closely related to those of the host contracts. These embedded derivatives are measured at fair value with changes in fair value recognized in the income statement.

Before January 1, 2018 the following categories according to IAS 39, Financial Instruments: Recognition and Measurement (IAS 39) were relevant for the Company: loans and receivables, financial liabilities measured at amortized cost, available for sale financial assets as well as financial assets/liabilities measured at fair value through profit or loss. All other categories were immaterial or not existing.

The Company regularly reviewed if objective substantial evidence occurred that would indicate an impairment of a financial asset or a portfolio of financial assets. After testing the recoverability of these assets, a possible impairment loss was recorded in the consolidated statement of income. Gains and losses of available for sale financial assets were recognized in AOCI in shareholders' equity until the financial asset was disposed of or if it was considered to be impaired. In these cases the accumulated net loss recorded in AOCI was transferred to the income statement.

Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlying assets and liabilities were recognized periodically in earnings, while the effective portion of changes in fair value of derivative financial instruments classified as cash flow hedges were recognized in AOCI in shareholders' equity. All amounts recorded in AOCI were subsequently reclassified and recorded in the consolidated statement of income.

H) Impairment of financial assets

The impairment of financial assets is based on the expected credit loss approach, as introduced by IFRS 9. Prior to the introduction of IFRS 9, the incurred loss model of IAS 39 required the recognition of an allowance once a loss event occurred. An additional allowance was recorded based on individual country risk for receivables overdue by more than one year. IFRS 9 replaces the incurred loss model under IAS 39 with an expected credit loss approach.

The expected credit loss approach requires that all impacted financial assets will carry a loss allowance based on their expected credit losses. Expected credit losses are a probability-weighted estimate of credit losses over the contractual life of the financial assets. This model comprises a three-stage approach. Upon recognition, the Company shall recognize losses that are expected within the next twelve months. If credit risk deteriorates significantly, from that time, impairment losses shall amount to lifetime expected losses. When assessing for significant increases in credit risk, the Company shall compare the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. The Company should consider reasonable and supportable information including historic loss rates, present developments such as liquidity issues and information about future economic conditions, to ensure foreseeable changes in the customer-specific or macroeconomic environment are considered. Separately, there is the rebuttable presumption, that the credit risk has increased significantly since the initial recognition when contractual payments are overdue by more than 30 days.

In case of objective evidence of impairment there is an assignment to stage 3. The assignment of a financial asset to stage 3 should rely on qualitative knowledge on the customers' unfavorable financial position (for example bankruptcy, lawsuits with private or public payers), or quantitative criteria, based on an individual maturity analysis. Independently, there is an assignment to stage 3, if the contractual payments are overdue by more than 360 days. When a counterpart defaults, all financial assets against this counterpart are considered impaired. The definition of default is mainly based on payment practices specific to individual regions and businesses.

The Company recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, contract assets and lease receivables as well as in investments in debt securities measured at fair value through other comprehensive income. The financial assets mainly comprise trade accounts and other receivables as well as cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument. Financial assets whose expected credit loss is not assessed individually are grouped on the basis of geographical regions and the impairment is generally assessed on the basis of macroeconomic indicators such as credit default swaps.

For trade accounts receivable, the Company uses the simplified method which requires recognizing lifetime expected credit losses at inception. However, expected credit losses on cash and cash equivalents are measured according to the general method which is based on 12-month expected credit losses. Due to the short maturity term of the financial instruments this corresponds with the lifetime expected loss.

Based on the external credit ratings of the counterparties the Company considers that its cash and cash equivalents have a low credit risk.

l) Foreign currency translation

For purposes of these consolidated financial statements, the euro is the reporting currency. The requirement to report in euro arises from Section 315e and Section 244 HGB. Substantially all assets and liabilities of foreign subsidiaries, that use a functional currency other than the euro, are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net earnings and are reported in AOCI. In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are reported in AOCI.

The exchange rates of the U.S. dollar affecting foreign currency translation developed as shown in TABLE 5.7.

T 5.7 **EXCHANGE RATES**
1 U.S. DOLLAR IN EURO

December 31, 2018	December 31, 2017	2018	2017	2016
spot exchange rate in €	spot exchange rate in €	average exchange rate in €	average exchange rate in €	average exchange rate in €
0.87336	0.83382	0.84678	0.88519	0.90342

J) Revenue recognition

The Company has adopted IFRS 15 as issued in May 2014, which resulted in changes in accounting policies. In accordance with the transition provisions in IFRS 15 the new rules have been adopted only to those contracts that are not considered completed contracts as of January 1, 2018 following the cumulative effect method with no restatement of the comparative periods presented.

For both health care services revenue and health care products revenue, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

Health care services

Health care services revenue, other than the hospitalist and insurance revenues discussed below, are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for health care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. In the U.S., these arrangements are generally with third party payors, such as Medicare, Medicaid or commercial insurers. Outside the U.S., the reimbursement is usually made through national or local government programs with reimbursement rates established by statute or regulation.

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 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.

For services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed the Company concludes that the consideration is variable ("implicit price concession") and records the difference between the billed amount and the amount estimated to be collectible as a reduction to health care services revenue, whereas prior to the adoption of IFRS 15 it was recorded as part of selling, general and administrative expenses as an allowance for doubtful accounts. Implicit price concessions include such items as amounts due from patients without adequate insurance coverage, patient co-payment and deductible amounts due from patients with health care coverage. The Company determines implicit price concessions primarily upon past collection history.

In the U.S., the Company generates revenue from insurance contracts in accordance with IFRS 4, Insurance Contracts (IFRS 4). Insurance premium revenue is recognized as earned each month and risk adjustments are offset against revenue. In the U.S. the Company provides Medicare Advantage ESRD Chronic Conditions Special Needs Plan products. These are Medicare Advantage health plans offered by the Company that contract with the Centers for Medicare and Medicaid Services (CMS) to provide patients with Medicare benefits and receive capitated payments from CMS. Furthermore, the Company has also entered into sub-capitation and other shared savings arrangements with certain payors.

Revenue from insurance contracts is disclosed as part of "Other revenue" separately from "Revenue from contracts with customers" in the notes to the consolidated financial statements.

Health care products

In the health care product business, major revenues are generated from the sale of dialysis machines and water treatment systems, disposable products and maintenance agreements for the Company´s health care products. Revenues from the sale of dialysis machines and water treatment system are typically recognized upon installation and provision of the necessary technical instructions as only thereafter the customer obtains control of the medical device whereas prior to the adoption of IFRS 15 revenues were recorded upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. A small portion of the Company´s revenue is recognized from sales of

dialysis machines to distributors. When the distributor is the principal in the contract, the revenue allocated to the machine will be recognized upon transfer of title to the distributor. In case the Company is committed to perform the installation, revenue allocated to the installation would be recorded separately upon installation of the machine at the end-customers' premises. In case the distributor is only an agent in the contract, revenue for sale of the machine would be recorded upon installation.

Under consignment arrangements revenue is recognized upon withdrawal of the products by the customer.

Maintenance is provided over time, and as such revenue is typically recognized on a straight-line basis.

All other dialysis and non-dialysis product revenues are recognized upon transfer of title to the customer. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

A portion of dialysis product revenues is generated from arrangements which give the customer, typically a health care provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. If the right to use the machine is conveyed through an operating lease and the customer agrees to purchase a minimum number of related treatment disposables, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables upon transfer of control with revenue for the use of dialysis machines recognized straight-line over the term of the lease contract. When there is no such agreement that the customer purchases a minimum number of related treatment disposables, revenue is recognized only on the sale of disposables unless the timing of the first purchase order of related treatment disposables justifies a combination of contracts according to IFRS 15.

If the lease of the machines is a finance lease, ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for finance leases. IFRS 15 specifically excludes leases from the scope of the revenue standard. Therefore, the transaction price is allocated in accordance with IFRS 15, and revenue is recognized separately for the lease and the non-lease components of the contract in accordance with IAS 17.

Revenue from lease contracts is disclosed as part of "Other revenue" separately from "Revenue from contracts with customers" in the notes to the consolidated financial statements.

K) 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 2018, 2017 and 2016, interest of €5,724, €4,758 and €4,475, based on an average interest rate of 4.03 %, 4.19 % and 4.64 %, respectively, was recognized as a component of the cost of assets.

L) Research and development expenses

Research is the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge. Development is the technical and commercial implementation of research results and takes place before the start of commercial production or use. Research costs are expensed as incurred. Development costs that fully meet the criteria for the recognition of an intangible asset set out in IAS 38, Intangible Assets (IAS 38) are capitalized as intangible asset.

M) Income taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the single entity's financial statement carrying amounts of existing assets and liabilities and their respective tax basis, tax credits and tax loss carryforwards which are probable to be utilized. Deferred tax assets and liabilities are measured at the

tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the end of the reporting period. A change in tax rate for the calculation of deferred tax assets and liabilities is recognized in the period the new laws are enacted or substantively enacted. The effects of the adjustment are generally recognized in the income statement. The effects of the adjustment are recognized in equity, if the temporary differences are related to items directly recognized in equity.

Deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill. In addition, deferred tax assets and liabilities are not recognized if they arise from the initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting profit nor taxable profit or loss.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date. A deferred tax asset is recognized to the extent that the utilization of parts or all of it is probable because sufficient taxable profit will be available (SEE NOTE 4 H). The determination of future taxable income is based on assumptions on future market conditions and future profits of FMC AG & CO. KGAA and considers all currently available information as well as the level of historical taxable income. In addition, the determination of the recoverable amount of deferred tax assets considers implemented tax strategies.

The Company recognizes assets and liabilities for uncertain tax treatments to the extent it is probable the tax will be recovered or that the tax will be payable, respectively.

In North America and Germany, interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore are accounted for under IAS 37. All other jurisdictions account for interest and penalties related to income taxes in accordance with local tax rules of the respective tax jurisdiction either under IAS 37 or as income tax expense under IAS 12.

N) 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 (IAS 36). The net realizable value of an asset is defined as its fair value less costs to sell. The value in use is the present value of future cash flows expected to be derived from the relevant asset. If it is not possible to estimate the future cash flows from the individual assets, impairment is tested on the basis of the future cash flows of the corresponding CGUs.

Impairment losses, except impairment losses recognized on goodwill, are reversed up to the amount of the amortised acquisition cost, as soon as the reasons for impairment no longer exist.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

O) 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).

P) Self-insurance programs

SEE NOTE 2 D.

Q) 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 approx-

imately 33 %, 34 %, and 33 % of the Company's worldwide revenues in 2018, 2017 and 2016, respectively.

SEE NOTE 2 C for concentration risks of debtors or group of debtors as well as NOTE 8 for discussion of suppliers with long-term purchase commitments.

R) Legal contingencies

SEE NOTE 2 B.

S) Other provisions

In accordance with IAS 12 and IAS 37, accruals for taxes and other obligations are recognized when there is a present obligation to a third party arising from past events, it is probable that the obligation will be settled in the future and the required amount can be reliably estimated. Provisions by their nature are more uncertain than most other items in the statement of financial position.

Tax accruals include obligations for the current year and for prior periods.

Non-current provisions with a remaining period of more than one year are discounted to the present value of the expenditures expected to settle the obligation.

T) Earnings per share

Basic earnings per share is calculated in accordance with IAS 33, Earnings per Share (IAS 33). Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on shares that would have been outstanding during the years presented had the dilutive instruments been issued.

Equity-settled awards granted under the Company's stock incentive plans (SEE NOTE 20), are potentially dilutive equity instruments.

U) 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.

V) Employee benefit plans

Pension obligations for post-employment benefits are measured in accordance with IAS 19 (revised 2011), Employee Benefits (IAS 19), using the projected unit credit method, taking into account future salary and trends for pension increase.

The Company uses December 31 as the measurement date when measuring the 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 investment returns and the return implied by the net interest cost. In the event of a surplus for a defined benefit pension plan remeasurements can also contain the effect from asset ceiling, as far as this effect is not included in net interest costs.

Remeasurements are recognized in AOCI completely. It is not allowed to reclassify the remeasurements in subsequent periods. Components of net periodic benefit cost are recognized in profit and loss of the period.

W) 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 (IFRS 2) using the binominal option pricing model and recognized as expense over the vesting period of the stock option plans. For certain exceptions a shorter vesting period may apply after which the stock options will not forfeit in any way. In such cases the vesting period is shortened accordingly.

The balance sheet date fair value of cash-settled phantom 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.

X) Recent pronouncements

Recently implemented accounting pronouncements

The Company has prepared its consolidated financial statements at December 31, 2018 in conformity with IFRS that have to be applied for fiscal years beginning on January 1, 2018. In 2018, the Company applied the following new standard relevant for its business for the first time:

› IFRS 15
› IFRS 9

IFRS 15

The Company adopted IFRS 15, as issued in May 2014, with the effective date of January 1, 2018. While this standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. In accordance with the transition provisions in IFRS 15 the new rules were only adopted for those contracts that are not completed contracts as of January 1, 2018 following the cumulative effect method with no restatement of the comparative periods presented.

The major changes in the Company's accounting policies resulting from the implementation of IFRS 15 are summarized below:

Health care services
For services performed for patients where the collection of the billed amount or a portion of the billed amount cannot be determined at the time services are performed, the Company concludes that the consideration is variable ("implicit price concession") and records the difference between the billed amount and the amount estimated to be collectible as a reduction to health care services revenue, whereas prior to the adoption of IFRS 15 it was recorded as part of selling, general and administrative expenses as an allowance for doubtful accounts. Implicit price concessions include such items as amounts due from patients without adequate insurance coverage, patient co-payment and deductible amounts due from patients with health

care coverage. The Company determines implicit price concessions primarily upon past collection history.

IFRS 15 requires the consideration of implicit price concessions when determining the transaction price which, through adoption, resulted in the implicit price concessions directly reducing revenue in the amount of €468,214 in 2018. Prior to the adoption of IFRS 15, implicit price concessions were included as part of selling, general and administrative expenses as an allowance for doubtful accounts in the amount of €486,140 in 2017. There is no effect on net income as the implicit price concessions are merely presented in different lines within the consolidated statements of income.

Health care products

In the health care product business, major revenues are generated from the sale of dialysis machines and water treatment systems, disposable products and maintenance agreements for the Company´s health care products. With the adoption of IFRS 15, revenues from the sale of dialysis machines and water treatment systems are typically recognized upon installation and provision of the necessary technical instructions as only thereafter does the customer obtain control of the medical device. Prior to the adoption of IFRS 15 revenues were recorded upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title.

A portion of dialysis product revenues is generated from arrangements which give the customer, typically a health care provider, the right to use dialysis machines. IFRS 15 specifically excludes leases from the scope of the revenue standard. As a result, the transaction price is allocated in accordance with IFRS 15, and revenue is recognized separately for the lease and the non-lease components of the contract in accordance with IAS 17.

As of December 31, 2018, there are no contract assets and an immaterial amount of contract liabilities resulting from the implementation of IFRS 15. Contract liabilities are shown in the consolidated balance sheet in line item "Current provisions and other current liabilities".

SEE NOTE 1 J for more information on revenue recognition.

IFRS 9

The Company has adopted IFRS 9, with the effective date of January 1, 2018. IFRS 9 was issued in July 2014 and mainly replaced IAS 39. Additionally, the Company has adopted the related amendments to IFRS 7, Financial instruments: disclosures (IFRS 7).

The major changes in the Company's accounting policies resulting from the implementation of IFRS 9 are summarised below:

Classification and measurement of financial assets and financial liabilities

IFRS 9 defined the following three categories for financial assets: measured at amortized cost, measured at FVOCI and measured at FVPL. The classification depends on the business model that the financial assets are managed in and the contractual terms of the cash flows of the financial assets. IFRS 9 eliminated the following categories that were applicable for the Company under IAS 39: loans and receivables and available for sale financial assets.

The requirements for the classification and measurement of financial liabilities have not changed significantly. Consequently, the implementation of IFRS 9 does not have a material impact on the Company's accounting policies for financial liabilities. SEE NOTE 1 G for more information on financial assets and financial liabilities.

Impairment of financial assets

Under the incurred loss model of IAS 39, an allowance was recorded once a loss event occurred. An additional allowance was recorded based on individual country risk for receivables overdue by more than one year. IFRS 9 replaces the incurred loss model under IAS 39 with an expected credit loss approach. Under IFRS 9, generally all impacted financial assets will carry a loss allowance based on their expected credit losses. SEE NOTE 1 H for more information on the expected credit loss approach.

Hedge accounting

The Company implemented the IFRS 9 hedge accounting model. The new model allows for improved alignment of hedge accounting with risk management strategies and objectives. The Company applies cash flow hedge accounting mainly for the purpose of hedging forecasted transactions relating to inventory purchases and sales. To hedge the resulting foreign

currency exposure, the Company generally enters into foreign exchange forward contracts. With the application of IFRS 9, only the effective fair value changes of the spot component of these contracts are designated as hedging instruments and accounted for in OCI. Forward points are recognized and accumulated in a separate component within OCI. Under IAS 39, the fair value changes of both the spot and forward component were designated as hedging instrument, and recognized in AOCI. Under IAS 39 accumulated amounts related to cash flow hedges were reclassified to profit or loss in the same period as the hedged forecasted transaction affected profit or loss. Under IFRS 9, accumulated amounts in OCI for cash flow hedges of foreign exchange risk in relation to hedged forecasted product purchases from third party are directly included in the initial cost of the asset when it is recognized.

Recent accounting pronouncements not yet adopted

The IASB issued the following new standards which are relevant for the Company:

› IFRS 16, LEASES (IFRS 16)
› IFRS 17, INSURANCE CONTRACTS (IFRS 17)

IFRS 16

In January 2016, the IASB issued IFRS 16, which supersedes the current standard on lease-accounting, IAS 17, as well as the interpretations IFRIC 4, Determining whether an arrangement contains a lease, Standing Interpretations Committee (SIC)-15, Operating leases – incentives and SIC-27, Evaluating the substance of transactions in the legal form of a lease. IFRS 16 significantly changes lessee accounting. For almost all leases, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Only leases with a total maximum term of twelve months (short-term leases) and leases for underlying assets of low-value are exempted from balance sheet recognition. 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 for the vast majority of the leases. 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. 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 an analysis conducted as part of the group-wide project on initial application, applying the options and exemptions detailed below, the Company expects that as of January 1, 2019 right-of-use assets of approximately €4,200,000 and additional lease liabilities of approximately €4,500,000 will be presented on the consolidated balance sheet. The Company expects an improvement of approximately €130.000 in operating income excluding effects related to changes in the accounting treatment of sale-leaseback transactions.

The Company also expects that its net leverage ratio (debt less cash and cash equivalents (net debt) as 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) as of January 1, 2019 will increase by about approximately 0.8.

The change in presentation of the repayment component of operate lease payments will result in a corresponding improvement of cash flows from operating activities and a decline in cash flows from financing activities.

The Company applies the modified retrospective method in accordance with IFRS 16 as the transition method. Accordingly, the cumulative effect from first-time application is recognized in the opening balance of retained earnings as of January 1, 2019 without adjustments to the comparative information of the previous period. In the application of the modified retrospective method, the carrying amount of the lease liability at the date of the initial application is determined by discounting the remaining lease payments of lease agreements that were classified as operating leases under IAS 17 using the incremental borrowing rate at date of initial application. Furthermore, right-of-use assets are to be recognized. In the application of the modified retrospective method, the carrying amount of the right-of-use asset equals the carrying amount of the lease liability (adjusted for any prepaid or accrued lease payments). For a part of the existing contracts, the Company recognizes the right-of-use asset with its carrying amount assuming the new standard had been applied since the commencement date of the lease discounted using its incremental borrowing rate at the date of initial application.

Regarding the options and exemptions available upon the initial application of IFRS 16 the Company adopted the following approach:

- IFRS 16 is only applied to contracts that were previously identified as leases under IAS 17 and IFRIC 4.
- Recognition, valuation and disclosure principles of IFRS 16 are not applied to lease contracts with a lease term ending in less than twelve months from the date of the initial application. The respective lease contracts are accounted for as if they were short term leases and recognized as an expense accordingly.
- Material initial direct costs are included in the measurement of a right-of-use asset with the carrying amount assuming the new standard was applied since the commencement date of the lease.
- Upon initial recognition no impairment review is performed. The right-of-use assets are adjusted for onerous contract provisions, recognized on the consolidated balance sheet immediately before the date of initial application.

Right-of-use assets from lease contracts are classified in accordance with the group's classification of property, plant and equipment:

- Right-of-use assets: Land,
- Right-of-use assets: Buildings and improvements,
- Right-of-use assets: Machinery and equipment.

In addition to the right-of-use asset categories above, prepayments on right-of-use assets are presented separately. Right-of-use assets from lease contracts and lease obligations are presented separately from property, plant and equipment and other financial debt in the consolidated balance sheet.

For lease contracts that include both lease and non-lease components that are not separable from lease components, no allocation is performed. Each lease component and any associated non-lease components are accounted for as a single lease.

IFRS 17

In May 2017, the IASB issued IFRS 17. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure related to the issuance of insurance contracts. IFRS 17 replaces IFRS 4, 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 and IFRS 15. 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, customer relationships and distribution agreements. At December 31, 2018, the carrying amount of goodwill and non-amortizable intangible assets amounted to €12,395,641 (€12,281,648 at December 31, 2017) representing approximately 47 % and 51 % of the Company's total assets at December 31, 2018 and 2017, respectively.

In accordance with IAS 36, the Company performs an impairment test of goodwill and non-amortizable intangible assets at least once a year for each cash-generating unit or more frequently if the Company becomes aware of events that occur or if circumstances change that would indicate the carrying value may not be recoverable (SEE ALSO NOTE 1 F).

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. The key assumptions represent management's assessment of future trends and have been based on historical data from both external and internal sources. In determining discounted cash flows, the Company utilizes for every CGU its three-year budget, projections for years four to ten and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the non-discretionary nature of the health care services the Company provides, the need for health care products utilized to provide such services and the availability of government reimbursement for a substantial portion of its services.

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 1.0 %, 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 2018, the pre-tax WACC, for the respective CGU is 7.42 % (2017: 7.30 %) for North America, 9.46 % (2017: 9.43 %) for EMEA, 7.81 % (2017: 7.58 %) for Asia-Pacific and 16.75 % (2017: 18.31 %) for Latin America. An overview of the carrying amounts of goodwill and intangibles with indefinite useful life for each CGU is shown in NOTE 11.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values and intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

A prolonged downturn in the health care industry with lower than expected increases in reimbursement rates and/or higher than expected costs for providing health care services and for procuring and selling health care products could adversely affect the Company's estimated future cash flows. Future adverse changes in a cash-generating unit's economic environment of a CGU could affect the country specific risk rate and therefore the discount rate. Equally an increase of the general interest rate level could affect the base rate and therefore the discount rate. A decrease in the estimated future cash flows and/or a decline in the cash-generating units economic environment could result in impairment charges to goodwill and other intangible assets with indefinite useful life which could materially and adversely affect the Company's future financial position and operating results.

