Annual Report *2016*

APPLYING

We count on our employees and their abilities.
To improve our patients' quality of life.
Our extensive expertise is the prerequisite
for our long-term business success.

KNOWLEDGE

FRESENIUS
MEDICAL CARE

Fresenius Medical Care is the world's leading provider of products and services for people with chronic kidney failure.

Revenue
in $ M

2016
17,911

2015
16,738

CHANGE OF 7%

Operating income (EBIT)
in $ M

2016
2,638

2015
2,327

CHANGE OF 13%

Net income[1]
in $ M

2016
1,243

2015
1,029

CHANGE OF 21%

Employees

2016
109,319

2015
104,033

Patients

2016
308,471

2015
294,381

Dialysis centers

2016
3,624

2015
3,418

Selected key figures
in $ M

	2016	2015
Earnings before interest, taxes, depreciation and amortization (EBITDA)	3,413	3,044
Net cash provided by (used in) operating activities	2,140	1,960
Free cash flow[2]	1,128	1,025
Capital expenditures, net	1,012	935
Acquisitions and investments, net	367	66
Operating income margin in %	14.7	13.9
Return on invested capital (ROIC) in %	7.8	7.0
Equity ratio (equity/total assets)[3] in %	42.5	41.4

[1] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[2] *Net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments.*
[3] *As of December 31 of the respective year. 2015: In accordance with ASU 2015-17 (Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes) as of December 31, 2015 deferred taxes previously recorded in current assets and liabilities have been reclassified to non-current assets and liabilities in the amount of $216 M and $36 M, respectively. As a result of deferred tax netting, noncurrent assets and liabilities were then adjusted in the amount of $168 M.*

Annual Report *2016*

APPLYING KNOWLEDGE

NET INCOME

IN $ BN

Average annual growth: 14%

In the past 20 years, our net income has risen almost fourteen-fold.

➜ **"RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES" CHAPTER STARTING ON PAGE 65**

REVENUE

IN $ BN

2016

17.91

1996

1.42

Average annual growth: 14%

Since Fresenius Medical Care was established in 1996, we have increased our revenue almost thirteen-fold. Our products and services are now available in more than 120 countries.

→ "OPERATING ACTIVITIES" CHAPTER STARTING ON PAGE 27

SHARE PRICE

IN €

2016

80.45

1996

20.23

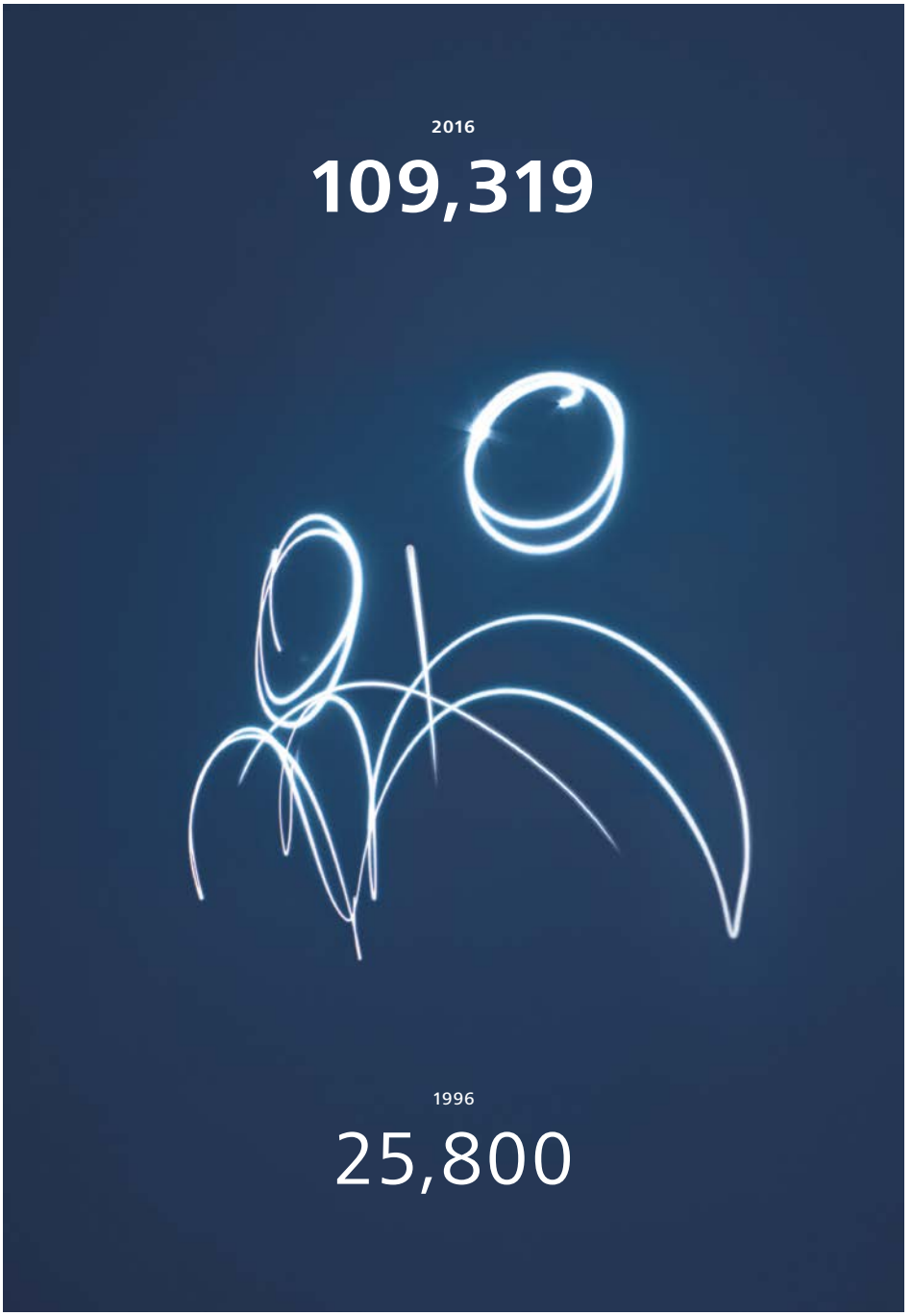
Average annual growth: 7%

At the Annual General Meeting on May 11, 2017,
we will propose the 20th consecutive dividend increase.

➜ "CAPITAL MARKET AND SHARES" CHAPTER STARTING ON PAGE 18

EMPLOYEES

WORLDWIDE



Average annual growth: 7%

Fresenius Medical Care employs people in more than 50 countries.
In the past 20 years, the number of employees has quadrupled.

➜ "RESPONSIBILITY FOR OUR EMPLOYEES" SECTION STARTING ON PAGE 43

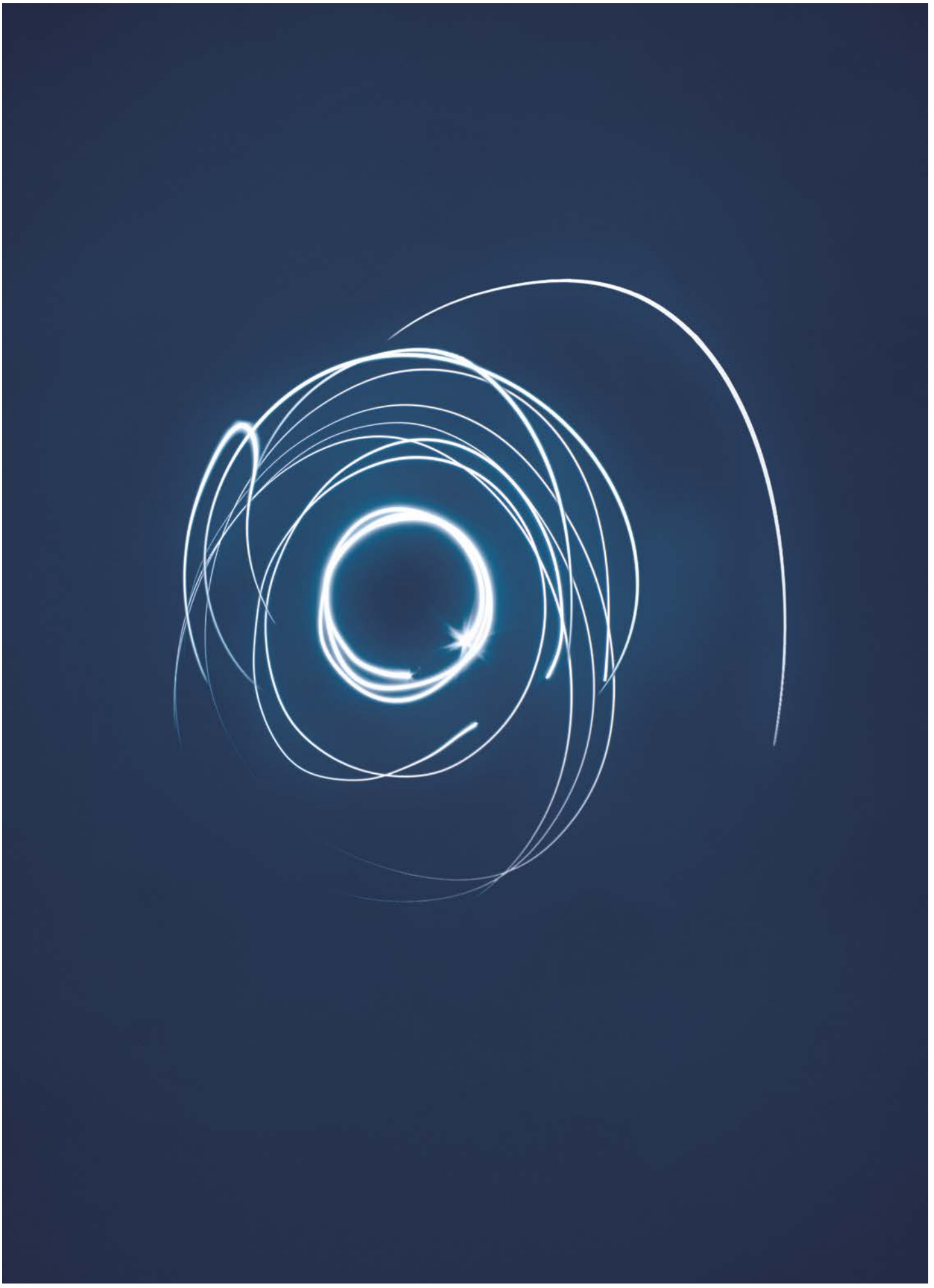
FOR PATIENTS. WORLDWIDE. EVERY DAY.

CREATING A FUTURE WORTH LIVING

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

Patients with kidney disease can now look ahead with much more confidence thanks to our innovative technologies and treatment concepts. We give them a future, one that offers them the best-possible quality of life. The increasing demand for modern dialysis methods forms the basis for us, as a leading provider in this area, to grow sustainably. Together with our employees, we focus on pursuing strategies that will enable us to continue our technological leadership. As a vertically integrated company, we offer products and services for the entire dialysis value chain.

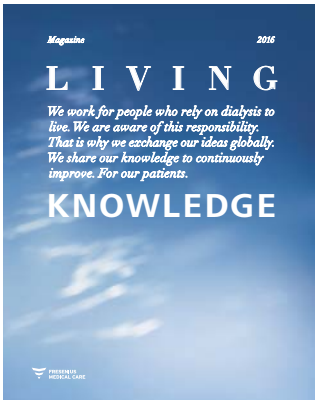
The highest medical standards are our benchmark. This is our commitment to our patients, our partners in the health care system and our investors, who trust in the reliable performance and the future of Fresenius Medical Care.



CHAPTER 1
TO OUR SHAREHOLDERS

CHAPTER 2
OUR FISCAL YEAR

MAGAZINE
LIVING KNOWLEDGE



You can find the Corporate Magazine "Living Knowledge" between chapter 2 and 3.

CHAPTER 3
CORPORATE GOVERNANCE

CHAPTER 4
CONSOLIDATED FINANCIAL STATEMENTS

CHAPTER 5
FURTHER INFORMATION

Financial Calendar and Important Fairs at the end of the report

CHAPTER 1

TO OUR SHARE-HOLDERS

CHAPTER 1
TO OUR SHAREHOLDERS

DEAR SHAREHOLDERS,

2016 was a very special year. We celebrated the 20th anniversary of Fresenius Medical Care. The Company has been in existence since 1996. I am constantly impressed by how much we have achieved in this relatively short time. We are the world's largest provider of dialysis-related products and services. Over half of all dialysis machines in use worldwide were made by Fresenius Medical Care. At the end of 2016, we treated more than 308,000 people suffering from chronic kidney failure at 3,624 Fresenius Medical Care dialysis clinics around the world. By way of comparison, when we started in 1996, we had 772 clinics and just over 56,000 patients. Our workforce has more than quadrupled since then: 109,319 people were working for Fresenius Medical Care at the end of 2016.

These are figures that I believe we can be proud of. I would like to extend my sincere thanks to all our employees in more than 50 countries worldwide for their achievements so far and for their tireless work in the clinics, in our plants, on-site with our customers and in our offices.

In 20 years, we have learned a great deal, gained a lot of knowledge and invested this experience in the health care markets around the world. This has paid off for you, as shareholders. Our revenue reached a new all-time high in 2016: We generated $17.91 billion last year, around 7% more than in 2015. We also set a new record with net income of $1.24 billion, a 21% increase on the previous year. Our success on the stock market is also impressive: At the end of the year, our share price was €80.45, up 3.5% on the start of 2016.

We achieved the targets we had set ourselves for 2016. What's more, we delivered on our Global Efficiency Program which started in 2014. Consequently, in the current fiscal year we can propose the highest dividend in our Company's history at the Annual General Meeting on May 11, 2017. This would be the 20th consecutive dividend increase, from €0.80 in 2015 to the current figure of €0.96 per share, corresponding to a 20% increase.

In 2016, we also unveiled the 6008 CAREsystem, our new treatment system for hemodialysis. It helps dialysis specialists in their work by reducing the number of operating steps. This makes treatment more efficient, giving the teams in our dialysis centers more time to look after each individual patient. At the same time, it makes treatment safer, enabling more patients to benefit from better treatment outcomes. Several acquisitions were also on our agenda in 2016. For example, we bought an 85% stake in Sandor Nephro Services, an Indian operator with 50 dialysis clinics. Sandor is the second-largest provider of dialysis treatments in one of the world's fastest-growing economies, albeit one where many of the around one million chronically ill kidney patients still do not have sufficient access to dialysis. As we have been active in India for 15 years now, this gives us the opportunity to further strengthen our core business there. Furthermore, as part of our efforts to move our acute business in the product business forward, we acquired Xenios AG, a German medical technology company specializing in extracorporeal treatments of lung and heart conditions. By entering this acute care market that is closely related to dialysis, we aim to expand our position as a world leader in extracorporeal organ support.

In 2017, we continue growing strongly in our core business with dialysis products and services as well as expanding our activities in the area of Care Coordination. We expect to generate revenue growth of 8 to 10% on a constant currency basis, as well as a 7 to

9% increase in net income in 2017. Care Coordination is a key pillar of our growth strategy 2020: Additional services beyond dialysis should account for an even greater share of overall revenue in the future and contribute significantly to reaching our ambitious target for 2020. Between 2014 and 2020, we aim to increase our revenue by an average of 10% every year to the equivalent of €24 billion in 2020. We also anticipate high single-digit average growth in net income in the same period.

Over the past 20 years, Fresenius Medical Care's revenue and dividend have risen consistently. Consistency is exactly what our patients need and expect from us: high-quality products and services, reliability and predictability. After all, our patients trust us with the most important thing they have – their lives.

We keep on applying our knowledge and experience to help patients all over the world. And we also want to enable you, as shareholders, to gain a fair reward from our success, and show that you made the right decision in backing our Company.

I look forward to being able to report back to you next year that with our knowledge and experience, we have become even better and we are working even more efficiently and are continuing to operate successfully worldwide for the good of hundreds of thousands of patients.

Yours sincerely,

RICE POWELL
Chairman of Fresenius Medical Care

Bad Homburg v. d. H., March 8, 2017

MANAGEMENT BOARD

RICE POWELL
CEO and Chairman

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

RONALD KUERBITZ
North America

Member since January 1, 2013

MICHAEL BROSNAN
Finance

Member since January 1, 2010

HARRY DE WIT
Asia-Pacific

Member since April 1, 2016

DR. OLAF SCHERMEIER
Research and Development

Member since March 1, 2013

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

Member since April 1, 2014

KENT WANZEK
Production and Quality

Member since January 1, 2010

Fresenius Medical Care's share price performed well in 2016 in a volatile environment; at the end of the year, it stood at €80.45, around 3.5% higher than it was at the start. We are confident that we continue to grow Fresenius Medical Care's shareholder value in the long-term with our strategic approach.

Fresenius Medical Care's shares make further gains

The 2016 stock exchange year started weakly, with the German stock markets suffering from the knock-on effect of weak economic data from China. While the European Central Bank continued to provide the market with extensive liquidity thanks to its policy of low interest rates, the U.S. Federal Reserve raised its key interest rate and indicated that further increases might follow. The presidential election in the U.S. triggered considerable turbulence in terms of investments in individual industries, with cyclical stocks enjoying very strong demand whereas investors opted to sell stocks with a more long-term focus.

Fresenius Medical Care's shares performed well in the difficult and unstable economic environment of the past year. The strong operating income in the second quarter provided positive impetus as the year progressed. The shares reached their high for the year as well as their all-time high of €85.65 in early August before losing some ground then. The low for the year was €71.62 on November 15, 2016. A lack of clarity from the U.S. government concerning potential reforms in the health care sector led to increased uncertainty among some investors. At the end of the year, the share price was €80.45, up around 3.5% compared with the start of the year.

Further information on the share price and index performance can be found in table 1.1 and charts 1.2, 1.3 and 1.4 starting on page 18.

The long-term comparison clearly demonstrates the strength and stability of Fresenius Medical Care shares: Over the past ten years, the Company's share price has risen by almost 220%. Investors seeking long-term growth who invested €10,000 in Fresenius Medical Care shares ten years ago and reinvested the dividends would have had more than €27,000 in their accounts as of December 31, 2016, equivalent to an average annual return of around 10%. This means that Fresenius Medical Care's shares significantly outperformed indices such as the DAX, the Dow Jones and the Euro Stoxx Health Care, which posted annual growth rates of 6%, 5% and 5% respectively in the same period.

Increase in market capitalization

Fresenius Medical Care's market capitalization amounted to €24.72 BN at the end of the year under review, almost €1 BN higher than the prior-year figure of €23.73 BN. The trading volume of the shares on the Xetra platform declined slightly year-on-year to 0.61 M per trading day (2015: 0.78 M).

STOCK INDICES/SHARES T. 1.1

	Country/ region	Dec 31, 2016	Dec 31, 2015	Change	High	Low
DAX	GER	11,481	10,743	6.9%	11,481	8,753
Dow Jones	U.S.	19,763	17,425	13.4%	19,975	15,660
DJ EURO STOXX 50	EUR	3,291	3,268	0.7%	3,291	2,680
DJ EURO STOXX Healthcare	EUR	713	795	–10.3%	795	657
Fresenius Medical Care share *in €*	GER	80.45	77.73	3.5%	85.65	71.62
Fresenius Medical Care ADR *in $*	U.S.	42.21	41.84	0.9%	47.43	38.37

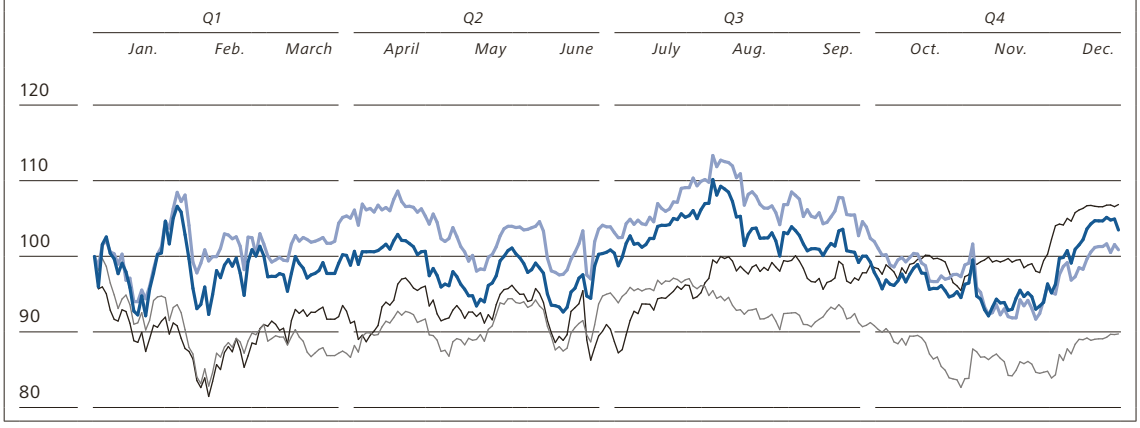
Source: Bloomberg data, own calculations

Stable position in DAX rankings

The rankings published by Deutsche Börse form the basis for the composition of the DAX. They are compiled every month taking into account the trading volume and market capitalization on the basis of the free float. At year-end 2016, our weighting in the DAX was 1.80% (2015: 1.87%). As in the previous year, we were ranked 20th in terms of market capitalization and 24th in terms of trading volume.

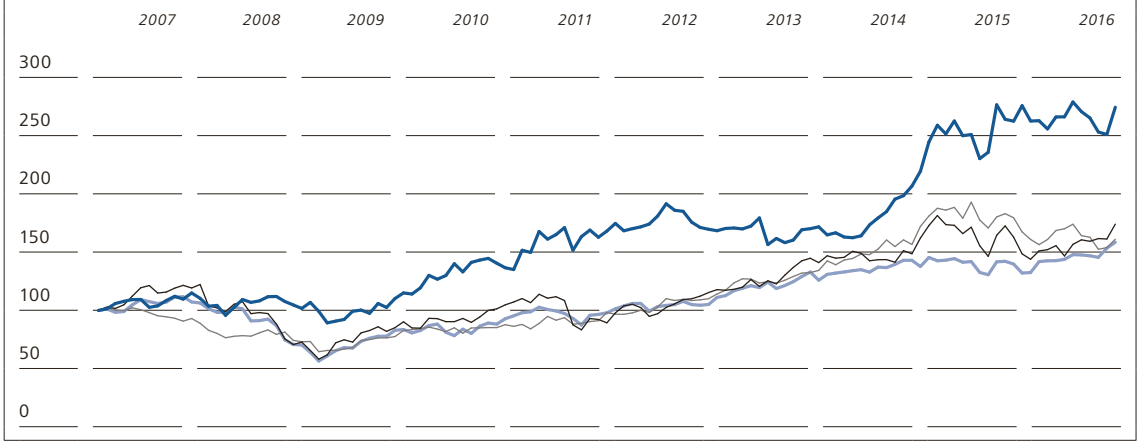
Fresenius Medical Care's shares are included in a number of other important international share indices, such as the Dow Jones, MSCI and the FTSE. Our shares were listed in the Dow Jones Sustainability Europe Index, which takes into account ecological and social as well as economic criteria, for the eighth successive year.

INDEX AND SHARE PRICE PERFORMANCE, INDEXED, JANUARY 1, 2016 – DECEMBER 31, 2016 C. 1.2



Fresenius Medical Care share (€) *Fresenius Medical Care-ADR ($)* *DAX* *DJ Euro Stoxx Healthcare*
Source: Bloomberg, own calculations

INDEX AND SHARE PRICE PERFORMANCE IN A TEN-YEAR COMPARISON, INDEXED, DECEMBER 31, 2006 – DECEMBER 31, 2016 C. 1.3



Fresenius Medical Care share (€)* *DAX** *Dow Jones Industrial Average (DJIA)* *DJ Euro Stoxx Healthcare**
** Dividends reinvested*
Source: Bloomberg, own calculations

Positive price performance of ADRs

In 2016, the price of Fresenius Medical Care's shares listed on the New York Stock Exchange in the form of American depositary receipts (ADR) increased by 0.9%. Two ADR are equivalent to one Fresenius Medical Care share. The price movement of the ADR is tied to that of Fresenius Medical Care's shares, taking into account the development of the euro/U.S. dollar exchange rate. ADRs account for around 14% of the entire trading volume, while our shares account for approximately 86%.

Continuity of dividend development

At the Annual General Meeting on May 11, 2017, we will propose a dividend to shareholders of €0.96 per share.

Based on the proposed dividend and the closing share price at the end of 2016, the dividend yield on the shares would be around 1.2% (2015: 1.0%). This means the dividend would have risen by around 8% each year on average since 1997.

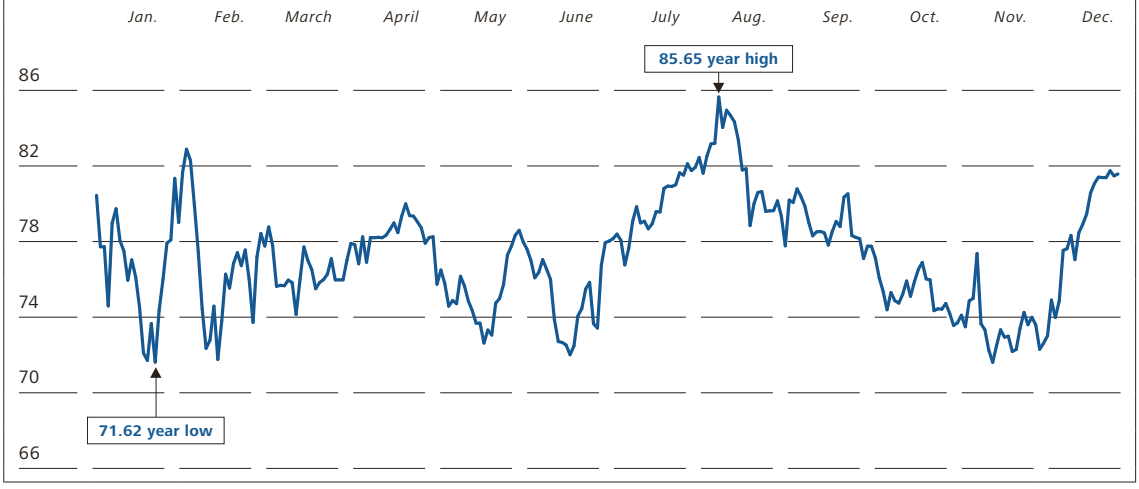
If the dividend proposal is accepted, the total dividend payout for 2016 will amount to around €294 M. Applying the euro/U.S. dollar exchange rate at the end of the year under review, the total dividend works out at around $310 M. Applying the weighted average euro/U.S. dollar excange rate for 2016 results in a total dividend payout of around $325 M. This represents a payout ratio of more than 26%.

Shareholder structure

Based on an analysis of the shareholder structure, we were able to match around 93% (previous year: 93%) of the approximately 306.2 M shares outstanding with their owners. As of December 31, 2016, 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 a 30.7% interest

SHARE PRICE PERFORMANCE, ABSOLUTE
JANUARY 1, 2016 – DECEMBER 31, 2016
in €

C. 1.4



Fresenius Medical Care share
Source: Bloomberg, own calculations

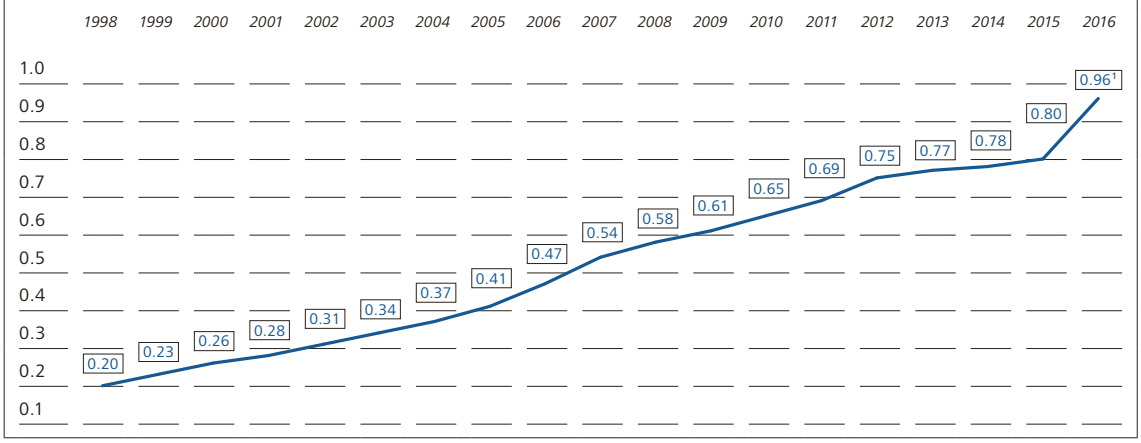
of ordinary shares in our share capital. In the same analysis, we identified further 13 institutional investors with an interest in our share capital of more than 1%.

According to the analysis, 525 institutional investors (previous year: 535) own Fresenius Medical Care shares, with the top 20 investors alone holding approximately 40% of identified shares in the free float (previous year: 44%).

In terms of distribution of regionally allocated shares held by institutional investors, a good half of the shares in the free float were held in Europe excluding Germany. Almost 31% of all shares identified in the free float were held in Great Britain and Ireland. By contrast, North America's weighting declined to 28%, while the proportion attributable to Germany remained stable at 12%.

DEVELOPMENT OF THE DIVIDEND C. 1.5

in €



[1] *Proposal for approval by the Annual General Meeting on May 11, 2017.*

NUMBER OF IDENTIFIED SHARES AS PER SHAREHOLDER STRUCTURE ANALYSIS T. 1.6

Figures rounded in M

	Number of shares	*in %*	*in % of free float*
Number of shares outstanding as of December 31, 2016	306.2	100.0	–
Identified shares	283.6	92.6	89.3
Unidentified shares	22.6	7.4	10.7
Shares in free float	212.8	69.3	–

Voting rights notifications in 2016

As of the end of 2016, Fresenius Medical Care had not received any notification that a shareholder holds a stake of more than 5% in the Company (with the exception of Fresenius SE & Co. KGaA). All voting rights notifications as per sections 21 and 25 of the German Securities Trading Act (WpHG) are published on our website, www.freseniusmedicalcare.com, under "Investors".

Analysts' assessments of our shares

Financial analysts continued to show great interest in our Company. An average of 27 equity analysts, known as sell-side analysts, actively tracked our shares and covered our Company last year. As of the end of 2016, 15 analysts rated our shares as "buy", a further twelve advised holding our shares, and there were no "sell" recommendations.

GEOGRAPHICAL DISTRIBUTION OF IDENTIFIED SHARES T. 1.7

in M shares

	Dec. 2016		Dec. 2015	
	Number of shares	in %	Number of shares	in %
North America	47.10	28.15	52.45	30.98
Germany	20.69	12.36	20.06	11.84
Great Britain and Ireland	51.44	30.74	55.46	32.75
France	19.27	11.51	18.16	10.72
Norway	8.98	5.37	5.43	3.21
Rest of Europe	15.85	9.47	14.57	8.60
Remaining regions	4.01	2.40	3.21	1.90
▸ **REGIONALLY ATTRIBUTABLE SHARES**	**167.34**	**100**	**169.34**	**100**
Retail investors	21.90	–	19.25	–
▸ **IDENTIFIED SHARES BASED ON FREE FLOAT**	**189.24**	**–**	**188.59**	**–**

KEY SHARE DATA T. 1.8

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)

Successful investor relations activities

Our investor relations activities in 2016 again focused on delivering continuous and transparent information to all capital market participants. This included disclosing information on Fresenius Medical Care's strategy and management principles, its operational and financial business developments and the Company's outlook to a wide audience comprising not only shareholders, other capital market participants and analysts, but also employees, journalists and the general public. Our aim is to make a significant contribution to increasing the value of Fresenius Medical Care in the long-term by means of effective financial communication.

In the year under review, we presented Fresenius Medical Care in more than 1,100 one-on-ones with analysts and investors and answered questions about our business performance and the Company's future. In addition, we showcased our

KEY FIGURES FOR FRESENIUS MEDICAL CARE'S SHARES T. 1.9

		2016	2015	2014	2013	2012
Number of shares[1]	in M shares	306.22	305.31	303.56	301.45	302.74
Share prices (Xetra trading)						
High for the year	in €	85.65	83.13	61.85	55.60	59.51
Low for the year	in €	71.62	60.57	47.15	47.00	50.80
Year-end	in €	80.45	77.73	61.85	51.73	52.31
Average daily trading volume	in units	606,805	778,076	816,486	828,269	668,588
Share prices (ADR NYSE)						
High for the year	in $	47.43	45.72	37.63	36.07	38.93
Low for the year	in $	38.37	35.96	32.06	31.02	32.13
Year-end	in $	42.21	41.84	37.14	35.58	34.30
Average daily trading volume	in units	190,511	150,013	134,825	179,875	
Market capitalization[2]						
Year-end	in € M	24,716	23,732	18,775	15,594	15,986
Year-end	in $ M	26,040	25,837	22,795	21,505	21,092
Exchange rate[3]	$ to €	1.0536	1.0887	1.2141	1.3794	1.3194
Index weighting						
DAX	in %	1.80	1.87	1.62	1.37	1.64
Dividend						
Dividend per share	in €	0.96[4]	0.80	0.78	0.77	0.75
Dividend yield[5]	in %	1.2	1.3	1.3	1.5	1.4
Total dividend payout	in € M	294[4]	244	237	232	230
Earnings per share (EPS)						
Number of shares[6]	in M	305.75	304.44	302.34	301.88	301.14
Earnings per share (EPS)	in $	4.07	3.38	3.46	3.65	3.89

[1] *Shares outstanding as of December 31 of the respective year.*
[2] *Based on shares outstanding.*
[3] *Euro reference rates of the European Central Bank as of December 31 of the respective year.*
[4] *Proposal to be approved by the Annual General Meeting on May 11, 2017.*
[5] *With reference to the respective year-end.*
[6] *Weighted average number of shares outstanding.*

Company at 17 roadshows and 34 investment conferences around the globe.

On our website www.freseniusmedicalcare.com, we also provide the following information:

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

CHAPTER 2

OUR FISCAL YEAR

CHAPTER 2
OUR FISCAL YEAR

We are the number one specialist in health care solutions for patients with chronic kidney failure. With innovative products and therapies, we set the highest standards in dialysis treatment.

COMPANY PROFILE

The world's leading integrated dialysis company

Fresenius Medical Care is the world's leading provider of products and services for people with chronic kidney failure. Around 3 M of them regularly undergo dialysis treatment. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in the event of kidney failure.

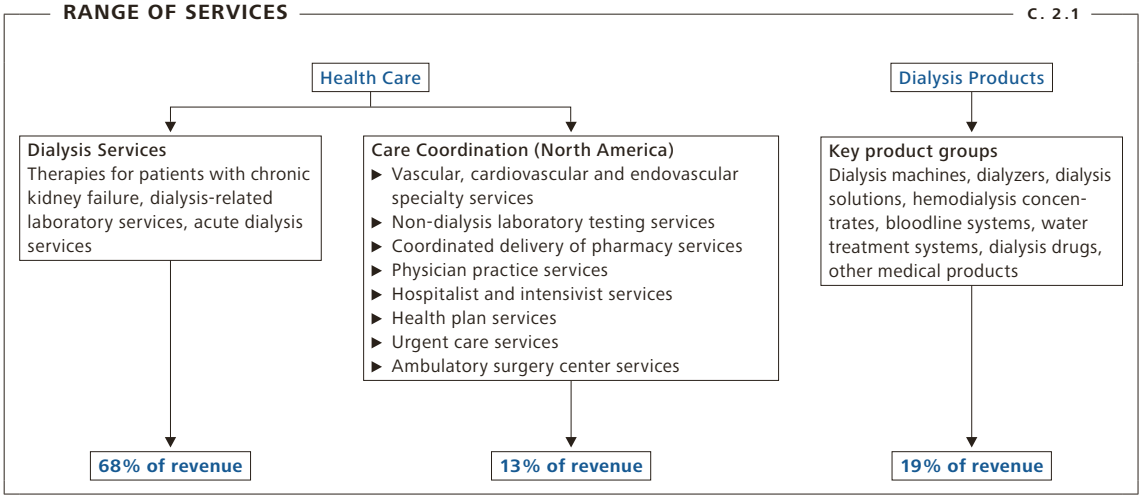
Formed in 1996 following the merger of the dialysis business of Fresenius AG and the U.S. dialysis service provider National Medical Care, Fresenius Medical Care provides products and services across the entire dialysis value chain. As the leading provider of dialysis products such as dialysis machines, dialyzers, and associated disposable accessories, we are present in more than 120 countries around the world. At the same time, we care for over 308,000 dialysis patients in 3,624 of our own dialysis clinics in more than 45 countries. We are continuously developing this network of clinics, which is the largest and most international in the world, to accommodate the ever rising number of dialysis patients.

Demographic factors contribute to the continued growth of dialysis markets. They include aging populations and the fact that an increasing number of people suffer from diabetes and high blood pressure – diseases that often lead to chronic kidney failure. In addition, dialysis patients' life expectancy is rising as a result of constant improvements to the quality of treatment and ever higher standards of living, even in developing countries.

As well as dialysis treatment itself, we provide medical services, which are grouped under the heading "Care Coordination". In our reporting, we combine revenues from Dialysis Services and from Care Coordination under "Health Care" – see chart 2.1. Nevertheless, we still generate the main part of our revenue with dialysis products and dialysis services.

Fresenius Medical Care has more than 109,000 employees in over 50 countries, and generated revenue of $17.91 BN in 2016.

RANGE OF SERVICES C. 2.1



Legal, reporting and organizational Group structure

Fresenius Medical Care has the legal form of a partnership limited by shares (KGaA). The corporate structure of Fresenius Medical Care AG & Co. KGaA as well as the Company's management and supervisory structure are set out in the "Corporate Governance Report" starting on page 105. The members of the Management Board are presented starting on page 16; information on the positions of the Management Board and the Supervisory Board can be found starting on page 138.

Fresenius Medical Care has a decentralized organizational structure and is divided into the North America, EMEA (Europe, Middle East, Africa), Latin America, and Asia-Pacific regions; our business segments correspond to this regional breakdown – see chart 2.2.

Fresenius Medical Care's headquarters are in Bad Homburg, Germany. The headquarters of North America, our most important region in terms of revenue, are in Waltham, Massachusetts (U.S.). A list of our major holdings can be found starting on page 216.

Reporting on the basis of U.S. GAAP

Fresenius Medical Care is listed on the Frankfurt and New York Stock Exchanges and previously reported on the basis of U.S. GAAP (United States Generally Accepted Accounting Principles) with the U.S. dollar as the reporting currency. From 2017, we will calculate all financial indicators in euros and report in line with the International Financial Accounting Standards (IFRS). The outlook in the 2016 financial report therefore includes figures in euros derived in accordance with IFRS. From 2017 onwards, details in the Annual Report will be based on IFRS and set out in euros. From then on, changes in the financial indicators will also be determined in constant currency terms due to the greater impact of foreign exchange rate fluctuations on the euro figures. Further information on this can be found in the "Strategy, objectives and corporate management" chapter starting on page 35 and in the "Outlook" starting on page 93. The Company is nevertheless still obliged to submit a Form 20-F annual report to the U.S. Securities and Exchange Commission (SEC). In addition, financial statements are prepared in line with IFRS and the German Commercial Code (HGB). These publications are also available on the Internet at www.freseniusmedicalcare.com/de.

Our range of services

Healthy kidneys rid the blood of waste products, regulate water levels, and produce important hormones. If the kidneys are irreparably damaged and are therefore no longer able to function adequately for a lengthy period of time, this is known as chronic kidney failure. Many diseases can lead to chronic kidney failure, particularly diabetes, chronic nephritis, and high blood pressure.

There are currently two treatment options for chronic kidney failure: kidney transplant and dialysis. We distinguish between two dialysis methods: hemodialysis and peritoneal dialysis. Fresenius Medical Care offers products, therapies, and services for both dialysis methods.

REPORTING STRUCTURE C. 2.2

Our dialysis products

We use our dialysis products in our own dialysis clinics as well as selling them to third parties. In 2016, revenue of Dialysis Products accounted for 19% of our total revenue.

Hemodialysis

Hemodialysis (HD) is by far the most common type of therapy for chronic kidney failure. Overall, 88% of dialysis patients receive this treatment. In HD, the patient's blood is filtered outside the body in a so-called dialyzer. This removes toxins and excess water from the blood, while retaining blood cells and important proteins. Blood circulation is monitored and controlled during treatment by a dialysis machine.

Fresenius Medical Care provides a wide range of HD products for use in both our own and third-party clinics. These include machines and modular machine components, dialyzers, bloodline systems, HD solutions and concentrates, water treatment systems, as well as data processing and analysis systems. Fresenius Medical Care is the clear leader in the market for dialysis machines and dialyzers. We sold more than 48,000 dialysis machines worldwide in 2016 (2015: 46,000). This means that more than one in two systems bought are produced by Fresenius Medical Care. In addition, we sold around 130 M dialyzers in 2016 (2015: 120 M). The Company therefore accounts for almost half of global sales of these products. For further information, see the "Sector-specific environment" section starting on page 57.

In 2016, Fresenius Medical Care launched the 6008 CAREsystem, a new therapy system for hemodialysis. It optimizes dialysis treatment and makes it even more economical. In addition, it minimizes the operating steps required during dialysis. For further information, see the "Research and development" chapter starting on page 52.

Home hemodialysis (home HD) is an alternative to treatment in a dialysis clinic. This form of dialysis therapy is performed by patients at home, usually with the assistance of a partner or trained personnel. The market for home HD is still small: At the end of 2016, only around 0.6% of all dialysis patients received this treatment. Fresenius Medical Care provided care for around 4,200 home HD patients in the year under review; around 22% of all home HD patients therefore use our dialysis products.

Peritoneal dialysis

In peritoneal dialysis (PD), the peritoneum is used as a natural filter. It has similar properties to dialyzer membranes: It allows certain substances to permeate its pores, while retaining others. PD is carried out by patients who treat themselves while at home or away, for example at work. We offer systems and solutions for continuous ambulatory peritoneal dialysis (CAPD) and automated peritoneal dialysis (APD). In the case of CAPD, dialysis solution is fed manually from a bag through a catheter into the patient's abdominal cavity, where it is flushed through the peritoneum. This process is carried out three to five times a day. After four to five hours, the patient drains the dialysis solution, now mixed with metabolic products, into an empty bag and replaces it with fresh solution. This ensures that the blood is continuously and gently cleansed. APD is mostly carried out at night. A special device called "cycler" takes over the exchange of dialysis fluid. In the evening, the patient connects up with the cycler, which then automatically replaces the dialysate several times during the night after just a short time in the abdominal cavity. The cycler ensures that the dialysis solution is fed in and drained out together with the products of metabolism. As a result, the blood is continuously cleansed at night and virtually no treatment is required during the day.

In the year under review, around 12% of all dialysis patients worldwide underwent PD treatment. We provided products to around 55,000 PD patients by the end of the year, meaning that around 16% of all PD patients use our dialysis products.

Acute dialysis

Generally, dialysis patients suffer from chronic kidney failure, which usually develops gradually over many years. But in acute medical emergencies, patients may also be in need of dialysis because of rapid kidney failure, for instance after a serious accident. Continuous renal replacement therapy is used in intensive-care units to treat acute kidney failure in

critically ill patients. Fresenius Medical Care also provides products and services for this.

In 2016, Fresenius Medical Care acquired Xenios to supplement our acute business. In addition, we began to provide treatment for heart and lung diseases last year with the aim of consolidating our position as the world leader in extracorporeal organ support.

Further blood cleansing procedures

Extracorporeal blood cleansing is used not only to treat chronic kidney failure, but also to support the liver function on a temporary basis (liver support therapy). Excess blood fats or pathogenic antibodies can also be removed in this way (therapeutic apheresis). This process is mainly used in patients who can no longer be treated successfully with medication.

Dialysis drugs

Along with its key function of excreting the end products of metabolism, the kidney produces hormones such as vitamin D for healthy bone metabolism and erythropoiesis-stimulating agents (ESAs), such as EPO, which stimulate the formation of red blood cells. In addition, the kidney regulates the body's mineral balance. Although dialysis can largely perform some functions in patients with kidney failure, patients must also take drugs to replace missing hormones and maintain the body's mineral balance. These usually include agents to stimulate red blood cell production, iron compounds, phosphate and potassium binders, vitamin D preparations, and calcimimetics. We obtain vitamin D primarily from specialist suppliers. Phosphate and potassium binders, iron compounds, and ESAs are sourced from suppliers including Vifor Fresenius Medical Care Renal Pharma, a joint venture with the Swiss company Galenica.

Our dialysis services

In 2016 308,471 patients received life-saving dialysis treatment and other associated services such as laboratory tests in our 3,624 dialysis clinics worldwide. Dialysis treatment at our clinics is usually performed by trained medical staff three times a week over a period of several hours. We are also available at our dialysis clinics to provide medical support and training for home dialysis patients.

We continued to grow our network of clinics in 2016. For example, we entered the dialysis services market in Israel. We also expanded our dialysis services business in India by acquiring an 85% stake in Sandor Nephro Services, a dialysis group.