In 2018, the recoverable amount of Latin America exceeds the carrying amount by €23,985. Sensitivity analysis showed that a rise in the pre-tax WACC by 0.27 percentage points, that could be caused by an increase in the Company's beta factor or an increase in the risk-free interest rate, would lead to a recoverable amount of the CGU Latin America to be equal to the carrying

amount. The operating income margin of the CGU Latin America must decrease by 0.32 percentage points each year in order for the recoverable amount of Latin America to be equal to the carrying amount. The growth rate of the residual value of the CGU Latin America must decrease by 0.47 percentage points in order for the recoverable amount of Latin America to be equal to the carrying amount.

B) LEGAL CONTINGENCIES

From time to time, during the ordinary course of operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business (SEE NOTE 22). The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

The outcome of these matters may have a material effect on the results of operations, financial position and net assets of the Company.

C) TRADE ACCOUNTS AND OTHER RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts and other receivables are a substantial asset of the Company and the allowance for doubtful accounts is based upon a significant estimate made by management. Trade accounts and other receivables were €3,337,706 and €3,389,326 at December 31, 2018 and 2017, respectively, net of allowances for doubtful accounts of €118,015 at December 31, 2018 and €474,891 at December 31, 2017.

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 receivables 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 an individual allowance is required considers the appropriate individual local facts and circumstances that apply to an account. While payment and collection practices vary significantly between countries and even agencies within one country, government payors usually represent low to moderate credit risks. It is the Company's policy to determine when receivables should be classified as bad debt on a local basis taking into account local payment practices and local collection experience. An individual allowance is calculated locally if specific circumstances indicate that amounts will not be collectible.

Receivables where the expected credit loss are not assessed individually are grouped based on geographical regions and the impairment is assessed based on macroeconomic indicators such as credit default swaps. For more information regarding the impairment on trade accounts and other receivables please refer to NOTE 1 H.

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, 2018 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 2018 would have been reduced by approximately 1.1 %.

TABLE 5.8 shows the portion of major debtors or debtor groups of trade accounts and other receivables as at December 31, 2018 and 2017. No single debtor, other than U.S. Medicare and Medicaid, accounted for more than 5 % of total trade accounts and other receivables in any of these years. Amounts pending approval from third party payors represented less than 3 % of the accounts receivable at December 31, 2018.

T 5.8 **COMPOSITION OF TRADE ACCOUNTS AND OTHER RECEIVABLES**

December 31,	2018	2017
U.S. Government health care programs	33 %	28 %
U.S. commercial payors	14 %	14 %
U.S. hospitals	5 %	11 %
Self-pay of U.S. patients	2 %	1 %
Other North America Segment payors	3 %	2 %
Product customers and health care payors outside the North America Segment	43 %	44 %
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 1 G 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 1 M.

3. ACQUISITIONS, INVESTMENTS, PURCHASES OF INTANGIBLE ASSETS AND DIVESTITURES

The Company completed acquisitions, investments and the purchase of intangible assets in the amount of €956,803, €682,676 and €774,277 in 2018, 2017 and 2016, respectively. In 2018, €925,267 was paid in cash and €31,536 were assumed obligations and non-cash consideration. In 2017, €565,694 was paid in cash and €116,982 were assumed obligations and non-cash consideration. In 2016, €521,800 was paid in cash and €252,477 were assumed obligations and non-cash consideration.

ACQUISITIONS

The Company made acquisitions of €280,643, €638,307 and €632,342 in 2018, 2017 and 2016, respectively in order to expand the scope of its services and to increase its market shares in the respective countries. In 2018, €249,965 was paid in cash and €30,678 were assumed obligations and non-cash consideration. In 2017, €521,325 was paid in cash and €116,982 were assumed obligations and non-cash consideration. In 2016, €379,865 was paid in cash and €252,477 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 2018, 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.

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 2018.

The excess of the total acquisition costs over the fair value of the net assets acquired resulted in goodwill of €328,702 and €651,491 at December 31, 2018 and 2017, respectively.

The purchase price allocations for all collectively and individually non-material acquisitions for 2018 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 2018, based on preliminary purchase price allocations, the Company recorded €328,702 of goodwill and €12,368 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 2018 increased the Company's net income (net income attributable to shareholders of FMC AG & CO. KGAA) by €2,434, excluding the costs of the acquisitions, and revenue increased by €59,452. Total assets increased €360,375 due to business combinations.

INVESTMENTS AND PURCHASES OF INTANGIBLE ASSETS

Investments and purchases of intangible assets were €676,160, €44,369 and €141,935 in 2018, 2017 and 2016, respectively. These amounts were primarily driven by investments in securities and an equity investment in Humacyte, a medical research, discovery and development company, to gain a 19 % fully diluted ownership stake as well as a related exclusive global distribution right to Humacyte's bioengineered human acellular vessels in 2018, as well as purchases of intangible assets and an investment in securities in 2017, and an investment in securities and notes receivables related to an equity method investee in 2016. Of this amount €675,302, €44,369 and €141,935 were paid in cash in 2018, 2017 and 2016, respectively.

DIVESTITURES

Proceeds from divestitures were €1,683,292, €437,031 and €193,893 in 2018, 2017 and 2016, respectively. These amounts mainly related to the divestiture of the controlling interest in Sound Inpatient Physicians, Inc. (Sound) (SEE NOTES 4 C AND 25) as well as divestitures of securities in 2018, the sale of a provider of non-dialysis laboratory testing services and a provider of outsourced clinical services in the North America Segment, divestitures of securities in 2017, a divestment of securities and the repayment of notes receivables related to an equity method investee in 2016. In 2018, €1,682,975 was received in cash and €317 were non-cash components. In 2017, €415,388 was received in cash and €21,643 were non-cash components. In 2016, €190,247 was received in cash and €3,646 were non-cash components.

4. NOTES TO THE CONSOLIDATED STATEMENTS OF INCOME

A) REVENUE

The Company has recognized revenue in the consolidated statements of income for the year ended December 31, 2018 as shown in TABLE 5.9.

T 5.9 **REVENUE**
IN € THOUS

	2018		
	Revenue from contracts with customers	**Other revenue**	**Total**
Health care services			
Dialysis services	11,420,415	–	11,420,415
Care Coordination	1,622,862	221,012	1,843,874
	13,043,277	**221,012**	**13,264,289**
Health care products			
Dialysis products	3,115,753	93,068	3,208,821
Non-dialysis products	73,763	–	73,763
	3,189,516	**93,068**	**3,282,584**
TOTAL	**16,232,793**	**314,080**	**16,546,873**

TABLE 5.10 ON PAGE 175 shows the amounts of receivables and contract liabilities relating to contracts with customers for the year ended December 31, 2018 that the Company has recognized.

Impairment losses in the amount of €16,981 relate to receivables arising from contracts with customers.

T 5.10 TRADE ACCOUNTS RECEIVABLES AND CONTRACT LIABILITIES
IN € THOUS

	2018
Trade accounts receivables	3,284,712
Contract liabilities	37,632

Contract liabilities primarily relate to advance payments from customers and to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer.

Contract liabilities are shown in the consolidated balance sheet in line item "Current provisions and other current liabilities".

At December 31, 2018, performance obligations of €1,157,314 are unsatisfied (or partially unsatisfied).

Expected recognition of the transaction price allocated to unsatisfied performance obligations as revenue for the next five years and in the aggregate for the five years thereafter are as shown in TABLE 5.11.

T 5.11 UNSATISFIED PERFORMANCE OBLIGATIONS
IN € THOUS

1 year	286,003
1–3 years	435,325
3–5 years	369,238
5–10 years	66,748
TOTAL	**1,157,314**

B) SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are generated in the administrative, logistic and selling functions which are not attributable to production or research and development. In addition, general and administrative expenses included realized and unrealized foreign exchange gains and losses. In 2018, general and administrative expenses included a Foreign Corrupt Practices Act (FCPA) related charge of €77,200 (SEE NOTE 22), an impairment loss on intangible assets and goodwill of €64,719, a net gain from the revaluation of variable payments outstanding for acquisitions of €36,327, a net gain from the sale of fixed assets of €6,041 and a net loss from the sale of investments of €7,938. In 2017, general and administrative expenses included a FCPA related charge of €200,000 (SEE NOTE 22), a net gain from the sale of fixed assets of €31,959, a net gain from the sale of investments of €36,402 and a net gain from the revaluation of variable payments outstanding for acquisitions of €2,685. In 2016, general and administrative expenses included a net loss from the sale of fixed assets of €11,074, a net gain from the sale of investments of €2,912 and a net loss from the revaluation of variable payments outstanding for acquisitions of €613. For further information, SEE NOTE 22.

C) (GAIN) LOSS RELATED TO DIVESTITURES OF CARE COORDINATION ACTIVITIES

On April 20, 2018, the Company signed a definitive agreement to divest its controlling interest in Sound to an investment consortium led by Summit Partners, L.P., (Summit Consortium). Upon receipt of the required regulatory approvals under the Hart-Scott-Rodino Antitrust Improvements Acts of 1976, as amended, and the satisfaction of customary closing conditions, the divestiture was consummated on June 28, 2018. The total transaction proceeds were $1,770,516 (€1,531,109), net of related tax payments. The pre-tax gain related to divestitures for Care Coordination activities was €809,003, which primarily related to this divestiture, the effect of the six month impact from the increase in valuation of Sound's share based payment program, incentive compensation expense and other costs caused by the divestment of Sound. Sound was included in Care Coordination within the North America Segment. The Company's history with Sound, prior to divestment, includes the following milestones:

› In July 2014, the Company made an investment for a majority interest in Sound, a physician services organization focused on hospitalist, emergency, intensivist and post-acute care services, furthering its strategic investments and expanding the health care services we offer.
› In November 2014, Sound acquired Cogent Healthcare, expanding Sound to serve over 180 hospitals in 35 states with more than 1,750 providers.
› In 2017, the Company increased its interest in Sound raising the Company majority interest to almost 100 % during the first half of 2017.

D) RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €133,615 (2017: €130,704 and 2016: €146,511) included research and non-capitalizable development costs as well as depreciation and amortization expenses related to capitalized development costs of €341 (2017: €432 and 2016: €724).

E) COST OF MATERIALS

The cost of materials for the year ended December 31, 2018, 2017 and 2016 are shown in TABLE 5.12.

T 5.12 **COST OF MATERIALS**
IN € THOUS

	2018	2017	2016
Cost of raw materials, supplies and purchased components	4,399,968	4,305,683	3,696,528
Cost of purchased services	460,782	450,417	414,289
COST OF MATERIALS	**4,860,750**	**4,756,100**	**4,110,817**

F) PERSONNEL EXPENSES

Included within costs of revenue, selling, general and administrative expenses and research and development expenses are personnel expenses in the amount of €6,439,653, €6,900,023 and €6,290,504 for the year ended December 31, 2018, 2017 and 2016, respectively. Personnel expenses are shown in TABLE 5.13.

T 5.13 **PERSONNEL EXPENSES**
IN € THOUS

	2018	2017	2016
Wages and salaries	5,025,128	5,396,339	4,940,931
Social security contributions and cost of retirement benefits and social assistance	1,414,525	1,503,684	1,349,573
thereof retirement benefits	156,581	147,332	134,572
PERSONNEL EXPENSES	**6,439,653**	**6,900,023**	**6,290,504**

TABLE 5.14 shows the personnel the Company employed on a full-time equivalents basis, on average.

T 5.14 **EMPLOYEES BY FUNCTION**

	2018	2017	2016
Production and Services	97,971	98,547	94,201
Administration	10,510	9,962	9,318
Sales and Marketing	3,360	3,272	3,099
Research and Development	881	804	736
TOTAL EMPLOYEES	**112,722**	**112,585**	**107,354**

G) NET INTEREST

Net interest in the amount of €301,062 (2017: €364,824 and 2016: €363,408) included interest expense of €448,471 (2017: €416,199 and 2016: €426,809) and interest income of €147,409 (2017: €51,375 and 2016: €63,401). 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) and interest expense related to uncertain tax treatments. In 2018, interest income primarily results from the valuation of the derivatives embedded in the equity-neutral convertible bonds (Convertible Bonds), interest on overdue receivables and lease receivables as well as interest related to uncertain tax treatments. In 2017, interest income was mainly attributable to the valuation of the Share Options, interest on overdue receivables and lease receivables as well as interest income related to uncertain tax treatment. In 2016, a large part of interest income was attributable to interest income related to uncertain tax treatment as well as the valuation of the derivatives embedded in the Convertible Bonds (SEE NOTE 23).

H) INCOME TAXES

Income before income taxes is attributable to the geographic locations shown in TABLE 5.15.

T 5.15 **INCOME BEFORE INCOME TAXES**
IN € THOUS

	2018	2017	2016
Germany	161,861	(20,363)	194,068
U.S.	2,191,834	1,589,501	1,491,059
Other	383,041	428,477	360,367
TOTAL	**2,736,736**	**1,997,615**	**2,045,494**

Income tax expense (benefit) for the years ended December 31, 2018, 2017 and 2016 are shown in TABLE 5.16.

T 5.16 **INCOME TAX EXPENSE (BENEFIT)**
IN € THOUS

	2018	2017	2016
Current			
Germany	45,136	77,934	53,316
U.S.	261,211	437,201	454,718
Other	115,561	130,992	128,320
	421,908	**646,127**	**636,354**
Deferred			
Germany	(34,685)	(36,022)	(23,703)
U.S.	145,700	(156,704)	27,570
Other	(21,844)	(10,320)	(14,779)
	89,171	**(203,046)**	**(10,912)**
TOTAL	**511,079**	**443,081**	**625,442**

A reconciliation between the expected and actual income tax expense is shown in TABLE 5.17. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the trade tax rate on income before income taxes. The German combined statutory tax rates were 30,18 %, 29.90 % and 29.69 % for the fiscal years ended December 31, 2018, 2017 and 2016, respectively.

T 5.17 RECONCILIATION OF INCOME TAXES
IN € THOUS

	2018	2017	2016
Expected corporate income tax expense	825,810	597,187	607,206
Tax free income	(50,747)	(44,302)	(37,495)
Income from equity method investees	(18,185)	(18,706)	(15,642)
Tax rate differentials	(106,258)	139,122	133,550
Non-deductible expenses	60,721	106,125	32,080
Taxes for prior years	(91,138)	(20,573)	(10,077)
Noncontrolling partnership interests	(61,936)	(105,832)	(105,536)
Tax on divestitures	(74,560)	–	–
Tax rate changes	(219)	(238,130)	(120)
Change in realizability of deferred tax assets and tax credits	3,211	7,254	5,945
Withholding taxes	4,564	6,606	7,909
Other	19,816	14,330	7,624
INCOME TAX EXPENSE	**511,079**	**443,081**	**625,442**
Effective tax rate	18.7 %	22.2 %	30.5 %

The tax effects of the temporary differences and net operating losses that give rise to deferred tax assets and liabilities at December 31, 2018 and 2017, are presented in TABLE 5.18.

T 5.18 DEFERRED INCOME TAX ASSETS AND LIABILITIES
IN € THOUS

	2018	2017
Deferred tax assets		
Trade accounts receivable	25,090	19,821
Inventories	70,223	56,672
Intangible assets	6,980	6,925
Property, plant and equipment and other non-current assets	62,124	60,186
Provisions and other liabilities	93,637	116,045
Pension liabilities	98,278	80,868
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	93,890	118,994
Derivatives	2,160	2,215
Compensation expense related to stock options	3,732	16,933
Other	15,390	11,894
TOTAL DEFERRED TAX ASSETS	**471,504**	**490,553**
Deferred tax liabilities		
Trade accounts receivable	29,596	18,171
Inventories	12,598	7,401
Intangible assets	433,228	410,941
Property, plant and equipment and other non-current assets	136,392	97,779
Provisions and other liabilities	14,678	6,714
Derivatives	1,978	2,480
Other	123,870	99,439
TOTAL DEFERRED TAX LIABILITIES	**752,340**	**642,925**
NET DEFERRED TAX LIABILITIES	**(280,836)**	**(152,372)**

In the consolidated balance sheets, the accumulated amounts of deferred tax assets and liabilities are shown in TABLE 5.19.

T 5.19 NET DEFERRED INCOME TAX ASSETS AND LIABILITIES
IN € THOUS

	2018	2017
Deferred tax assets	345,685	315,168
Deferred tax liabilities	626,521	467,540
NET DEFERRED TAX LIABILITIES	**(280,836)**	**(152,372)**

The net operating losses included in the table below reflect U.S. federal tax, German corporate income tax, and other tax loss carryforwards in the various countries in which the Company operates, and expire as shown in TABLE 5.20.

T 5.20 NET OPERATING LOSS CARRYFORWARDS
IN € THOUS

2019	12,655
2020	5,889
2021	7,182
2022	9,439
2023	10,738
2024	3,390
2025	3,277
2026	6,110
2027	9,385
2028 and thereafter	47,990
Without expiration date	181,479
TOTAL	**297,534**

Included in the balance of net operating loss carryforwards at December 31, 2018 are €166,313 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, 2018.

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, 2018, the Company provided for €10,656 (2017: €11,744) of deferred tax liabilities associated with earnings that are likely to be distributed in 2019 and the following years. Provision has not been made for additional taxes on €8,240,031 (2017: €5,978,278) 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 reduced the U.S. corporate income tax rate from 35 % to 21 % effective from January 1, 2018. Deferred tax assets and liabilities expected to reverse in 2018 and beyond, were remeasured using the corporate income tax rate that was enacted by the balance sheet date and will apply for future financial years. For the year ended December 31, 2017, the remeasurement of deferred tax assets and liabilities resulted in a deferred tax benefit of €235,692 which was recognized in tax expense affecting profit and loss and included in the balance of €238,130 in the reconciling item "tax rate changes" in TABLE 5.17 ON PAGE 178.

5. RELATED PARTY TRANSACTIONS

Fresenius SE is the Company's largest shareholder and owns 30.75 % of the Company's outstanding shares, excluding treasury shares held by the Company, at December 31, 2018. 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 and the Company believes that these arrangements reflect fair market terms. The Company utilizes various methods to verify the commercial reasonableness of its related party arrangements. Financing arrangements as described in item 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.

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, 2018 and 2017, future minimum rental payments under non-cancelable operating leases with Fresenius SE were €40,316 and €53,374 as well as €107,797 and €118,962 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 infusion bags. In order to establish the new production line, the Company purchased machinery from the Fresenius SE company in the amount of €4,497 during the year ended December 31, 2018.

In December 2010, the Company and Galenica Ltd. (now known as Vifor Pharma Ltd.) formed the renal pharmaceutical company Vifor Fresenius Medical Care Renal Pharma Ltd., (VFMCRP), an equity method investee of which the Company owns 45 %. The Company has entered into exclusive supply agreements to purchase certain pharmaceuticals from VFMCRP. Under the terms of a certain unconditional purchase agreement, the Company is obligated to purchase approximately €2,206,742 of pharmaceuticals, of which €305,188 is committed at December 31, 2018 for 2019. The term of this agreement runs until 2025.

TABLE 5.21 ON PAGE 181 shows a summary, including the Company's receivables from and payables to the indicated parties resulting from the above described transactions with related parties.

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

T 5.21 **SERVICE AGREEMENTS, LEASE AGREEMENTS AND PRODUCTS**
IN € THOUS

	2018		2017		2016		December 31, 2018		December 31, 2017	
	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	445	24,456	381	21,704	389	20,220	378	4,019	40	2,948
Fresenius SE affiliates	3,819	101,590	11,111	81,491	4,866	74,083	681	8,470	9,445	4,696
Equity method investees	20,043	–	17,797	–	17,578	–	2,449	–	1,738	–
TOTAL	**24,307**	**126,046**	**29,289**	**103,195**	**22,833**	**94,303**	**3,508**	**12,489**	**11,223**	**7,644**
Lease agreements										
Fresenius SE	–	8,745	–	8,456	–	9,475	–	–	–	–
Fresenius SE affiliates	–	15,852	–	13,676	–	13,717	–	–	–	–
TOTAL	**–**	**24,597**	**–**	**22,132**	**–**	**23,192**	**–**	**–**	**–**	**–**
Products										
Fresenius SE	–	–	1	–	2	–	–	–	–	–
Fresenius SE affiliates	33,564	39,181	30,529	40,467	26,049	43,390	8,750	3,658	9,148	3,976
Equity method investees	–	425,430	–	399,180	–	371,241	–	57,975	–	36,550
TOTAL	**33,564**	**464,611**	**30,530**	**439,647**	**26,051**	**414,631**	**8,750**	**61,633**	**9,148**	**40,526**

[1] In addition to the above shown accounts payable, accrued expenses for service agreements with related parties amounted to €9,376 and €6,397 at December 31, 2018 and 2017.

parties. As of December 31, 2018 and December 31, 2017, the Company had accounts receivable from Fresenius SE related to short-term financing in the amount of €80,228 and €91,026, respectively. As of December 31, 2018 and December 31, 2017, the Company had accounts payable to Fresenius SE related to short-term financing in the amount of €32,454 and €76,159, 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.

At 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, 2019 with an interest rate of 0.825 %. At 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, 2019 with an interest rate of 0.825 %.

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.

At December 31, 2018 and December 31, 2017, a subsidiary of Fresenius SE held unsecured bonds issued by the Company in the amount of €6,000 and €6,000, 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.

At December 31, 2018 and December 31, 2017, the Company borrowed from Fresenius SE in the amount of €185,900 at an interest rate of 0.825 % and €6,000 at an interest rate of 0.825 %, respectively. For further information on this loan agreement, SEE NOTE 13.

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 €14,612, €25,995 and €18,153, respectively, for its management services during 2018, 2017 and 2016 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, 2018). As of December 31, 2018 and December 31, 2017, the Company had accounts receivable from the General Partner in the amount of €176 and €246, respectively. As of December 31, 2018 and December 31, 2017, the Company had accounts payable to the General Partner in the amount of €47,205 and €23,020, respectively.

Effective May 17, 2018, Dr. Gerd Krick, resigned from the position of Chairman of the Company's Supervisory Board. Dr. Gerd Krick retains his positions as Chairman of the supervisory board of Fresenius SE and of the general partner of Fresenius SE. He is also a member of the supervisory board of the Company's General Partner.

Effective May 17, 2018, Dr. Dieter Schenk assumed the position of Chairman of the Company's Supervisory Board. Dr. Dieter Schenk retains his positions as the Vice Chairman of the supervisory board of the general partner of Fresenius SE as well as the Vice Chairman of the supervisory board of the Company's General Partner. He is also Chairman of the Advisory Board of a charitable foundation that is the sole shareholder of the general partner of Fresenius SE. He was also a partner in a law firm which provided services to the Company and certain of its subsidiaries until December 31, 2017. While Dr. Dieter Schenk was a partner in the law firm, the Company incurred expenses in the amount of €2,337 and €1,258 for services during 2017 and 2016, respectively. Three of the five members of the Company's Supervisory Board, including the Chairman Dr. Dieter Schenk and the Vice Chairman Rolf A. Classon, are also members of the supervisory board of the Company's General Partner.