Patient care

We use our extensive experience in caring for kidney patients to treat our patients more effectively and achieve better treatment results. Our approach comprises the following:

- individually tailored care for chronically ill kidney patients who suffer from further diseases,
- a consistently high level of treatment quality and patient safety,
- continuous improvement systems to further enhance treatment while ensuring that the resources used are handled efficiently.

Quality management in our dialysis centers

We have established special quality management systems in our dialysis centers. We regularly check how 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 dialysis centers 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 dialysis centers are inspected by the Centers for Medicare and Medicaid Services (CMS), a public health care authority.

We measure and assess the treatment quality at our dialysis centers on the basis of generally recognized quality standards, such as industry-specific clinical benchmarks, as well as our own quality targets. In 2016, this again meant that we provided our patients all over the world with top-quality treatment, as shown by the current medical quality parameters in table 2.3. Detailed information on the parameters can be found in the "Glossary" starting on page 220.

We regularly carry out patient surveys to find out where we can make further improvements and in which areas we should expand our services. In the U.S., CMS specifies the content of patient satisfaction surveys. We use the results to inform and train both our patients and our clinic staff in a more targeted way with the aim of permanently improving our patients' quality of life.

Medical services – Care Coordination

Since 2014, our non-dialysis services have been bundled in the Care Coordination division. Its scope currently includes vascular, cardiovascular, and endovascular surgery services, non-dialysis laboratory testing services, and physician practice services, as well as coordination of hospitalist and intensivist services, health plan services for dialysis patients, coordinated delivery of pharmacy services, urgent care services and ambulatory surgery center services.

Care Coordination enables us to expand and grow our business beyond dialysis, for example in markets where the privatized dialysis market is relatively well developed and we already have a high market share. Although Care Coordination is defined in our strategy as a business with a global focus, we

QUALITY DATA T. 2.3

Relating to the fourth quarter of the respective year, in %

	Description	*Possible impact if too low*	*U.S.*		*Europe, Middle East, Africa*		*Latin America*		*Asia-Pacific*[1]	
			2016	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*
Kt/V > 1.2	Effectiveness of dialysis: measures how well the patient was detoxified	Possibly more days spent in hospital; increased mortality	98	98	96	96	91	92	97	97
Hemoglobin = 10–12 g/dl	Hemoglobin is responsible for transporting oxygen around the body	Indicative of anemia	73	72	78	77	52	52	60	60
Hemoglobin = 10–13 g/dl (int. reg.)			79	78	77	77	68	69	68	68
Calcium 8.4–10.2 mg/dl	Measures the patient's nutritional status and mineral balance	Marker for increased mortality	84	84	76	78	79	75	75	75
Albumin ≥ 3.5 g/dl[2]			78	81	91	92	91	90	89	89
Phosphate ≤ 5.5 mg/dl			64	64	77	79	77	75	72	72
Patients without catheter (after 90 days)	Measures the number of patients with vascular access	Possibly more days spent in hospital	84	84	81	82	82	83	91	91
Days in hospital per patient	Result of complications during dialysis	Restriction to patients' quality of life	10.0	10.0	9.4	9.5	3.8	3.5	4.4	4.2

[1] *Includes data from the dialysis service provider Jiate in Taiwan and the Philippines.*
[2] *International standard BCR CRM470.*

Figures based on:
– KDOQI guidelines (Kidney Disease Outcomes Quality Initiative) in the U.S.,
– EBPG standard (European Best Practice Guidelines) in Europe,
– KDIGO guidelines (Kidney Disease: Improving Global Outcomes), a recent but increasingly important global initiative.

currently provide non-dialysis services mainly in our largest market, the U.S. In recent years, the health care system there has moved away from the reimbursement of individual services towards holistic, coordinated care. Our activities in Care Coordination and our experience with dialysis mean that we can help to shape the evolution of the U.S. health care system and use this as a basis for additional growth. At the same time, patients can benefit from coordinated care, and health care systems from lower costs. For further information, see the "Sector-specific environment" section starting on page 57.

In 2016, Care Coordination accounted for around 13% of our total revenue.

Competitive position

The largest provider of dialysis services

Fresenius Medical Care is the world's leading provider of dialysis services with a market share of about 10%, based on the number of treated patients. As well as caring for the largest number of dialysis patients, we also operate more dialysis clinics than any other company: In 2016, we ran 3,624 (2015: 3,418) dialysis clinics worldwide. We treated most of our patients (61%) in North America, 19% in EMEA, 10% in Latin America, and 10% in the Asia-Pacific region.

Market leader in dialysis products

Our dialysis products accounted for around 34% of the global market in 2016 (2015: 34%), which means that we are the market leader in this area as well. The market share of our key products – dialyzers and dialysis machines – was even higher at around 45% and more than 50% respectively. Detailed information on our major markets and the position of Fresenius Medical Care can be found in the "Sector-specific environment" section starting on page 57.

Expanding Care Coordination

We currently offer services in the area of Care Coordination almost exclusively in our largest market, the U.S. Our goal is to expand this business area in the future.

One of our key players in Care Coordination is Sound Inpatient Physicians, Inc. (Sound Physicians). It coordinates a network of more than 2,200 providers working across the entire acute episode of care from emergency medicine, hospitalists, intensivists, to transitional care providers at around 350 hospitals and post-acute facilities in the U.S. The organization also provides advisory services to hospitals for a secondary review of a provider's documentation and coding, and temporary staffing nationwide.

Quality requirements and remuneration systems

Reimbursement systems for dialysis treatment vary from country to country and often even within countries. Fresenius Medical Care provides dialysis services in more than 45 countries with different prevailing conditions. Thanks to our international experience, we are able to support the efforts of national health care systems to create suitable reimbursement structures, adapt our business to local conditions, and operate on a profitable basis. Further information can be found in the "Sector-specific environment" section starting on page 57.

As a life-saving treatment, dialysis is subject to the highest safety and quality requirements. This applies to manufacturing our dialysis products as well as to dialysis treatment at our own clinics. These underlying requirements are stipulated in numerous national and international legal provisions, standards, and norms, which form the basis for our corporate activities. In addition to the legally prescribed standards, we have developed in-house guidelines that go beyond the statutory requirements in many areas. For more information, see the "Our range of services" section starting on page 28 and the "Procurement and production" section on page 33.

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. This centralized approach enables us to

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

At the end of 2016, GMQ had 15,224 employees (2015: 15,350). In total, we operate 37 production sites in more than 20 countries.

Strategic purchasing

Strategic purchasing at Fresenius Medical Care is geared towards 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.

The purchasing volume of materials and bought-in services in the GMQ division in 2016 was $1.3 BN (2015: $1.4 BN).

By further standardizing our procurement processes and making them more transparent, we are able to continuously improve our efficiency in purchasing while ensuring a constant supply of material and maintaining our quality level. In optimizing procurement, our focus is on enhancing our cross-regional processes within the purchasing function as well as optimizing processes at interfaces to other divisions.

Our production sites

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 with a network of large production sites, where we make technically sophisticated products and sell them worldwide, as well as production sites that primarily supply products regionally. The most important plants for dialyzer production are in St. Wendel (Germany), Ogden (U.S.), L'Arbresle (France), Changshu (China), and Buzen (Japan). We manufacture dialysis machines in Schweinfurt (Germany) and Concord, California (U.S.).

Chart 2.4 on page 34 presents an overview of our most important production sites.

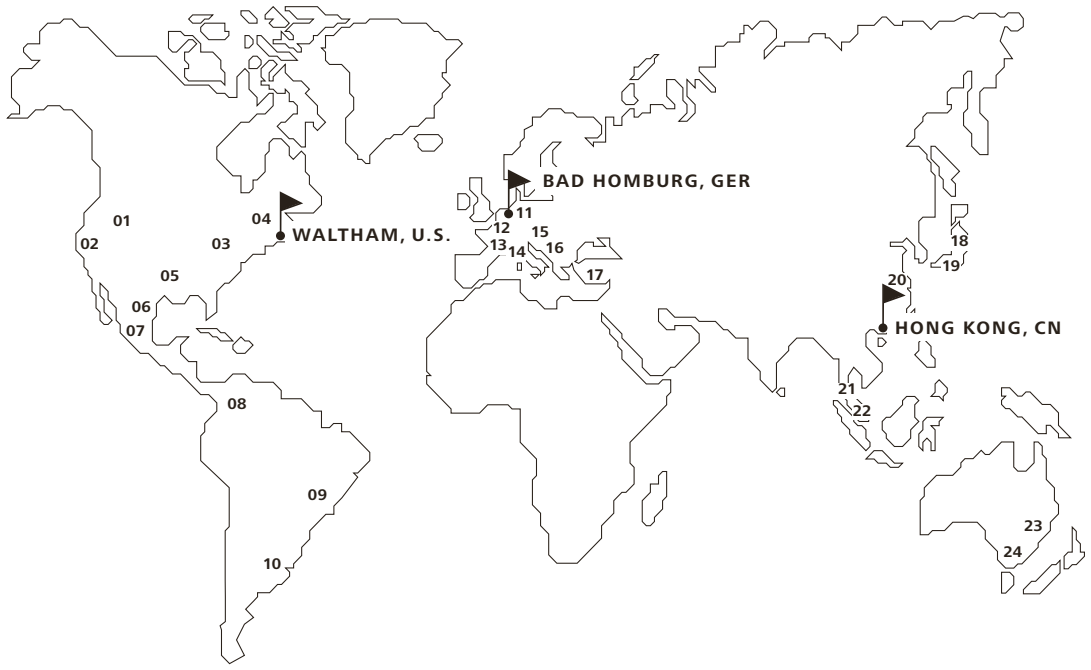
Highest quality standards

At Fresenius Medical Care, we believe in supplying products and therapies of the highest quality and reliability to ensure the best medical care for our patients and customers. To enable us to fulfill this aspiration and the numerous regulatory requirements, our processes in the business regions are embedded in comprehensive quality management systems. These ensure that all of our products and procedures comply with quality and safety standards from their development, market approval, manufacture, and use in clinics, right up to training customers and dealing with complaints. In addition, our production sites are certified according to regional quality standards, in some cases to several at once.

Our quality management systems in production combine internal regulations, processes, and procedures with the demands of generally recognized external standards and guidelines. Our plants apply recognized quality management tools such as Lean Six Sigma for optimizing production and testing processes as well as general workflows. More information about Lean Six Sigma can be found in the "Glossary" starting on page 220.

MAJOR LOCATIONS

C. 2.4



North America

WALTHAM, U.S.
Regional headquarters
North America

01 Ogden, U.S.
Dialyzers

02 Concord, U.S.
Dialysis machines

03 Toledo, U.S.
Hemodialysis concentrates

04 Montreal, CA
Hemodialysis concentrates

05 Irving, U.S.
Hemodialysis concentrates

06 Reynosa, MX
Bloodline systems

07 Guadalajara, MX
Dialysis solutions,
hemodialysis concentrates

Europe

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

11 Schweinfurt, DE
Dialysis machines

12 St. Wendel, DE
Dialyzers, dialysis solutions

13 L'Arbresle, FR
Dialysis solutions, hemodialysis concentrates

14 Palazzo Pignano, IT
Bloodline systems

15 Krems, AT
Adsorbers

16 Vršac, SRB
Bloodline systems, dialyzers, hemodialysis concentrates

17 Antalya, TR
Bloodline systems

Asia-Pacific

HONG KONG, CN
Regional headquarters
Asia-Pacific

18 Inukai, JP
Fiber bundles

19 Buzen, JP
Dialyzers, dialysis solutions

20 Changshu, CN
Bloodline systems, dialyzers

21 Ipoh, MY
Water treatment systems

22 Enstek, MY
Hemodialysis concentrates

23 Smithsfield, AU
Hemodialysis concentrates

24 Scoresby, AU
Dialysis chairs, packs

Latin America

08 Santafé de Bogotà, CO
Dialysis solutions, hemodialysis concentrates

09 Jaguariúna, BR
Dialysis solutions, hemodialysis concentrates

10 Pilar, AR
Hemodialysis concentrates

STRATEGY, OBJECTIVES AND CORPORATE MANAGEMENT

Vision and principles for our corporate management

Sustainable and responsible corporate action is essential to allow us to continue investing successfully in our employees, in research and development as well as production, and in enhancing our business areas now and in the future. We are guided in this by our vision of creating a future worth living for our patients, worldwide, every day.

Our efforts to give our patients around the world a better life by offering them outstanding products and services are based on our commitment to the core values of our Company: Quality, honesty and integrity, innovation and progress, respect, and dignity. Our corporate culture and policy as well as our entire business activities are guided by these values. This also applies to our work and business relationships with our patients, customers, business partners, public authorities, investors, and the general public, as well as with our employees.

These fundamental values are firmly established in our Code of Ethics and Business Conduct. Our Code of Conduct describes our Company's business standards and emphasizes our commitment to operating in accordance with the applicable laws and regulations and with our own Company policies. Details on corporate governance and compliance at Fresenius Medical Care can be found in the "Corporate Governance Report" starting on page 105. Further information on our understanding of corporate responsibility can be found starting on page 41.

Objectives and strategy for sustainable value enhancement

Our aim is to further consolidate our position as the world's leading provider of top-quality dialysis treatments and products and to use it as a basis for sustainable, profitable growth. Moreover, we are expanding our range of dialysis-related medical services with Care Coordination to continuously increase the enterprise value of Fresenius Medical Care and create added value for patients, health care systems, employees, and investors worldwide. Our financial stability enables us to benefit from corporate financing on attractive terms and a degree of flexibility that we intend to uphold. Over the next few years, we will continue to pursue our aim of strengthening our leading position in a financially responsible manner.

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

- Demographic change: As the average life expectancy is rising, the share of older people in the population is growing. However, kidney function deteriorates with age. Demographic development is therefore a key indicator for the future number of dialysis patients, which is expected to rise from around 3 M worldwide in 2016 to 3.7 M in 2020.
- Increase in lifestyle diseases: Diseases such as high blood pressure and diabetes are on the rise. They can cause damage to the entire organism and also 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 certain countries, a large number of patients now have 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 kidney patients will continue to rise, and that in future, the focus will no longer be only on offering individual dialysis products or services, but also on combining all fields of application related to dialysis and coordinating them more effectively.

Fresenius Medical Care's corporate strategy in the coming years will pursue the following four strategic objectives:

- growing continuously and expanding our global presence,
- tapping into new business areas,
- enhancing products and treatments,
- expanding operational excellence and flexibility.

Based on these four strategic objectives, we have devised specific measures that will form the main thrust of our corporate activities in the future.

Growing continuously and expanding our global presence

We are committed to actively shaping the development of the industry while benefiting from the global growth of the market. We achieve this, for example, by enabling more and more people to access life-saving dialysis treatment and developing innovative products and therapies that improve our patients' quality of life.

To strengthen our market position, we have developed various approaches ranging from organic growth to continuously assessing suitable acquisitions. A further requirement for lasting, profitable growth is aligning our business activities to attractive future markets. One option for tapping into new markets is through public-private partnerships in the dialysis business. The public sector benefits from a high-quality dialysis infrastructure, which allows it to care for more patients more effectively and at lower cost.

Tapping into new business areas

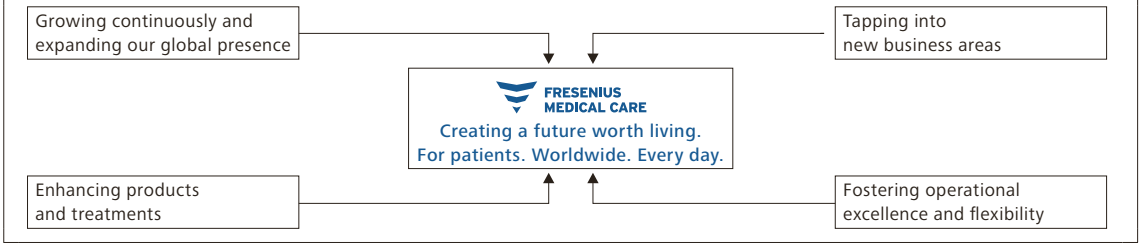
Fresenius Medical Care considers its main focus to be the holistic care of dialysis patients and dialysis-related treatments. In addition to our products and dialysis treatment itself, we are increasingly offering additional services for patient care. We combine medical services that go beyond dialysis treatment under the heading "Care Coordination". This integrated health care concept allows us to capture new business areas and thus meet the growing demand for holistic care for our patients. Furthermore, it enables us to integrate the individual treatment steps more effectively with the aim of further improving the quality of care for our patients and easing the strain on health care systems.

Enhancing products and treatments

Developing innovative products and continuously improving our dialysis treatments form an inherent part of our strategy of sustainable growth. We have a global network of research and development centers. This enables us to become familiar with local requirements and respond to them quickly. At the same time, chronic kidney failure is increasingly becoming a global problem, causing a growth in demand for improved, high-quality yet cost-efficient products. This gives rise to an increasing number of synergies in the area of product development, which we intend to leverage even more in future. For further information, see the "Research and development" chapter starting on page 52.

The quality and safety of our products and services are given top priority at Fresenius Medical Care. We consider them to be synonymous with our patients' quality of life. The quality of our products and services makes us a reliable partner for patients, physicians, and care staff alike. We will continue to focus on the quality of our products and services in the future.

CORPORATE STRATEGY C. 2.5



Expanding operational excellence and flexibility

Another key aspect for us is improving Fresenius Medical Care's profitability with lasting effect and managing the Company even more efficiently. We will keep on optimizing and modernizing administrative structures and processes in the future. In this way, we aim to meet the growth in demand and create the conditions to be able to respond more flexibly to changes in the market.

At the same, we will use our regional structure in the future to be a strong, reliable local partner, to react quickly to specific customer needs or changes in our markets or in the regulatory environment and to further improve access to new markets.

Back in 2014, we launched our Global Efficiency Program with the aim of enhancing the performance of the entire organization and boosting its competitiveness and investment capacity. At the end of 2016 we could finish the program successfully and achieved the efficiency gains as planned.

Growth strategy 2020

Based on our strategic objectives, we set ourselves new long-term targets in 2014 with our growth strategy 2020. The aim is to increase Fresenius Medical Care's revenue to $28 BN by 2020, corresponding to an average annual growth rate of around 10%. In accordance with IFRS in euro, this revenue goal would be €21 BN by fiscal year 2020 utilizing the currency exchange rates at the time our growth strategy was presented in April 2014. At currency rates prevailing at the beginning of 2017, this represents revenue of €24 BN in 2020. This increase in revenue should stem from both organic growth and acquisitions. At the same time, we expect high single-digit annual growth in net income. In addition to our ongoing strong performance in our core business with dialysis products and treatment for dialysis patients, we intend to achieve these targets by expanding Care Coordination.

Financial strategy

Along with optimizing our financing costs, top priority is given to ensuring financial flexibility in Fresenius Medical Care's financing strategy. We can achieve this by using a wide range of financing instruments in different markets and currencies and ensuring a high level of diversification with respect to the banks we work with. Our financing profile is characterized by a wide spread of maturities up to 2024.

Our main financing instrument is the syndicated credit agreement with revolving credit facilities and loans in U.S. dollars and euros.

In our long-term financial planning, we focus primarily on the debt/EBITDA ratio. Fresenius Medical Care holds a strong market position in the growing dialysis sector, which is considered to be non-cyclical and is characterized by relatively stable cash flows. For further information on our financial strategy, see the "Financial situation" section starting on page 71.

Key performance indicators

The Management Board of Fresenius Medical Care manages the Company on the basis of strategic and operating parameters as well as various financial indicators that are calculated in U.S. dollars on the basis of U.S. GAAP accounting standards. From 2017, we will be calculating these financial figures in euros and reporting in line with International Financial Reporting Standards (IFRS). Consequently, the "Outlook" starting on page 93 contains figures in euros derived from indicators calculated in line with IFRS. In addition, changes in the financial indicators will be determined in constant currency terms from 2017 due to the greater impact of changes in the currency rate on the euro figures.

The same key figures are used in the individual business segments as for managing the entire Company. In addition to the financial figures, non-financial performance indicators are collected, checked, and partly incorporated in the reporting at all levels of the Company. The overriding aim is always to ensure long-term corporate success.

In 2016, in the course of introducing the new Long-Term Incentive Plan 2016 (LTIP 2016), we defined return on invested capital (ROIC) as a new indicator for assessing our corporate development at Group level.

An overview of Fresenius Medical Care's key performance indicators can be found in table 2.6. The reconciliation of average invested capital and ROIC can be found in table 2.7 on page 39; the reconciliation of delivered EBIT in table 2.8 on page 40.