The Chairman of the supervisory board of the Company's General Partner, Stephan Sturm, is also the Chairman of the management board of the general partner of Fresenius SE. Rachel Empey is a member of the supervisory board of the Company's General Partner as well as a member of the management board of the general partner of Fresenius SE. Additionally, the Chairman and Chief Executive Officer of the Management Board of the Company's General Partner, Rice Powell, is a member of the Management Board of the general partner of Fresenius SE.

For information regarding compensation of the Management Board and the Supervisory Board of the Company SEE NOTE 28.

6. CASH AND CASH EQUIVALENTS

As of December 31, 2018 and 2017, cash and cash equivalents are shown in TABLE 5.22.

T 5.22 **CASH AND CASH EQUIVALENTS**
IN € THOUS

	2018	2017
Cash	831,885	620,145
Securities and time deposits	1,313,747	357,964
CASH AND CASH EQUIVALENTS	**2,145,632**	**978,109**

The cash and cash equivalents disclosed in the table above, and respectively in the consolidated statement of cash flows, include at December 31, 2018 an amount of €5,002 (2017: €53,694) from collateral requirements towards an insurance company in North America that are not available for use.

7. TRADE ACCOUNTS AND OTHER RECEIVABLES

As of December 31, 2018, the allowance on trade accounts and other receivables includes the impact from the implementation of IFRS 9 which resulted in an increase of €3,490 in the allowance.

Due to the implementation of IFRS 15 the implicit price concessions in North America are deducted from the trade accounts and other receivables and are no longer part of the corresponding allowance. This isolated impact of €366,010 as of December 31, 2018 was recorded against trade accounts receivable and the allowance.

As of December 31, 2018 and December 31, 2017, trade accounts and other receivables are shown in TABLE 5.23.

T 5.23 **TRADE ACCOUNTS AND OTHER RECEIVABLES**
IN € THOUS

	December 31, 2018		December 31, 2017
		thereof Credit-Impaired	
Trade accounts and other receivables, gross	3,455,721	325,240	3,864,217
thereof Finance Lease Receivables	28,726	–	58,336
less allowances	(118,015)	(85,775)	(474,891)
TRADE ACCOUNTS AND OTHER RECEIVABLES	**3,337,706**	**239,465**	**3,389,326**

The other receivables in the amount of €66,496 include receivables from finance leases, operating leases and insurance contracts.

All trade accounts and other receivables are due within one year. A small portion of the trade account receivables are subject to factoring agreements.

Trade accounts receivables and finance lease receivables with a term of more than one year in the amount of €120,668 (December 31, 2017: €90,344) are included in the balance sheet item "Other non-current assets". For these trade accounts receivables and finance leases, the implementation of IFRS 9 results in an increase of the allowance, which amounts to €278.

TABLE 5.24 shows the development of the allowance for doubtful accounts in the fiscal years 2018, 2017 and 2016.

T 5.24 DEVELOPMENT OF ALLOWANCE FOR DOUBTFUL ACCOUNTS
IN € THOUS

	2018	2017	2016
ALLOWANCE FOR DOUBTFUL ACCOUNTS AS OF JANUARY 1	**474,891**	**482,461**	**427,841**
Change in valuation allowances as recorded in the consolidated statements of income	19,112	549,631	430,974
Write-offs and recoveries of amounts previously written-off	(378,201)	(501,229)	(391,827)
Foreign currency translation	2,213	(55,972)	15,473
ALLOWANCE FOR DOUBTFUL ACCOUNTS AS OF DECEMBER 31	**118,015**	**474,891**	**482,461**

TABLES 5.25 AND 5.26 show the ageing analysis of trade accounts and other receivables and the allowance for doubtful accounts as of December 31, 2018 and as of December 31, 2017.

T 5.25 AGING ANALYSIS OF TRADE ACCOUNTS AND OTHER RECEIVABLES 2018
IN € THOUS

	Not overdue	Up to 3 months overdue	3 to 6 months overdue	6 to 12 months overdue	More than 12 months overdue	Total
Trade accounts and other receivables	1,949,665	848,092	217,024	194,769	246,171	3,455,721
less allowance for doubtful accounts	(8,043)	(4,711)	(5,209)	(5,946)	(94,106)	(118,015)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**1,941,622**	**843,381**	**211,815**	**188,823**	**152,065**	**3,337,706**

T 5.26 AGING ANALYSIS OF TRADE ACCOUNTS AND OTHER RECEIVABLES 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	2,139,444	807,030	312,129	241,372	364,242	3,864,217
less allowance for doubtful accounts	(61,219)	(123,226)	(67,484)	(58,441)	(164,521)	(474,891)
TRADE ACCOUNTS AND OTHER RECEIVABLES, NET	**2,078,225**	**683,804**	**244,645**	**182,931**	**199,721**	**3,389,326**

8. INVENTORIES

TABLE 5.27 shows the inventories at December 31, 2018 and December 31, 2017.

T 5.27 INVENTORIES
IN € THOUS

	2018	2017
Finished goods	774,133	672,851
Health care supplies	391,593	343,351
Raw materials and purchased components	224,054	193,295
Work in process	77,023	81,282
INVENTORIES	**1,466,803**	**1,290,779**

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately €492,062 of materials, of which €262,362 is committed at December 31, 2018 for 2019. The terms of these agreements run 1 to 5 years. Another unconditional purchase agreement exists with an equity method investee of the Company. For further information on this agreement, SEE NOTE 5.

Allowances on Inventories amounted to €62,990 and €47,329 for the years ended December 31, 2018 and 2017, respectively.

9. OTHER CURRENT ASSETS

Other current assets at December 31, 2018 and 2017 are shown in TABLE 5.28.

T 5.28 **OTHER CURRENT ASSETS**
IN € THOUS

	2018	2017
Income taxes receivable	159,290	56,153
Other taxes receivable	107,708	90,808
Debt securities	99,592	–
Receivables for supplier rebates	68,203	48,222
Prepaid rent	57,319	52,251
Payments on account	54,778	51,282
Prepaid insurance	23,632	20,629
Deposit/Guarantee/Security	19,915	15,465
Derivatives	7,837	11,810
Other	205,809	257,830
OTHER CURRENT ASSETS	**804,083**	**604,450**

The item "Other" in the table above primarily includes loans to customers, receivables from employees and notes receivables.

10. PROPERTY, PLANT AND EQUIPMENT

The acquisition or manufacturing costs and the accumulated depreciation of property, plant and equipment at December 31, 2018 and 2017 are shown in TABLES 5.29 AND 5.30.

T 5.29 **ACQUISITION OR MANUFACTURING COSTS**
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2018
Land	56,540	2,299	358	605	490	(1,405)	58,887
Buildings and improvements	2,881,688	108,998	692	67,272	328,718	(75,664)	3,311,704
Machinery and equipment	4,174,027	96,766	(2,576)	465,117	29,325	(220,753)	4,541,906
Machinery, equipment and rental equipment under capitalized leases	80,916	3,880	(98)	6,259	665	(1,888)	89,734
Construction in progress	462,226	6,759	4,519	419,347	(387,131)	(552)	505,168
PROPERTY, PLANT AND EQUIPMENT	**7,655,397**	**218,702**	**2,895**	**958,600**	**(27,933)**	**(300,262)**	**8,507,399**

	January 1, 2017	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 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**

T 5.30 **DEPRECIATION**
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2018
Land	1,239	38	–	–	–	18	1,295
Buildings and improvements	1,580,103	65,251	(1,484)	221,866	(786)	(46,897)	1,818,053
Machinery and equipment	2,538,436	58,817	(4,278)	400,439	(13,986)	(180,719)	2,798,709
Machinery, equipment and rental equipment under capitalized leases	43,848	2,485	(289)	9,118	30	(1,860)	53,332
Construction in progress	–	–	–	–	–	–	–
PROPERTY, PLANT AND EQUIPMENT	**4,163,626**	**126,591**	**(6,051)**	**631,423**	**(14,742)**	**(229,458)**	**4,671,389**

	January 1, 2017	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 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**

T 5.31 **BOOK VALUE**
IN € THOUS

	December 31, 2018	December 31, 2017
Land	57,592	55,301
Buildings and improvements	1,493,651	1,301,585
Machinery and equipment	1,743,197	1,635,591
Machinery, equipment and rental equipment under capitalized leases	36,402	37,068
Construction in progress	505,168	462,226
PROPERTY, PLANT AND EQUIPMENT	**3,836,010**	**3,491,771**

Depreciation expense for property, plant and equipment amounted to €631,423, €622,706 and €594,019 for the years ended December 31, 2018, 2017, and 2016, 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, 2018 and 2017 were €731,427 and €657,618, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

The hyperinflationary effects on property, plant and equipment at December 31, 2018 are shown in TABLE 5.32.

T 5.32 **EFFECT OF HYPERINFLATION IN ARGENTINA**
IN € THOUS

	Acquisition or manufacturing costs	Accumulated depreciation	December 31, 2018
Land	1,581	–	1,581
Buildings and improvements	13,575	5,454	8,121
Machinery and equipment	21,821	15,321	6,500
Machinery, equipment and rental equipment under capitalized leases	–	–	–
Construction in progress	656	–	656
PROPERTY, PLANT AND EQUIPMENT	**37,633**	**20,775**	**16,858**

11. INTANGIBLE ASSETS AND GOODWILL

The acquisition or manufacturing costs and the accumulated amortization of intangible assets and goodwill at December 31, 2018 and 2017 are shown in TABLES 5.33 AND 5.34.

T 5.33 **ACQUISITION OR MANUFACTURING COSTS (CONTINUATION SEE NEXT PAGE)**
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 31, 2018
Amortizable intangible assets							
Non-compete agreements	310,163	12,427	6,339	720	(2)	(4,737)	324,910
Technology	149,191	3,973	–	–	–	–	153,164
Licenses and distribution agreements	173,713	3,049	–	61,166	(3)	(2,300)	235,625
Customer relationships	147,096	2,015	(125,264)	–	–	–	23,847
Construction in progress	78,757	2,785	–	107,097	(23,050)	(17,587)	148,002
Internally developed intangibles	169,095	2,158	(9,763)	17,501	38,643	(601)	217,033
Other	358,092	9,490	(3,368)	9,881	12,883	(5,588)	381,390
TOTAL	**1,386,107**	**35,897**	**(132,056)**	**196,365**	**28,471**	**(30,813)**	**1,483,971**
Non-amortizable intangible assets							
Tradename	174,689	8,212	–	–	–	–	182,901
Management contracts	3,038	96	–	–	–	–	3,134
TOTAL	**177,727**	**8,308**	**–**	**–**	**–**	**–**	**186,035**
INTANGIBLE ASSETS	**1,563,834**	**44,205**	**(132,056)**	**196,365**	**28,471**	**(30,813)**	**1,670,006**
GOODWILL	**12,103,921**	**441,972**	**(336,287)**	**–**	**–**	**–**	**12,209,606**

ACQUISITION OR MANUFACTURING COSTS (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	January 1, 2017	Foreign currency translation	Changes in consolidation group	Additions	Reclassifications	Disposals	December 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**

T 5.34 **AMORTIZATION**
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Additions	Impairment loss	Reclassifications	Disposals	December 31, 2018
Amortizable intangible assets								
Non-compete agreements	262,381	11,338	(1,468)	14,675	–	17	(4,647)	282,296
Technology	64,563	2,995	(356)	10,740	46,663	–	–	124,605
Licenses and distribution agreements	119,819	577	–	12,673	726	(3)	(2,300)	131,492
Customer relationships	50,572	727	(53,247)	9,226	–	–	(33)	7,245
Construction in progress	–	–	–	–	16,750	–	(16,750)	–
Internally developed intangibles	108,906	2,927	(2,475)	20,357	–	9,202	(574)	138,343
Other	274,535	8,003	(6,375)	25,753	580	6,064	(3,866)	304,694
TOTAL	**880,776**	**26,567**	**(63,921)**	**93,424**	**64,719**	**15,280**	**(28,170)**	**988,675**

	January 1, 2017	Foreign currency translation	Changes in consolidation group	Additions	Impairment loss	Reclassifications	Disposals	December 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**

T 5.35 **BOOK VALUE**
IN € THOUS

	December 31, 2018	December 31, 2017
Amortizable intangible assets		
Non-compete agreements	42,614	47,782
Technology	28,559	84,628
Licenses and distribution agreements	104,133	53,894
Customer relationships	16,602	96,524
Construction in progress	148,002	78,757
Internally developed intangibles	78,690	60,189
Other	76,696	83,557
TOTAL	**495,296**	**505,331**
Non-amortizable intangible assets		
Tradename	182,901	174,689
Management contracts	3,134	3,038
TOTAL	**186,035**	**177,727**
INTANGIBLE ASSETS	**681,331**	**683,058**
GOODWILL	**12,209,606**	**12,103,921**

The amortization of intangible assets amounted to €93,424, €112,773 and €107,517 for the years ended December 31, 2018, 2017, and 2016, respectively. These expenses are allocated within costs of revenue, selling, general and administrative and research and development expenses depending upon the area in which the asset is used.

The hyperinflationary effects on intangible assets and goodwill at December 31, 2018 are shown in TABLE 5.36.

T 5.36 **EFFECT OF HYPERINFLATION IN ARGENTINA**
IN € THOUS

	Acquisition or manufacturing costs	Accumulated depreciation	December 31, 2018
Amortizable intangible assets			
Internally developed intangibles	142	129	13
Other	1,889	1,209	680
INTANGIBLE ASSETS	**2,031**	**1,338**	**693**
GOODWILL	**20,197**	**2,118**	**18,079**

GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

The increase in the carrying amount of goodwill is mainly a result of the impact of foreign currency translations and acquisitions, partially offset by the divestiture of Sound. The Company's acquisitions consisted primarily of the purchase of clinics in the normal course of operations in 2018 and 2017 and the acquisition of an operator of day hospitals in Australia in 2017.

The carrying amount of goodwill and intangibles with indefinite useful life is allocated to the CGUs at December 31, 2018 and 2017 as shown in TABLE 5.37 ON PAGE 193.

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 2018 and 2017.

T 5.37 **ALLOCATION OF THE CARRYING AMOUNT TO CGUS**
IN € THOUS

	North America		EMEA		Asia-Pacific		Latin America	
	2018	2017	2018	2017	2018	2017	2018	2017
Goodwill	10,128,309	10,152,243	1,282,632	1,226,983	662,097	641,271	136,568	83,424
Management contracts with indefinite useful life	–	–	–	–	3,134	3,038	–	–
Trade name with indefinite useful life	182,329	174,074	–	–	–	–	572	615

12. CURRENT PROVISIONS AND OTHER CURRENT LIABILITIES

CURRENT PROVISIONS

TABLE 5.38 shows a reconciliation of the current provisions for 2018.

T 5.38 **DEVELOPMENT OF CURRENT PROVISIONS**
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Utilized	Reversed	Additions	Reclassifications	December 31, 2018
FCPA related charge	210,616	–	–	(63,836)	–	77,200	–	223,980
Self-insurance programs	223,536	9,510	(582)	(154,958)	–	120,801	–	198,307
Personnel expenses	28,786	142	220	(15,939)	(7,807)	11,134	25,894	42,430
Risk of lawsuit	14,918	(345)	–	(6,513)	(5)	24,249	–	32,304
Other current provisions	25,056	495	327	(8,922)	(3,027)	13,566	–	27,495
CURRENT PROVISIONS	**502,912**	**9,802**	**(35)**	**(250,168)**	**(10,839)**	**246,950**	**25,894**	**524,516**

FCPA related charge

The Company recorded charges of €200,000 in 2017 and €77,200 in 2018 encompassing estimates for the government's claims for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation. The increase recorded in 2018 took into consideration preliminary understandings with the government on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totals €223,980 as of December 31, 2018. For further information on these investigations SEE NOTE 22.

Self-insurance programs

SEE NOTE 2 D.

Personnel expenses

Personnel expenses mainly refer to provisions for share-based plans, the current portion of the provisions for accrued severance payments and provisions for jubilee payments. As at December 31, 2018 and 2017 the provisions for share-based plans amounted to €15,479 and €6,845 respectively. SEE NOTE 20.

Risk of lawsuit

SEE NOTE 22.

Other current provisions

The item "Other current provisions" in the table above includes provisions for warranties, physician compensation and return of goods.

Other current liabilities

TABLE 5.39 shows other current liabilities as at December 31, 2018 and 2017.

T 5.39 **OTHER CURRENT LIABILITIES**
IN € THOUS

	2018	2017
Personnel liabilities	654,457	705,534
Noncontrolling interests subject to put provisions	494,576	469,549
Unapplied cash and receivable credits	364,657	311,925
Invoices outstanding	150,754	160,196
Rent and lease obligations	138,210	111,196
Withholding tax and VAT	100,086	100,327
Interest liabilities	92,961	99,493
Variable payments outstanding for acquisitions	57,217	14,712
Legal matters, advisory and audit fees	38,778	38,553
Contract liabilities	37,628	–
Bonuses, commissions	26,831	26,800
Liabilities for insurance premiums	16,375	7,733
Derivatives	8,216	11,702
Subsidiary Stock Incentive Plan	26	30,697
Other liabilities	199,000	267,401
OTHER CURRENT LIABILITIES	**2,379,772**	**2,355,818**

Personnel liabilities

The personnel liabilities mainly refer to liabilities for wages and salaries, bonuses and vacation payments.

Contract liabilities

Contract liabilities primarily relate to advance payments from customers and to sales of dialysis machines where revenue is recognized upon installation and provision of the necessary technical instructions whereas a receivable is recognized once the machine is billed to the customer.

Other liabilities

The item "Other liabilities" in TABLE 5.39 ON PAGE 194 includes deferred income and the current portion of pension liabilities.

13. SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES

Short-term debt and short-term debt from related parties at December 31, 2018 and 2017 are shown in TABLE 5.40.

T 5.40 **SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES**
IN € THOUS

	2018	2017
Commercial paper program	999,873	679,886
Borrowings under lines of credit	204,491	79,313
Other	930	1,080
Short-term debt	1,205,294	760,279
Short-term debt from related parties (SEE NOTE 5 B)	188,900	9,000
SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES	**1,394,194**	**769,279**

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, 2018 and 2017, the outstanding commercial paper amounted to €1,000,000 and €680,000, respectively.

BORROWINGS UNDER LINES OF CREDIT AND FURTHER AVAILABILITIES

Borrowings under lines of credit in the amount of €204,491 and €79,313 at December 31, 2018 and 2017, respectively, represented amounts borrowed by the Company and its subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2018 and 2017 were 1.21 % and 6.72 %, respectively.

Excluding amounts available under the Amended 2012 Credit Agreement (SEE NOTE 14), at December 31, 2018 and 2017, the Company had €386,619 and €258,066 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, 2018 and 2017, cash and borrowings under lines of credit in the amount of €122,256 and €318,654 were offset under this cash management system.

OTHER

At December 31, 2018 and 2017, the Company had €930 and €1,080 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 5 B.

14. LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

Long-term debt and capital lease obligations as of December 31, 2018 and 2017 are shown in TABLE 5.41.

T 5.41 **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**
IN € THOUS

	2018	2017
Amended 2012 Credit Agreement	1,887,357	2,017,952
Bonds	3,700,446	3,810,483
Convertible Bonds	393,232	386,984
Accounts Receivable Facility	–	293,673
Capital lease obligations	36,144	37,704
Other	134,855	131,611
Long-term debt and capital lease obligations	6,152,034	6,678,407
Less current portion	(1,106,519)	(883,535)
LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION	**5,045,515**	**5,794,872**

Maturities of long-term debt and capital lease obligations as of December 31, 2018 and 2017 are shown in TABLE 5.42.

T 5.42 **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
2018					
Amended 2012 Credit Agreement	132,803	665,607	1,095,629	–	1,894,039
Bonds	948,690	1,304,367	611,354	849,345	3,713,756
Convertible Bonds	–	400,000	–	–	400,000
Accounts Receivable Facility	–	–	–	–	–
Capital lease obligations	9,387	14,529	3,094	9,134	36,144
Other	15,931	52,603	15,261	51,060	134,855
TOTAL	**1,106,811**	**2,437,106**	**1,725,338**	**909,539**	**6,178,794**
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**

The Company's long-term debt as of December 31, 2018, all of which ranks equally in rights of payment, are described as follows:

AMENDED 2012 CREDIT AGREEMENT

The Company originally entered into a syndicated credit facility of $3,850,000 and a 5 year tenor (the "2012 Credit Agreement") on October 30, 2012. On November 26, 2014, the 2012 Credit Agreement was amended to increase the total credit facility to approximately $4,400,000 and extend the term for an additional two years until October 30, 2019 ("Amended 2012 Credit Agreement"). On July 11, 2017, the Company further amended and extended the Amended 2012 Credit Agreement.

As of December 31, 2018, the Amended 2012 Credit Agreement consists of:

- Revolving credit facilities of $900,000 and €600,000 which will be due and payable on July 31, 2022.
- A term loan of $1,350,000, 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 €315,000 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, 2018 and 2017, the dollar-denominated tranches outstanding under the Amended 2012 Credit Agreement had a weighted average interest rate of 3.53 % and 2.48 %, respectively. At December 31, 2018 and 2017, the euro-denominated tranches had a weighted average interest rate of 0.81 % and 0.81 %, respectively.

The Amended 2012 Credit Agreement contains affirmative and negative covenants with respect to the Company and its subsidiaries. Under certain circumstances these covenants limit indebtedness and restrict the creation of liens. Under the Amended 2012 Credit Agreement the Company is required to comply with a maximum consolidated leverage ratio (ratio of consolidated funded debt less cash and cash equivalents to consolidated EBITDA).

TABLE 5.43 shows the available and outstanding amounts under the Amended 2012 Credit Agreement at December 31, 2018 and 2017.

T 5.43 **AMENDED 2012 CREDIT AGREEMENT – MAXIMUM AMOUNT AVAILABLE AND BALANCE OUTSTANDING**
IN THOUS

	Maximum amount available 2018		Balance outstanding 2018[1]	
Revolving credit US$ 2017/2022	$900,000	€786,026	–	–
Revolving credit € 2017/2022	€600,000	€600,000	–	–
US$ term loan 2017/2022	$1,350,000	€1,179,039	$1,350,000	1,179,039
€ term loan 2017/2022	€315,000	€315,000	€315,000	€315,000
€ term loan 2017/2020	€400,000	€400,000	€400,000	€400,000
TOTAL		**€3,280,065**		**€1,894,039**

	Maximum amount available 2017		Balance outstanding 2017[1]	
Revolving credit US$	$900,000	€750,438	$70,000	€58.367
Revolving credit €	€600,000	€600,000	–	–
US$ term loan 2017/2022	$1,470,000	€1,225,715	$1,470,000	€1,225,715
€ term loan 2017/2022	€343,000	€343,000	€343,000	€343,000
€ term loan 2017/2020	€400,000	€400,000	€400,000	€400,000
TOTAL		**€3,319,153**		**€2,027,082**

[1] Amounts shown are excluding debt issuance costs.

At December 31, 2018 and 2017, the Company had letters of credit outstanding in the amount of $1,690 and $1,690 (€1,476 and €1,409), respectively, under the U.S. dollar revolving credit facility, which are not included above as part of the balance outstanding at those dates but which reduce available borrowings under the applicable revolving credit facility.

BONDS

The Company's bonds at December 31, 2018 and 2017 are shown in TABLE 5.44.

T 5.44 **BONDS**
IN THOUS

Issuer / Transaction	Face amount	Maturity	Coupon	Book value 2018 in €	Book value 2017 in €
FMC Finance VIII S.A. 2011	€400,000	September 15, 2018	6.50 %	–	398,838
FMC US Finance II, Inc. 2011	$400,000	September 15, 2018	6.50 %	–	332,588
FMC US Finance II, Inc. 2012	$800,000	July 31, 2019	5.625 %	698,167	665,637
FMC Finance VIII S.A. 2012	€250,000	July 31, 2019	5.25 %	249,773	249,383
FMC US Finance II, Inc. 2014	$500,000	October 15, 2020	4.125 %	435,376	414,952
FMC US Finance, Inc. 2011	$650,000	February 15, 2021	5.75 %	564,882	538,021
FMC Finance VII S.A. 2011	€300,000	February 15, 2021	5.25 %	299,035	298,571
FMC US Finance II, Inc. 2012	$700,000	January 31, 2022	5.875 %	609,532	581,261
FMC US Finance II, Inc. 2014	$400,000	October 15, 2024	4.75 %	347,297	331,232
Fresenius Medical Care AG & Co. KGaA, 2018	€500,000	July 11, 2025	1.50 %	496,384	–
TOTAL				**3,700,446**	**3,810,483**

All bonds issued before 2018 are guaranteed by the Company and by FMCH. 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 bonds issued prior to 2018 may be redeemed at the option of the issuers at any time at 100 % of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture.

For the bonds issued prior to 2018, 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, 2018, 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 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 €73.1980. 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 €6,768, 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 20, 2018 increasing the facility to $900,000 and extending it until December 20, 2021.

The available and outstanding amounts under the Accounts Receivable Facility at December 31, 2018 and 2017 are shown in TABLE 5.45.

T 5.45 **ACCOUNTS RECEIVABLE FACILITY – MAXIMUM AMOUNT AVAILABLE AND BALANCE OUTSTANDING**
IN THOUS

	Maximum amount available 2018[1]		Balance outstanding 2018[2]	
Accounts Receivable Facility	$900,000	€786,026	–	–

	Maximum amount available 2017[1]		Balance outstanding 2017[2]	
Accounts Receivable Facility	$800,000	€667,056	$353,000	€294,338

[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 $26,631 at December 31, 2018 and $71,244 at December 31, 2017 (€23,259 and €59,404). These letters of credit are not included above as part of the balance outstanding at December 31, 2018 and 2017; 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, 2018, this facility was not utilized by the Company. At December 31, 2017, the interest rate on the utilized borrowings was 1.40 %. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

OTHER

At December 31, 2018 and 2017, in conjunction with certain acquisitions and investments, the Company had fixed payments outstanding for acquisitions totaling approximately €16,713 and €14,199, respectively, of which €7,621 and €4,453, 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 €750,738 at December 31, 2018 (2017: €1,004,672), €457,382 (2017: €631,158) are due in between more than one and three years, €107,080 (2017: €195,490) are due in between three to five years and €186,276 (2017: €178,024) are due after five years.

The item "Other non-current liabilities" in the amount of €622,291 at December 31, 2018 (2017: €821,838) includes, among others, noncontrolling interests subject to put provisions of €324,295 (2017: €361,224), variable payments outstanding for acquisitions of €115,061 (2017: €191,080) and derivatives of €11,820 (2017: €103,461).

TABLE 5.46 ON PAGE 200 shows the development of non-current provisions in the fiscal year.

Personnel expenses mainly refer to provisions for share-based plans and provisions for severance payments. As at December 31, 2018, the provisions for share-based plans amounted to €71,784 (2017: €87,967). 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.

T 5.46 **DEVELOPMENT OF NON-CURRENT PROVISIONS**
IN € THOUS

	January 1, 2018	Foreign currency translation	Changes in consolidation group	Utilized	Reversed	Additions	Reclassifications	December 31, 2018
Personnel expenses	100,474	2,339	–	(688)	(566)	8,774	(25,894)	84,439
Interest payable related to income taxes	29,027	208	–	–	(5,413)	5,409	–	29,231
Medical malpractice	42,325	658	(47,715)	(140)	–	4,872	–	–
Other non-current provisions	11,008	314	889	(439)	(154)	3,159	–	14,777
TOTAL	**182,834**	**3,519**	**(46,826)**	**(1,267)**	**(6,133)**	**22,214**	**(25,894)**	**128,447**

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.

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 2018, FMCH did not have a minimum funding requirement. The Company voluntarily provided €43,393 to the defined benefit plan. Expected funding for 2019 is €1,083.

The benefit obligation for all defined benefit plans at December 31, 2018, was €842,601 (2017: €792,739) which consists of the gross benefit obligation of €388,518 (2017: €394,677) for the U.S. plan and of €4,626 (2017: €3,995) for the French plan, which are funded by plan assets, and the benefit obligation of €439,677 (2017: €385,835) for the German unfunded plan and the benefit obligation of €9,780 (2017: €8,232) for the two French unfunded plans.

Related to defined benefit plans the Company is exposed to certain risks. Besides general actuarial risks, e.g. the longevity risk and the interest rate risk, the Company is exposed to market risk as well as to investment risk.

TABLE 5.47 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.

For the years 2018 and 2017, there were no effects from the asset ceiling.

At December 31, 2018, the weighted average duration of the defined benefit obligation was 18 years (2017: 18 years).

T 5.47 **FUNDED STATUS**
IN € THOUS

	2018	2017
Change in benefit obligation		
Benefit obligation at beginning of year	792,739	811,935
Foreign currency translation (gains) losses	17,957	(52,135)
Changes in consolidation group	123	–
Current service cost	25,467	28,463
Past service cost (incl. curtailments and settlements)	–	144
Interest cost	24,364	24,328
Transfer of plan participants	80	4
Actuarial (gains) losses arising from changes in financial assumptions	(9,760)	(1,038)
Actuarial (gains) losses arising from changes in demographic assumptions	3,497	(2,490)
Actuarial (gains) losses arising from experience adjustments	11,117	7,006
Remeasurements	4,854	3,478
Benefits paid	(22,983)	(23,478)
BENEFIT OBLIGATION AT END OF YEAR	**842,601**	**792,739**
Change in plan assets		
Fair value of plan assets at beginning of year	291,256	326,663
Foreign currency translation gains (losses)	14,189	(39,792)
Interest income from plan assets	11,308	13,241
Actuarial gains (losses) arising from experience adjustments	(23,216)	10,318
Actual return on plan assets	(11,908)	23,559
Employer contributions	43,393	1,107
Benefits paid	(19,345)	(20,281)
FAIR VALUE OF PLAN ASSETS AT END OF YEAR	**317,585**	**291,256**
FUNDED STATUS AT END OF YEAR	**525,016**	**501,483**

The net pension liability as of December 31, 2018 and 2017 is calculated as shown in TABLE 5.48.

T 5.48 **NET PENSION LIABILITY**
IN € THOUS

	2018	2017
Funded status at end of year	525,016	501,483
Benefit plans offered by other subsidiaries	35,424	36,304
NET PENSION LIABILITY	**560,440**	**537,787**

Benefit plans offered by the U.S., Germany and France contain a pension liability of €525,016 and €501,483 at December 31, 2018 and 2017, respectively. The pension liability consists of a current portion of €5,384 (2017: €4,695) which is recorded in the line item "Current provisions and other current liabilities" in the consolidated balance sheets. The non-current portion of €519,632 (2017: €496,788) is recorded in non-current liabilities as "Pension liabilities" in the consolidated balance sheets.

As of December 31, 2018, €71,031 related to the U.S. pension plan, €439,677 related to the German plan and €14,308 related to the French plans. At 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. Approximately 68 % of the beneficiaries are located in the U.S. and 7 % in France with the majority of the remaining 25 % 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 €35,424 and €36,304 at December 31, 2018 and 2017 and consists of a current pension liability of €3,126 (2017: €2,533), which is recognized in the line item "Current provisions and other current liabilities". The non-current pension liability of €32,298 (2017: €33,771) 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, 2018 and 2017 are the weighted average of these plans based upon their benefit obligations.

Weighted-average assumptions that were utilized in determining benefit obligations at December 31, 2018 and 2017 are shown in TABLE 5.49.

T 5.49 **WEIGHTED AVERAGE ASSUMPTIONS**
IN %

	2018	2017
Discount rate	3.27	3.08
Rate of compensation increase	3.21	3.22
Rate of pension increase	1.69	1.45

SENSITIVITY ANALYSIS

TABLE 5.50 shows how increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability at December 31, 2018.

T 5.50 **SENSITIVITY ANALYSIS**
IN € THOUS

	0.5 % increase	0.5 % decrease
Discount rate	(69,634)	80,345
Rate of compensation increase	12,405	(11,923)
Rate of pension increase	32,412	(29,184)

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2018. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately.

The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

The defined benefit pension plans' net periodic benefit costs are comprised of the components for the years ended December 31, 2018, 2017 and 2016 that are shown in TABLE 5.51.

T 5.51 COMPONENTS OF NET PERIODIC BENEFIT COST
IN € THOUS

	2018	2017	2016
Service cost	25,467	28,607	23,777
Net interest cost	13,056	11,087	16,333
NET PERIODIC BENEFIT COSTS	**38,523**	**39,694**	**40,110**

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 weighted-average assumptions shown in TABLE 5.52 were used in determining net periodic benefit cost for the years ended December 31, 2018, 2017 and 2016.

T 5.52 WEIGHTED AVERAGE ASSUMPTIONS
IN %

	2018	2017	2016
Discount rate	3.08	3.25	3.67
Rate of compensation increase	3.22	3.23	3.27
Rate of pension increase	1.45	1.45	1.69

Expected benefit payments are shown in TABLE 5.53.

T 5.53 DEFINED BENEFIT PENSION PLANS: CASH OUTFLOWS
IN € THOUS

	2018	2017
1 year	24,111	21,301
1–3 years	53,662	47,560
3–5 years	61,415	55,223
5–10 years	184,929	168,459
TOTAL	**324,117**	**292,543**

PLAN ASSETS

TABLE 5.54 ON PAGE 204 presents the fair values of the Company´s pension plan assets at December 31, 2018 and 2017.

The methods and inputs used to measure the fair value of plan assets at the balance sheet date are as follows:

- Common stocks are valued at their market prices.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

T 5.54 **FAIR VALUES OF PLAN ASSETS**
IN € THOUS

	2018			2017		
Asset category	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**	**Total**	**Quoted prices in active markets for identical assets**	**Significant observable inputs**
		(Level 1)	(Level 2)		(Level 1)	(Level 2)
Equity investments						
Index funds [1]	77,718	1,972	75,746	71,805	(332)	72,137
Fixed income investments						
Government securities [2]	9,241	8,880	361	5,318	4,903	415
Corporate bonds [3]	186,500	–	186,500	199,232	–	199,232
Other bonds [4]	3,518	–	3,518	3,865	–	3,865
U.S. treasury money market funds [5]	40,510	40,510	–	10,938	10,938	–
Other types of investments						
Cash, money market and mutual funds [6]	98	98	–	98	98	–
TOTAL	**317,585**	**51,460**	**266,125**	**291,256**	**15,607**	**275,649**

[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.

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 99 % of investments for long-term growth and income and 1 % in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the plan investment policy and include well diversified index funds or funds targeting index performance.

The plan investment policy, utilizing a revised target investment allocation in a range around 26 % equity and 74 % fixed income investments, considers that there will be a time horizon for invested funds of more than five 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, MSC Emerging Markets Index, Barclays Capital Long-Corporate Bond Index, Bloomberg Barclays U.S. Corporate High Yield Index, and Bloomberg Barclays U.S. High Yield Fallen Angel 3 % Capped Index.

DEFINED CONTRIBUTION PLANS

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75 % of their pay up to a maximum of $18.5 if under 50 years old ($24.5 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, 2018, 2017, and 2016, was €53,872, €48,746 and €43,778 respectively.

Additionally, the Company contributed for the years ended December 31, 2018, 2017, and 2016 €24,721, €24,329 and €20,938 to state pension plans.

17. SHAREHOLDERS' EQUITY

CAPITAL STOCK

At December 31, 2018, the Company's share capital consists of 307,878,652 bearer shares without par value (Stückaktien) and a nominal value of €1.00 each. The Company's share capital has been fully paid in.

The General Partner of FMC AG & CO. KGAA, Fresenius Medical Care Management AG, Hof an der Saale, is not obliged to make a capital contribution and has not made a capital contribution. It does not participate in the profits and losses or in the assets of the Company. The General Partner receives for the assumption of the management of the Company and the liability an annual remuneration independent of profit and loss in the amount of 4 % of its share capital (SEE NOTE 5 C). The General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, which includes remuneration of the members of its Management Board and its Supervisory Board.

Pursuant to Sections 33 and 34 of the German Securities Trading Act (WpHG) any party subject to the notification requirement shall notify the Company when certain mandatory reportable thresholds for voting rights, also by taking account the attribution provisions, are reached, exceeded or fallen below. Section 38 WpHG also stipulates a notification requirement when certain thresholds are reached, exceeded or have fallen below through directly or indirectly held instruments and also, according to Section 39 WpHG when certain thresholds are reached, exceeded or have fallen below through the addition of voting rights according to Section 33 WpHG and instruments according to Section 38 WpHG. Notifications received by the Company subject to the notification requirements were published in accordance with the applicable legal provisions, including publication in the Investors section of the Company's website at www.freseniusmedicalcare.com.

In a notification dated February 8, 2011, Fresenius SE disclosed to the Company pursuant to Section 33 of the WpHG that it held 35.74 % of the voting rights in FMC AG & CO. KGAA. At December 31, 2018, Fresenius SE holds 30.66 % 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 30.75 % of the Company's voting rights. In addition, Fresenius SE is the sole stockholder of the General Partner.

On December 20, 2018, 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, that 2.97 % of the voting rights of FMC AG & CO. KGAA were held as of December 19, 2018. Furthermore, on December 12, 2018, BlackRock, Inc., Wilmington, DE, U.S., including attributed subsidiaries disclosed pursuant to Section 33, 34 of the WpHG that 5.93 % of the voting rights of FMC AG & CO. KGAA and instruments relating to 0.09 % of the voting rights of FMC AG & CO. KGAA were held as of December 7, 2018.

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, 2018.

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, 2018.

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 million 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 million 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, 2018, options 3,896,578 remained outstanding with a remaining average term of 3.95 years under these programs. For the year ending December 31, 2018, 858,652 options had been exercised under these employee participation plans (SEE NOTE 20).

Conditional capital at December 31, 2018 was €16,944 in total. Thereof, for all programs, €13,570 was available, which included €10,057 for the 2011 SOP and €3,513 for the 2006 Plan (SEE NOTE 20).

A total of 858,652 shares (2017: 889,209 shares) were issued out of Conditional Capital 2011/I during 2018, increasing the Company's capital stock by €859 (2017: €889).

TREASURY STOCK

On the basis of the authorization granted by the Company's AGM on May 12, 2011 to conduct a share buyback program, the Company repurchased 7,548,951 shares in 2013 for an average weighted stock price of €51.00 per share. The Company redeemed 6,549,000 of these repurchased shares on February 16, 2016 in order to decrease its share capital.

By resolution of the Company's AGM on May 12, 2016, the General Partner is authorized to purchase treasury shares up to a maximum amount of 10 % of the registered share capital existing at the time of this resolution until May 11, 2021. The shares acquired, together with other treasury shares held by the Company or attributable to the Company pursuant to sections 71a et seqq. AktG, must at no time exceed 10 % of the registered share capital. The purchase will be made through the stock exchange, by way of a public tender offer, or a public invitation to shareholders to submit an offer for sale. This authorization is not applicable for the purpose of trading in treasury shares. The General Partner is authorized to use treasury shares purchased on the basis of this authorization or any other earlier authorization for any legally permissible purpose, in particular (i) to redeem shares without requiring any further resolution by the General Meeting, (ii) to sell treasury shares to third parties against contributions in kind, (iii) to award treasury shares, in lieu of the utilization of conditional capital of the Company, to employees of the Company and companies affiliated with the Company, including members of the management of affiliated companies, and use them to service options or obligations to purchase shares of the Company, and (iv) to use treasury shares to service bonds carrying warrant and/or conversion rights or conversion obligations issued by the Company or companies affiliated with the Company pursuant to section 17 AktG.

On the basis of the authorization granted by the Company's Annual General Meeting on May 12, 2016 to conduct a share buyback program, between December 11, 2017 and December 21, 2017, the Company repurchased 660,000 shares for an average weighted stock price of €87.79.

On the basis of the authorization granted by the Company's AGM on May 12, 2016 to conduct a share buyback program, the Company repurchased further 431,000 shares, between May 28, 2018, and June 8, 2018, for an average weighted stock price of €86.37.

On December 12, 2018, the Company redeemed the 1,091,000 shares repurchased in the period from December 11, 2017 until December 21, 2017 (including) and in the period from May 28, 2018 until June 8, 2018 (including) for the purpose of capital reduction at an average weighted price of €87.23 per share.

As of December 31, 2018, the Company held 999,951 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.

TABLE 5.55 provides the number of shares acquired in the context of the share buyback programs as well as the repurchased treasury stock.

T 5.55 **TREASURY STOCK**

Period	Average price paid per share	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
DECEMBER 31, 2016	**51.00**	**999,951**	**50,993**
Purchase of Treasury Stock			
December 2017	87.79	660,000	57,938
DECEMBER 31, 2017	**65.63**	**1,659,951**	**108,931**
Purchase of Treasury Stock			
May 2018	86.69	173,274	15,020
June 2018	86.14	257,726	22,201
Repurchased Treasury Stock	86.37	431,000	37,221
Retirement of repurchased Treasury Stock			
Dezember 2018	87.23	1,091,000	95,159
DECEMBER 31, 2018	**51.00**	**999,951**	**50,993**

[1] The value of shares repurchased in 2013, 2017 and 2018 is inclusive of fees (net of taxes) paid in the amount of approximately €81, €12 and €8, 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 €324,838 for 2017 in the amount of €1.06 per share were paid on May 23, 2018.
Cash dividends of €293,973 for 2016 in the amount of €0.96 per share were paid on May 16, 2017.
Cash dividends of €244,251 for 2015 in the amount of €0.80 per share were paid on May 13, 2016.

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, 2018 and December 31, 2017, total equity and debt are shown in TABLE 5.56.

T 5.56 TOTAL EQUITY, DEBT AND TOTAL ASSETS
IN € THOUS

	2018	2017
Total equity including noncontrolling interests	12,901,958	10,828,186
Debt	7,546,228	7,447,686
Total assets	26,242,268	24,025,215
Debt in % of total assets	28.8	31.0
Total equity in % of total assets (equity ratio)	49.2	45.1

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, 2018 and December 31, 2017, this ratio was 1.8 and 2.1, respectively.

The Company's financing structure and business model are reflected in the investment grade ratings. The Company is covered and rated investment grade by the three leading rating agencies, Moody's, Standard & Poor's and Fitch.

T 5.57 RATING [1]

	Standard & Poor´s	Moody´s	Fitch
Corporate credit rating	BBB-	Baa3	Baa3
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

TABLE 5.58 contains reconciliations of the numerators and denominators of the basic and fully diluted earnings per share computations for 2018, 2017 and 2016.

T 5.58 **RECONCILIATION OF BASIC AND FULLY DILUTED EARNINGS PER SHARE**
IN € THOUS, EXCEPT SHARE AND PER SHARE DATA

	2018	2017	2016
Numerators			
NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA	**1,981,924**	**1,279,788**	**1,143,980**
Denominators			
Weighted average number of shares outstanding	306,541,706	306,563,400	305,748,381
Potentially dilutive shares	684,681	719,912	580,313
BASIC EARNINGS PER SHARE	**6.47**	**4.17**	**3.74**
FULLY DILUTED EARNINGS PER SHARE	**6.45**	**4.16**	**3.73**

20. SHARE-BASED PLANS

The Company accounts for its share-based plans in accordance with IFRS 2.

FRESENIUS MEDICAL CARE AG & CO. KGAA SHARE-BASED PLANS

At December 31, 2018, the Company has various share-based compensation plans, which may either be equity- or cash-settled.

Fresenius Medical Care AG & Co. KGaA long-term incentive 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 Program 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 2018, the Company awarded 632,804 Performance Shares under the LTIP 2016 including 73,315 Performance Shares to the members of the Management Board at a measurement date weighted average fair value of €51.99 each and a total fair value of €32,900, which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

During 2017, the Company awarded 614,985 Performance Shares under the LTIP 2016 including 73,746 Performance Shares to the members of the Management Board at a measurement date weighted average fair value of €83.40 each and a total fair value of €51,290, which will be revalued if the fair value changes. The total fair value will be amortized over the four-year vesting period.

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.

Fresenius Medical Care AG & Co. KGaA Long-Term Incentive Program 2011

On May 12, 2011, the Fresenius Medical Care AG & CO. KGAA Stock Option Plan 2011 (2011 SOP) was established by resolution of the Company's AGM. The 2011 SOP, together with the Phantom Stock Plan 2011, which was established by resolution of the General Partner's Management and supervisory boards, forms the Company's 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 twelve million non-par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share.

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. taxpayers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

New incentive bonus plan

In 2018, 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 2018 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 2018 will be paid in the following year, after the consolidated financial statements for 2018 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 2018, 2017 and 2016 was €3,414, €3,418 and €3,281, respectively.

Information on holdings under share-based plans

At December 31, 2018, the Management Board held 602,389 stock options and employees of the Company held 3,294,189 stock options under the various share-based compensation plans of the Company.

At December 31, 2018, the Management Board held 54,711 phantom shares and employees of the Company held 581,816 phantom shares under the 2011 Incentive Plan.

At December 31, 2018, the Management Board held 204,693 Performance Shares and employees of the Company held 1,570,813 Performance Shares under the LTIP 2016.

Additional information on stock options

TABLE 5.59 provides reconciliations for stock options outstanding at December 31, 2018, as compared to December 31, 2017.

T 5.59 **TRANSACTIONS**

	Options in THOUS	Weighted Average Exercise Price in €
Stock options for shares		
BALANCE AT DECEMBER 31, 2017	**4,827**	**65.67**
Granted	–	–
Exercised[1]	859	50.67
Forfeited	72	72.45
BALANCE AT DECEMBER 31, 2018	**3,896**	**68.85**

[1] The average share price at the date of exercise of the options was €84.96.