KEY PERFORMANCE INDICATORS — T. 2.6

	Definition	***2016***	*2015*
Net revenue	Proceeds from provision of services and sale, letting and leasing	$17,911 M	$16,738 M
Operating income (EBIT)	Indicator for assessing earning power	$2,638 M	$2,327 M
Operating income margin (EBIT margin)	Ratio of operating income to revenue; indicator for assessing profitability	14.7 %	13.9 %
Delivered EBIT	Calculated from operating income less noncontrolling interests; important figure for investors due to the significance of non-controlling interest holders in our operating activities; roughly equates to the operating income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA	$2,332 M	$2,043 M
Growth in net income	Earnings after taxes and net income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA; indicator for assessing earning power	21 %	– 2 %
Growth in basic earnings per share	Net income divided by the weighted average number of shares outstanding during the year	20 %	– 2 %
Capital expenditures	Ratio relating to the capital employed in the Company in the form of replacement and expansion investments	$1,012 M	$935 M
Net cash provided by operating activities *in % of revenue*	Net inflow of cash and cash equivalents generated from business operations in relation to revenue; indicator of solvency and internal financing potential (funds available for replacement and expansion investments) relative to net revenue	11.9 %	11.7 %
Free cash flow *in % of revenue*	Freely available cash flow after capital expenditures in relation to revenue; indicator of the funds available for acquisitions and investments, dividends to the shareholders and for loan repayments	6.3 %	6.1 %
Debt/EBITDA ratio	Debt divided by EBITDA (earnings before interest, taxes, depreciation, and amortization) adjusted for non-cash expenditure and acquisitions made during the year with a purchase price above a $50 M threshold as defined in the Amended 2012 Credit Agreement; indicator of how many years it takes to repay debts from own funds	2.4	2.8
Return on invested capital (ROIC)	ROIC refers to net operating profit after tax (NOPAT) in relation to the average invested capital of the last five end-of-quarter dates; it provides information on how efficiently we work with the available capital and how efficiently the capital is employed for a specific investment project; ROIC is determined according to IFRS in euro based on full-year numbers	7.8 %	7.1 %

RECONCILIATION OF AVERAGE INVESTED CAPITAL AND ROIC

T. 2.7

in $ M, except ROIC

2016	December 31, 2016 (in IFRS)	September 30, 2016[4] (in IFRS)	June 30, 2016[4] (in IFRS)	March 31, 2016[4] (in IFRS)	December 31, 2015[4] (in IFRS)
Total assets[1]	26,883	26,869	26,765	26,483	25,780
Plus: Cumulative goodwill amortization[1]	468	471	471	471	469
Minus: Cash and cash equivalents[1]	(747)	(632)	(725)	(530)	(562)
Minus: Loans to related parties[1]	(210)	(161)	(168)	(224)	(198)
Minus: Deferred tax assets[1]	(307)	(293)	(276)	(279)	(284)
Minus: Accounts payable[1]	(607)	(528)	(575)	(564)	(637)
Minus: Accounts payable to related parties[1]	(278)	(258)	(218)	(237)	(153)
Minus: Provisions and other current liabilities[1,2]	(3,011)	(2,871)	(2,867)	(2,666)	(2,689)
Minus: Income tax payable[1]	(255)	(254)	(254)	(279)	(235)
INVESTED CAPITAL[1]	**21,936**	**22,343**	**22,153**	**22,175**	**21,491**
Average invested capital as of December 31, 2016[1]	22,020	–	–	–	–
Operating income[3,4]	2,654	–	–	–	–
Income tax expense[3,5]	(930)	–	–	–	–
▸ **NOPAT[3]**	**1,724**	**–**	**–**	**–**	**–**
▸ **ROIC**	**7.8%**	**–**	**–**	**–**	**–**

2015	December 31, 2015 (in IFRS)	September 30, 2015 (in IFRS)	June 30, 2015 (in IFRS)	March 31, 2015 (in IFRS)	December 31, 2014 (in IFRS)
Total assets[1]	25,308	25,087	25,100	24,745	25,099
Plus: Cumulative goodwill amortization[1]	469	470	471	470	473
Minus: Cash and cash equivalents[1]	(550)	(621)	(582)	(623)	(634)
Minus: Loans to related parties[1]	(198)	(159)	(118)	(146)	(171)
Minus: Deferred tax assets[1]	(279)	(254)	(253)	(236)	(258)
Minus: Accounts payable[1]	(628)	(583)	(537)	(583)	(573)
Minus: Accounts payable to related parties[1]	(153)	(200)	(179)	(137)	(141)
Minus: Provisions and other current liabilities[1,2]	(2,655)	(2,456)	(2,471)	(2,386)	(2,311)
Minus: Income tax payable[1]	(235)	(225)	(221)	(224)	(257)
INVESTED CAPITAL[1]	**21,079**	**21,059**	**21,210**	**20,880**	**21,227**
Average invested capital as of December 31, 2015[1]	21,091	–	–	–	–
Operating income[3]	2,362	–	–	–	–
Income tax expense[3,5]	(872)	–	–	–	–
▸ **NOPAT[3]**	**1,490**	**–**	**–**	**–**	**–**
▸ **ROIC**	**7.1%**	**–**	**–**	**–**	**–**

[1] *Converted from euro to U.S dollar using the spot rate at the dates presented.*
[2] *Including non-current provisions and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.*
[3] *Converted from euro to U.S. dollar using the average rate for the years presented.*
[4] *Including adjustments for acquisitions made within the reporting period with a purchase price above a $50 M threshold as defined in the Amended 2012 Credit Agreement.*
[5] *Adjusted for noncontrolling partnership interests.*

Non-financial performance indicators

In addition, we measure our success on the basis of clearly defined non-financial indicators, although these do not form the core of Fresenius Medical Care's corporate management. They include:

- Number of dialysis patients: In 2016, Fresenius Medical Care treated a total of 308,471 patients in more than 45 countries (2015: 294,381 patients).
- Number of dialysis clinics: The number of dialysis clinics operated by Fresenius Medical Care was 3,624 in 2016 (2015: 3,418).
- Number of dialysis treatments: We performed 46.5 M dialysis treatments in 2016 (2015: 44.6 M).
- Number of employees: The number of employees has risen steadily in recent years. In 2016, 109,319 people worked at Fresenius Medical Care, compared with 104,033 in the previous year.

We manage our investments 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 specific investment projects or acquisitions are realized, our internal Acquisition & Investment Committee (AIC) examines the individual projects and measures, taking into account the return on investment and potential return. The investment projects are evaluated based on

DELIVERED EBIT RECONCILIATION T. 2.8

in $ M

	2016	*2015*
North America		
Operating income (EBIT)	2,119	1,798
less noncontrolling interests	(295)	(274)
Delivered EBIT	1,824	1,524
Dialysis		
Operating income (EBIT)	2,060	1,701
less noncontrolling interests	(270)	(234)
Delivered EBIT	1,790	1,467
Care Coordination		
Operating income (EBIT)	59	97
less noncontrolling interests	(25)	(40)
Delivered EBIT	34	57
EMEA		
Operating income (EBIT)	524	577
less noncontrolling interests	(4)	(3)
Delivered EBIT	520	574
Asia-Pacific		
Operating income (EBIT)	319	298
less noncontrolling interests	(7)	(7)
Delivered EBIT	312	291
Latin America		
Operating income (EBIT)	66	48
less noncontrolling interests	0	0
Delivered EBIT	66	48
TOTAL		
Operating income (EBIT)	2,638	2,327
less noncontrolling interests	(306)	(284)
Delivered EBIT	**2,332**	**2,043**

commonly used procedures such as the net present value and internal interest rate methods; payback periods are also included in the assessment. In this way, we try to ensure that we only make and implement investments and acquisitions that actually increase enterprise value.

Further information on acquisitions can be found in the "Financial situation" section starting on page 71.

Details of the development of these indicators as well as other financial figures can also be found in the "Results of operations", "Financial situation, assets and liabilities" chapter starting on page 65.

CORPORATE RESPONSIBILITY

Not only do a number of external factors affect a company's activities; companies themselves also influence their environment in many ways. We put our patients at the center of everything we do. As a manufacturer and provider of dialysis products and health care services, we work together with suppliers as well as other companies and organizations in the health care system as a business partner. In addition, we act as a partner for state health care systems, i. e. governments, and thus make an important contribution to society. We are also an international employer. At the same time, our corporate activities are aimed at using resources in an environmentally sound way. Corporate responsibility at Fresenius Medical Care therefore goes beyond economic responsibility and is geared towards sustainability and trust with regard to our stakeholder groups and their many demands on Fresenius Medical Care.

Consequently, we consider sustainable action to be an integral part of our commercial success rather than just one of many factors. Responsible management and trust-based dialog with our stakeholders are therefore firmly embedded in our Code of Conduct.

For Fresenius Medical Care, sustainability means acting responsibly to achieve commercial success as well as environmental and social progress, and to secure the Company's future. In this respect, we distinguish between the following four areas:

- economic responsibility,
- responsibility for our employees,
- responsibility for the environment,
- social responsibility.

In 2016, we launched a Company-wide project to enhance our sustainability reporting. Part of this involves conducting a materiality analysis, which we started at the end of the year. We will continue the project in 2017 and report on the results in detail in the first half of 2018.

Fresenius Medical Care's sustainability activities again won plaudits in 2016: Our Company has featured in the prestigious Dow Jones Sustainability Europe Index every year since 2009.

Stakeholder dialog and sustainable value-added

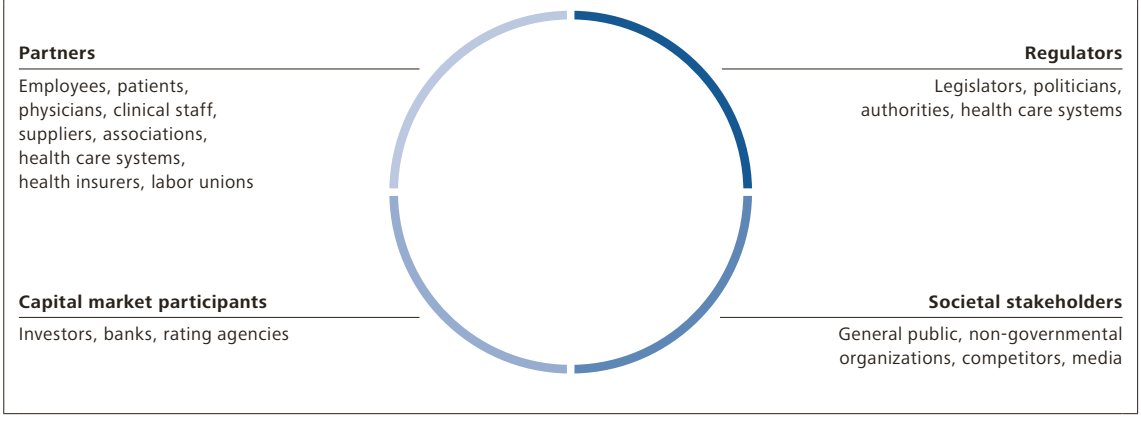
Our business activities are based on responsible management that is rooted in integrity, sound corporate governance and adherence to compliance principles and requires and encourages ethically impeccable conduct from all employees and managers. Due to Fresenius Medical Care's global presence and regional diversity, our sustainability management is largely decentralized, in the same way as our operations management.

Regular, trust-based interaction with our stakeholders – see chart 2.9 on page 42 – is very important to us. They place many different demands on Fresenius Medical Care both at a national and an international level. We aim to make our corporate decisions more transparent and create trust through dialog. At the same time, by interacting with our stakeholders, we can identify a wide range of trends at an early stage, strengthen our social commitment and act sustainably.

Sustainable corporate development is based on economic responsibility and business success. We can only create value for our stakeholders by delivering profitable growth via the successful implementation of our strategy. This in turn provides a long-term foundation for Fresenius Medical Care. For this reason, the value analysis in table 2.10 on page 42 depicts not only the Company's business success in the strict sense of the term (e. g. revenue, profit, returns on capital employed), but also its more broadly defined measurable output that benefits our various interest and stakeholder groups. Through our corporate activities and ongoing business operations, we generate value and thus meet our stakeholders' expectations as a reliable employer for managers, physicians, medical staff and many other employees. This also applies to our creditors and our investors. By paying business tax, we make a direct contribution to society.

Value-added – in other words the Company's contribution to private and public income and its distribution among all involved parties – is the result of the Company's output after deducting outlays, such as material expenses or depreciation and amortization. Company output includes revenue, changes in inventories, own work capitalized, other operating income, interest income, and income from investments. In 2016, we increased our value-added by 10% to $9,854 M – see table 2.10.

KEY PLAYERS IN THE STAKEHOLDER DIALOG C. 2.9

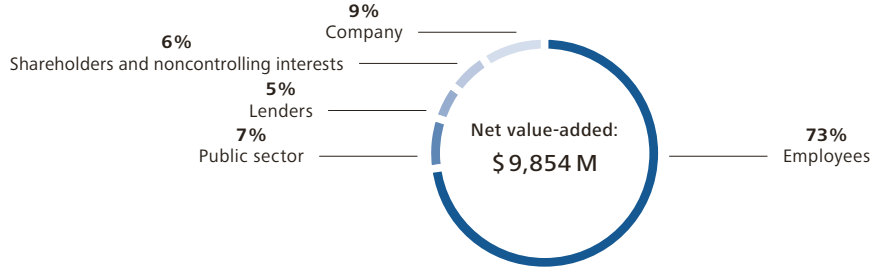


ORIGIN OF SUSTAINABLE VALUE-ADDED T. 2.10

in $ M

	2016		2015	
Creation				
Company output	17,960	100%	16,729	100%
Outlays	(7,330)	–41%	(7,083)	–42%
Gross value added	10,630	59%	9,646	58%
Depreciation and amortization	(776)	–4%	(717)	–4%
▸ **NET VALUE ADDED**	**9,854**	**55%**	8,929	54%

USE OF VALUE-ADDED [1] C. 2.11



[1] *Subject to approval of the proposal for the appropriation of earnings in 2016 at the Annual General Meeting on May 11, 2017.*

Chart 2.11 on page 42 shows the value-added we created for our stakeholders in 2016 and how it was used. Our employees benefit from by far the biggest share of the generated value-added. Significant amounts of our value-added also go to our lenders and shareholders and to society as a whole in the form of taxes.

Economic responsibility

Taking economic responsibility is an integral part of our corporate strategy and management. Fresenius Medical Care was again economically successful in 2016 and posted profitable growth.

We present our economic development and responsibility in detail, particularly in the chapters "Strategy, objectives and corporate management" starting on page 35, "Results of operations, financial situation, assets and liabilities" starting on page 65 and in the "Consolidated financial statements and notes to consolidated financial statements" starting on page 143.

Responsibility for our employees

Fresenius Medical Care owes its business success to the commitment of its employees. We offer them a varied working environment and long-term prospects. Our strategy of recruiting employees with outstanding skills and great potential and supporting their development within the Company using targeted measures also means that we are investing in the future of our Company. By offering diversity, fair, performance-related working and pay conditions, continuous personnel development and a healthy work-life balance, Fresenius Medical Care aims to retain and increase its attractiveness as an employer.

Our operational personnel management is organized on a regional basis to meet the requirements in different countries. At the functional level, the division is managed globally to ensure a uniform strategic approach in line with the overriding corporate objectives.

Number of employees growing continuously

As of December 31, 2016, Fresenius Medical Care employed a total of 109,319 members of staff (full-time equivalents) in more than 50 countries worldwide. As a result, our workforce grew by 5%, or 5,286 in absolute terms, compared to the previous year. This was attributable mainly to organic growth in our regions and to acquisitions.

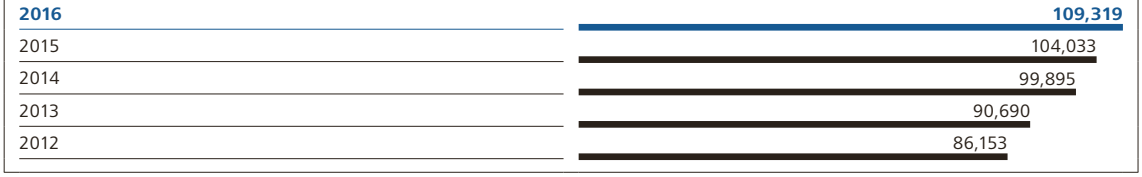
At the end of the year, most of our employees were based in North America, followed by the EMEA region (Europe, Middle East, Africa). The workforce in the North America region grew fastest last year as a result of expanding our clinic network.

Staff costs rose to $7.17 BN in 2016 (2015: $6.49 BN), corresponding to 40% (2015: 39%) of revenues. Average staff costs per employee stood at $65,587 (2015: $62,342).

In Germany, Fresenius Medical Care employed approximately 5,500 people (2015: around 4,900) at the end of the year under review, accounting for around 5% (2015: 5%) of the total workforce. This underscores our very high degree of internationalization. The average age of our employees in Germany was 43.5 years, somewhat higher than the previous

NUMBER OF EMPLOYEES C. 2.12

Full-time equivalents



year's figure (43.3 years). The average length of employment in the Company slightly increased from 11.8 years in 2015 to 11.9 years in 2016. The staff turnover rate was 5.1% (2015: 5.8%).

Recruitment: Enhancing our attractiveness as an employer

As well as retaining employees with outstanding skills and great potential, we position Fresenius Medical Care as an attractive employer on the labor market more than ever. This makes it easier to recruit qualified new employees now and in the future. One result of our efforts in this area is that we are increasingly perceived as an attractive employer, gaining plaudits for this in various countries and regions. For example, in 2016, we were the only renal care provider to be included in the Forbes Best Employers List in North America, while our accolades in Germany included being named a Kununu Top Company and a Top National Employer by "Focus" magazine.

Fresenius Medical Care gives students the opportunity to gain practical experience in various areas of the Company. We supervise internships, student research and project studies as well as bachelor and master theses, and cooperate closely with higher education institutions to enable young people to get to know us as an attractive employer early on. One example of this is our partnership with the University of Applied Sciences in Würzburg-Schweinfurt (FHWS). The FHWS provides outstanding specialist education in business engineering, plastics technology, mechanical engineering, computer engineering and especially electrical engineering with a focus on medical technology and automation technology. Its students and graduates are attractive potential employees for Fresenius Medical Care, particularly for our dialysis machine development and production site in Schweinfurt. For this reason, we have signed a cooperation agreement with FHWS covering aspects such as scholarships and student excursions to the Schweinfurt plant, as well as lectures and semester-long projects within various divisions of our Company.

In addition to conventional recruitment activities, we get the opportunity to meet young researchers by cooperating with international higher education institutions in the area of research and development and supporting young scientists, for example as part of their doctoral thesis.

Diversity as an integral part of our personnel strategy

Worldwide, Fresenius Medical Care brings together a wide range of cultures and skills under one corporate roof. We value the diversity that our employees provide in the form of their qualifications, personal strengths, characteristics, interests and ideas. We will continue to promote diversity in the Company in the future, emphasizing and embracing it as one of the Company's strengths.

Other key issues in this respect are the share of women and men in the Company as a whole and in management positions. In 2016, 69% of employees were female. The proportion of women in the first management level below the Management Board at the end of 2016 was 19.3% and 25.2% in the second management level. The first management level comprises all direct reports worldwide to a member of

EMPLOYEES BY FUNCTIONAL AREA T. 2.13

Full-time equivalents

	2016	2015	Change	Share
Production and services	95,687	91,208	4,479	87%
Headquarters	9,606	9,298	308	9%
Sales and marketing	3,232	2,878	354	3%
Research and development	794	649	145	1%
▸ **TOTAL**	**109,319**	**104,033**	**5,286**	**100%**

the Management Board who are participants of the Long-Term Incentive Program "LTIP" (or any successive program). The second management level comprises all direct reports worldwide to a member of the first management level who are participants of the LTIP (or any successive program).

For us, however, the total number of participants in the group-wide LTIP is the best indicator of the number of women in leading executive positions around the world. The proportion of women among these top executives at the end of 2016 was approximately 33%.

At Fresenius Medical Care, qualifications are the paramount consideration in all hiring and promotion decisions. This means that women and men with comparable abilities have the same career opportunities. Fresenius Medical Care will continue to rigorously apply this principle, while naturally adhering to the obligations arising from the German Act on the Equal Participation of Women and Men in Executive Positions in Private Companies and the Public Sector.

Training young people

All over the world, we employ staff who come to us straight from school or with just a few years of working experience and offer them professional training. In doing so, we are investing in their future and our Company's future viability. In Germany, systematic vocational training is particularly valued and has a long tradition. In association with the Fresenius Group, we can offer young women and men a wide range of prospects in the form of apprenticeships or as part of dual degree programs in a variety of trades, from warehouse logistics specialists, electronics technicians for operating equipment and IT specialists to industrial business management assistants. They also include internships as part of Bachelor of Arts courses in freight forwarding, transportation and logistics, and Bachelor of Science courses in business information technology. In addition, we offer training opportunities in digital media studies at our headquarters in Bad Homburg in cooperation with the Baden-Württemberg Cooperative State University. In 2016,

EMPLOYEES BY REGION AND DIVISION T. 2.14

Full-time equivalents

	2016	*2015*	*Change*	*Share*
▸ **NORTH AMERICA**	**56,792**	**53,920**	**2,872**	**52%**
Health Care Services	55,653	52,886		
Dialysis Products	1,139	1,034		
▸ **EUROPE, MIDDLE EAST AND AFRICA**	**18,066**	**16,695**	**1,371**	**17%**
Health Care Services	14,597	13,595		
Dialysis Products	3,469	3,100		
▸ **ASIA-PACIFIC**	**9,121**	**8,260**	**861**	**8%**
Health Care Services	7,082	6,454		
Dialysis Products	2,039	1,806		
▸ **LATIN AMERICA**	**9,201**	**9,005**	**196**	**8%**
Health Care Services	8,332	8,207		
Dialysis Products	869	798		
▸ **WORLDWIDE**	**109,319**	**104,033**	**5,286**	**100%**
Health Care Services	85,664	81,142		
Dialysis Products	7,516	6,738		
Corporate[1]	16,139	16,153	(14)	15%

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

we provided vocational training for more than 3,700 apprentices jointly with the Fresenius Group. In addition, more than 100 students were enrolled in dual education courses last year.

Through our involvement in and with schools, we aim to continue encouraging young people to start their career at Fresenius Medical Care and support them in choosing a suitable profession. To this end, we organize information events for pupils, parents and teachers, visits to plants for school classes, internships, assistance with bachelor theses and job application training courses. For example, in 2016, we were involved in the "Training Night" in Bad Homburg for the sixth time. At this event, students and parents can find information about vocational training and dual education as well as career prospects at Fresenius Medical Care.

Personnel development

We place great value on enabling our employees to apply their individual skills in our Company to the best of their ability and to continue on their career path as a specialist, manager, or project leader. Fresenius Medical Care is constantly expanding its training portfolio with this in mind.

Life-long learning, continuous feedback on personal performance, and professional challenges in line with employees' abilities are important instruments in our Company-wide personnel development program. Our global presence also gives employees wide-ranging opportunities to work abroad. We can therefore offer talented employees clear career prospects while ensuring effective succession planning.

Training and further education for dialysis experts

As one of the world's largest employers of medical personnel, we attach great importance to providing our specialist dialysis staff with a wide range of training and further educational opportunities. We offer needs-based training and further education for employees at our dialysis clinics, predominantly at a regional and national level. Examples include:

- The Clinical Advancement Program (CAP): We are the first dialysis service provider in North America to offer an advanced training program specifically for state-registered nurses with the aim of supporting their career development. The focus here is on developing and expanding their specialist and managerial skills as well as preparing them specifically for their future career steps.
- The National PCT III Preceptor Program: An advanced training program in North America used to teach nurses to become instructors, enabling them to train new employees in patient care themselves.

Management development

In the year under review, we began adapting our management development to the changing requirements of a globally growing company. Various regional programs are currently being revised or set up, and new global programs are being planned. Furthermore, in 2016, we continued two of our established development programs that we run with prestigious universities:

- The Fresenius Top Executive Program is a worldwide, Company-specific development program for top managers, focusing on leadership, change management and globalization. We run this program in cooperation with Harvard Business School.

PERCENTAGE OF MEN AND WOMEN IN THE COMPANY T. 2.15

Based on headcount

	2016	*2015*
Total employees *in %*		
Male	31	31
Female	69	69
Employees in upper management positions *in %*		
Male	67	68
Female	33	32

- The Fresenius Strategic Management Skills Program is a global program for personnel development at middle management level as well as for employees with management potential. We run this program in cooperation with the University of St. Gallen.