TABLE 5.60 provides a summary of fully vested options outstanding and exercisable at December 31, 2018.

At December 31, 2018, there was €3,146 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, 2018, 2017, and 2016, the Company received cash of €43,508, €42,234 and €39,438, 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, 2018, 2017, and 2016 was €29,440, €31,580 and €31,410, respectively.

T 5.60 **SHARE OPTIONS**

	Outstanding			Exercisable	
Range of exercise prices in €	Number of options	Weighted average remaining contractual life	Weighted average exercise price in €	Number of options	Weighted average exercise price in €
45.01 – 50.00	937,423	3.30	49.90	937,423	49.90
50.01 – 55.00	126,696	0.51	52.44	126,696	52.44
55.01 – 60.00	173,119	2.00	57.60	173,119	57.60
60.01 – 65.00	–	–	–	–	–
65.01 – 70.00	–	–	–	–	–
70.01 – 75.00	–	–	–	–	–
75.01 – 80.00	2,659,340	4.47	77.04	–	–
TOTAL	**3,896,578**	**3.95**	**68.85**	**1,237,238**	**51.23**

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 €6,713, €11,736 and €23,210 for the years ending December 31, 2018, 2017 and 2016, 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 -€8,799, €21,576 and €15,509 related to phantom shares for the years ending December 31, 2018, 2017 and 2016, respectively, and €4,152, €38,882 and €19,513, related to Performance Shares for the year ended December 31, 2018, 2017 and 2016.

SUBSIDIARY STOCK INCENTIVE PLANS

In 2014, the Company established two subsidiary stock incentive plans for the acquisitions of Sound and National Cardiovascular Partners. The Company divested its controlling interest in Sound on June 28, 2018, SEE NOTE 4 C for information. Compensation expense associated with the Sound subsidiary stock incentive plan was €87,157, €35,250 and €6,984 for the years ended December 31, 2018, 2017 and 2016, respectively. The remaining subsidiary stock incentive plan related to National Cardiovascular Partners is immaterial to the Company.

21. OPERATING LEASES AND RENTAL PAYMENTS

The Company leases buildings and machinery and equipment under various lease agreements. Rental expense recorded for operating leases for the years ended December 31, 2018, 2017 and 2016 was €831,793, €823,446 and €756,393, respectively. For information regarding operating leases with related parties, SEE NOTE 5 A.

Future minimum rental payments under non-cancelable operating leases for the five years succeeding December 31, 2018 and 2017 are shown in TABLE 5.61.

T 5.61 **FUTURE MINIMUM RENTAL PAYMENTS**
IN € THOUS

	2018	2017
1 year	822,331	728,312
1–3 years	1,450,399	1,246,719
3–5 years	1,096,837	934,725
5–10 years	2,158,071	1,595,270
TOTAL	**5,527,638**	**4,505,026**

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 FMCH 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 has subsequently rejected government requests to conduct new discovery and to add counts to its complaint-in-intervention that would expand upon the relator's complaint, but has allowed 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 United States that might violate the Foreign Corrupt Practices Act or other anti-bribery laws. The Company's Supervisory Board, through its Audit and Corporate Governance Committee, conducted investigations with the assistance of independent counsel. In a continuing dialogue, the Company voluntarily advised the Securities and Exchange Commission and the United States Department of Justice (collectively and interchangeably the "government") about these investigations. The government also conducted its own investigations, in which the Company cooperated.

In the course of this dialogue, the Company identified and reported to the government, and took remedial actions including employee disciplinary actions with respect to, conduct that resulted in the government seeking monetary penalties and other remedies against the Company and disgorgement of related profits revolving principally around conduct in the Company's products business in a limited number of countries outside the United States.

The Company recorded charges of €200,000 in 2017 and €77,200 in 2018 encompassing estimates for the government's claims for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation. The increase recorded in 2018 took into consideration preliminary understandings with the government on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totals €223,980 as of December 31, 2018.

The Company has reached an agreement in principle with the government agencies encompassing the terms understood to be necessary for settlement. The Company believes that the previously-recorded charge appropriately accounts for the consequences of the resolution as related to its financial statements. The agreement in principle remains subject to memorialization in fully integrated documents and final approval by authorized officials of the government and the Company.

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 compliance with the Foreign Corrupt Practices Act and other applicable anti-bribery laws.

Personal injury litigation involving the Company's acid concentrate product, labeled as GranuFlo® or Naturalyte®, first arose in 2012 and was substantially resolved by settlement agreed in principle in February 2016 and consummated in November 2017, as previously disclosed. Remaining individual personal injury cases do not present material risk and discussion of them is therefore discontinued.

The Company's affected insurers agreed to the settlement of the acid concentrate personal injury litigation and funded $220,000 of the settlement fund under a reciprocal reservation of rights encompassing certain coverage issues raised by insurers and the Company's claims for indemnification of defense costs. The Company accrued a net expense of $60,000 in connection with the settlement, including legal fees and other anticipated costs.

Following entry into the settlement, the Company's insurers in the AIG group and the Company each initiated litigation against the other relating to the AIG group's coverage obligations under applicable policies. In the coverage litigation, the AIG group seeks to be indemnified by 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. As a result of decisions on issues of venue, the coverage litigation is proceeding in the New York state trial court for Manhattan. (National Union Fire Insurance v. Fresenius Medical Care, 2016 Index No. 653108 (Supreme Court of New York for New York County)).

Four institutional plaintiffs filed complaints against FMCH or its affiliates under state deceptive practices statutes resting on certain background allegations common to the GranuFlo®/NaturaLyte® personal injury litigation, but seeking as 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, et al 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).

On September 6, 2018, a special-purpose entity organized under Delaware law for the purpose of pursuing litigation filed a Pure Bill of Discovery in a Florida county court seeking discovery from FMCH related to the personal injury settlement, but no other relief. MSP Recovery Claims Series LLC v. Fresenius Medical Care Holdings, No. 2018-030366-CA-01 (11th Judicial Circuit, Dade County, Florida). The Pure Bill was thereafter removed to federal court and transferred into the multidistrict Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation in Boston. No.1:13-MD-02428-DPW (D. Mass. 2013). On February 7, 2019, the Boston court announced that it would not require FMCH to respond to the Pure Bill but allowed plaintiffs to file a pleading satisfying the requirements of a complaint under the Federal Rules of Procedure. Plaintiffs advised the court that they would file a complaint seeking monetary damages for specified payors in the health care system.

The jury trial scheduled to begin in the Kentucky case (Beshear) on January 22, 2019 was postponed. On February 12, 2019, an agreement in principle was reached to settle and resolve the state claims in exchange for FMCH's payment of $10,300.

The Company has additionally increased its litigation reserves to account for anticipated settlement of some, but not all, of the remaining payor cases. However, at the present time there are no agreements in principle for resolving the remaining cases and litigation through final adjudication may be required in all of them. The Mississippi case has been set for trial on September 3, 2019. There is no trial date for the Louisiana case.

In August 2014, FMCH received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians involving contracts relating to the management of in-patient acute dialysis services. FMCH is cooperating in the investigation.

In July 2015, the Attorney General for Hawaii issued a civil complaint under the Hawaii False Claims Act alleging a conspiracy pursuant to which certain Liberty Dialysis subsidiaries of FMCH overbilled Hawaii Medicaid for Liberty's Epogen® administrations to Hawaii Medicaid patients during the period from 2006 through 2010, prior to the time of FMCH's acquisition of Liberty. Hawaii v. Liberty Dialysis – Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit). The State alleges that Liberty acted unlawfully by relying on incorrect and unauthorized billing guidance provided to Liberty by Xerox State Healthcare LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during the relevant period. The amount of the overpayment claimed by the State is approximately $8,000, but the State seeks civil remedies, interest, fines, and penalties against Liberty and FMCH under the Hawaii False Claims Act substantially in excess of the overpayment. After prevailing on motions by Xerox to preclude it from doing so, FMCH is pursuing third-party claims for contribution and indemnification against Xerox. The State's False Claims Act complaint was filed after Liberty initiated an administrative action challenging the State's recoupment of alleged overpayments from sums currently owed to Liberty. The civil litigation and administrative action are proceeding in parallel. Trial in the civil litigation, which had been scheduled for April 2019, has been postponed to allow the completion of discovery and remains to be rescheduled.

On August 31, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. FMCH continues to cooperate in the Denver United States Attorney's Office (USAO) investigation, which has come to focus on purchases and sales of minority interests in ongoing outpatient facilities between FMCH and physician groups.

On November 25, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) also inquiring into FMCH's involvement in certain dialysis facility joint ventures in New York. On September 26, 2018, the Brooklyn USAO declined to intervene on the qui tam complaint filed under seal in 2014 that gave rise to this investigation. CKD Project LLC v. Fresenius Medical Care, 2014 Civ. 6646 (E.D.N.Y. November 12, 2014). The court unsealed the complaint, allowing the relator to serve and proceed on its own. The relator – a special-purpose entity formed by law firms to pursue qui tam proceedings – has served its complaint and litigation is proceeding.

Beginning October 6, 2015, the United States Attorney for the Eastern District of New York (Brooklyn) has led an investigation, through subpoenas issued under the False Claims Act, utilization and invoicing by the Company's subsidiary Azura Vascular Care for a period beginning after the Company's acquisition of American Access Care LLC (AAC) in October 2011. The Company has cooperated in the Brooklyn USAO investigation, which is continuing. Allegations against AAC arising in districts in Connecticut, Florida and Rhode Island relating to utilization and invoicing were settled in 2015.

On October 22, 2018, the United States Attorney for the Southern District of New York (Manhattan) announced a False Claims Act settlement for up to $18,400 with Vascular Access Centers LP, a competitor of AAC and Azura. Simultaneously, the 2012 qui tam (whistleblower) complaint that gave rise to the investigation was unsealed. Levine v. Vascular Access Centers, 2012 Civ. 5103 (S.D.N.Y.). That qui tam complaint names as defendants, among others in the dialysis industry, subsidiaries and employees of the Company engaged in the vascular access business. The Manhattan USAO did not intervene against non-settling defendants, allowing the relator to proceed on his own against those defendants. Defendants related to the Company have been served and the litigation is proceeding.

On June 30, 2016, FMCH received a subpoena from the United States Attorney for the Northern District of Texas (Dallas) seeking information under the False Claims Act about the use and management of pharmaceuticals including Velphoro®. The investigation encompasses DaVita, Amgen, Sanofi, and other pharmaceutical manufacturers and includes inquiries into whether certain compensation transfers between manufacturers and pharmacy vendors constituted unlawful kickbacks. 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 is expected to result in demands for the Company to refund overpayments and to pay related penalties under applicable laws, but the monetary value of such payment demands cannot yet be reasonably estimated. The Brooklyn USAO continues to investigate a range of issues involving Shiel, including allegations of improper compensation (kickbacks) to physicians, and has disclosed that multiple sealed qui tam complaints underlie the investigation.

On December 12, 2017, 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.

On January 3, 2017, FMCH received a subpoena from the United States Attorney for the District of Massachusetts under the False Claims Act inquiring into FMCH's interactions and relationships with the AKF, including FMCH's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH is cooperating in the investigation, which is part of a broader investigation into charitable contributions in the medical industry. The Company believes that the investigation revolves around conduct alleged to be unlawful in United Healthcare v. American Renal Associates, 2018 Civ. 10622 (D. Mass.), but believes that such unlawful conduct was not undertaken by the Company. On July 2, 2018, American Renal Associates announced that it had reached a settlement in principle of the United Healthcare litigation. The Company lacks information necessary to assess how the American Renal Associates settlement may impact the United States Attorney's investigation.

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.

On December 17, 2018, FMCH was served with a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) as part of an investigation of allegations against DaVita, Inc. involving transactions between FMCH and DaVita. The subject transactions include sales and purchases of dialysis facilities, dialysis-related products and pharmaceuticals, including dialysis machines and dialyzers, and contracts for certain administrative services. FMCH is cooperating in the investigation.

On March 12, 2018, Vifor Fresenius Medical Care Renal Pharma Ltd. and Vifor Fresenius Medical Care Renal Pharma France S.A.S. (collectively, VFMCRP) (the joint venture between Galenica (Vifor) and FMC AG & CO. KGAA), filed a complaint for patent infringement against Lupin Atlantis Holdings SA and Lupin Pharmaceuticals Inc. (collectively, Lupin), and Teva Pharmaceuticals USA, Inc. (Teva) in the U.S. District Court for the District of Delaware (Case 1:18-cv-00390-LPS). The patent infringement action is in response to Lupin and Teva's filings of Abbreviated New Drug Applications (ANDA) with the FDA for generic versions of Velphoro®. Velphoro® is protected by patents listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book. The complaint was filed within the 45-day period provided for under the Hatch-Waxman legislation, and triggered a stay of FDA approval of the ANDAs for 30 months (2.5 years) (specifically, up to July 29, 2020 for Lupin's ANDA; and August 6, 2020 for Teva's ANDA), or a shorter time if a decision in the infringement suit is reached that the patents-at-issue are invalid or not infringed. Recently, in response to another ANDA being filed for a generic Velphoro®, VFMCRP filed a complaint for patent infringement against Annora Pharma Private Ltd., and Hetero Labs Ltd. (collectively, Annora), in the U.S. District Court for the District of Delaware on December 17, 2018. A 30-month stay of FDA approval of Annora's ANDA will run through to May 30, 2021.

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.

In Germany, the tax audits for the years 2006 through 2009 have been substantially completed. The German tax authorities have indicated a re-qualification of dividends received in connection with intercompany mandatorily redeemable preferred shares into fully taxable interest payments for these and subsequent years until 2013. The Company has defended its position

and will avail itself of appropriate remedies. An adverse determination with respect to fully taxable interest payments related to intercompany mandatorily redeemable preferred shares and the disallowance of certain other tax deductions could have a material adverse effect on the Company's financial condition and results of operations.

The Company is also subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions in the ordinary course of business. Tax authorities routinely pursue adjustments to the Company's tax returns and disallowances of claimed tax deductions. When appropriate, the Company defends these adjustments and disallowances and asserts its own claims. A successful tax related claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition and results of operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

Other than those individual contingent liabilities mentioned above, as well as in NOTE 8 AND NOTE 21, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

23. FINANCIAL INSTRUMENTS

TRANSITION FROM IAS 39 TO IFRS 9

The Company applied IFRS 9 using the modified retrospective method. Comparative periods have not been restated. Differences in the carrying amounts of financial instruments resulting from the adoption of IFRS 9 are recognized in retained earnings as at January 1, 2018. Information presented for 2017 does not reflect the requirements of IFRS 9 and consequently is not comparable to the information presented for 2018 under IFRS 9. SEE NOTE 1 G for further details on the accounting policy under IAS 39 and IFRS 9. The Company only discloses details on the accounting policy before January 1, 2018, if it is different from those under IFRS 9.

At the date of initial application, the Company determined the business model within which a financial asset is held. Further, certain equity investments have been designated at FVOCI. Changes to the hedge accounting policy are applied prospectively. The existing hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 as well and are regarded as continuing hedging relationships.

TABLE 5.62 ON PAGE 221 shows the measurement categories under IAS 39 at December 31, 2017 and the new classification of financial assets under IFRS 9 at January 1, 2018.

Financial liabilities measured at amortized cost under IAS 39 are also classified as measured at amortized cost under IFRS 9, with no change to the carrying amounts of the liabilities. This is also applicable for financial liabilities measured at FVPL under IAS 39 and IFRS 9 as well as financial liabilities not assigned to a category under IAS 39 and not classified under IFRS 9.

The transition to IFRS 9 had an impact on retained earnings at January 1, 2018 in the amount of €5,076. This impact results from the recognition of expected credit losses under IFRS 9. For further details on Trade accounts and other receivables, SEE NOTE 7.

FINANCIAL INSTRUMENTS IN ACCORDANCE WITH IFRS 9

TABLES 5.63 AND 5.64 starting on PAGE 222 show the carrying amounts and fair values of the Company's financial instruments at December 31, 2018 and December 31, 2017.

Derivative and non-derivative financial instruments are categorised in the following three-tier fair value hierarchy that reflects the significance of the inputs in making the measurements. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions. Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. Transfers between levels of the fair value hierarchy have not occurred as of December 31, 2018 and December 31, 2017. The Company accounts for possible transfers at the end of the reporting period.

T 5.62 FINANCIAL ASSET CLASSIFICATION UNDER IFRS 9
IN € THOUS

	Categories under IAS 39	New classification under IFRS 9	Carrying amount under IAS 39 December 31, 2017	Adjusted carrying amount under IFRS 9 December 31, 2017
Cash and cash equivalents	Not assigned to a category	Amortized cost	620,145	620,145
Cash and cash equivalents	Not assigned to a category	FVPL	357,964	357,964
Trade accounts and other receivables	Loans and receivables	Amortized cost	3,330,990	3,327,692
Trade accounts and other receivables	Not assigned to a category	Not classified	58,336	58,144
Accounts receivable from related parties	Loans and receivables	Amortized cost	111,643	111,643
Derivatives – cash flow hedging instruments [1]	Not assigned to a category	Not classified	561	561
Derivatives – not designated as hedging instruments [1]	FVPL	FVPL	113,713	113,713
Equity investments [1]	Available for sale	FVOCI	16,010	16,010
Equity investments [1]	Not assigned to a category	FVOCI	10,537	10,537
Equity investments [1]	Not assigned to a category	FVPL	7,259	7,259
Debt securities [1]	Available for sale	FVOCI	2,650	2,650
Debt securities [1]	Available for sale	Not classified	833	833
Other financial assets [1]	Loans and receivables	Amortized cost	131,279	129,929
Other financial assets [1]	Not assigned to a category	Not classified	78,368	78,132
FINANCIAL ASSETS			**4,840,288**	**4,835,212**

[1] Included in Other current assets or Other non-current assets in the consolidated balance sheets.

T 5.63 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS
IN € THOUS

	Carrying amount December 31, 2018					Fair value December 31, 2018		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents[1]	831,885	1,313,747			2,145,632		1,313,747	
Trade accounts and other receivables	3,288,258			49,448	3,337,706			
Accounts receivable from related parties	92,662				92,662			
Derivatives – cash flow hedging instruments				1,492	1,492		1,492	
Derivatives – not designated as hedging instruments		18,222			18,222		18,222	
Equity investments		106,350	34,377		140,727	13,869	126,858	
Debt securities		83,213	250,822		334,035	329,821	4,214	
Other financial assets	144,838			107,125	251,963			
Other current and non-current assets	144,838	207,785	285,199	108,617	746,439			
FINANCIAL ASSETS	**4,357,643**	**1,521,532**	**285,199**	**158,065**	**6,322,439**			
Accounts payable	641,271				641,271			
Accounts payable to related parties	153,781				153,781			
Short-term debt and short-term debt from related parties	1,394,194				1,394,194			
Long-term debt and capital lease obligations	6,115,890			36,144	6,152,034	4,227,684	2,022,057	
Derivatives – cash flow hedging instruments				1,125	1,125		1,125	
Derivatives – not designated as hedging instruments		18,911			18,911		18,911	
Variable payments outstanding for acquisitions		172,278			172,278			172,278
Noncontrolling interest subject to put provisions				818,871	818,871			818,871
Other financial liabilities	1,467,767				1,467,767			
Other current and non-current liabilities	1,467,767	191,189	–	819,996	2,478,952			
FINANCIAL LIABILITIES	**9,772,903**	**191,189**	**–**	**856,140**	**10,820,232**			

[1] Highly liquid short-term investments are categorized in level 2 of the fair value hierarchy. Other cash and cash equivalents is not categorized.

T 5.64 CARRYING AMOUNT AND FAIR VALUE OF FINANCIAL INSTRUMENTS
IN € THOUS

	Carrying amount December 31, 2017						Fair value December 31, 2017		
	Loans and receivables	Amortized cost	FVPL	Available for sale	Not assigned to a category	Total	Level 1	Level 2	Level 3
Cash and cash equivalents[1]					978,109	978,109		357,964	
Trade accounts and other receivables	3,330,990				58,336	3,389,326			
Accounts receivable from related parties	111,643					111,643			
Derivatives – cash flow hedging instruments					561	561		561	
Derivatives – not designated as hedging instruments			113,713			113,713		113,713	
Equity investments				16,010	17,796	33,806	16,010	17,796	
Debt securities				3,483		3,483		3,483	
Other financial assets	131,279				78,368	209,647			
Other current and non-current assets	131,279	–	113,713	19,493	96,725	361,210			
FINANCIAL ASSETS	**3,573,912**	**–**	**113,713**	**19,493**	**1,133,170**	**4,840,288**			
Accounts payable		590,493				590,493			
Accounts payable to related parties		147,349				147,349			
Short-term debt and short-term debt from related parties		769,279				769,279			
Long-term debt and capital lease obligations		6,640,703			37,704	6,678,407	4,603,770	2,481,216	
Derivatives – cash flow hedging instruments					3,209	3,209		3,209	
Derivatives – not designated as hedging instruments			111,953			111,953		111,953	
Variable payments outstanding for acquisitions			205,792			205,792			205,792
Noncontrolling interest subject to put provisions					830,773	830,773			830,773
Other financial liabilities		1,461,439				1,461,439			
Other current and non-current liabilities	–	1,461,439	317,745	–	833,982	2,613,166			
FINANCIAL LIABILITIES	**–**	**9,609,263**	**317,745**	**–**	**871,686**	**10,798,694**			

[1] Highly liquid short-term investments are categorized in level 2 of the fair value hierarchy. Other cash and cash equivalents is not categorized.

NON-DERIVATIVE FINANCIAL INSTRUMENTS

The significant methods and assumptions used for the classification and measurement of non-derivative financial instruments are as follows:

The Company assessed its business models and the cash flow characteristics of its financial assets. The vast majority of the non-derivative financial assets are held in order to collect the contractual cash flows. The contractual terms of the financial assets allow the conclusion that the cash flows represent payment of principle and interest only. Trade accounts and other receivables, Accounts receivable from related parties and Other financial assets are consequently measured at amortized cost.

Cash and cash equivalents are comprised of cash funds and other short-term investments. Cash funds are measured at amortized cost. Short-term investments are highly liquid and readily convertible to known amounts of cash. Short-term investments are measured at FVPL. The risk of changes in fair value is insignificant.

Equity investments are not held for trading. At initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic investments in OCI. If equity instruments are quoted in an active market, the fair value is based on price quotations at the period-end-date.

The majority of the debt securities are held within a business model whose objective is achieving both contractual cash flows and sell the securities. The standard coupon bonds give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount. Subsequently these financial assets have been classified as FVOCI. The smaller part of debt securities do not give rise to cash flows that are solely payments of principle and interest. Consequently, these securities are measured at FVPL. In general most of the debt securities are quoted in an active market.