E-learning

Digital learning formats, i. e. learning via the internet and intranet, are a key part of our advanced training options. Our Fresenius Learning Center is an interactive e-learning platform that provides access to a large number of learning programs for different target groups, often in the respective language. This enables Company-wide standards to be communicated at international level and local or Company-specific content to be conveyed flexibly and efficiently. Our e-learning platform is now available to employees in more than 70 countries.

Performance-related pay

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

Profit sharing

We encourage our employees to identify with Fresenius Medical Care by giving them a stake in our Company's success. Annual bonuses for all employees in Germany are based on the operating earnings (EBIT) of the Fresenius Group in that particular year. In 2016, each eligible employee received a profit share of €2,200 for the previous fiscal year. Employees receive half of this amount in the form of Fresenius Medical Care stocks, while the other half is paid in cash.

Long-Term Incentive Plan

The new Long-Term Incentive Plan 2016 (LTIP 2016) was launched with effect from January 1, 2016, replacing the previous Long-Term Incentive Program 2011. LTIP 2016 is a performance share plan involving cash payments in which members can be allocated so-called performance shares between 2016 and 2018. Performance shares are non-equity-backed virtual remuneration instruments that can entitle members to cash payments depending on the attainment of predefined performance targets and the performance of the Company's share price. The predefined performance targets support the growth strategy 2020 and relate to revenue growth, an increase in net income and return on invested capital (ROIC). The number of performance shares allocated may change over the three-year assessment period (2016 to 2018) depending on the level of attainment of the three performance targets. The final number of performance shares awarded is always considered vested after a four-year vesting period starting on the date of the allocation. Around 940 senior managers worldwide received performance shares in 2016 as part of LTIP 2016.

Further information on the structure of LTIP 2016 can be found in the "Notes to the consolidated financial statements" starting on page 143.

Attractive working environment

We aim to offer our employees an attractive working environment that enables them to combine their professional and family lives. We support this not only with flexible working time models, health care and sports options, as well as financial assistance programs, but also by giving them opportunities to help our patients on a collective and voluntary basis. These offers differ from country to country in line with local requirements and conditions. Consequently, the programs described here are only a small selection.

PROFIT SHARING T. 2.16

	2016	2015	2014	2013	2012
Figure *in €*	2,200	2,335	2,134	2,164	2,036
Number of eligible employees	3,549	3,417	3,213	3,325	3,231

Work-life balance

To supplement our other working time models, we offer compensation time accounts in Germany. In addition to a salary component in line with collective pay agreements, employees can "pay" value equivalents such as vacation days or compensation components into these personal time accounts and use them later on, for example for their professional development or a flexible transition to retirement. The aim of this program is to offer our employees attractive long-term prospects within the Company and thus benefit from their experience for as long as possible.

Health care management programs

In the year under review, we started offering our non-managerial staff voluntary and exclusive health checks in defined intervalls. The scope of this check goes far beyond the preventive examinations by statutory health insurers.

Financial assistance programs

In North America, we support a college scholarship program for our employees' children and grandchildren to assist them in their education. Approximately 200 scholarships are awarded through this program each year.

Also in North America, the "CARES Fund" enables us to offer financial assistance to employees and their families who have suffered hardship as a result of natural disasters, accidents or other life-changing events.

Setting the highest standards for occupational safety

We are continuously enhancing our occupational safety measures and standards. Each year, our production sites and laboratories in the U.S. are put through a formal program to monitor environmental and occupational safety standards. Audits are carried out to check compliance with regulations from the U.S. Occupational Safety & Health Administration, the Department of Transportation and the Environmental Protection Agency as well as state and local statutes. In 2016, Fresenius Medical Care North America received the "Safety in Excellence Award" for the 17th time from the U.S. casualty and property insurer CNA. This award honors the Company's commitment to its employees' health, to safety as well as to damage and risk prevention.

In the EMEA region (Europe, Middle East and Africa), we bundled our occupational health measures in a central management system for occupational safety in line with the BS OHSAS 18001 standard in 2013 and incorporated it into our integrated management system.

Responsibility for the environment

To ensure that we fulfill our corporate responsibility to the environment in a systematic and coordinated way, we have established a corporate environmental management system. This enables us to implement environmental requirements and design our operational processes to use resources as efficiently as possible, and in this way to save on costs. The main objectives of environmental protection at our Company are to comply with environmental regulations, continuously optimize the use of resources and reduce the associated CO_2 emissions. In addition, our environmental management increasingly supports the business divisions in creating added value for our customers with eco-friendly products and services.

Environmental management organization and environmental strategy

As our corporate structure is decentralized, we implement environmental management at a regional level, as we do with most of our other operating measures. The responsible environmental managers develop strategies to boost environmental protection at our production sites and dialysis clinics and promote ecological awareness among our employees on site. They also coordinate environmental audits carried out at our production sites and dialysis clinics by external government agencies, institutions and our own auditors.

Environmental management is part of our integrated management system in the EMEA region (Europe, Middle East and Africa). External experts regularly check compliance with the ISO 14001 environmental management standard at our Company

headquarters, in research and development, as well as in our certified plants and certified national clinic organizations. At the end of 2016, eight of our European production sites (2015: eight) and our medical product development were certified according to ISO 14001. The certified environmental management system has now been introduced in 14 European countries (2015: 14).

From 2009 until 2016, we could already achieve reductions of our average water usage per dialysis treatment by 7% and electricity by 15% – see chart 2.17. In addition, we have significantly reduced the volume of blood-contaminated waste in recent years. Our aim is to keep these figures down in the future, taking existing legislation into account. Additionally, we have also set ourselves the target of further reducing water consumption by 11% on average, and electricity consumption by 7% per dialysis treatment between 2013 and 2018.

Environmental management at our production sites

At our European production sites, we calculate the resource efficiency of our production processes using performance indicators for energy and raw material consumption. This enables us to find ways to further improve a production process that has already been largely optimized. A certified energy management system based on ISO 50001 is in place at our two largest German production sites in St. Wendel and Schweinfurt. By assessing the energy efficiency of all processes and facilities, we aim to identify further potential savings and then introduce appropriate measures.

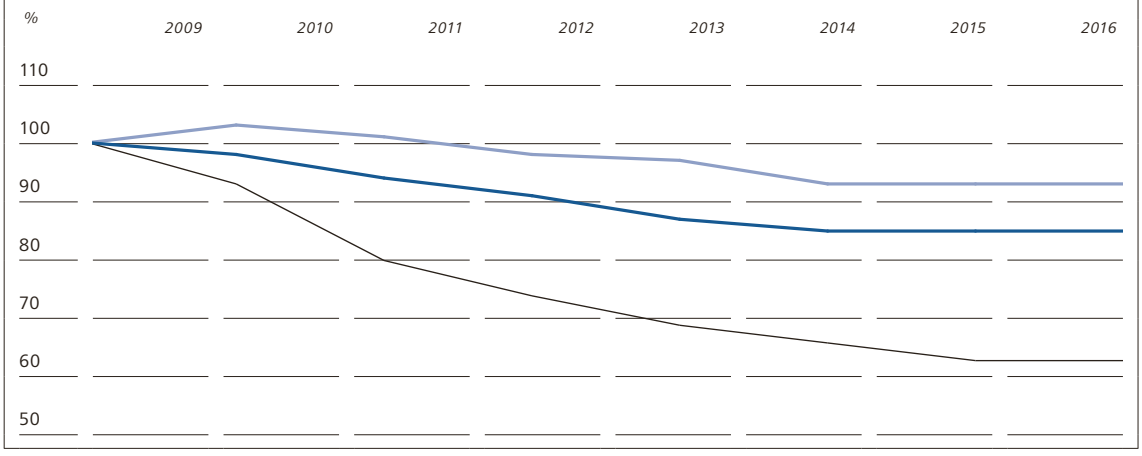
We are also continuously striving to make our production processes even more environmentally friendly in North America. For example, in Ogden, our largest production site in North America, we recycle the large amounts of water and solvent required for dialyzer production. We have also gradually reduced our consumption of energy and natural gas here in recent years. In addition, we recycle much of the plastic and cardboard waste from our North American production sites.

Ecologically sustainable dialysis products

We are continuously working to make our products and processes more environmentally friendly, for example by using new materials with improved environmental properties or developing new technologies that further reduce the resource consumption of our dialysis machines. In this way, we aim to provide our customers with added value by helping them save on costs and fulfill environmental requirements more effectively.

DEVELOPMENT OF ENVIRONMENTAL PARAMETERS IN OUR DIALYSIS CENTERS C. 2.17

in % per dialysis treatment



Source: Clinical software e-con5 for the region Europe, Middle East and Africa

Environmental management in our dialysis clinics

One of our top priorities is to further reduce the impact of dialysis treatment on the environment while ensuring resource and cost efficiency. We achieve this by using ecologically sustainable dialysis products as well as constructing, modernizing and running environmentally friendly dialysis clinics.

For example, in North America, internal guidelines ensure that our clinic buildings and interiors are designed to be as environmentally compatible as possible. We meet or surpass industry standards for the insulation of roofs, walls, doors and windows.

As part of our eco4dialysis initiative, we offer to make the technical and medical processes of our own dialysis clinics and those of other operators in the EMEA region more efficient and adapt them to the individual local conditions. Our aim in doing so is to optimize the consumption of resources and reduce operating costs.

A central element in managing the resource efficiency of our dialysis clinics in the EMEA and Latin America region is our clinical software e-con5, which we launched in 2008 to create a comprehensive environmental management system for these regions. Of our dialysis clinics, 526 in Europe (2015: 518) and 213 in Latin America (2015: 209) now use e-con5, enabling them to gather and compare data on resource efficiency and quickly make improvements. Thanks to this software, we have systematically reduced water and energy consumption as well as the amount of blood-contaminated waste in our dialysis clinics in the EMEA region in the past few years.

Social responsibility

In a global market, Fresenius Medical Care is organized decentrally with a high level of local responsibility for business operations. This also applies to our Company's social commitment. For this reason, we support not only global organizations and projects, but also especially regional and local initiatives. In this respect, we focus mainly on projects that serve the common good and promote sustainable development according to the principle of helping others to help themselves, and therefore have a long-term impact.

Commitment to a better quality of life

As a dialysis company, our goal is to continuously improve the quality of life of kidney patients. We pursue this aim also beyond our core range of products and services by cooperating globally with regional and international associations and institutions that champion the interests of dialysis patients. In addition, we develop our own initiatives to help patients lead a healthier and more active life.

To this end, we sponsor the Renal Support Network in the U.S., a charitable association run by and for patients with chronic kidney failure. It aims to provide patients and their families with health education, give them more confidence in day-to-day life and boost their initiative.

In Brazil, we provide financial and professional support to the Fundação do Rim, a charitable foundation that helps young dialysis patients in the province of Rio de Janeiro. This foundation is committed to raising awareness among the authorities and the public of the need for an adequate provision of medication for children and adolescents, access to kidney transplants, and more pediatric dialysis units in hospitals. At the same time, the foundation organizes special programs for young patients, such as exercise, art and music therapy classes, and trains parents on how to deal with their children's disease.

In Colombia, we have set up our own foundation to promote the health and well-being of our patients beyond actual dialysis treatment, too. The Fundación Fresenius is financed by donations from industry, our employees and private individuals. For example, it provides patients with a hot meal after dialysis treatment, the only meal of the day for many of them. It also offers patients in need free travel between their home and the dialysis clinic.

Raising public awareness

We regularly take advantage of the annual World Kidney Day to inform people worldwide about the importance of the kidneys and the negative effects of kidney disease. Our employees take part in awareness-raising campaigns in hospitals, shopping centers and schools and on social media with a wide range of initiatives.

To mark our 20th anniversary, we made a donation in 2016 to the German National Kidney Association, a self-help organization of dialysis patients and kidney transplant patients.

Using our expertise and network for social commitment

Fresenius Medical Care organizes and supports scientific conferences with international nephrology experts as well as training programs for physicians and dialysis specialists worldwide, thus helping to ensure a high level of quality in dialysis.

Emergency aid in crisis situations

To ensure that patients' vital dialysis treatment is not interrupted even in extreme weather conditions such as severe storms or floods, Fresenius Medical Care's professional emergency response teams are called into action in the affected regions. Their task is to protect patients and employees in emergency situations and to give patients the best possible care, even under difficult conditions.

The Company as a whole fulfills its social responsibility in crisis situations or in the event of international disasters. We provide funds, dialysis machines and medical supplies for institutions that need specific aid quickly. Our own crisis teams go into action if our patients or employees are directly affected by natural disasters, for example when a devastating earthquake hit the coastal region of Ecuador in spring 2016. Although a lot of medical facilities and equipment were badly damaged by the earthquake, the crisis teams managed to ensure that all Fresenius Medical Care dialysis patients were given emergency care and received their vital dialysis treatment.

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

RESEARCH AND DEVELOPMENT

Developing innovative products and continuously improving our dialysis treatments form an inherent part of our growth strategy. Our global research and development (R&D) activities, which are centrally managed in the "Global Research and Development" division, enable us to develop products efficiently and to 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. With regard to our R&D activities, this confirms our intention to develop innovative products that are not only of the highest quality, but are also affordable. Based on our experience in operating our own dialysis clinics, we know that these are not incompatible aims.

Our R&D strategy is globally oriented. This enables us to respond even better to the global rise in demand for improved, high-quality yet cost-efficient treatment methods. In doing so, we also take regional market conditions into account and offer an accordingly differentiated product range. In future, we intend to deliver innovative, competitive products in an even more timely manner and strengthen our focus on developing countries. All in all, we have identified six core areas as the focal points of our R&D activities – see chart 2.18.

Market leadership

To maintain our position as market leader, we aim to regularly and sustainably offer innovative technologies, products, and features that put us ahead of the competition. In addition, we want to improve our processes, manufacturing, services and, most importantly, the quality of life and medical outcomes for our patients.

Vertical integration

R&D analyzes and improves therapy systems as well as processes in our dialysis clinics. As we are a vertically integrated company, our R&D benefits from direct access to the opinions and experience of patients and clinical staff at our own dialysis centers. This helps us to enhance the usability and features of our products in such a way as to further optimize and automate processes in the dialysis clinics and simplify operations.

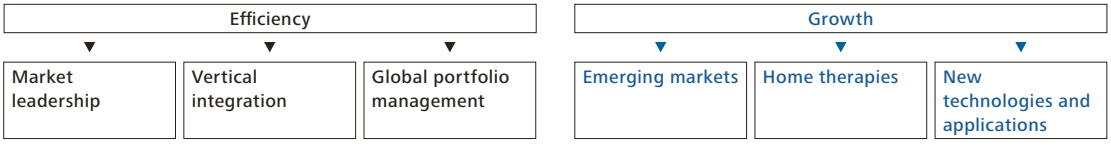
Global portfolio management

We manage and control our global product portfolio to enable us to quickly identify synergies between different product families. By exploiting these synergies, we can improve R&D efficiency and speed up time to market. Different markets have different requirements. Our platform architecture and modular system components allow us to reduce development times, achieve economies of scale in purchasing, and further pool our R&D resources.

Emerging markets

Many dialysis patients in emerging economies still do not have reliable access to treatment. The potential in these areas is high. With this in mind, we are developing a dedicated product portfolio for these regions and expanding our local presence. As one of the larger emerging economies, China is a key priority. We have a dedicated development center in this country. While the focus is currently on peritoneal dialysis products and dialysis machines, the aim is to develop a complete product portfolio especially for this market.

R&D ACTIVITIES C. 2.18



Home therapies

More and more people suffer from chronic kidney failure. This increases the cost burden for health care systems; at the same time, the availability of trained personnel for dialysis centers is limited. As a result, demand for home therapy systems is on the rise around the world. Home dialysis and its associated technologies and products are therefore another key focal point of our R&D activities.

New technologies and applications

To ensure growth in the medium- and long-term, we not only work on new products that are about to be launched, but also develop innovative technologies and applications. A stringent and systematic portfolio management approach ensures transparency across all projects and new ideas.

In addition to the R&D activities carried out within our Company, we collaborate with external partners to create a comprehensive innovation and technology network. These include numerous academic institutions, such as research institutes at renowned universities in the U.S. Another partner is the Renal Research Institute (RRI) in New York. This subsidiary of Fresenius Medical Care North America is a leading institution in the field of clinical research into chronic kidney failure.

Together, we are working on fundamental issues relating to dialysis treatment. We are increasingly working with start-ups to encourage an open culture that promotes innovation and to gain access to the latest technologies both in our core business as well as in adjacent areas that are of future strategic interest to us.

In 2016, we formed Fresenius Medical Care Ventures to allow us to participate in young start-ups as a strategic investor. Fresenius Medical Care Ventures is another element of our innovation strategy. Our first investment is a company that develops extracorporeal treatment for bloodstream infections.

Also in 2016, we officially presented Unicyte AG, a wholly-owned subsidiary of Fresenius Medical Care. Unicyte evolved from the long-standing research partnership between Fresenius Medical Care and the University of Turin and aims to translate projects in the areas of regenerative medicine, adult stem cells, and nanoscale extracellular vesicles (the smallest membrane particles that can transfer a complex set of information from one cell to another) into clinical programs. The new organizational structure will allow us to involve additional partners.

Innovations in 2016

We launched a new therapy system last year. The 6008 CAREsystem meets Fresenius Medical Care's high therapy standards, optimizing dialysis treatment while minimizing the number of operating steps required. Operation of the dialysis system is simplified further by a new, all-in-one disposable with pre-connected blood tubes for all treatment modalities. As well as being cost-efficient, the 6008 CAREsystem is environmentally friendly, generating less waste during dialysis than other systems.

In 2016, we also gathered the first clinical data from a new dialyzer. Its hollow fibers have a modified inner wall that allows blood to pass more effectively, thereby reducing the need for heparin in standard dialysis treatments. Heparin slows down blood clotting and prevents the patient's blood from coagulating in the tubes of the dialysis machine.

Fresenius Medical Care offers home dialysis patients innovative product solutions for both hemodialysis and peritoneal dialysis. We are also expanding our product range in the Asia-Pacific region by developing new products and solutions for continuous ambulatory peritoneal dialysis (CAPD) and manufacturing them locally.

We are currently developing a whole portfolio of state-of-the-art peritoneal dialysis (PD) technologies together with our partners. The new product platform will offer dialysis systems, so-called cyclers, designed for use in automated peritoneal dialysis (APD) therapy, the most common home therapy for treating end-stage renal disease. Cyclers are devices that automatically exchange 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. The new cyclers are small, lightweight and compact, making them ideal for home treatment. This new generation of PD cyclers will provide greater flexibility for dialysis patients.

Ethical standards in R&D

As part of our innovation culture, we also strive to carry out R&D responsibly.

Whenever Fresenius Medical Care launches a new medical device or pharmaceutical product, the Company is legally required to prove and extensively document its safety and effectiveness. This can result in the need for clinical studies. Our industry is subject to extensive guidelines and laws intended to ensure that no ethical principles are violated during such studies, that physicians and institutions carrying out studies on companies' behalf have been carefully selected based on their qualifications, and that scientifically accepted methods are applied. They include, for example, the declaration of the World Medical Association, which prescribes basic ethical principles for clinical research, EU directives on pharmaceuticals (such as Directive 536/2014/EU), the EU Medical Device Directive (Directive 93/42/EEC, MDD), and ISO standard 14155, which defines rules for the conduct and reporting of clinical investigations of medical devices. Fresenius Medical Care carries out its clinical research in accordance with these regulations. In addition, we observe national laws and regulations such as the Pharmaceuticals Act (AMG) and the Medical Devices Act (MPG) in Germany, or the U.S. Food and Drug Administration (FDA) regulations. Fresenius Medical Care's own Standard Operating Procedures (SOP) for employees combine these regulations with internal rules to ensure that clinical investigations commissioned by us are carried out and documented properly. Before an investigation can even begin, it requires approval by ethics committees in the relevant countries.

As a matter of principle, our strategy is to avoid animal testing and to use alternative methods wherever possible. Where this is not possible, such tests are carried out by third-party research institutes in recognized test laboratories, and are always approved by an ethics committee for animal testing.

For ethical reasons, our research projects use adult stem cells only and not embryonic stem cells.

EXPENDITURES FOR R&D T. 2.19

in $ M

	2016	2015	2014	2013	2012
▸ TOTAL	162	140	122	126	112

NUMBER OF PATENTS T. 2.20

	2016	2015	2014	2013	2012
▸ TOTAL	7,748	6,643	6,133	5,560	4,850

EMPLOYEES IN R&D T. 2.21

Full-time equivalents

	2016	2015	2014	2013	2012
▸ TOTAL	794	649	599	552	530

R&D resources

In the year under review, Fresenius Medical Care spent a total of $162 M on research and development (2015: $140 M). Around a quarter of our R&D expenditures went into funding advance developments, which lay the foundations for future product innovations.

At the end of 2016, our patent portfolio comprised 7,748 patents in 1,163 patent families, i. e. groups of patents linked to the same invention. Our R&D work generated in the year under review 107 additional patent families. A broad portfolio of patents will provide us with a wide range of treatment options in this competitive area in future.

In 2016, 794 highly qualified employees worked for Fresenius Medical Care in R&D (2015: 649). They come from various backgrounds: Physicians work side by side with software specialists, business economists, and engineers in interdisciplinary teams.

Most activities are carried out at our facilities in Schweinfurt and Bad Homburg (Germany). Other R&D sites are in St. Wendel (Germany), Bucharest (Romania), and Krems (Austria). In 2016 in the U.S., the Company maintained centers of excellence for the development of dialysis machines in Concord and Lake Forest, California, and for dialyzers and other disposable products in Ogden, Utah. Development activities in Shanghai and Changshu (China) are focused on the growing demand for cost-effective dialysis systems in Asia and emerging markets. The global R&D organization coordinates collaboration and technology exchange among the various sites.

BUSINESS DEVELOPMENT

The dialysis market is a sustainable growth market with demand for products and services for kidney patients rising steadily. This is mainly due to demographic factors such as the aging population.

GENERAL CONDITIONS

Overall economic environment

In accordance with the World Institute of Economics at the University of Kiel the global economy expanded at a moderate pace in 2016. The global economy which had lost momentum at the beginning of the reporting year, picked up considerably in the middle of 2016. This was mainly due to an increase in production in the U.S. Also in the emerging markets the situation improved steadily.

Exchange rate development characterized by stable euro

Since we generate a large part of our revenue in the U.S. and the euro zone and carry out financial accounting in U.S. dollars, the performance of the U.S. dollar and the euro is of particular importance to us. The euro remained virtually stable relative to the U.S. dollar in 2016 as a whole.

We reduce our transaction risks, that means risks due to foreign currency items or exchange rate fluctuations, through our global network of production facilities, which is geared towards the demand in our dialysis products business: Therefore, most of our production facilities are based in the markets that they serve, we incur costs in the same currency in which we generate our revenue. In the case of intragroup revenue by production sites in the euro zone to subsidiaries that conduct their local business in other currencies, however, exchange rate fluctuations between the euro as the invoicing currency and the local currencies can have a significant cost impact for the respective subsidiaries. With regard to health care services, the risk of exchange rate fluctuations is relatively low because we provide our services locally and therefore invoice them in the respective currency.

Further information on the economic environment can be found in the "Comparison of the actual business results with forecasts" section starting on page 63 and in the "Outlook" starting on page 93.

Structural and legal 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 systems vary from country to country

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

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, subject to transparency and quality criteria. The goal of reimbursement models of this kind is to maintain a high quality of care combined with lower overall costs for the health care system.

One example of a compensation model based on qualitative criteria is the reimbursement system for dialysis in the U.S., our biggest sales market. This system applies to dialysis treatment for patients who are predominantly covered by national health insurance; we generate around 32% of our revenue with these patients. Dialysis costs are compensated as part of a lump-sum reimbursement system that bundles specific products and services in a single reimbursement rate. This is adjusted each year by the Centers for Medicare and Medicaid Services (CMS), a state-run public health care authority, based on the rise in costs of a "market basket" of specific products and services for medical care less a productivity factor. In addition, changes in the use of specific drugs and biopharmaceuticals included in the lump-sum reimbursement system will be gradually incorporated into the reimbursement rate between 2014 and 2017. In 2016, the reimbursement rate per treatment was $230.39, down 4% on the previous year. However, this will be almost entirely offset by the fact that the reimbursement rate will be adjusted in the 2016 financial year following a CMS analysis of the case mix in 2012 and 2013.

We are also working closely with the CMS in the U.S. in the area of Care Coordination. For example, we have been involved in the "Bundled Payments for Care Improvement" (BPCI) initiative via our subsidiary Sound Physicians since April 2015. BPCI is a three-year pilot project in which specific health care services for Medicare patients are reimbursed on a lump-sum basis. As a participant in this project, we can become entitled to additional reimbursement if we provide high-quality care at a cost that is below a set threshold.

Sector-specific environment

The dialysis market is growing worldwide. At the end of 2016, around 3 M dialysis patients were being treated. With our many decades of experience, we can provide patients with high-quality dialysis products and services from a single source. We are therefore ideally placed to further expand our business and consolidate our position as market leader.

Collecting and analyzing market data

Reliable information on the development of the dialysis market and its general conditions is essential for the success of our business. To enable us to obtain and manage representative market information, Fresenius Medical Care has developed its own tool, the Market and Competitor Survey (MCS). We use this to collect and analyze relevant dialysis market and competitor data once a year and leverage it within the Company. We use an additional internal survey (Long Range Patient Protection, LRPP), to generate the long-term expectations of patent numbers in the most important dialysis markets. This information serves as a basis for strategic decisions made by management, research and development and marketing, as well as for our external reporting, such as the Annual Report. Unless otherwise stated, the data in this chapter is based on the MCS survey and the LRPP. We regularly adapt it to account for new trends such as changes in the use of certain treatments as well as in the structure of our competitive environment caused, for example, by the entry of new providers.

Rising patient numbers

Chronic kidney failure is a global disease: At the end of 2016, approximately 3.7 M patients had either received a kidney transplant or were on dialysis.

The incidence of chronic kidney failure varies between regions. Prevalence, i. e. the relative number of people being treated for end-stage renal disease in a particular country, also differs significantly from one country to another. The prevalence rate, measured in patients per million population (pmp), can be well below 100, especially in developing countries.

In countries in the European Union, it averages just over 1,100 pmp. Countries like Japan and the U.S. have very high levels that exceed 2,000 pmp in places. In Taiwan, the rate is even as high as 3,000 pmp.

There are various reasons for this significant divergence in prevalence rates:

- 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. As a result, many patients suffering from kidney failure are not treated and therefore do not appear in prevalence statistics.
- Cultural factors such as nutrition play a role.

The number of dialysis patients in 2016 rose by around 6%. In the U.S., Japan, and Western and Central Europe, patient growth was slower than in economically weaker regions where growth is mainly above 6%. This is an indication that access to dialysis treatment in these countries is still limited and is gradually improving. In developed regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis.

DIALYSIS PATIENTS: REGIONAL DEVELOPMENT T. 2.22

	2016	*Change*
North America	638,000	~5%
Europe, Middle East, Africa	711,000	~4%
Asia-Pacific	1,343,000	~7%
Latin America	288,000	~5%
▸ **WORLDWIDE**	**2,980,000**	**~6%**

Source: Company information and estimates

PATIENTS WITH CHRONIC KIDNEY FAILURE T. 2.23

Patients with chronic kidney failure	**3,706,000**	**100%**
Of which patients with transplants	726,000	20%
Of which dialysis patients	**2,980,000**	**80%**
Hemodialysis (HD)	2,632,000	71%
Peritoneal dialysis (PD)	348,000	9%

Source: Company information and estimates

Comparison of treatment methods

Of the approximately 3 M patients undergoing dialysis treatment at the end of 2016, 2.632 M – about 88% – were being treated with hemodialysis, and around 348,000 (12%) with peritoneal dialysis. More information can be found in the "Glossary" starting on page 220. In a global comparison of treatment methods, hemodialysis is clearly the most common.

Dialysis patients can be treated either in a dialysis clinic or at home. Treatment options available outside dialysis clinics are home hemodialysis, which is so far relatively uncommon, and peritoneal dialysis.

The third option for patients with ERSD is kidney transplantation. Approximately 726,000 patients were living with a transplanted kidney at the end of 2016. However, for many years, the number of donor 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.

MARKET POSITION IN KEY PRODUCT GROUPS T. 2.24

	1st place	*2nd place*
Dialyzers	Fresenius Medical Care	Nipro
Dialysis machines	Fresenius Medical Care	B. Braun
Concentrates for hemodialysis	Fresenius Medical Care	Baxter
Bloodline systems	Fresenius Medical Care	Nipro
Peritoneal dialysis products	Baxter	Fresenius Medical Care

Source: Company information and estimates

OVERVIEW MARKETSHARE C. 2.25

Market share, based on revenue

Fresenius Medical Care *Baxter* *Others*
Source: Company information and estimates

Fresenius Medical Care in a global comparison

According to our estimates, the volume of the global dialysis market increased to around $76 BN in 2016 (2015: $73 BN). The market grew by 4% over the past year in constant currency terms. We expect the following approximate breakdown for this market volume: around $14 BN for dialysis products and approximately $62 BN for dialysis services (including renal drugs).

Dialysis products: Two major providers

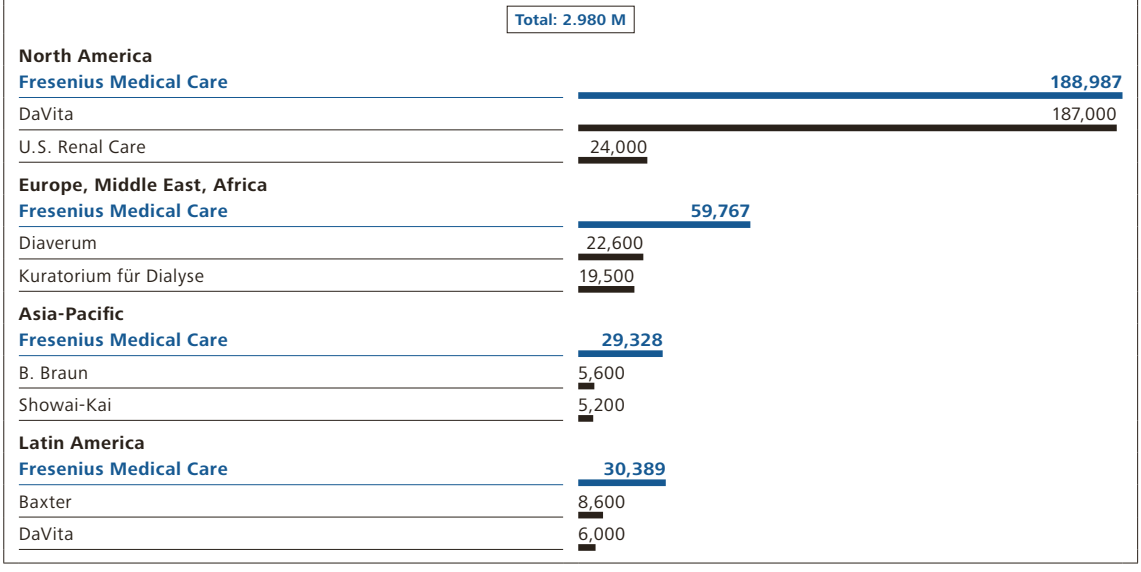
The main dialysis products include dialyzers, hemodialysis machines, concentrates and dialysis solutions, along with products for peritoneal dialysis. In terms of revenue, the two largest manufacturers of dialysis products together accounted for approximately 62% of the worldwide market in 2016. Fresenius Medical Care was the market leader in this segment with a share of 34%.

Dialyzers for hemodialysis are the largest product group in the dialysis market with a worldwide sales volume of more than 280 M units in 2016. Around 130 M of these were made by Fresenius Medical Care; we therefore comfortably held the largest market share. Hemodialysis machines constitute another key part of our product business. Here, too, we are the clear market leader: More than half of the around 87,000 dialysis machines sold worldwide in 2016 were produced by Fresenius Medical Care. The U.S. is our biggest sales market for dialysis machines. In the year under review, we manufactured more than 84% of dialysis machines sold there. Our 2008 machine series is the leading dialysis system in the U.S. with more than 129,000 units in use.

In the case of peritoneal dialysis, we account for 21% of the global market in terms of revenue – see also chart 2.24 on page 59.

DIALYSIS SERVICES BY REGION C. 2.26

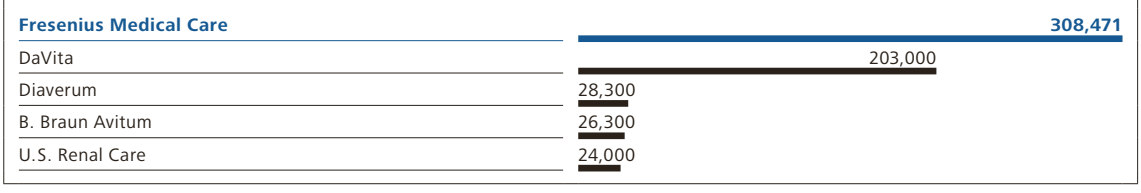
Number of patients treated



Source: Company information and estimates

TOP 5 DIALYSIS PROVIDERS WORLDWIDE C. 2.27

Number of patients treated



Source: Company information and estimates

Dialysis services: Most patients treated in dialysis clinics

In 2016, most dialysis patients were cared for in one of around 38,800 dialysis clinics worldwide, with an average of some 75 patients per clinic. The clinic organization differs significantly depending on whether the health care system in the respective country is mainly state-run or privately operated.

Fresenius Medical Care can 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. As an alternative to private companies like Fresenius Medical Care, dialysis centers may also be operated by private individuals or public bodies. Depending on the market conditions and formalities, the ratio of respective clinic operators can vary considerably from country to country.

For some years now, health care systems in many countries have been under pressure to improve the quality of treatment while keeping health care costs as low as possible. Some countries have therefore started to contemplate whether and how specialized private companies can help them in achieving this. Other countries are only just setting up their health care systems and are looking to interact with health care companies that have a good reputation due to their high-quality service portfolio with the aim of developing modern treatment standards. In both cases, Fresenius Medical Care, as an experienced vertically integrated provider, is the right partner: With our high-quality, innovative products and services, we are ideally equipped to continue expanding our position on the dialysis market.

In the U.S., Fresenius Medical Care and DaVita together care for around 75% of all dialysis patients; this means that there is already a very high concentration of dialysis clinics. In the year under review, Fresenius Medical Care treated more than 185,000 patients, approximately 38% of all dialysis patients in the U.S. (2015: around 178,000 patients, approximately 38%).

Outside the U.S., the Dialysis Services segment is considerably more fragmented: With more than 1,300 dialysis clinics and around 123,000 patients in over 45 countries, Fresenius Medical Care operates by far the largest and most international network of clinics.

Overall, Fresenius Medical Care further consolidated its position as the clear market leader in the dialysis services business in the period under review: Over the past year, we treated 308,471 dialysis patients (2015: 294,381) in 3,624 dialysis clinics (2015: 3,418).

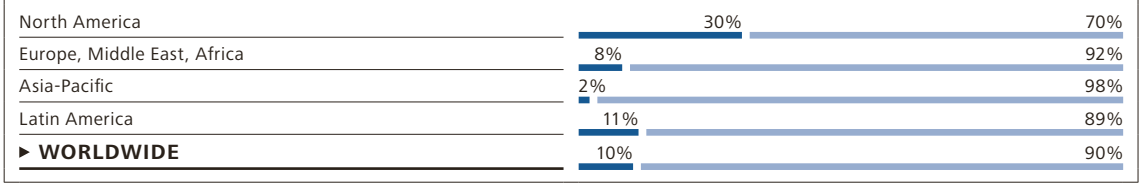
Care Coordination: Expanding our business

Chronic diseases 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 towards treating chronic diseases.

To counteract the resultant increase in cost pressure, more and more health care systems, such as that in our largest market, the U.S., have started reimbursing coordinated, holistic care rather than individual services.

As an active supporter of these value-based reimbursement initiatives, Fresenius Medical Care is

PATIENTS TREATED C. 2.28



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

taking part in a series of CMS pilot projects, both in the area of dialysis and hospital care for patients.

We combine our non-dialysis medical services in the area of Care Coordination. This currently includes services relating to vascular, cardiovascular and endovascular surgery, non-dialysis laboratory testing and physician practice services, as well as coordinating hospitalist and intensivist services by specialist physicians, health plan services, coordinated delivery of pharmacy services, urgent care services and ambulatory surgery center services.

One of our medical service providers in the area of Care Coordination is Sound Physicians. More than 2,200 Sound Physicians providers cared for more than 1.5 M patients in 2016, at around 350 hospitals and post-acute facilities in U.S. They serve and coordinate care throughout the episode of care in the communities they serve – from emergency to inpatient care (hospitalists and intensivists) as well as post-acute care to improve quality and reduce cost. Sound Physician also provides interim staffing to hospitals in the U.S. and advises hospitals with their documentation and coding to help them to address denied claims. 54% of hospitalists in the U.S. are employed by hospitals or integrated delivery systems and 25% are employed by independent hospitalists groups. It is estimated that hospitalists are practicing in approximately 75% of U.S. hospitals, including academic medical centers. The number of hospitalists has grown over the past 20 years from a few hundred to more than 50,000.

Due to the different services we offer in the field of Care Coordination we cannot estimate the market volume. We offer medical services in Care Coordination mainly in the U.S. at present, and have adapted our activities to this market. The extent to which our Care Coordination services are rolled out outside the U.S. may vary in individual countries and regions depending on the respective reimbursement system and market environment.

OVERVIEW OF THE FISCAL YEAR

Once again, the general conditions in our core business of dialysis did not change significantly in 2016. We reached the targets we had set ourselves. In the future, we aim to focus even more on offering our patients holistic treatment by expanding the medical services we provide beyond dialysis treatment.

Events significant for business development

Management Board change

Roberto Fusté, the Management Board member responsible for the Asia-Pacific region, stepped down from the Management Board of Fresenius Medical Care with effect from March 31, 2016. Harry de Wit replaced Roberto Fusté as CEO and Management Board member responsible for the Asia-Pacific region effective from April 1, 2016.

Capital expenditures and acquisitions

In implementing our investment strategy, we gave priority to growing our clinic network and our product business once more in 2016. One such acquisition project in our Dialysis Services business was an 85% stake in the Indian dialysis group Sandor Nephro Services. It is the second-largest provider of dialysis treatments in India, where it operates more than 50 dialysis clinics. This acquisition enables Fresenius Medical Care to strengthen its core business in one of the world's fastest-growing economies.

We started stepping up our Care Coordination activities back in 2014 by making several acquisitions in North America. Last year, we continued to integrate and enhance the individual companies.

Further information on our capital expenditures and acquisitions can be found in the "Financial situation" section starting on page 71.

Innovations

We unveiled the new 6008 CAREsystem treatment system for hemodialysis in spring 2016. It meets Fresenius Medical Care's high therapy standards and optimizes dialysis treatment.

Business environment

The Company's business environment remained largely unchanged in many markets in 2016, as did the relevant legal frameworks for our business. Especially in the U.S., our largest sales market, we are obliged to continue operating in an environment that does not sufficiently account for rising treatment costs in its reimbursement rates. In the past fiscal year, Fresenius Medical Care successfully continued its activities in its core business, made further progress in growing its Care Coordination operations and achieved further savings through its Global Efficiency Program.

Comparison of the actual business results with forecasts

Contributions from acquisitions that we made in 2015 and 2016 as well as special items were not included in the targets for the 2016 fiscal year. The actual results for 2016 have been adjusted on this basis to enable comparison with the targets. The reference figures from the 2015 fiscal year for the targeted growth rates in 2016 have been adjusted accordingly. As a result, operating income for 2015 has been increased by provision of $60 M (net settlement expense) that had been accrued related to the agreement in principle regarding the GranuFlo® and NaturaLyte® litigation. Consequently, net income for 2015 increased by $37 M after tax.

Forecasts for business development in 2016 are based on the prevailing exchange rates at the start of the year. At the beginning of the year under review, we expected revenue growth of 7 to 10% on a constant currency basis and excluding the acquisitions in 2015 and 2016. Revenue for 2016 amounted to $17.9 BN, corresponding to a 7% increase. On a constant currency basis, revenue rose by 8%. Without the contributions from acquisitions made in 2015 and 2016, the increase was 7% on a constant currency basis, and was therefore in line with expectations.

All segments contributed to this growth, especially North America and Asia-Pacific. Further details on revenue development can be found in the "Results of operations, financial situation, assets and liabilities" chapter starting on page 65.

We had forecast growth in operating income in excess of revenue growth for 2016. The net settlement expense of $60 M in 2015 was not included in the reference figures for this forecast. On an adjusted basis, operating income rose by 10% to $2.6 BN in 2016, meaning that we met our forecast.

With regard to delivered EBIT, we also forecast growth in excess of revenue for 2016. Here too, the net settlement expense of $60 M in 2015 was not included in the reference figures for this forecast. On an adjusted basis, delivered EBIT rose by 10% to $2.3 BN in 2016, in line with our expectations.

At the beginning of the fiscal year, we set a target range for net income growth of 15 to 20%. This included cost savings from the Global Efficiency Program and additional expenditure for the expansion of Care Coordination. This target range did not take into account the net settlement expense of $37 M or contributions from acquisitions in 2015 and 2016. Adjusted net income rose by 16% to $1.2 BN in 2016, and is therefore within the target range. Further information can be found in the "Results of operations" section starting on page 65.

Adjusted earnings per share also increased by 16% in line with net income, as expected.

The ongoing growth of the dividend is reflected in our dividend proposal: Subject to approval by the Annual General Meeting on May 11, 2017, the dividend per share will increase by 20% to €0.96 (2016: €0.80). More information on the dividend proposal can be found in the "Dividend continuity" section on page 20.

We budgeted $1.0 BN to $1.1 BN for capital expenditures in the year under review. Expenditures of $1.0 BN were consistent with this figure. In addition, we earmarked approximately $0.75 BN mainly for supplementary acquisitions and equity investments in 2016. Overall, we invested $0.4 BN in acquisitions and equity investments less divestments. In the past fiscal year, we received $0.2 BN from divestments, of which around $0.1 BN was attributable to available-for-sale financial assets and approximately $0.1 M to the repayment of unsecured loans that we granted to an associated company in 2015 and 2016. As a result, we did not meet our forecast. For further information, see the "Financial situation" section starting on page 71.

Driven by earnings development and sound management of inventories, net cash provided by operating activities relative to revenue was 11.9% in 2016, in line with the target of more than 10%.

Free cash flow amounted to 6.3% of revenue in 2016. This figure, too, was consistent with our forecast of more than 4%.

The debt/EBITDA ratio was expected to be below 3.0 at the end of 2016. In actual fact, it stood at 2.4 on the reporting date, and was therefore in line with our forecast.

The number of employees at Fresenius Medical Care (calculated on the basis of full-time equivalents) increased from 104,033 at the end of 2015 to 109,319 at the end of 2016 as a result of organic growth and acquisitions. Consequently, the number of employees corresponded to our forecast of more than 109,000 employees.

Research and development expenditures aimed at strengthening Fresenius Medical Care's ability to adapt to future requirements amounted to $162 M, and was therefore within our target range of $160 M to $170 M. Our research and development activities are focused on further developing existing product groups on an ongoing basis. Details can be found in the "Research and development" chapter starting on page 52.

The dialysis market developed as we anticipated: The number of patients worldwide grew by around 6%. As expected, there were no significant changes compared to the previous year concerning the share of the different treatment methods used. Hemodialysis continued to be by far the most important method used to treat chronic kidney failure in 2016. For further information, see the "Sector-specific environment" section starting on page 57.

RESULTS AND TARGETS FOR 2016 — T. 2.29

	Results for 2016	*Adjusted results for 2016*	*Targets for 2016*
Growth in revenue[1,2]	8% (on a constant currency basis)	7% (on a constant currency basis)	7–10% (on a constant currency basis)
Growth in operating income[3]	13%	10%	Growth > growth in revenue
Growth in delivered EBIT[3]	14%	10%	Growth > growth in revenue
Growth in net income[2,3,4]	21%	16%	15–20%
Growth in earnings per share[2,3,4]	20%	16%	in line with the expected development of net income
Capital expenditures	$1.0 BN		$1.0 BN–$1.1 BN
Acquisitions and investments	$0.4 BN		~ $0.75 BN
Net cash provided by (used in) operating activities[3] *in % of revenue*	11.9%		> 10%
Free cash flow[3] *in % of revenue*	6.3%		> 4%
Debt/EBITDA ratio[3]	2.4		< 3.0
Employees[5]	109,319		> 109,000
Research and development expenditures	$162 M		$160 M–$170 M

[1] *After value adjustments on receivables from the provision of Health Care Services.*
[2] *Targets and adjusted results for 2016: Excluding contributions from acquisitions made in 2015 and 2016.*
[3] *Targets and adjusted results for 2016: Excluding non-recurring effects.*
[4] *Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA.*
[5] *Full-time equivalents.*

Management's general assessment of business performance

In a challenging environment, 2016 was a positive year for Fresenius Medical Care. Despite a difficult reimbursement situation in the U.S., we met our targets and continued on our growth path. Compared with 2015, we managed to increase our revenue by 7% to $17.9 BN, setting a new record. Adjusted net income for 2016 rose by 16% to $1.2 BN. These results were driven particularly by cost savings for health care supplies and by strong organic growth in Health Care Services in North America. More information can be found in the "Events significant for business development" section starting on page 62.