Long-term debt is recognized at its carrying amount. The fair values of major long-term debt are calculated on the basis of market information. Liabilities for which market quotes are available are measured using these quotes. The fair values of the other long-term debt are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

Variable payments outstanding for acquisitions are recognized at their fair value. The estimation of the individual fair values is based on the key inputs of the arrangement that determine the future contingent payment as well as the Company's expectation of these factors. The Company assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

Noncontrolling interests subject to put provisions are recognized at their fair value. The methodology the Company uses to estimate the fair values assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. 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 that reflects current market assessments of the time value of money and the risks specific to the liability. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate, and the discounted cash flows as well as the implicit multiple of earnings and/or revenue at which these noncontrolling interest obligations may ultimately be settled could vary significantly from the Company's current estimates depending upon market conditions.

At December 31, 2018, 2017 and 2016 the Company's potential obligations under these put provisions, which are recorded in other current liabilities and other non-current liabilities, were €818,871, €830,773 and €1,007,733, respectively. At December 31, 2018, 2017 and 2016, put provisions with an aggregate purchase obligation of €408,525, €324,814 and €287,953, respectively, were exercisable. In the last three fiscal years ending December 31, 2018, 29 such put provisions have been exercised for a total consideration of €139,219.

TABLE 5.65 ON PAGE 225 shows a roll forward of variable payments outstanding for acquisitions and noncontrolling interests subject to put provisions at December 31, 2018, 2017 and 2016.

T 5.65 **RECONCILIATION FROM BEGINNING TO ENDING BALANCE OF LEVEL 3 FINANCIAL INSTRUMENTS**
IN € THOUS

	2018		2017		2016	
	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions
Beginning balance at January 1	205,792	830,773	223,504	1,007,733	51,125	791,075
Increase	19,051	53,731	21,128	85,322	195,701	83,063
Decrease	(15,734)	(50,706)	(32,764)	(121,057)	(25,826)	(1,785)
(Gain) Loss recognized in profit or loss	(36,327)	142,279	(2,685)	160,916	613	164,515
(Gain) Loss recognized in equity	–	(50,612)	–	(20,012)	–	115,627
Dividends	–	(139,742)	–	(164,404)	–	(169,260)
Foreign currency translation and other changes	(504)	33,148	(3,391)	(117,725)	1,891	24,498
ENDING BALANCE AT DECEMBER 31	**172,278**	**818,871**	**205,792**	**830,773**	**223,504**	**1,007,733**

DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial risks

The Company is exposed to effects related to foreign exchange fluctuations in connection with its international business activities that are denominated in various currencies. In order to finance its business operations, the Company issues bonds and enters mainly into long-term credit agreements with banks. Due to these financing activities, the Company is exposed to changes in the interest rate as well as to price risks of balance sheet items with a fixed interest rate.

In order to manage the risk of currency exchange rate and interest rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions as authorized by the Company's General Partner. On a quarterly basis, the Company performs an assessment of its counterparty credit risk. The Company currently considers this risk to be low. The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes ("economic hedges"). The Company does not use financial instruments for trading purposes. The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

To reduce the credit risk arising from derivatives the Company entered into Master Netting Agreements with banks. Through such agreements, positive and negative fair values of the

derivative contracts could be offset against one another if a partner becomes insolvent. This offsetting is valid for transactions where the aggregate amount of obligations owed to and receivable from are not equal. If insolvency occurs, the party which owes the larger amount is obliged to pay the other party the difference between the amounts owed in the form of one net payment.

These master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the statement of financial position as the offsetting criteria under IFRS are not satisfied.

At December 31, 2018 and December 31, 2017, the Company had €7,547 and €11,574 of derivative financial assets subject to netting arrangements and €8,111 and €12,730 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €4,048 and €5,505 as well as net liabilities of €4,612 and €6,661 at December 31, 2018 and December 31, 2017, respectively.

The Company calculates benchmarks for individual exposures in order to quantify interest and foreign exchange risks. The benchmarks are derived from achievable and reasonable market rates. Depending on the individual benchmarks, hedging strategies are agreed on and implemented.

In connection with the issuance of the Convertible Bonds in September 2014, the Company purchased Share Options. Any change in the Company's share price above the conversion price would be offset by a corresponding value change in the Share Options.

Market risk

Foreign exchange risk management

The Company conducts business on a global basis in various currencies, though a majority of its operations are in Germany and the United States. For financial reporting purposes in accordance with Section 315e of the German Commercial Code (HGB) the Company has chosen the euro as its reporting currency. Therefore, changes in the rate of exchange between the euro and the local currencies in which the financial statements of the Company's international operations are maintained, affect its results of operations and financial position as reported in its consolidated financial statements.

Additionally, individual subsidiaries are exposed to transactional risks mainly resulting from intercompany purchases between production sites and other subsidiaries with different functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the invoicing currencies and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures the Company enters into foreign exchange forward contracts.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in AOCI. Additionally, in connection with intercompany loans in foreign currency, the Company uses foreign exchange swaps to assure that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. The Company only designates the change in fair value of the spot element of foreign exchange forward contracts as the hedging instrument in cash flow hedging relationships and uses a hedge ratio for designated risks of 1:1. The forward elements are separately accounted for as cost of hedging in a separate component within AOCI.

The amounts recorded in AOCI are subsequently reclassified into earnings as a component of revenue for those contracts that hedge sales or as an adjustment of cost of revenue for those contracts that hedge intercompany product purchases. Foreign exchange forward contracts that hedge loans are subsequently reclassified from AOCI to interest income/expense. The amounts recorded in AOCI are reclassified in the same period in which the hedged transaction affects earnings. Amounts recorded in AOCI for cash flow hedges related to product purchases from third parties are removed from AOCI and included directly in the carrying amount of the asset at initial recognition. Product purchases and sales designated in a cash flow hedging relationship are expected to affect profit and loss in the same period in which the cash flows occur.

The critical terms of the forward exchange contracts generally align with the hedged item. The economic relationship between forward exchange contracts and the hedged forecast transaction is based on the timing, currency and amount of the hedged cash flows. Ineffectiveness

could arise in case the timing of the hedged transaction or the credit default risk changes. Earnings of the Company were not materially affected by hedge ineffectiveness in the reporting period since the critical terms of the interest and foreign exchange derivatives matched mainly the critical terms of the underlying exposures. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totalled €129,153 and €91,068 at December 31, 2018 and December 31, 2017, respectively. At December 31, 2018, the Company had foreign exchange derivatives with maturities of up to 14 months.

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currencies which do not qualify for hedge accounting but are utilized for economic hedges as defined above. In these two cases, the change in value of the economic hedge is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability. The notional amounts of economic hedges that do not qualify for hedge accounting totalled €913,683 and €665,108 at December 31, 2018 and December 31, 2017, respectively.

The Company uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify transaction risks from foreign currencies. The basis for the analysis of the currency risks are the foreign currency cash flows that are reasonably expected to arise within the following twelve months, less any hedges. Under the CFaR approach, the potential currency fluctuations of these net exposures are shown as probability distributions based on historical volatilities and correlations of the preceding 250 business days. The calculation is made assuming a confidence level of 95 % and a holding period of up to one year. The aggregation of currency risks has risk-mitigating effects due to correlations between the transactions concerned, i.e. the overall portfolio's risk exposure is generally less than the sum total of the underlying individual risks. Based on a net exposure of €1,094,060, the Company's CFaR amounts to €52,318 at December 31, 2018, 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 €52,318.

TABLE 5.66 shows the average hedging rate and the nominal amount of the foreign exchange forward contracts for the currencies with highest hedging volume at December 31, 2018.

T 5.66 **SIGNIFICANT CURRENCY PAIRS**
IN € THOUS

	Nominal amount	Average hedging rate
Euro/Australian dollar	156,950	1.6108
Euro/U.S. dollar	60,269	1.1836
Euro/Israeli shekel	40,084	4.3208

Interest rate risk management

The Company's interest rate risks mainly arise from money market and capital market transactions of the group for financing its business activities.

The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options, to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate. The Company determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, maturities and the notional amounts. The effective portion of gains and losses of derivatives designated as cash flow hedges is deferred in AOCI; the amount of gains and losses reclassified from AOCI are recorded in interest income and interest expenses.

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 approximately 1 % on the consolidated net income and less than 1 % on the shareholder's equity of the Company.

At December 31, 2018 and December 31, 2017, the notional amount of the euro-denominated interest rate swaps in place was €204,000 and €228,000. At December 31, 2018, the Company had interest rate swaps with maturities of up to 10 months.

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, 2018 and December 31, 2017, the Company had €1,131 and €16,495, respectively, related to settlements of pre-hedges deferred in AOCI, net of tax.

Derivative financial instruments valuation

TABLE 5.67 shows the carrying amounts of the Company's derivatives at December 31, 2018 and December 31, 2017.

T 5.67 DERIVATIVE FINANCIAL INSTRUMENTS VALUATION
IN € THOUS

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Current				
Foreign exchange contracts	1,434	(711)	531	(2,182)
Interest rate contracts	–	(414)	–	–
Non-current				
Foreign exchange contracts	58	–	30	(11)
Interest rate contracts	–	–	–	(1,016)
DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS	**1,492**	**(1,125)**	**561**	**(3,209)**
Current				
Foreign exchange contracts	6,402	(7,091)	11,279	(9,520)
Non-current				
Derivatives embedded in the Convertible Bonds	–	(11,820)	–	(102,434)
Share Options to secure the Convertible Bonds	11,820	–	102,434	–
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS	**18,222**	**(18,911)**	**113,713**	**(111,954)**

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 €147,409 (2017: €51,375), interest expense of €448,471 (2017: €416,199) as well as allowances for doubtful accounts of €19,112 (2017: €549,631).

Interest income in 2018 primarily results from the valuation of the derivatives embedded in the Convertible Bonds, interest on overdue receivables and lease receivables as well as interest income related to uncertain tax treatments. In 2017 interest income results mainly 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 as well as interest income related to uncertain tax treatments.

In 2018 and 2017 the major part of interest expenses relates to financial liabilities of the Company which are not accounted for at FVPL and interest expense related to uncertain tax treatments.

In the fiscal year 2018 net losses from foreign currency transactions amount to €21,391 (2017: net losses €36,159).

TABLE 5.68 shows the effect of derivatives in cash flow hedging relationship on the consolidated financial statements.

T 5.68 **THE EFFECT OF DERIVATIVES IN CASH FLOW HEDGING RELATIONSHIPS ON THE CONSOLIDATED FINANCIAL STATEMENTS**
IN € THOUS

	Fair value gain (loss) recognized in AOCI on hedging instrument (hedge reserve)		Fair value gain (loss) recognized in AOCI on hedging instrument (cost of hedging)		Location of reclassified amounts from AOCI	Amount reclassified from hedge reserve		Amount reclassified from cost of hedging	
	2018	2017	2018	2017		2018	2017	2018	2017
Interest rate contracts	(105)	(388)	–	–	Interest income/expense	22,249	27,875	–	–
Foreign exchange contracts	5,029	2,001	(2,244)	–	thereof:				
					Revenue	(423)		132	
					Costs of revenue	(1,839)	(1,505)	799	–
					Inventories	(17)		(21)	
TOTAL	**4,924**	**1,613**	**(2,244)**	**–**		**19,970**	**26,370**	**910**	**–**

TABLE 5.69 shows the effect of derivatives not designated as hedging instruments on the consolidated financial statements.

T 5.69 THE EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED FINANCIAL STATEMENTS
IN € THOUS

	Location of (gain) loss recognized in income on derivatives	Amount of (gain) loss recognized in income on derivatives	
		2018	2017
Foreign exchange contracts	Selling, general and administrative expenses	(12,841)	(8,275)
Foreign exchange contracts	Interest income/expense	14,809	9,435
Derivatives embedded in the Convertible Bonds	Interest income/expense	(90,614)	7,771
Share Options to secure the Convertible Bonds	Interest income/expense	90,614	(7,771)
DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS		**1,968**	**1,160**

TABLE 5.70 shows when the cash flow from derivative financial instruments is expected to occur.

T 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
2018				
Designated as hedging instrument	87	58	–	–
Not designated as hedging instrument	(689)	–	–	–
2017				
Designated as hedging instrument	(2,370)	(530)	–	–
Not designated as hedging instrument	1,762	–	–	–-

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 €19,714 at December 31, 2018 (2017: €114,274). The maximum credit risk resulting from the use of non-derivative financial instruments is defined as the total amount of all financial assets. In order to control this credit risk, the Management of the Company carries out an ageing analysis of trade accounts and other receivables. For details on the ageing analysis and on the allowance for doubtful accounts, please SEE NOTE 7.

Liquidity risk

The liquidity risk is defined as the risk that a company is potentially unable to meet its financial obligations. The Management of the Company manages the liquidity of the group by means of effective working capital and cash management as well as an anticipatory evaluation of refinancing alternatives. The Management of the Company believes that existing credit facilities, net cash provided by operating activities and additional short-term debt are sufficient to meet the Company's foreseeable demand for liquidity (SEE NOTE 13).

TABLE 5.71 ON PAGE 231 shows all non-discounted payments agreed by contract concerning financial liabilities and derivative financial instruments recorded in the consolidated balance sheets.

T 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
2018				
Accounts payable	641,271	1	–	–
Accounts payable to related parties	153,781	–	–	–
Other current financial liabilities	1,467,766	–	–	–
Short-term debt [1]	1,394,194	–	–	–
Long-term debt and capital lease obligations [2,3]	209,189	1,211,250	1,145,979	63,734
Bonds	1,127,532	1,514,989	677,500	880,939
Variable payments outstanding for acquisitions	57,217	69,918	33,221	30,576
Noncontrolling interests subject to put provisions	494,576	183,396	66,324	107,857
Letters of credit	12,413	12,322	–	–
Derivative financial instruments – in cash flow hedging relationships	1,347	–	–	–
Derivative financial instruments – not designated as hedging instrument	7,091	11,820	–	–
2017				
Accounts payable	590,493	11	–	–
Accounts payable to related parties	147,349	–	–	–
Other current financial liabilities	1,461,428	–	–	–
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	–	–

[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, 2018 and 2017.
[3] Excluding Bonds.

24. OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2018, 2017, and 2016 are shown in TABLE 5.72.

T 5.72 **OTHER COMPREHENSIVE INCOME (LOSS)**
IN € THOUS

	2018			2017			2016		
	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	(28,070)	7,713	(20,357)	6,840	(27,393)	(20,553)	(31,423)	7,085	(24,338)
Components that may be reclassified subsequently to profit or loss									
Foreign currency translation adjustment	327,317	–	327,317	(1,284,173)	–	(1,284,173)	368,429	–	368,429
Other comprehensive income (loss) relating to cash flow hedges:									
Changes in fair value of cash flow hedges during the period	2,680	(698)	1,982	1,613	(430)	1,183	(1,357)	568	(789)
Reclassification adjustments	20,880	(6,036)	14,844	26,370	(7,977)	18,393	26,468	(7,607)	18,861
Total other comprehensive income (loss) relating to cash flow hedges	23,560	(6,734)	16,826	27,983	(8,407)	19,576	25,111	(7,039)	18,072
OTHER COMPREHENSIVE INCOME (LOSS)	**322,807**	**979**	**323,786**	**(1,249,350)**	**(35,800)**	**(1,285,150)**	**362,117**	**46**	**362,163**

25. SUPPLEMENTARY CASH FLOW INFORMATION

TABLE 5.73 provides additional information with respect to net cash provided by (used in) investing activities for the years ended December 31, 2018, 2017 and 2016.

T 5.73 **DETAILS FOR NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES**
IN € THOUS

	2018	2017	2016
Details for acquisitions			
Assets acquired	(360,375)	(758,720)	(792,941)
Liabilities assumed	21,122	128,552	113,491
Noncontrolling interests subject to put provisions	11,901	68,069	43,628
Noncontrolling interests	45,319	14,293	14,448
Non-cash consideration	28,530	8,851	220,849
CASH PAID	**(253,503)**	**(538,955)**	**(400,525)**
Less cash acquired	3,538	17,630	20,660
NET CASH PAID FOR ACQUISITIONS	**(249,965)**	**(521,325)**	**(379,865)**
Cash paid for investments	(590,199)	(17,999)	(129,764)
Cash paid for intangible assets	(85,103)	(26,370)	(12,171)
TOTAL CASH PAID FOR ACQUISITIONS AND INVESTMENTS, NET OF CASH ACQUIRED, AND PURCHASES OF INTANGIBLE ASSETS	**(925,267)**	**(565,694)**	**(521,800)**
Details for divestitures			
Cash received from sale of subsidiaries or other businesses, less cash disposed	1,532,724	157,025	1,324
Cash received from divestitures of securities	150,172	256,136	116,922
Cash received from repayment of loans	79	2,227	72,001
PROCEEDS FROM DIVESTITURES	**1,682,975**	**415,388**	**190,247**

In connection with divestitures which occurred during 2018, the Company divested, in aggregate, assets, excluding cash, of €1,100,315, liabilities of €296,857, noncontrolling interests subject to put provisions of €469 and noncontrolling interests of €16,540.

TABLE 5.74 ON PAGE 234 shows a reconciliation of debt to net cash provided by (used in) financing activities for 2018.

TABLE 5.75 ON PAGE 234 shows a reconciliation of debt to net cash provided by (used in) financing activities for 2017.

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, Operating

T 5.74 RECONCILIATION OF DEBT TO NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
IN € THOUS

			Non-cash changes					
	January 1, 2018	Cash flow	Acquisitions	Foreign currency translation	Amortization of debt issuance costs	New leases	Other	December 31, 2018
Short-term debt	760,279	444,844	3,046	(2,860)	–	–	(15)	1,205,294
Short-term debt from related parties	9,000	179,900	–	–	–	–	–	188,900
Long-term debt and capital lease obligations (excluding Accounts Receivable Facility)[1]	6,384,734	(453,717)	8,652	188,165	15,975	6,517	1,708	6,152,034
Accounts Receivable Facility	293,673	(298,912)	–	4,883	356	–	–	–

[1] Cash flow excluding repayments of variable payments outstanding for acquisitions in the amount of €10.099.

T 5.75 RECONCILIATION OF DEBT TO NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES
IN € THOUS

			Non-cash changes					
	January 1, 2017	Cash flow	Acquisitions	Foreign currency translation	Amortization of debt issuance costs	New leases	Other	December 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.

Segments. Products are transferred to the segments at cost; therefore, no internal profit is generated. The associated internal revenue for the product transfers and their elimination are recorded as corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as Corporate.

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, 2018, 2017 and 2016 is shown in TABLE 5.76.

T 5.76 **SEGMENT AND CORPORATE INFORMATION (CONTINUATION SEE NEXT PAGE)**
IN € THOUS

	North America Segment	EMEA Segment	Asia-Pacific Segment	Latin America Segment	Total Segment	Corporate	Total
2018							
Revenue from contracts with customers	11,347,963	2,559,485	1,627,715	682,894	16,218,057	14,736	16,232,793
Other revenue external customers	221,769	27,073	61,638	3,600	314,080	–	314,080
Revenue external customers	11,569,732	2,586,558	1,689,353	686,494	16,532,137	14,736	16,546,873
Inter – segment revenue	1,609	304	633	240	2,786	(2,786)	–
REVENUE	**11,571,341**	**2,586,862**	**1,689,986**	**686,734**	**16,534,923**	**11,950**	**16,546,873**
OPERATING INCOME	**2,665,187**	**398,683**	**303,956**	**28,848**	**3,396,674**	**(358,876)**	**3,037,798**
Interest							(301,062)
INCOME BEFORE INCOME TAXES							**2,736,736**
Depreciation and amortization	(377,836)	(116,384)	(45,475)	(22,344)	(562,039)	(162,808)	(724,847)
Income (loss) from equity method investees	75,279	(4,322)	2,125	264	73,346	–	73,346
Total assets	16,936,646	3,612,800	2,322,284	719,334	23,591,064	2,651,204	26,242,268
thereof investment in equity method investees	348,096	178,886	98,741	24,057	649,780	–	649,780
Additions of property, plant and equipment and intangible assets	598,988	158,974	53,962	26,894	838,818	316,147	1,154,965

SEGMENT AND CORPORATE INFORMATION (CONTINUATION OF THE PREVIOUS PAGE)
IN € THOUS

	North America Segment	EMEA Segment	Asia-Pacific Segment	Latin America Segment	Total Segment	Corporate	Total
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							(364,824)
INCOME BEFORE INCOME TAXES							**1,997,615**
Depreciation and amortization	(398,235)	(119,044)	(45,401)	(17,929)	(580,609)	(154,870)	(735,479)
Income (loss) from equity method investees	71,739	(7,159)	1,919	700	67,199	–	67,199
Total assets	15,556,146	3,585,486	2,074,150	670,126	21,885,908	2,139,307	24,025,215
thereof investment in equity method investees	342,462	181,870	98,281	24,396	647,009	–	647,009
Additions of property, plant and equipment and intangible assets	526,652	130,755	52,861	41,637	751,905	241,052	992,957
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							(363,408)
INCOME BEFORE INCOME TAXES							**2,045,494**
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	17,281,951	3,576,784	1,762,903	691,980	23,313,618	2,190,021	25,503,639
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

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in TABLE 5.77.

T 5.77 **GEOGRAPHIC PRESENTATION**
IN € THOUS

	Germany	North America	Rest of the world	Total
2018				
Revenue external customers	426,327	11,569,732	4,550,814	16,546,873
Long-lived assets	948,355	13,260,913	3,290,930	17,500,198
2017				
Revenue external customers	433,105	12,878,665	4,471,802	17,783,572
Long-lived assets	905,571	13,037,452	3,122,590	17,065,613
2016				
Revenue external customers	380,887	12,030,093	4,158,735	16,569,715
Long-lived assets	835,690	14,379,237	2,852,313	18,067,240

27. SUBSEQUENT EVENTS

The Company resolved to repurchase shares with an aggregate volume of up to €1,000,000 via the capital markets over the next two years. The share repurchase program will be carried out in several tranches and in accordance with the European Union safe harbor provisions.

No further significant activities have taken place subsequent to the balance sheet date December 31, 2018 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 2018 amounted to €24,166 (2017: €23,302) and consisted of non-performance-based compensation (including fringe benefits) in the total amount of €6,532 (2017: €5,768), short-term performance-based compensation in the total amount of €8,437 (2017: €8,640) and components with long-term incentive effects (multi-year variable remuneration) in the total amount of €9,197 (2017: €8,894). Components with long-term incentive effects, which were granted in or for the 2018 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 73,315 performance shares (in 2017: 73,746) were allocated to the members of the Management Board of Fresenius Medical Care Management AG, in the fiscal year 2018. The fair value of the performance shares granted in July of the fiscal year 2018 was €80.55 (in 2017: €75.12) each for grants denominated in euro and $94.11 (in 2017: $86.39) each for grants denominated in U.S. dollar on the grant date. Dr. Katarzyna Mazur-Hofsäß (member of the Management Board since September 1, 2018) was granted Performance Shares in December of the fiscal year whose fair value on the grant date was €69.05.