In 2016, we also continued to expand Care Coordination. This requires time and investment as well as an extensive understanding of the market dynamics. One current example is our largest market, the U.S.: In the new U.S. reimbursement system, health care service providers are increasingly being paid for the overall treatment outcome rather than for individual units of care delivered. We have been preparing for this switch for some time in our business and through the expansion of Care Coordination to ensure that we have the requisite structures in place. Thanks to our many years of experience in the dialysis market, we are uniquely placed to use this development as a long-term opportunity.

In addition, we continued our investment activities at an undiminished pace. We invested around $1.0 BN in 2016, mainly in equipping existing and new dialysis clinics, retaining and expanding production capacity, continuing to set up Care Coordination, and providing dialysis machines to customers.

In 2016, we defined return on invested capital (ROIC) as a new key performance indicator for assessing our corporate development at Group level. ROIC as of December 31, 2016, was at 7.8%. When calculating ROIC, the Company's goodwill is a key factor in the "invested capital" item. ROIC significantly exceeded our capital costs in 2016. The weighted average cost of capital (WACC) amounted to 5.5%.

With our strategic decisions and activities in 2016, we have set the course for the future. Fresenius Medical Care stands on strong foundations. We aim to build on these in the next few years.

RESULTS OF OPERATIONS, FINANCIAL SITUATION, ASSETS AND LIABILITIES

The financial year 2016 was in line with our expectations: We achieved good results despite challenging market conditions.

Results of operations

Net revenue

In the year under review, Fresenius Medical Care increased its revenue by 7% to $17.91 BN, corresponding to an 8% growth rate in constant currency terms. Organic revenue growth amounted to 7%. Health Care Services revenue rose by 8% (9% on a constant currency basis) to $14.52 BN. Dialysis Product revenue rose by 1% to $3.39 BN in 2016. In constant currency terms, Dialysis Product revenue rose by 4%.

At the end of 2016, we operated 3,624 dialysis clinics, 6% more than at the end of 2015. We treated 308,471 dialysis patients by the end of the year, an increase of 5%. The number of treatments rose by 4% to around 46.53 M in 2016.

Earnings

Gross profit

Gross profit amounted to $5.78 BN in the year under review, up 8% compared to 2015. The gross profit margin grew from 31.9 to 32.3%. This primarily reflects improvements in the North America and Asia-Pacific segments. The rise in the North America segment was primarily due to lower costs for supplies and higher revenue from Dialysis Services with private insurers. This was partially offset by higher staff costs in connection with Dialysis Services and the negative influence of Care Coordination, particularly as a result of higher costs of revenue in the coordinated delivery of pharmacy services. The upturn in the Asia-Pacific segment was primarily attributable to business growth.

Operating expenses and income

Selling, general and administrative expenses rose by 5% to $3.04 BN (2015: $2.90 BN) and declined from 17.3 to 17.0% as a percentage of revenue. This development was attributable to downturns in the North America and Latin America segments and the corporate functions, which were partially offset by increases in the EMEA and Asia-Pacific segments. The reduction in North America resulted from the "net settlement expense" of $60 M in the previous year (see "Notes to consolidated financial statements" starting on page 143), lower legal costs excluding the aforementioned legal costs in connection with the "net settlement expense", and a favorable effect in Care Coordination due to proportionately higher revenue compared with selling, general and administrative expenses. This was partially offset by the expense in connection with the vesting of awards granted under long-term incentive plans and higher staff costs. The downturn in the Latin America segment resulted in particular from the prior-year loss on the disposal of Dialysis Service in Venezuela and the effect of proportionately higher revenue compared with selling, general and administrative expenses. This was partially offset by increased bad debt provisions and higher costs as a result of inflation. The reduction in the corporate functions was mainly due to lower legal and consultancy costs (see "Notes to consolidated financial statements" starting on page 143). The upturn in the EMEA segment was attributable to the effect of

REVENUE BY SEGMENT T. 2.30

in $ M

	2016	2015	Change	Exchange rate effects	Organic growth	Acquisitions	Divestments	Dialysis days
North America								
Dialysis Products	904	881	3%	0%	3%	0%	0%	0%
Health Care Services	11,982	10,932	10%	0%	8%	1%	0%	1%
of which Dialysis Services	9,675	9,050	7%	0%	5%	1%	0%	1%
of which Care Coordination	2,307	1,882	23%	0%	20%	3%	0%	0%
▶ **TOTAL**	**12,886**	**11,813**	**9%**	**0%**	**7%**	**1%**	**0%**	**1%**
Europe, Middle East and Africa								
Dialysis Products	1,373	1,403	−2%	−2%	1%	0%	−1%	0%
Health Care Services	1,294	1,226	6%	−3%	3%	6%	−1%	1%
▶ **TOTAL**	**2,667**	**2,629**	**1%**	**−3%**	**2%**	**3%**	**−1%**	**0%**
Asia-Pacifc								
Dialysis Products	902	835	8%	−4%	12%	0%	0%	0%
Health Care Services	730	667	9%	6%	4%	0%	−1%	0%
▶ **TOTAL**	**1,632**	**1,502**	**9%**	**1%**	**8%**	**0%**	**0%**	**0%**
Latin America								
Dialysis Products	199	199	0%	−7%	10%	−1%	−2%	0%
Health Care Services	513	567	−9%	−24%	20%	2%	−7%	0%
▶ **TOTAL**	**712**	**766**	**−7%**	**−20%**	**17%**	**1%**	**−5%**	**0%**
Worldwide								
Dialysis Products[1]	3,392	3,346	1%	−3%	4%	0%	0%	0%
Health Care Services	14,519	13,392	8%	−1%	8%	2%	−1%	0%
▶ **TOTAL**	**17,911**	**16,738**	**7%**	**−1%**	**7%**	**1%**	**0%**	**0%**

[1] *Including revenue generated by corporate functions of $14 M for 2016 and $28 M for 2015.*

the gain on the sale of our European market rights for specific drugs for treating kidney diseases in the previous year (see "Notes to consolidated financial statements" starting on page 143), increased bad debt provisions and higher IT project costs. The rise in the Asia-Pacific segment was primarily due to increased costs in connection with the positive revenue development, unfavorable exchange rate effects and expenses in connection with the changes on the Management Board.

Research and development expenses amounted to $162 M, up on the previous year's figure of $140 M; this was mainly due to higher staff costs and project costs resulting from the expansion of our project portfolio. Further information on our research and development activities can be found starting on page 52.

Income from equity method investees increased from $31 M in 2015 to $65 M in 2016. This was primarily due to the income growth following the expansion of business relations with Vifor Fresenius Medical Care Renal Pharma, a company in which Fresenius Medical Care holds an equity interest of 45%.

Operating income (EBIT) and delivered EBIT

Earnings before interest and taxes (EBIT) rose by 13% in 2016 to $2.64 BN, compared with $2.33 BN in the previous year. The operating income margin grew from 13.9 to 14.7%. This was due to the higher gross profit margin, lower selling, general and administrative expenses as a percentage of revenue, and the higher level of income from equity method investees.

PATIENTS T. 2.31

	2016	2015	Change
North America	188,987	182,852	3%
Europe, Middle East and Africa	59,767	54,857	9%
Asia-Pacifc	29,328	26,472	11%
Latin America	30,389	30,200	1%
▸ **TOTAL**	**308,471**	**294,381**	**5%**

TREATMENTS T. 2.32

in M

	2016	2015	Change
North America	28.88	27.69	4%
Europe, Middle East and Africa	8.87	8.21	8%
Asia-Pacifc	4.01	3.79	6%
Latin America	4.77	4.91	–3%
▸ **TOTAL**	**46.53**	**44.60**	**4%**

CLINICS T. 2.33

	2016	2015	Change
North America	2,306	2,210	4%
Europe, Middle East and Africa	711	659	8%
Asia-Pacifc	374	320	17%
Latin America	233	229	2%
▸ **TOTAL**	**3,624**	**3,418**	**6%**

Delivered EBIT (operating income net of noncontrolling interests) increased by 14% year-on-year to $2.33 BN in 2016 thanks to the growth in operating income. This was partially offset by the higher level of income attributable to noncontrolling interests as a result of the improved operating earnings performance of our dialysis clinics in which we hold an equity interest of less than 100%.

Net interest expenses

Net interest expenses in 2016 amounted to $406 M, after $391 M in 2015. This was mainly due to the repayment of interest-bearing financial investments in the fourth quarter of 2015, which was partially offset by the reduction in our average debt level.

Further details on the financial situation of Fresenius Medical Care can be found starting on page 71.

Net income

Income before income taxes increased by 15% to $2.23 BN in 2016 compared with $1.94 BN in 2015 thanks to the positive development of operating income combined with the development of net interest expenses.

Income tax expense in the year under review amounted to $683 M, compared with $623 M in 2015. This corresponds to an effective tax rate of 30.6%, after 32.1% in 2015.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA increased by 21% to $1.24 BN in 2016, compared with $1.03 BN in 2015.

Adjusted for the net settlement expense in the amount of $37 M after taxes and acquisitions in the amount of $9 M net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA was $1.06 BN in 2015. Net income in 2016 adjusted for acquisitions in the amount of $15 M was $1.23 BN, an increase of 16%.

Earnings per share and dividend

Basic earnings per share (EPS) increased by 20% to $4.07 in 2016, compared with $3.38 in the previous year.

The average weighted number of shares outstanding in 2016 was around 305.7 M (2015: 304.4 M). This increase stems from exercising stock options. Details on how earnings per share are derived can be found in the "Notes to consolidated financial statements" starting on page 143.

The Management Board and Supervisory Board will propose the 20th consecutive dividend increase to the Annual General Meeting: The recommended

OPERATING INCOME (EBIT) AND DELIVERED EBIT T. 2.34

in $ M

	2016	2015	Change
North America			
EBIT	2,119	1,798	18%
Delivered EBIT	1,824	1,524	20%
Europe, Middle East and Africa			
EBIT	524	577	–9%
Delivered EBIT	520	574	–9%
Asia-Pacifc			
EBIT	319	298	7%
Delivered EBIT	312	291	7%
Latin America			
EBIT	66	48	37%
Delivered EBIT	66	48	37%
Corporate functions			
EBIT	(390)	(394)	1%
Delivered EBIT	(390)	(394)	1%
▸ **TOTAL**			
EBIT	**2,638**	**2,327**	**13%**
Delivered EBIT	**2,332**	**2,043**	**14%**

dividend per share will increase by 20%, from €0.80 for 2015 to €0.96 for 2016. The total dividend payout is expected to amount to approximately €294 M (2015: €244 M). For further information on the dividend, please refer to the "Dividend continuity" section on page 20.

The payment of dividends is subject to limitations under the Amended 2012 Credit Agreement. In 2017, it is limited to €440 M ($464 M translated using the closing rate at December 31, 2016). The amounts for the maximum permitted payments of this type will increase in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio (see "Notes to consolidated financial statements" starting on page 143).

Segment reporting

North America

Revenue in North America, still our most important segment with a share of 72%, was $12.89 BN in 2016, 9% more than the $11.81 BN generated in the previous year. Organic revenue growth amounted to 7%, with acquisitions accounting for one percentage point and additional treatment days contributing a further percentage point. Health Care Services revenue increased by 10% to $11.98 BN in 2016 (2015: $10.93 BN). Of this amount, $9.68 BN was attributable to Dialysis Services, up 7% compared to last year. The remaining $2.31 BN stemmed from Care Coordination revenue with an increase of 23% compared to 2015. Dialysis Product revenue grew organically by 3% to $904 M (2015: $881 M).

In North America, operating income was up 18% to $2.12 BN in 2016. The operating income margin increased from 15.2% in 2015 to 16.4% in 2016. This was due to the higher operating income margin in Dialysis Business, which was offset by a reduction in the Care Coordination margin. The increase in the margin in Dialysis Business from 17.1% to 19.5% was attributable to lower costs for supplies, higher revenue with private insurers, the prior-year effect of the net settlement expense, the reversal of bad debt provisions, higher income from equity method investees and lower legal costs excluding the aforementioned legal costs in connection with the net settlement expense. The reduction in the Care Coordination margin from 5.2% to 2.6% was primarily due to higher expenses in connection with bad debt provisions on hospitalist and intensivist services and the prior-year effect of the cost reimbursement for the BPCI initiative, as well as higher investment costs for the expansion of physician practice services. This was partially offset by a positive effect in vascular, cardiovascular and endovascular specialty services.

Delivered EBIT increased by 20% to $1.824 BN, mainly as a result of the growth in operating income.

ABBREVIATED STATEMENT OF INCOME T. 2.35

in $ M

	2016	*2015*	*Change*
Net Revenue	17,911	16,738	7%
Cost of revenue	12,131	11,407	6%
▸ **GROSS PROFIT**	**5,780**	**5,331**	**8%**
in % of revenue	32.3	31.9	
▸ **OPERATING INCOME (EBIT)**	**2,638**	**2,327**	**13%**
Interest expenses, net	406	391	4%
▸ **INCOME BEFORE INCOME TAXES**	**2,232**	**1,936**	**15%**
▸ **NET INCOME** [1]	**1,243**	**1,029**	**21%**

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

Performance indicators for Care Coordination in North America

Already in 2015, we defined new performance indicators for the North America region. These relate to U.S. health care programs in which we are involved and with which we intend to make statements on our business development in the area of Care Coordination in the region – see chart 2.36.

- Member months under medical cost management: This is calculated by multiplying the number of patients included in value-based reimbursement programs such as Medicare Advantage or other value-based programs in the U.S. by the corresponding number of months they have been members of these programs ("member months"). In the aforementioned programs, we assume the risk associated with generating savings. If the number of participating patients rises, this can impact our results.
- Medical cost under management: This relates to the management of medical costs associated with our patient membership in value and risk-based programs. In the case of ESCO, BPCI and other shared service programs, this performance indicator is calculated by multiplying the total member months in the respective program by a benchmark representing the expected monthly medical costs per member. In calculating the medical cost under management for sub-capitation arrangements and MA-CSNPs, the monthly premium per program member is multiplied by the aforementioned number of member months.
- Care Coordination patient encounters: This is the sum of all encounters and procedures completed during a certain period by Sound Physicians, MedSpring Urgent Care, Fresenius Vascular Care, and National Cardiovascular Partners as well as the corresponding figures relating to patients in our Fresenius Medical Care Rx Bone Mineral Metabolism program.

Europe, Middle East and Africa (EMEA)

In EMEA, revenue increased by 1% to $2.67 BN in the past financial year. In constant currency terms, revenue rose by 4%. It accounted for 15% of total revenue (2015: 16%). By the end of 2016, we were treating 59,767 patients in 711 dialysis facilities in this region. This was 4,910 patients or 9% more than 12 months previously. In 2016, we generated revenue of $1.29 BN from Health Care Services, up 6% on the preceding year. On a constant currency basis, revenue was up 9%. Dialysis Product revenue amounted to $1.37 BN, down 2% year-on-year. In constant currency terms, we did not post revenue growth in this area.

In EMEA, operating income fell by 9% to $524 M in 2016. The operating income margin declined from 21.9% in 2015 to 19.7% in 2016, mainly due to the gain on the sale of our European marketing rights for specific drugs for treating kidney diseases, the lower income from equity method investees as a result of product development costs, and negative exchange rate effects. This was partially offset by a reduction in proportionate overheads combined with increased revenue.

Delivered EBIT fell by 9% to $520 M as a result of the lower operating income combined with an increase in income attributable to noncontrolling interests.

Asia-Pacific

Asia-Pacific recorded an increase in revenue of 9% to $1.63 BN. This corresponds to revenue growth of 8% based on constant currencies. This figure accounted for 9% of total revenue and therefore remained unchanged from the previous year. Health Care Services revenue rose by 9% (+3% on a constant currency basis) to $730 M. Dialysis Product revenue increased by 8% (+12% on a constant currency basis) to $902 M. By the end of 2016, we were treating 29,328 patients in 374 dialysis facilities in this region.

KEY PERFORMANCE INDICATORS IN CARE COORDINATION T. 2.36

	2016	2015	Change
North America			
Member months under medical cost management	387,244	208,933	85%
Medical cost under management *in $ M*	2,814	1,660	70%
Care Coordination patient encounters	5,539,703	5,005,695	11%

In Asia-Pacific, operating income rose by 7% to $319 M in 2016. The operating income margin declined slightly from 19.8% in 2015 to 19.6% in 2016, largely as a result of negative exchange rate effects and expenses in connection with the changes on the Management Board. This was partially offset by a positive effect from costs in the previous year in connection with import duties in India.

Delivered EBIT increased by 7% to $312 M on the back of the growth in operating income.

Latin America

Revenue in Latin America fell by 7% to $712 M; based on constant currencies, it grew by 13%. As in the previous year, it accounted for 4% of total revenue. At $513 M, Health Care Services revenue was below the previous year's level of $567 M. In constant currency terms, revenue rose by 15%. We generated revenue of $199 M from Dialysis Products, the same as in the previous year. Based on constant currencies, revenue grew by 7%. At the end of the year under review, 30,389 patients were receiving dialysis treatment in the 233 clinics in this business region.

In Latin America, operating income rose by 37% to $66 M in 2016. The operating income margin increased from 6.3% in 2015 to 9.2% in 2016, largely as a result of the prior-year loss on the disposal of our Dialysis Service business in Venezuela and the effect of higher revenue in Latin America on the back of increased reimbursements in particular. This was partially offset by bad debt provisions, a negative effect from production costs (due to negative exchange rate effects and increased quality development costs) as well as negative exchange rate effects and higher costs, largely as a result of inflation.

Delivered EBIT increased by 37% to $66 M on the back of the growth in operating income.

Financial situation

Our investment and financing strategy did not change significantly in the last financial year. However, the implementation of the strategy requires that we have sufficient liquidity at all times. Our main sources of liquidity are net cash provided by operating activities, short-term financial liabilities to third parties and associated companies, and income from the issue of long-term debt and shares. We use this liquidity primarily to:

- finance our working capital,
- fund acquisitions and joint ventures,
- develop independent dialysis clinics and other health care facilities,
- purchase equipment for existing or new dialysis clinics and production sites,
- repay debt, and
- pay dividends.

Capital expenditures and portfolio changes

Capital expenditures on property, plant and equipment and depreciation

In 2016, Fresenius Medical Care spent $1.38 BN on capital expenditures, acquisitions and the purchase of intangible assets minus income from divestments. In terms of regional distribution, $749 M was attributable to North America, $276 M to EMEA, $52 M to Asia-Pacific, $43 M to Latin America and $259 M to corporate functions.

Total capital expenditures on property, plant and equipment amounted to $1.01 BN, up from $935 M in 2015. The majority of capital expenditures were used for equipping existing and new clinics, preserving and expanding production capacity, primarily in North America, Germany and France, as well as for dialysis machines made available to customers and for Care Coordination. Capital expenditures on property, plant and equipment amounted to almost 6% of overall revenue, roughly on a par with the previous year.

Expansion activities accounted for 41% of capital expenditures, while 59% went on maintaining existing production sites and dialysis clinics.

Table 2.37 and chart 2.38 on page 72 show the regional breakdown of capital expenditures.

Acquisitions and divestments

In addition to the above-mentioned capital expenditures on property, plant and equipment, we used funds for acquisitions, equity investments and purchasing intangible assets. In 2016, the Company made acquisitions totaling $367 M in order to expand its service range and increase its market share in the respective countries. This capital expenditure primarily focused on the acquisition of dialysis clinics, available-for-sale financial assets, acquisitions for the expansion of hospitalist and intensivist services and a loan receivable from an equity method investee in the North America segment. In the EMEA segment, we acquired a medical equipment producer focusing on the treatment of heart and lung diseases, as well as dialysis clinics. We also acquired dialysis clinics in the Asia-Pacific and Latin America segments.

Income from divestments amounted to $211 M in 2016. This related to available-for-sale financial assets (around $129 M) and the repayment of the unsecured loans granted to an equity method investee in 2015 and 2016 (around $80 M).

Cash flow analysis

Days sales outstanding

Net cash provided by operating activities is impacted by the profitability of our business and the development of our working capital, primarily inventories and receivables.

The days sales outstanding (DSO), in other words the number of days before customers settle outstanding invoices of Fresenius Medical Care, decreased by a further day in the year under review from a total of 71 days as at the end of 2015 to a total of 70 days as at the end of 2016.

Public health institutions in numerous countries outside the U.S. require a significant length 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.

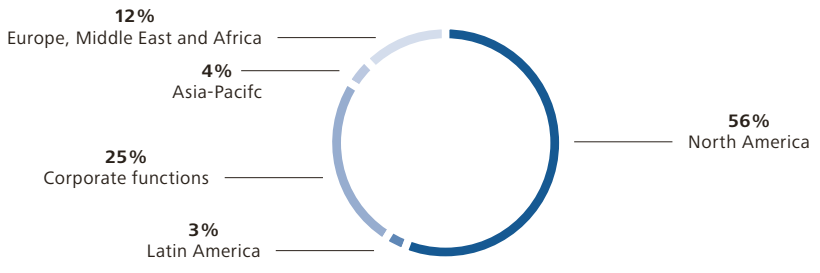
Table 2.39 on page 73 shows the days sales outstanding by region.

NET CAPITAL EXPENDITURES AND ACQUISITIONS BY SEGMENT — T. 2.37

in $ M

	2016	*Of which property, plant and equipment*	*Of which acquisitions/ intangible assets and other capital expenditures*	*Of which divestments*	*2015*
North America	749	568	347	166	498
Europe, Middle East and Africa	276	119	183	26	135
Asia-Pacifc	52	38	15	1	49
Latin America	43	34	9	0	47
Corporate functions	259	253	24	18	272
▸ **TOTAL**	**1,379**	**1,012**	**578**	**211**	**1,001**

NET CAPITAL EXPENDITURES ON PROPERTY, PLANT AND EQUIPMENT BY REGION — C. 2.38



The increase in DSO in the North America segment is primarily due to the reversal of bad debt provisions in our Dialysis Business, and was partially offset by increased bad debt provisions in Care Coordination. The reduction in DSO in the EMEA segment reflects the increased revenue in the region, as well as fluctuations in payments from public health care organizations. The decrease in DSO in the Asia-Pacific segment results particularly from an improvement in payment collections in China. The rise in DSO in Latin America reflects periodic delays in payment by public health care organizations in certain countries.

Because we receive most of our reimbursements from government health organizations and private insurance companies, we assume that most of our receivables are collectible.