Due to the fact that the targets were met in the fiscal year 2018, 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 (so-called Share Based Award) in the amount of €3,414 (2017: €3,418).

At the end of fiscal year 2018, the members of the Management Board of Fresenius Medical Care Management AG held a total of 204,693 performance shares (2017: 150,993) and 54,711 phantom stock (2017: 73,432). In addition, they held a total of 602,389 stock options at the end of fiscal year 2018 (2017: 819,491 stock options).

As of December 31, 2018, aggregate pension obligations of €24,535 (December 31, 2017: €21,753) existed relating to existing pension commitments. In the fiscal year 2018, the appropriation to the pension reserves amounted to €5,071 (2017: €212).

In the fiscal year 2018, 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.

Mr. Dominik Wehner was a member of the Management Board until the end of December 31, 2017. In his termination agreement, it was agreed with respect to the compensation components he is entitled to by contract for the period from January 1, 2018 to March 31, 2022 that he will annually receive a base salary of €425 and an amount of 30 % of his base salary. In addition, Mr. Dominik Wehner is entitled to fringe benefits such as the private use of his company car, contributions to financial planning, insurance benefits and contributions to pension and health insurance in a total amount of approximately €38 per annum The compensation components granted to Mr. Dominik Wehner under the Long-Term Incentive Program 2011, the LTIP 2016 and the Share Based Award are payable 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 is no longer eligible to be granted any components with long-term incentive effects as of the fiscal year 2018. 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.

In the fiscal year, Mr. Ronald Kuerbitz, who was a member of the Management Board until February 17, 2017, was granted no base salary (2017: €109) and no fringe benefits (2017: €43) and no one-year or multi-year variable compensation components (2017: €0). Since February 17, 2017 and for a maximum period of two years, Mr. Ronald Kuerbitz receives annual non-compete compensation of €515 (2017: €538) for the post-employment non-compete obligation agreed with him. In addition, Mr. Ronald Kuerbitz received one-off compensation of €852 in the fiscal year 2017 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 was linked to the successful completion of various projects, part of which had not yet been completed as at the time of the agreement, and thus ensured 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 would act as an 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 €212 (2017: €55) for the fiscal year. As of the completion of the age of 65, Mr. Ronald Kuerbitz will receive a Company-funded retirement pension of €124 per year.

Mr. Roberto Fusté, who was a member of the Management Board until March 31, 2016, received pension payments in the amount of approximately €261 (2017: €239) 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 (2017: €377) and an advisory fee in the amount of €377 (2017: €377) 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 (2017: €338). 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. In the fiscal year Prof. Gatti received no non-compete compensation (2017: €163) as the non-compete obligation already expired in the course of the previous year.

A consulting agreement was entered into with Dr. Rainer Runte, who was a member of the Management Board until March 31, 2014, with effect since March 1, 2017 the term of which meanwhile was extended until December 31, 2018. By this consulting agreement, Dr. Rainer

Runte provided consulting services on certain fields. The consideration (including the reimbursement of expenses) to be granted by Fresenius Medical Care Management AG for such services amounts to €226 for the fiscal year (2017: €165).

Instead of a pension provision, a consulting agreement was entered into with Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, for the period January 1, 2013 to December 31, 2021. By this consulting agreement, Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame and he will be subject to a non-compete covenant. The consideration to be granted by Fresenius Medical Care Management AG for such services (including reimbursement of expenses) amounts for the fiscal year to €522 (2017: €580). The present value of this agreement (including pension payments for the surviving spouse in case of death) amounts to €1,586 (2017: €1,996) as at December 31 of the fiscal year.

Former members of the Management Board did not receive any compensation in the fiscal year 2018 other than mentioned herein. As of December 31 of the fiscal year 2018, pension obligations towards this group of persons exist in an amount of €25,163 (December 31, 2017: €21,930).

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 compensation amounting to half of their respective annual base salary for each year of the respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board members contain no express provisions that are triggered by a change of control.

The new or extended employment contracts concluded with individual members of the Management Board with effect from January 1, 2018 provide for a severance payment cap. Under this cap, payments in connection with the early termination of a Management Board activity in the event of dismissal for cause (Abberufung aus wichtigem Grund) may not exceed the value of two years` compensation and may not compensate more than the remaining term of contract. For the calculation of the relevant annual compensation, only the non-performance-based compensation components are applied. If there is good cause for the termination of the employment contract, no severance payments are made.

In addition, on the basis of the LTIP 2016 plan conditions and in accordance with the employment contracts concluded with individual members of the Management Board as from January 1, 2018, the Company is entitled to reclaim already earned and paid compensation components (claw back). Such right to reclaim exists in particular in case of relevant violations of internal guidelines or undutiful conduct.

FMC AG & CO. KGAA publishes detailed and also individualized information for each member of the Management Board of Fresenius Medical Care Management AG on the compensation of the Management Board in its Compensation Report, which is part of the Management Report and which can be accessed on Company's website under https://www.freseniusmedicalcare.com/en/investors/corporate-governance/declaration-on-corporate-governance.

II. COMPENSATION OF THE SUPERVISORY BOARD

In fiscal year 2018 the total compensation fees to all members of the Supervisory Board of FMC AG & CO. KGAA amounted to €773 (2017: €876). This includes a fixed compensation of €361 (2017: €409) as well as a compensation to all members of the Audit Committee of €148 (2017: €185). Additionally, for the previous year the entitlement to a payment of variable performance-related compensation of €264 (2017: €282) was achieved. Furthermore, in fiscal year 2018 the members of the Supervisory Board which are also members of the Joint Committee of FMC AG & CO. KGAA, receive attendance fees of $3.5 pursuant to Article 13e 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 2018 the total compensation for the members of the supervisory board of the Fresenius Medical Care Management AG amounted to €1,110 (2017: €1,039). This includes fixed compensation components for the work in the supervisory board in the amount of €402 (2017: €357) and compensation components for the work in the Committees of €428 (2017: €447). Additionally, for the previous year the entitlement to a payment of variable performance-related compensation of €280 (2017: €235) was achieved.

29. PRINCIPAL ACCOUNTANT FEES AND SERVICES

In 2018, 2017 and 2016, fees for the auditor KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin, and its affiliates were expensed as shown in TABLE 5.78.

T 5.78 **FEES**
IN € THOUS

	2018		2017		2016	
	Consolidated group	Thereof Germany	Consolidated group	Thereof Germany	Consolidated group	Thereof Germany
Audit fees	7,845	1,322	8,629	1,232	7,896	1,060
Audit-related fees	320	316	59	18	53	42
Tax fees	1,069	115	830	169	164	–
Other fees	251	234	716	110	4,703	4,689

The current lead engagement partner for the audit of the consolidated financial statements assumed responsibility in 2017.

Audit fees are the aggregate fees billed by KPMG for the audit of the Company's consolidated financial statements and the statutory financial statements of FMC AG & CO. KGAA and certain of its subsidiaries, reviews of interim financial statements and attestation services that are provided in connection with statutory and regulatory filings or engagements. Fees related to the audit of internal control over financial reporting are included in audit fees. Audit-related fees are fees charged by KPMG for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under audit fees. This category comprises fees billed for comfort letters, consultation on accounting issues, agreed-upon procedure engagements and other attestation services subject to regulatory requirements. Tax fees are fees for professional services rendered by KPMG for tax compliance, tax advice on implications for actual or contemplated transactions, tax consulting associated with international transfer prices, and expatriate employee tax services, as well as support services related to tax audits. Other fees include amounts related to services in regard to the harmonization of the IT-landscape as well as amounts related to supply chain consulting fees.

Fees billed by KPMG for non-audit services in Germany include fees for the services described above within the audit-related fees, tax fees and other fees.

30. CORPORATE GOVERNANCE

The Management Board of the General Partner, represented by Fresenius Medical Care Management AG, and the Supervisory Board of Fresenius Medical Care AG & CO. KGAA issued a compliance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG). The Company has frequently made this declaration available to the public by publishing it on its website: https://www.freseniusmedicalcare.com/en/investors/corporate-governance/declaration-of-compliance.

31. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

It is proposed that the earnings of Fresenius Medical Care AG & CO. KGAA for the fiscal year 2018 will be distributed as shown in TABLE 5.79.

T 5.79 **PROPOSAL FOR THE DISTRIBUTION OF EARNINGS**
IN € THOUS, EXCEPT FOR SHARE DATA

Payment of a dividend of €1.17 per share on share capital of €306,879 entitled to receive dividends	359,048
Balance to be carried forward	3,295,832
TOTAL	**3,654,880**

Hof an der Saale, February 19, 2019

Fresenius Medical Care AG & CO. KGAA

Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

R. POWELL **M. BROSNAN** **DR. K. MAZUR-HOFSÄSS**

DR. O. SCHERMEIER **W. VALLE** **K. WANZEK** **H. DE WIT**

SUPERVISORY BOARD AND MANAGEMENT BOARD

SUPERVISORY BOARD

Dr. Dieter Schenk

Chairman (since May 17, 2018)
Attorney and Tax Advisor

Member of the Supervisory Board of:
Fresenius Management SE (Vice Chairman)
Fresenius Medical Care Management AG (Vice Chairman)
Bank Schilling & CO. AG (Chairman)
Gabor Shoes AG (Chairman)
TOPTICA Photonics AG (Chairman)

Member of the Foundation Board of:
Else Kröner-Fresenius-Stiftung (Chairman)

Rolf A. Classon

Vice Chairman (since November 30, 2018)

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) (until March 6, 2018)
Tecan Group Ltd., Switzerland (Chairman) (until April 18, 2018)
Catalent, Inc., U.S. (Non-Executive Director)
Perrigo Company plc, Ireland (Non-Executive Director)

Dr. Gerd Krick (until May 17, 2018)
Chairman (until May 17, 2018)

Member of the Supervisory Board of:
Fresenius Management SE (Chairman)
Fresenius SE & CO. KGAA (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

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) (since June 30, 2018)

Deborah Doyle McWhinney (resigned with effect from November 1, 2018)

Member of the Board of Directors of:
Lloyds Banking Group plc, Great Britain (Non-Executive Director)
Fluor Corporation, U.S. (Non-Executive Director)
IHS Markit Ltd., Great Britain (Non-Executive Director)
BorgWarner, Inc., U.S. (Non-Executive Director) (since July 25, 2018)
Focus Financial Partners, Inc., U.S. (Non-Executive Director) (since July 25, 2018)

Pascale Witz
President of PWH Advisors SASU, France, and founder of PWH Advisors LLC, U.S.

Member of the Board of Directors of:
Savencia S.A., France (Non-Executive Director) (until April 20, 2018)
Horizon Pharma plc, U.S. (Non-Executive Director)
Regulus Therapeutics Inc., U.S. (Non-Executive Director)
Perkin Elmer Inc., U.S. (Non-Executive Director)
Tesaro Inc., U.S. (Non-Executive Director) (since May 10, 2018)

Prof. Dr. Gregor Zünd (since October 29, 2018)
Chief Executive Officer of the University Hospital of Zurich

SUPERVISORY BOARD COMMITTEES

Audit and Corporate Governance Committee
William P. Johnston (Chairman)
Rolf A. Classon (Vice Chairman)
Dr. Gerd Krick (until May 17, 2018)
Deborah Doyle McWhinney (resigned with effect from November 1, 2018)
Pascale Witz (since February 11, 2019)

Nomination Committee
Dr. Gerd Krick (Chairman) (until May 17, 2018)
Dr. Dieter Schenk (Vice Chairman)
Rolf A. Classon

Joint Committee[1]
Rolf A. Classon
William P. Johnston

[1] Further members of the Joint Committee are Mr. Stephan Sturm (Chairman) and Dr. Gerd Krick as representatives of Fresenius Medical Care Management AG. Mr. Stephan Sturm is not a member of the Supervisory Board of FMC AG & Co. KGaA. Until May 17, 2018, Dr. Gerd Krick was at the same time a member and Chairman of the Supervisory Board of FMC AG & Co. KGaA.

MANAGEMENT BOARD OF THE GENERAL PARTNER FRESENIUS MEDICAL CARE MANAGEMENT AG

Rice Powell
Chairman and Chief Executive Officer

Member of the Management Board of:
Fresenius Management SE, General Partner of Fresenius SE & CO. KGAA

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S. (Chairman)

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Vice Chairman)

Michael Brosnan
Chief Financial Officer

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S.

Member of the Board of Administration of:
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Member of the Supervisory Board of:
MorphoSys AG (since May 17, 2018)

Dr. Katarzyna Mazur-Hofsäß (since September 1, 2018)
Chief Executive Officer for Europe, Middle East and Africa

Dr. Olaf Schermeier
Chief Executive Officer for Research and Development

Member of the Supervisory Board of:
Xenios AG (Chairman) (since February 1, 2018)
Medos Medizintechnik AG (Chairman) (since February 1, 2018)

William Valle
Chief Executive Officer for North America

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S.

Kent Wanzek
Chief Executive Officer for Global Manufacturing Operations

Member of the Board of Directors of:
Fresenius Medical Care Holdings, Inc., U.S.

Harry de Wit
Chief Executive Officer for Asia-Pacific

Member of the Board of Directors of:
New Asia Investments Pte Ltd., Singapore

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 balance sheet as of December 31, 2018, and the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the financial year from January 1 to December 31, 2018, 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, 2018.

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, 2018, and of its financial performance for the financial year from January 1 to December 31, 2018, 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 the German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) [Institute of Public Auditors in Germany]. Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements and of the Group Management Report" section of our auditor's report. We are independent of the group entities in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the consolidated financial statements and on the Group Management Report.

KEY AUDIT MATTERS IN THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the financial year from January 1 to December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Recoverability of the carrying amount of goodwill

Please refer to NOTE 1 F to the consolidated financial statements for information on the accounting policies applied. Information on the assumptions used can be found under NOTE 2 A to the consolidated financial statements. Please refer to 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, 2018, amounts to €12.2 BN, representing approx. 47 % of total assets and thus having a material effect on the Group's financial position.

Impairment testing of goodwill is conducted annual at the level of the business segments: North America, EMEA, Asia-Pacific and Latin America, which each represent a cash-generating unit (CGU). For this purpose, the carrying amount is compared with the recoverable amount of each cash-generating unit. If the carrying amount exceeds the recoverable amount, there is a need for impairment. The recoverable amount is determined as value in use using a discounted cash flow method, based on the expected cash flows of the CGU. Goodwill was tested for impairment as of September 30, 2018.

Impairment testing of goodwill is complex and greatly dependent on Fresenius Medical Care's assessment of future business performance. Impairment testing is based on a multitude of assumptions. These assumptions particularly include future reimbursement rates and sales prices, the number of treatments, sales volumes and costs, as well as future growth rates of the respective cash-generating unit. Furthermore, an interest rate must be defined to discount future cash flows. These assumptions are subject to uncertainty by their very nature.

Based on the impairment tests conducted, the Company did not identify any need to recognize impairment losses. However, the Company's sensitivity analysis indicated for the Latin America segment that a reasonably possible change in the discount rate, operating margin or the long-term growth rate would lead to the need to record an impairment to the value in use.

There is the risk for the consolidated financial statements that the need to recognize impairment losses is not identified. There is also the risk that the required disclosures in the notes on impairment testing of goodwill are not appropriate.

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 for their appropriateness and effectiveness. We reconciled the budgets used for discounted cash flow calculations with the budget prepared by management and approved by the Supervisory Board for 2019-2021 and with 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 results 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 underlying 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. In order to take account of forecast uncertainty, we examined the impact of changes in individual assumptions related to

value in use by calculating alternative scenarios and comparing these with the values stated by the Company (sensitivity analysis). The risk-based focus of our analysis was on the Latin America segment.

Finally, we assessed whether the disclosures in the notes on impairment of goodwill are appropriate. This also includes an assessment of the appropriateness of disclosures in the notes in accordance with IAS 36.134(f) on sensitivity in the event of a reasonably possible change in key assumptions used for measurement.

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.

Divestiture of Sound

Disclosures on the sale of Sound are included in the notes to the consolidated financial statements under NOTE 4 C.

The financial statement risk

On April 20, 2018 Fresenius Medical Care concluded an agreement for the sale of the shares in Sound Inpatient Physicians Holdings, LLC to a consortium involving Summit Partners L.P. The transaction proceeds less the tax payments relating to the transaction amount to $1,771 M (€1,531 M). Closing of the transaction was on June 28, 2018. The pre-tax income resulting from this combined with the income from other disposals is presented in the consolidated statement of income in the item "(Gain) loss related to divestiture of Care Coordination activities".

The calculation of the gain on disposal is of a complex nature. Furthermore, the disclosure requirements in the notes to the consolidated financial statements in respect of the transaction are complex.

There is a risk for the consolidated financial statements that the assets and liabilities sold were not appropriately identified as such and thus the gain on disposal presented in the consolidated statement of income is incorrect. As regards the explanatory disclosures on the transaction in the notes to the consolidated financial statements, there is a risk that the explanatory notes are not sufficiently detailed and insofar not appropriate.

Our audit approach

We initially assessed whether the outgoing assets and liabilities were correctly determined. This also included a review of the related group entries. We verified the determination of the gain on disposal and assessed whether this determination is appropriate in respect of the requirements of IFRS 10.

We assessed whether the explanatory notes in the notes to the consolidated financial statements concerning the transaction were sufficiently detailed and appropriate.

Our observations

The determination of the sold assets and liabilities and of the gain on disposal and the related consolidation entries is appropriate as a whole and consistent with the requirements to be applied.

The explanatory notes in the notes to the consolidated financial statements concerning the sale of Sound are sufficiently detailed and appropriate.

Measurement of the provision relating to the U.S. Foreign Corrupt Practices Act investigations

Please refer to NOTE 1 S to the consolidated financial statements for information on the accounting policies applied. For the provision please refer to the NOTE 12 to the consolidated financial statements. Explanatory notes on the proceedings and investigations can be found in NOTE 22 to the consolidated financial statements and in the "Risks and Opportunities Report" in the section "Risk management" starting on PAGE 63.

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.

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the United States that might violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Company's Supervisory Board, through its Audit and Corporate Governance Committee, conducted investigations with the assistance of independent counsel. In a continuing dialogue, the Company advised the Securities and Exchange Commission and the United States Department of Justice (collectively and interchangeably the "government") about these investigations. The government also conducted its own investigations. In the course of this dialogue, the Company identified and reported to the government, and took remedial actions with respect to, conduct that resulted in the government seeking monetary penalties and other remedies against the Company and disgorgement of related profits revolving principally around conduct in the Company's products business in a limited number of countries outside the United States.

The Company has reached an agreement in principle with the government agencies encompassing the terms understood to be necessary for settlement.

The Company recorded charges of €200.0 M in 2017 and €77.2 M in 2018 encompassing estimates for the government's claims for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation.

The increase recorded in 2018 took into consideration preliminary understandings with the government on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totals €224.0 M as of December 31, 2018.

Measurement of this provision is based on estimates of Fresenius Medical Care AG & CO. KGAA that require judgment. There is the risk for the 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 not appropriate.

Our audit approach

We received regular updates on the findings of the internal investigations and on the progress of the meetings with the government. For this purpose, we mainly consulted the client representatives of Global Legal and Global Compliance 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 and Corporate Governance Committee, members of the Management Board and contact persons from Corporate Accounting, Global Compliance and Global Legal. We assessed written correspondence with relevant authorities with the involvement of external 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 appropriateness of the disclosures in the notes relating to the matter.

Our observations

The provision amount has been accurately calculated and the assumptions of Fresenius Medical Care AG & CO. KGAA underlying this calculation are appropriate.

The required disclosures in the notes are appropriate.

OTHER INFORMATION

The Parent Company's management is responsible for the other information. The other information includes the separate Non-Financial Group Report obtained by us before the date of this auditor's report and the declaration of corporate governance, as well as the remaining parts of the annual report that are expected to be made available to us after this date, with the exception of the audited consolidated financial statements, 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 so doing, to 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, we conducted a separate assurance engagement of the separate Non-Financial Group Report. Please refer to our assurance report dated February 19, 2019, for information on the nature, scope and findings of this assurance engagement.

RESPONSIBILITIES OF MANAGEMENT AND THE SUPERVISORY BOARD FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE GROUP MANAGEMENT REPORT

Management is responsible for the preparation of consolidated financial statements that comply, in all material respects, with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB and that the consolidated financial statements, in compliance with these requirements, give a true and fair view of the assets, liabilities, financial position, and financial performance of the Group. In addition, management is responsible for such internal control as they have determined necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting unless there is an intention to liquidate the Group or to cease operations, or there is no realistic alternative but to do so.

Furthermore, management is responsible for the preparation of the Group Management Report that, as a whole, provides an appropriate view of the Group's position and is, in all material respects, consistent with the consolidated financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a Group Management Report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the Group Management Report.

The Supervisory Board is responsible for overseeing the Group's financial reporting process for the preparation of the consolidated financial statements and of the Group Management Report.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS AND OF THE GROUP MANAGEMENT REPORT

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the Group Management Report as a whole provides an appropriate view of the Group's position and, in all material respects, is consistent with the consolidated financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the consolidated financial statements and on the Group Management Report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and this Group Management Report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and of the Group Management Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the consolidated financial statements and of arrangements and measures (systems) relevant to the audit of the Group Management Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the consolidated financial statements and in the Group Management Report or, if such disclosures are inadequate, to modify our respective opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events in a manner that the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Group in compliance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Section 315e (1) HGB.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express opinions on the consolidated financial statements and on the Group Management Report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.
- Evaluate the consistency of the Group Management Report with the consolidated financial statements, its conformity with [German] law, and the view of the Group's position it provides.
- Perform audit procedures on the prospective information presented by management in the Group Management Report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as group auditor at the annual general meeting on May 17, 2018. We were engaged by the Supervisory Board on November 30, 2018. We have been the group auditor of Fresenius Medical Care AG & CO. KGAA without interruption since the initial public offering in 1996 of Fresenius Medical Care AG, which was the legal predecessor of Fresenius Medical Care AG & CO. KGAA.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Alexander Bock.

Frankfurt am Main, February 19, 2019

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

BOCK
Wirtschaftsprüfer
[German Public Auditor]

KAST
Wirtschaftsprüfer
[German Public Auditor]

FURTHER INFORMATION

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the results of operations, financial position and net assets of the Group, and the Group Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Hof an der Saale,
February 19, 2019

Fresenius Medical Care AG & CO. KGAA

Represented by the General Partner
Fresenius Medical Care Management AG

Management Board

R. POWELL **M. BROSNAN**

DR. K. MAZUR-HOFSÄSS **DR. O. SCHERMEIER**

W. VALLE **K. WANZEK** **H. DE WIT**

REGIONAL ORGANIZATION

T 6.1 REGIONAL ORGANIZATION OF FRESENIUS MEDICAL CARE (CONTINUATION SEE NEXT PAGE)

Europe, Middle East and Africa			
Austria	FMC Austria GmbH	Vienna	100 %
Belgium	FMC Belgium N.V.	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	Tallinn	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 %

REGIONAL ORGANIZATION OF FRESENIUS MEDICAL CARE (CONTINUATION OF THE PREVIOUS PAGE)

Europe, Middle East and Africa

Slovenia	FMC Slovenija d.o.o.	Zreče	Sales, Service	100 %
South Africa	FMC South Africa (Pty.) Ltd.	Johannesburg	Sales, Service	100 %
Spain	NMC of Spain, S.A.U.	Madrid	Production, Sales, Service	100 %
Sweden	FMC Sverige AB	Stockholm	Sales, Service	100 %
Switzerland	FMC (Schweiz) AG	Oberdorf	Sales, Service	100 %
The Netherlands	FMC Nederland B.V.	Nieuwkuijk	Sales, Service	100 %
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	Production, Sales, Service	100 %
Ukraine	FMC Ukraine TOV	Kiev	Service	100 %
United Arab Emirates	FMC Gulf Service FZ-LLC	Dubai	Sales, Service	100 %

North America

U.S.	FMC Holdings, Inc.	New York	Production, Sales, Service	100 %
Mexico	FMC de México, S.A. de C.V.	Guadalajara	Production, Sales, Service	100 %

Latin America

Argentina	FMC Argentina S.A.	Buenos Aires	Production, Sales, Service	100 %
Brazil	FMC Ltda.	São Paulo	Production, Sales, Service	100 %
Chile	FMC Chile S.A.	Santiago de Chile	Sales, Service	100 %
Colombia	FMC Colombia S.A.	Bogotá	Production, Sales, Service	100 %
Curaçao	Caribbean Medic Health Care System N.V.	Willemstad	Service	100 %
Ecuador	NEFROCONTROL S.A.	Quito	Production, Sales, Service	100 %
Peru	FMC del Perú S.A.	Lima	Sales, Service	100 %

Asia-Pacific

Australia	FMC Australia Pty. Ltd.	Sydney	Production, Sales, Service	100 %
Bangladesh	FMC Bangladesh Ltd.	Dhaka	Sales	100 %
China	FMC (Shanghai) Co., Ltd.	Shanghai	Production, Sales, Service	100 %
Hong Kong	FMC Hong Kong Ltd.	Hong Kong	Sales, Service	100 %
India	FMC India Private Ltd.	New Delhi	Sales, Service	100 %
Indonesia	PT FMC Indonesia	Jakarta	Sales, Service	100 %
Japan	Fresenius-Kawasumi Co., Ltd.	Tokyo	Production, Sales	70 %
Malaysia	FMC Malaysia Sdn. Bhd.	Kuala Lumpur	Production, Sales, Service	100 %
Myanmar	FMC Myanmar Company Limited	Yangon	Sales	100 %
Pakistan	FMC Pakistan (Private) Ltd.	Lahore	Sales	100 %
Philippines	FMC Philippines, Inc.	Makati City	Sales, Service	100 %
Singapore	Asia Renal Care (SEA) Pte. Ltd.	Singapore	Sales, Service	100 %
South Korea	FMC Korea Ltd.	Seoul	Sales	100 %
Sri Lanka	FMC Lanka (Private) Limited	Colombo	Sales	100 %
Taiwan	FMC Taiwan Co., Ltd.	Taipei	Sales, Service	100 %
Thailand	FMC (Thailand) Ltd.	Bangkok	Sales, Service	100 %
Vietnam	FMC Vietnam LLC	Ho Chi Minh City	Sales	100 %

Production Sales Service

Simplified chart of Fresenius Medical Care's regional organization. Line of business in respective country in 2018.
We use FMC for Fresenius Medical Care. Some percentage of subsidiaries represent direct and indirect shareholdings.

MAJOR SUBSIDIARIES

T 6.2 **MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE (CONTINUATION SEE NEXT PAGE)**
IN € M, EXCEPT EMPLOYEES

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income / (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Europe, Middle East and Africa						
Austria	FMC Austria GmbH, Vienna	100	30.5	1.8	6.4	46
Belgium	FMC Belgium N.V., Antwerp	100	34.4	2.4	11.4	35
Czech Republic	FMC-CR, s.r.o., Prague	100	42.6	1.9	4.4	70
Denmark	FMC Danmark A/S, Taastrup	100	11.1	1.4	4.5	24
Estonia	OÜ FMC Estonia, Tallin	100	4.7	(0.3)	0.1	47
Finland	FMC Suomi Oy, Helsinki	100	19.8	0.2	6.4	24
France	FMC France S.A.S., Créteil	100	103.6	4.5	30.2	200
	FMC SMAD S.A.S., Savigny	100	171.2	9.6	113.3	593
Germany	FMC Deutschland GmbH, Bad Homburg v.d. H.	100	1,937.4	0.0	526.7	3,817
	FMC GmbH, Bad Homburg v.d. H.	100	274.8	0.0	45.3	434
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	86.0	6.6	51.6	201
Hungary	FMC Dializis Center Kft., Budapest*	100	30.0	(3.5)	-3.3	620
	FMC Magyarország Egészségügyi Kft., Budapest	100	17.0	2.4	7.3	44
Israel	FMC Israel Ltd., Tel Aviv	100	13.1	(3.2)	28.5	378
Italy	FMC Italia S.p.A., Cremona	100	110.1	7.6	79.5	216
	SIS-TER S.p.A., Cremona	100	118.4	3.7	25.3	319
Lebanon	FMC Lebanon S.a.r.l., Beirut	99	6.7	0.9	8.5	19
Morocco	FMC Nord Ouest et Centre Afrique S.A., Casablanca	100	15.2	(0.3)	9.6	74
Poland	FMC Polska S.A., Poznań	100	56.4	4.4	149.5	78
	Fresenius Nephrocare Polska Sp.z.o.o., Poznań	100	96.8	2.3	127.6	957
Portugal	FMC Portugal, S.A., Lisbon	100	39.0	1.7	7.4	37
	NephroCare Portugal, S.A., Lisbon	100	109.3	14.3	78.6	936
Romania	FMC Romania S.r.l., Bucharest	100	29.1	2.2	23.5	68
Russian Federation	ZAO Fresenius SP, Moscow	100	102.4	7.0	36.3	238

MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE (CONTINUATION OF THE PREVIOUS PAGE)

IN € M, EXCEPT EMPLOYEES

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income / (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Europe, Middle East and Africa						
Serbia	FMC Srbija d.o.o., Vršac	100	73.1	4.9	35.6	1,017
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	16.9	1.3	7.4	24
Slovenia	FMC Slovenija d.o.o., Zreče	100	6.3	0.3	3.5	15
	NEFRODIAL d.o.o., Zreče	100	11.6	0.3	1.6	104
South Africa	FMC South Africa (Pty.) Ltd., Johannesburg	100	59.4	4.3	23.5	773
Spain	FMC España, S.A.U., Madrid	100	100.4	9.9	134.0	185
	NMC of Spain, S.A.U., Madrid	100	0.0	10.4	72.5	1,228
Sweden	FMC Sverige AB, Stockholm	100	20.5	1.2	6.3	36
Switzerland	FMC (Schweiz) AG, Oberdorf	100	39.1	2.2	14.2	50
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	18.1	0.9	11.3	42
	RKZ Dialysecentrum B.V., Beverwijk	90	2.2	0.1	0.8	13
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	57.9	4.1	55.0	188
Ukraine	FMC Ukraine TOV, Kiev	100	2.0	(1.3)	(4.1)	81
North America						
Mexico	FMC de México, S.A. de C.V., Guadalajara[5]	100	94.2	8.3	39.9	1,315
U.S.	FMC Holdings, Inc., New York	100	11,480.5	1,475.8	9,423.7	62,679
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	193.6	(11.4)	81.9	2,736
Brazil	FMC Ltda., São Paulo	100	136.0	(6.5)	20.6	812
Chile	Pentafarma S.A., Santiago de Chile	100	24.6	2.5	20.1	72
Colombia	FMC Colombia S.A., Bogotá	100	100.5	(1.0)	105.3	1,721
Ecuador	MANADIALISIS S.A., Quito	100	21.3	2.5	9.1	758
Peru	FMC del Perú S.A., Lima	100	14.7	(0.6)	8.5	181

MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE (CONTINUATION OF THE PREVIOUS PAGES)

IN € M, EXCEPT EMPLOYEES

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income / (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Asia-Pacific						
Australia	FMC Australia Pty. Ltd., Sydney	100	106.5	(2.5)	139.6	404
	FMC Day Hospitals Holding Pty Ltd., Milsons Point	69	97.6	4.6	105.8	551
China	FMC (Jiangsu) Co. Ltd., Changshu	100	65.2	4.8	92.1	996
	FMC (Shanghai) Co., Ltd., Shanghai	100	382.0	16.2	154.2	556
Hong Kong	Biocare Technology Company Limited, Hong Kong	100	31.7	2.0	0.6	19
	Excelsior Renal Service Co., Limited, Hong Kong	51	34.7	4.4	19.5	1,048
	FMC Hong Kong Limited, Hong Kong	100	30.5	3.6	73.6	58
India	FMC India Private Ltd., New Delhi	100	59.0	4.0	30.3	326
Indonesia	PT FMC Indonesia, Jakarta	100	29.7	0.0	15.1	111
Japan	FMC Japan K.K., Tokyo	100	53.2	6.2	106.8	371
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	13.3	0.4	17.1	59
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	31.5	(0.1)	23.4	231
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	12.9	(1.0)	3.2	58
Philippines	FMC Philippines, Inc., Makati City	100	31.4	0.3	15.7	137
	FMC Renalcare Corp., Makati City*	100	4.0	(0.3)	(4.7)	175
Singapore	Asia Renal Care (SEA) Pte. Ltd., Singapore	100	0.1	0.1	25.1	258
South Korea	FMC Korea Ltd., Seoul	100	161.5	8.8	106.9	224
	NephroCare Korea Inc., Seoul	100	4.6	(0.1)	5.1	22
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	60.8	4.3	27.2	112
Thailand	FMC Ltd., Bangkok	100	37.2	3.2	15.7	68
	NephroCare (Thailand) Co., Ltd., Bangkok	100	4.6	0.0	3.7	48
Vietnam	FMC Vietnam LLC, Ho Chi Minh City	100	7.9	0.7	2.8	35

[1] We use FMC for Fresenius Medical Care except for all subsidiaries marked with (*).
[2] Direct and indirect interest.
[3] Except for FMC Day Hospitals Holding Pty Ltd., these figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the consolidated financial statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.
[4] Full-time equivalents.
[5] Included in the consolidated financial statements (IFRS) of FMC Holdings, Inc.

GLOSSARY

A

ALBUMIN

A protein with two important functions: On the one hand, it binds water and therefore ensures that the liquid contained in the ► **blood** remains in the bloodstream and does not pass through the arterial walls into the surrounding tissue; on the other, it transports various important substances, for example, numerous drugs as well as free fatty acids and hormones that are bound to albumin and 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 have an indirect stake in a non-U.S. company (rather than holding actual shares). Fresenius Medical Care shares are listed on the New York Stock Exchange (NYSE) in the form of American depositary receipts.

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**.

AUTOFLOW / ECOFLOW

The 5008 and 6008 series hemodialysis machines have an AutoFlow function. This automatically adapts the dialysate flow to the effective blood flow to ensure 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 dialysis** and acute dialysis (► **kidney failure, acute**). 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, responsible for defending the human body against infections. They are involved in allergic reactions and destroy damaged, old or dead cells in the body.

BLOOD COAGULATION

A complex process in which ► **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.

C

CALCIMIMETICS

Drugs that have a positive effect on the bone and mineral metabolism, which is often disturbed in kidney patients. Calcimimetics supplement treatment 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 with the aim of strengthening non-financial reporting by certain major capital market companies in their (group) management reports.

CYCLER

A device that automatically exchanges the ► **dialysis solution** that flows through the peritoneum and removes excess water and harmful substances from the patient's body over a period of several hours, typically at night.

D

DAYS SALES OUTSTANDING – DSO

A ratio indicating the average number of days it takes for a receivable to be paid. A shorter DSO results in lower interest charges for the creditor and a lower risk of default.

DAX

The 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

An important indicator in corporate management. It is calculated by comparing a 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. This condition can usually be controlled by injecting insulin, the main regulatory hormone in sugar metabolism.

DIALYSATE

Dialysis solution, a fluid used in ► **dialysis** to remove the substances filtered during treatment and excess water from the ► **blood**.

DIALYSIS

A form of renal replacement therapy where a semi-permeable membrane – the patient's peritoneum in ► **peritoneal dialysis** or the membrane of the ► **dialyzer** in ► **hemodialysis** – is used to clean a patient's ► **blood**.

DIALYSIS SOLUTION

► **Dialysate**

DIALYZER

A special filter used in ► **hemodialysis** to remove toxic substances, waste products of metabolic processes and excess water from the ► **blood**. The dialyzer is frequently referred to as an "artificial kidney".

DIALYZER MEMBRANE

A semi-permeable barrier in the ► **dialyzer** that separates the ► **blood** from the ► **dialysate**.

DIVIDEND

A 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.

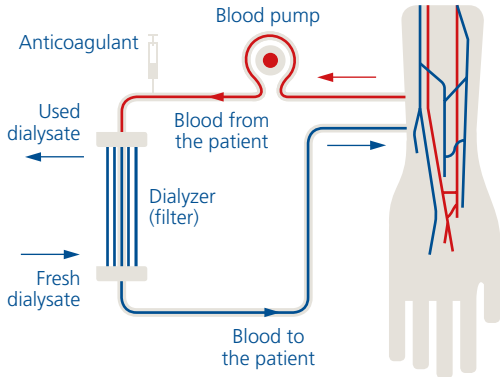
H

HEMODIAFILTRATION – HDF

A 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 synthetic membranes that are more permeable (high-flux dialyzers) and have a better ultrafiltration performance.

HEMODIALYSIS – HD

A treatment method for dialysis patients in which the patient's ► **blood** flows through plastic bloodlines into a special filter, the ► **dialyzer**. In the dialyzer, waste products from metabolic processes and excess water are removed from the blood and transported away in the ► **dialysate**. Afterwards, the purified blood is returned to the patient's body. The process is controlled by a hemodialysis machine that pumps blood, adds anti-coagulants, regulates the purification process, and controls the mixing of the dialysate and its flow rate through the system. A patient typically receives three treatments per week, each lasting between three and six hours.



HEMOFILTRATION – HF

A form of treatment for patients with chronic kidney failure (► **kidney failure, chronic**) that does not use ► **dialysate**. The solutes are removed by filtering the plasma water through a semi-permeable membrane by means of convective forces. A substitution fluid is infused to replace the volume removed by filtration.

HEMOGLOBIN

Component of red blood cells that 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 treatment methods.

I

IFRS – INTERNATIONAL FINANCIAL REPORTING STANDARDS

Accounting standards issued by the International Accounting Standards Board (IASB).

ISO – INTERNATIONAL ORGANIZATION FOR STANDARDIZATION

K

KIDNEY FAILURE, ACUTE

Acute loss of renal function. Depending on the severity of renal function loss, dialysis treatment may be necessary temporarily. Unlike chronic kidney failure, ► **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 (detoxification of the body ceases) over several years. Since the renal function cannot be recovered, patients must be treated with renal replacement therapy, i.e. a kidney transplantation or dialysis. Chronic kidney failure is accompanied by long-term complications such as renal ► **anemia**, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

KIDNEYS

Two vital organs located at the rear of the abdominal cavity, one each on the right and left side of the spinal column. They are approximately 10 to 12 cm long and weigh around 160 grams each. The kidneys guarantee a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,700 liters of blood pass through an adult's kidneys every 24 hours.

KIDNEY TRANSPLANTATION

A surgical procedure to implant a kidney from a donor.

KOMMANDITGESELLSCHAFT AUF AKTIEN – KGAA

The German legal form is a partnership limited by shares. It is an entity with its own legal identity in which at least one general partner (personally liable shareholder, or "Komplementäraktionär") has full liability toward a company's creditors, while the other shareholders ("Kommanditaktionäre") participate in the capital stock broken down into shares without being personally liable for a company's debts.

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).

M

MARKET CAPITALIZATION

The total value of all outstanding shares of a company. It is calculated by multiplying the number of outstanding shares by the share price.

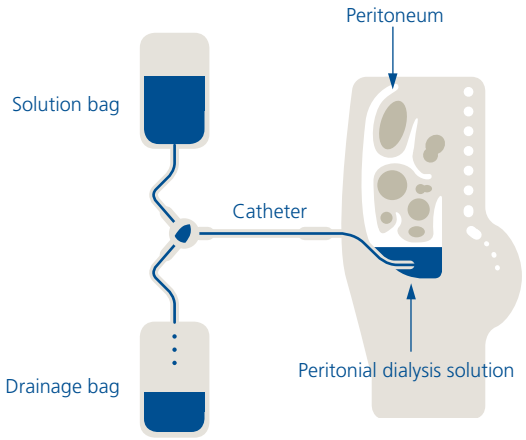
MEDICARE / MEDICAID

A health care program developed by the U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for the cost of medical care to individuals over 65, patients with chronic kidney failure (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 themselves 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.

REGENERATIVE MEDICINE

Approach to completely restore diseased tissue to its original, healthy state. New technologies include lab-grown biomaterials, tissue engineering, stem cell- or gene therapies.

RETURN ON INVESTED CAPITAL – ROIC

Ratio showing operating income after adapted income taxes in relation to the average invested capital of the last five quarterly balance sheet dates. It provides information on how efficiently a company works with its available capital or how efficiently the capital is employed for a specific investment project. Fresenius Medical Care calculates its ROIC in euros based on annual figures in accordance with ► **IFRS**.

S

SARBANES-OXLEY ACT – SOX

A law aimed at corporations and their auditors with the objective of improving financial accounting. The goal of SOX is to strengthen the confidence of shareholders and other stakeholders in a company by extending regulations relating to financial reporting and internal monitoring systems. The law demands greater commitment from management to provide complete and correct information. The rules apply to all companies listed on U.S. stock exchanges.

SECURITIES AND EXCHANGE COMMISSION – SEC

A federal agency that regulates and monitors the U.S. financial markets.

SLEEP.SAFE HARMONY

A system offering the full range of ► **automated peritoneal dialysis** options while ensuring maximum safety and comfort for the patient, physician and nursing staff.

U

U.S. GAAP – UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

V

VASCULAR ACCESS, ARTERIOVENOUS (AV)

A direct, surgically created connection between an artery (blood vessel carrying ► **blood** from the heart to the body) and a vein (blood vessel carrying blood to the heart) in the patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for ► **hemodialysis**. Adequate vascular access is a prerequisite for hemodialysis.

VOLATILITY

Price fluctuation of a security or currency.

FIVE-YEAR SUMMARY

T 6.3 **FIVE-YEAR SUMMARY (CONTINUATION SEE NEXT PAGE)**
IN € M

	2018	2017	2016	2015	2014
Statements of income					
Revenue	16,547	17,784	16,570	15,455	12,145
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,763	3,098	3,110	2,777	2,221
Operating income (EBIT)	3,038	2,362	2,409	2,129	1,693
Delivered EBIT [1]	2,794	2,088	2,133	1,873	1,532
Net Income (attributable to shareholders of FMC AG & Co. KGaA)	1,982	1,280	1,144	955	781
Basic earnings per share in €	6.47	4.17	3.74	3.14	2.58
Balance sheets					
Current assets	7,847	6,374	6,884	6,172	5,291
Non-current assets [2]	18,395	17,651	18,620	17,074	15,382
Total assets [2]	26,242	24,025	25,504	23,246	20,673
Current liabilities [3]	6,268	5,300	5,299	4,139	3,027
Non-current liabilities [2, 3]	7,072	7,897	9,154	9,301	9,258
Equity	12,902	10,828	11,051	9,806	8,388
Total liabilities and equity [2]	26,242	24,025	25,504	23,246	20,673
Total debt	7,546	7,448	8,132	7,943	7,799
Cash flow					
Net cash provided by (used in) operating activities	2,062	2,192	1,932	1,767	1,355
Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments)	1,059	1,351	1,017	924	662

FIVE-YEAR SUMMARY (CONTINUATION OF THE PREVIOUS PAGE)

	2018	2017	2016	2015	2014
Share data					
Year-end share price Frankfurt, Xetra in €	56.64	87.78	80.45	77.73	61.85
Year-end share price (ADS) New York in $	32.39	52.55	42.21	41.84	37.14
Weighted average number of shares	306,541,706	306,563,400	305,748,381	304,440,184	302,339,124
Total dividend amount in € M[4]	359	325	294	244	237
Dividend per share[4] in €	1.17	1.06	0.96	0.80	0.78
Employees					
Full-time equivalents	112,658	114,000	109,319	104,033	99,895
Operational ratios in %					
Operating income margin	18.4	13.3	14.5	13.8	13.9
Basic earnings per share growth	54.9	11.6	19.3	21.4	-3.2
Organic revenue growth	3.9	6.6	7.0	6.5	5.3
Return on invested capital (ROIC)[2, 5]	12.4	8.6	7.8	7.1	6.9
Net leverage ratio[5]	1.8	2.1	2.3	2.6	3.1
Net cash provided by (used in) operating activities in % of revenue	12.5	12.3	11.7	11.4	11.2
Free cash flow in % of revenue	6.4	7.6	6.1	6.0	5.5
Equity ratio (equity/total assets)[2]	49.2	45.1	43.3	42.2	40.6
Dialysis care data					
Treatments in M	50.0	48.3	46.5	44.6	42.7
Patients	333,331	320,960	308,471	294,381	286,312
Dialysis clinics	3,928	3,752	3,624	3,418	3,361

[1] Operating income less noncontrolling interests.
[2] As a result of deferred tax netting, non-current assets and liabilities were adjusted to conform to the current year's presentation (2015: €154 M; 2014: €174 M).
[3] Debt issuance costs were reclassified from current liabilities to non-current liabilities to conform to the current year's presentation (2014: €5 M).
[4] 2018: Proposal to be approved by the Annual General Meeting on May 16, 2019.
[5] See calculation in the Group Management Report, Overview about the Group, Performance management system starting on PAGE 23.

FINANCIAL CALENDAR 2019

Subject to change.

MAY 2 — **REPORT ON THE FIRST QUARTER 2019**

MAY 16 — **ANNUAL GENERAL MEETING FRANKFURT AM MAIN, GERMANY**

MAY 21 — **PAYMENT OF DIVIDEND**
Subject to the approval by the Annual General Meeting.

JULY 30 — **REPORT ON THE SECOND QUARTER 2019**

OCTOBER 29 — **REPORT ON THE THIRD QUARTER 2019**

IMPRINT AND CONTACT

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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 the reports filed with the U.S. Securities and Exchange Commission. We do not undertake any obligation to update any forward-looking statements in this Annual Report.

PUBLICATION SERVICE

This Annual Report of Fresenius Medical Care is available in both German and English. Annual Reports, Interim Reports, and further information on the Company are also available on our website: www.freseniusmedicalcare.com.

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