Free cash flow and cash and cash equivalents

Our consolidated statement of cash flows gives an insight into how our Company has generated and used cash and cash equivalents. In conjunction with the other main components of the consolidated financial statements, the consolidated statement of cash flows provides information that helps to assess the changes to our net assets and our financial structure (including liquidity and solvency).

The cash flow from operating activities is used to assess whether a company can generate the funds required to finance replacement and expansion investments. The indicator "net cash provided by (used in) operating activities in percent of revenue" shows what percentage of revenue is available in the form of funds.

DAYS SALES OUTSTANDING T. 2.39

in days, December 31

	2016	2015	Change
North America	54	53	1
Europe, Middle East and Africa	101	104	–3
Asia-Pacifc	105	113	–8
Latin America	143	141	2
▶ **TOTAL** *weighted average*	**70**	**71**	**–1**

ABBREVIATED STATEMENT OF CASH FLOW[1] T. 2.40

in $ M

	2016	2015	Change
Cash and cash equivalents at the beginning of the year	550	634	–13%
Net cash provided by (used in) operating activities	2,140	1,960	9%
Investing activities	(1,379)	(1,001)	–38%
Financing activities	(585)	(1,008)	–
Exchange rate-related changes in cash and cash equivalents	21	(35)	–
Cash and cash equivalents at the end of the year	747	550	36%
Free cash flow	1,128	1,025	10%

[1] *More details can be found in the "Consolidated statement of cash flows" starting on page 144.*

NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES C. 2.41

in $ M

Net cash provided by operating activities is impacted by the profitability of our business, the development of our working capital, primarily inventories and receivables, and cash outflows for various reasons discussed below. The increase between 2015 and 2016 was primarily attributable to lower inventories of supplies, particularly erythropoietin-stimulating agents (ESAs), and the company's earnings growth. This was partially offset by the negative influence of other items of working capital and the voluntary addition to pension plan assets in the USA in the amount of $100 M.

In the year under review, we achieved a free cash flow – defined as net cash provided by operating activities less capital expenditures – of $1.13 BN after $1.02 BN in 2015. Accounting for payments for acquisitions (net of divestments) of $367 M (2015: $66 M), our free cash flow after acquisitions and divestments was $761 M compared with $959 M in the previous year.

Financing analysis

Principles and objectives of financial management

Besides optimizing our financial costs, ensuring financial flexibility takes top priority in Fresenius Medical Care's financing strategy. The Company remains flexible by using a wide range of financial instruments and guaranteeing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide spread of maturities up to 2024.

Our main financing instrument is the syndicated credit agreement with revolving credit facilities and long-term loans in U.S. dollars and euros. We also use a range of other medium-term and long-term financing instruments, particularly bonds in U.S. dollars and euros as well as an equity-neutral convertible bond. We use the commercial paper program in euros as part of meeting our short-term financing requirements (see "Notes to consolidated financial statements" starting on page 143).

MAJOR FINANCING INSTRUMENTS T. 2.42

	Amount in M	*Coupon*	*Maturity*
Credit agreement for revolving credit facility *in $*	$1,000	–	Oct 30, 2019
Credit agreement for revolving credit facility *in €*	€400	–	Oct 30, 2019
Credit agreement for loan *in $*	$2,100		Oct 30, 2019
Credit agreement for loan *in €*	€252		Dec 6, 2019
Accounts receivable facility	$800	–	Nov 24, 2017
Bond 2010 – 2016	€250	5.50%	Jul 15, 2016
Bond 2011 – 2016	€100	3-month Euribor +3.50%	Oct 15, 2016
Bond 2007 – 2017	$500	6.875%	Jul 15, 2017
Bond 2011 – 2018	$400	6.50%	Sept 15, 2018
Bond 2011 – 2018	€400	6.50%	Sept 15, 2018
Bond 2012 – 2019	€250	5.25%	Jul 31, 2019
Bond 2012 – 2019	$800	5.625%	Jul 31, 2019
Equity-neutral convertible bond 2014 – 2020[1]	€400	1.125%	Jan 31, 2020
Bond 2014 – 2020	$500	4.125%	Oct 15, 2020
Bond 2011 – 2021	$650	5.75%	Feb 15, 2021
Bond 2011 – 2021	€300	5.25%	Feb 15, 2021
Bond 2012 – 2022	$700	5.875%	Jan 31, 2022
Bond 2014 – 2024	$400	4.75%	Oct 15, 2024

[1] *Concurrently with the bond issuance, Fresenius Medical Care has purchased call options (cash-settled) on its shares to off-set in full the economic exposure from a potential exercise of the conversion rights embedded in the bonds. Therefore, the instrument will not result in the issuance of new shares upon conversion. A dilution of Fresenius Medical Care's share capital through issuance of new shares in connection with this transaction is ruled out.*

We intend to continue to meet our current cash and cash equivalents and financing requirements from net cash provided by operating activities, existing and future credit agreements as well as the issue of commercial papers (see "Notes to consolidated financial statements" starting on page 143) and bonds. In addition, we expect to secure the funds required for acquisitions or other purposes by successfully concluding long-term financing, for example by issuing bonds. We also aim to maintain our financial flexibility with a target of at least $500 M in committed and unutilized credit facilities.

Our main financing needs in 2017 comprise the repayment of bonds, quarterly payments in the context of the 2012 Credit Agreement, and the dividend payment in May 2017 amounting to an estimated €294 M ($310 M translated using the closing rate at December 31, 2016). We assume that these payments and the expected capital expenditures on property, plant and equipment as well as acquisitions and equity investments will be covered by the cash flow, the credit facilities currently in place and, if necessary, additional borrowing. Our obligations arising from the financing agreements currently give us enough flexibility to meet our short-term financing requirements. In general, we assume that we will also have sufficient funds to reach our objectives and press ahead with our further growth in the future.

In our long-term financial planning, we focus primarily on our leverage ratio, defined as the debt/EBITDA ratio. This compares our total financial debt with our earnings before interest, taxes, depreciation and amortization (EBITDA).

Although our business and our profitability may be adversely affected by current and future economic conditions, we believe that we are well-placed to continuously expand our business while fulfilling our financial obligations in the event of maturity. Due to the ongoing demand for our health care services and dialysis products, and the fact that we receive most of our reimbursements for health care services from state health care organizations, our business is generally non-cyclical. A substantial portion of our accounts receivable are generated by government entities. While collection practices vary not only between countries but also between individual authorities in a country, government debtors usually represent a low to moderate credit risk. However, limited access to capital or rising financing costs could make it difficult for our customers to do business with us and in general. The resulting reluctance by customers to purchase our dialysis products or delays to such purchases could adversely affect our business activities. If the current situation on the financial and capital markets continues or deteriorates, this could also increase our financing costs and restrict our financial flexibility.

At the end of 2016, the debt/EBITDA ratio was 2.4. Further information can be found in the "Strategy, objectives and corporate management" chapter starting on page 35 and in the "Outlook" starting on page 93.

Credit rating

Standard & Poor's corporate credit rating for Fresenius Medical Care is "BBB–" with a "stable" outlook. Moody's continued to rate the Company "Ba1" with a "stable" outlook. The ratings agency Fitch has raised our corporate credit rating to "BBB–" with a "stable" outlook.

RATING T. 2.43

	Company rating		*Outlook*	*Financial liabilities*
	2016	*2015*	***2016***	***2016***
Standard & Poor's	BBB–	BBB–	Stable	BBB–
Moody's	Ba1	Ba1	Stable	Baa3
Fitch	BBB–	BB+	Stable	BBB–

Relevance of off-balance-sheet financing instruments for our financial situation and assets and liabilities

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

Assets and liabilities

Balance sheet structure analysis

The Company's total assets increased slightly year-on-year to $26.94 BN (2015: $25.37 BN). On a constant currency basis, they rose by 7% to $27.09 BN.

Asset analysis

Non-current assets amounted to $19.62 BN at the end of 2016, compared to $18.60 BN at the end of 2015. This corresponds to approximately 73% of the Company's total assets. They include goodwill of $13.67 BN (2015: $13.03 BN), primarily from the foundation of Fresenius Medical Care in 1996, the acquisition of Renal Care Group, Inc. in 2006 and the acquisition of Liberty Dialysis Holdings, Inc. in 2012 as well as further acquisitions in previous years. Property, plant and equipment increased by 10% to $3.77 BN in the year under review, largely as a result of capital expenditures. Further information on this can be found in the "Financial situation" section starting on page 71.

Current assets amounted to $7.31 BN at the end of 2016, compared with $6.77 BN in the previous year. This was due to an increase in trade accounts receivable, cash and cash equivalents and inventories primarily resulting from the growth in finished goods.

Liability analysis

On the liabilities side of the balance sheet, equity was up 9% to $11.46 BN at the end of 2016. This increase was mainly attributable to earnings after income tax as well as cash inflows from exercising stock options. This was offset by dividend payments and the fair-value measurement of noncontrolling interests subject to put provisions. The equity ratio rose by two percentage points year-on-year to 43%.

BALANCE SHEET STRUCTURE T. 2.44

in $ M

	2016	Proportion of total assets	2015	Proportion of total assets
Assets				
Non-current assets[1]	19,620	73%	18,597	73%
Current assets[1]	7,314	27%	6,768	27%
Of which receivables	3,745	14%	3,503	14%
Of which inventories	1,410	5%	1,341	5%
Of which other assets[1]	2,159	8%	1,924	8%
▸ **TOTAL ASSETS[1]**	**26,934**	**100%**	**25,365**	**100%**
Equity and liabilities				
Equity	11,457	43%	10,496	41%
Liabilities[1,2]	15,477	57%	14,869	59%
Of which non-current liabilities[1,2]	10,440	38%	10,720	43%
Of which current liabilities[1]	5,037	19%	4,149	16%
▸ **TOTAL EQUITY AND LIABILITIES[1,2]**	**26,934**	**100%**	**25,365**	**100%**

[1] *As part of the Accounting Standards Update 2015–17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes, deferred taxes reported in current assets/liabilities as of December 31, 2015 were reclassified to non-current assets in the amount of $216 M and non-current liabilities in the amount of $36 M. Non-current assets and liabilities in the amount of $168 M were also restated due to the netting of deferred taxes.*

[2] *Including noncontrolling interests with put options and other temporary equity.*

At $15.48 BN, liabilities were up 4% on the previous year's figure of $14.87 BN (up 5% in constant currency terms). This total includes the respective noncontrolling interests with put options. Financial liabilities amounted to $8.57 BN, compared to $8.65 BN in 2015. Current financial liabilities accounted for $1.37 BN of this figure (2015: $0.79 BN). This increase largely stems from the rise in the current component of the senior notes. Non-current financial liabilities amounted to $7.20 BN in 2016, compared to $7.86 BN in 2015. This reduction was primarily due to the reclassification of U.S. dollar-denominated bonds to current financial liabilities and the quarterly repayment of the 2012 Credit Agreement. It was partially offset by additional drawdowns under the accounts receivable facility. As in the previous year, 73% of the financial liabilities were denominated in U.S. dollars. For further information, see the "Consolidated balance sheets" starting on page 144.

ROIC at Group level increased from 7.0% as of December 31, 2015, to 7.8% as of December 31, 2016. In calculating ROIC, goodwill is a key factor in the "invested capital" item. ROIC significantly exceeded our capital costs in 2016. The weighted average cost of capital (WACC) amounted to 5.5%.

Further information on capital management and the capital structure can be found in the "Notes to consolidated financial statements" starting on page 143.

Risks and opportunities management is an integral component of management and control at Fresenius Medical Care. The Company's risks and opportunities profile has not changed significantly compared to the previous year. We have a well-balanced risks an opportunities profile.

Risks and opportunities management

As a manufacturer and service provider with global operations, we are naturally exposed to risks in connection with our entrepreneurial activities. Ultimately, we can only take advantage of opportunities that arise for our business if we are willing to take certain risks. Thanks to our many years of experience and our extensive knowledge of the markets, we are able to recognize and assess both risks and opportunities for our Company.

We see risk management as the ongoing task of promptly identifying, determining and analyzing the spectrum of risks within our business operations and environment that could jeopardize the growth or the continued existence of Fresenius Medical Care, assessing their influence on business activities and, where possible, taking corrective measures. We use our risk management system as the basis for these activities.

In addition, we ensure the Company's long-term success through our opportunities management. The aim of this is to identify opportunities for the Company as early as possible, assess them and initiate suitable measures to translate them into commercial success for Fresenius Medical Care. We take long-term and medium-term opportunities into account in our strategy and budget planning. Opportunities that can be realized in the short-term are used for our ongoing business operations, provided that they are commercially viable and in line with our objectives.

Risk management system

Risk management is part of Fresenius Medical Care's integrated management system. The objective is to identify risks as early as possible, assess their influence on business activities and take any relevant corrective measures. As external and internal requirements and conditions are constantly changing, Fresenius Medical Care continuously enhances its risk management. In 2016, we begun to adjust the Company's risk management approach in terms of its valuation methodology, the use of different risk classifications and reporting thresholds as well as the organizational anchoring of risk management and will continue with these activities in 2017.

The design of our internal risk monitoring system is based on the internationally recognized framework for company-wide risk management, "Enterprise Risk Management – Integrated Framework" developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). It is also recognized as a standard by the U.S. Securities and Exchange Commission (SEC). The risk management system does not account for opportunities.

In the risk monitoring system, risk coordinators within the regions and selected functions are responsible for coordinating risk management activities. A risk management software package is used for this. These activities cover existing risks as well as any future ones, and take short-term and mid-term developments into account. In addition, the risk coordinators are responsible for reporting risks to the Chief Financial Officers of the regions or functions. Twice a year, the central risk management team gathers the risk management reports from the regions and functions, analyzes them and passes them on in an aggregated form to the Management Board. The focus here is on material risks that exceed a firmly defined threshold value.

The Management Board and the central risk management team are directly and immediately informed of material new risks and known risks that

evolve into high risks to ensure an appropriate response. The effectiveness of the risk management system is monitored by the Audit and Corporate Governance Committee of the Supervisory Board; for details of our risk reporting, see chart 2.45. More information is available in the "Report of the Supervisory Board" starting on page 99 and in the "Declaration on Corporate Governance" starting on page 105.

Standard reporting to management is another important tool for controlling risks and taking preventive measures in good time. Therefore, the Management Board of Fresenius Medical Care is informed about the industry situation, our operating and non-operating business, and the outcome of analysis of our earnings and financial position on a monthly basis, as well as about our assets position on a quarterly basis.

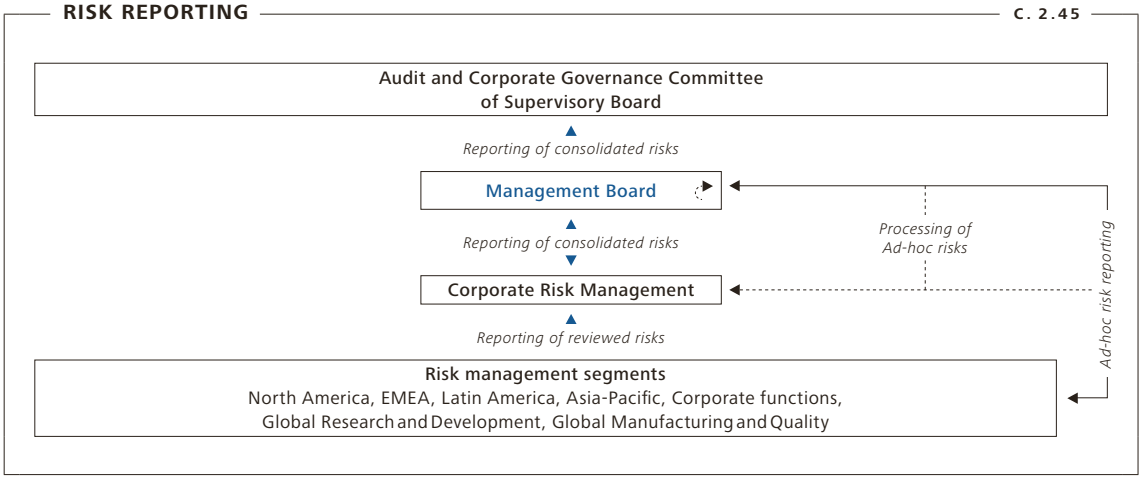
Part of the risk management system is the Global Internal Audit department, which is regularly informed about the results of the risk management system. This department determines risk focus areas and audits a selected number of Company departments and subsidiaries worldwide each year. The department works according to internationally accepted standards of the Institute of Internal Auditors (IIA). The Internal Audit department covers a wide range of aspects including, for example, the effectiveness of controls in business processes, the reliability of financial reporting, and compliance with accounting regulations and internal guidelines. The Company's locations and units to be audited are determined annually on the basis of a selection model. In 2016, a total of 49 audits were carried out, including at international sites.

It is nevertheless important to note that even a functioning and adequate risk management system like the one in place at Fresenius Medical Care cannot guarantee that all risks are identified and controlled.

Internal control and risk management system

Fresenius Medical Care's internal control and risk management system (ICS) for financial reporting ensures that the Company complies with applicable accounting standards. An internal reporting process, which is generally carried out at four levels, ensures that financial data and key figures are reliably recorded, processed, and controlled. At each of these 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, and discussed. Finally, current financial data are analyzed and evaluated not only by the Management Board and the departments responsible for preparing the annual and consolidated financial statements, but also by the Audit and Corporate Governance Committee of the Supervisory Board.

RISK REPORTING C. 2.45



Control mechanisms and compliance

Our ICS contains guidelines and instructions, which have the purpose of guaranteeing that all of Fresenius Medical Care's transactions are accurately reported and presented.

Further control mechanisms to ensure reliable financial reporting and correct recording of transactions in accounting and the consolidation process include system-supported 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 helps to ensure that risks with a direct impact on financial reporting are identified and controls are in place to minimize these risks. Changes to accounting standards are discussed on an ongoing basis within the Company and taken into consideration when preparing the financial statements. Employees responsible for financial reporting are also given regular training. The financial statements are consolidated centrally by the department responsible for Group accounting based on the reporting packages and sub-group financial statements submitted by the local Group entities.

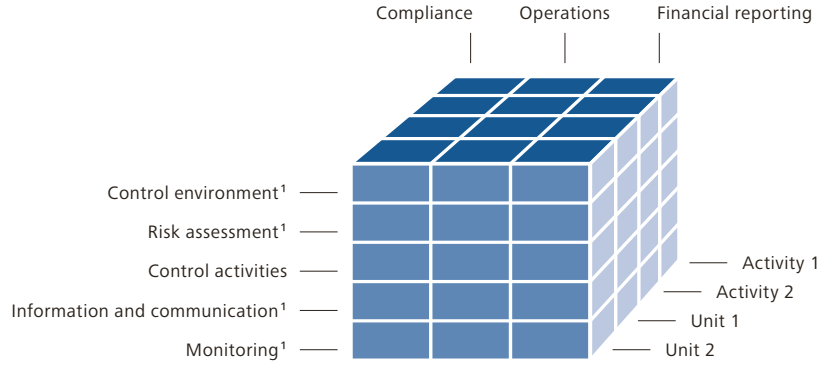
Furthermore, Fresenius Medical Care has implemented comprehensive quality management systems and a compliance program, which are regularly monitored. We aim to ensure that our business activities fully adhere to recognized standards as well as local laws and regulations. An important element of the compliance program is the Code of Conduct that is based on our core values and implemented in all of our business regions. More information on this can be found in the "Compliance" section starting on page 112.

Special control and transparency requirements in the U.S.

As Fresenius Medical Care is also listed on the New York Stock Exchange, it is subject to the requirements of the U.S. Sarbanes-Oxley Act (SOX). Section 404 of this U.S. federal law stipulates that the management boards of companies listed in the U.S. must take responsibility for implementing and adhering to an appropriate ICS to produce reliable financial reporting. To this end, we review the appropriateness and effectiveness of our ICS for financial reporting in regular internal audits. These features of the ICS are also examined in the review by the Company's independent auditor.

To assess the effectiveness of our ICS for financial reporting, we apply the COSO framework; see chart 2.46. In accordance with the COSO framework, the ICS for financial reporting at Fresenius Medical Care is divided into five levels: control environment, risk assessment, control activities, information and communication, as well as monitoring the ICS. Each of these levels is regularly documented, tested, and assessed. Fresenius Medical Care has aligned its internal controls to fulfill the requirements of the COSO framework in all respects.

COSO FRAMEWORK C. 2.46



[1] *Entity level controls.*

Our review of the internal control system for financial reporting complies with the SEC's "Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting". The review is done using software that takes the definitions and requirements of this guideline into account. First of all, regional project teams coordinate the assessment of the ICS in the individual regions; the results of these assessments are then merged Group-wide. Based on these, management finally examines the effectiveness of the ICS for the financial year in question. External advisers are consulted if necessary. A corporate steering committee meets several times a year to review changes to the SOX and new requirements, discuss possible control deficiencies, and derive measures. In addition, the Audit and Corporate Governance Committee of the Supervisory Board is informed regularly in its meetings of management's assessment of the effectiveness of the ICS.

As of December 31, 2016, the Company's management assessed Fresenius Medical Care's ICS for financial reporting and deemed it effective.

Internal control systems for 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 or that misstatements will always be prevented or detected.

Risk areas

The following section describes significant risk factors which could have significant impact on our group 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". For the identification of strategic developments, besides the short-term consideration (one year forecast), risks can also be assessed in terms of a mid-term impact within the subsequent five years. The scales for classification of potential impact and likelihood as well as their localization within the risk matrix can be found in chart 2.47 on page 88.

Industry-specific risks

Regulatory environment in the health care sector

Our health care services and products are subject to extensive government regulation in almost every country in which we operate. In addition, we have to comply with specific legal requirements everywhere, including antitrust regulations. This applies to areas including:

- the quality, safety and efficacy of medical and pharmaceutical products and supplies,
- product approvals and regulatory approvals for new products or product improvements,
- the operation of manufacturing facilities, laboratories and dialysis clinics,
- 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,
- compliance with due diligence, warranty obligations and product liability rules,
- compensation of medical directors and other financial arrangements with physicians and other referral sources.

Violating health regulations or other regulations under public law can result in far-reaching legal repercussions. These include in particular the loss of federal certifications, penalties and fines, recalls, increased costs for fulfilling regulatory requirements, exclusion from reimbursement programs of the respective government health care system, or even a total or partial ban on business operations. To ensure that our products and services meet the applicable quality requirements, we have introduced quality management systems in the various regions. In addition, we perform internal checks of our production sites and clinics to ensure that they adhere to the quality standards.

In the short-term, risks associated with the regulatory environment present a low risk to the Company and in the mid-term, they present a medium risk to the Company.

State health care programs

In the highly regulated environment in which we operate, changes in the law, especially relating to reimbursement, can also impact our business success and the implementation of our strategy. This is also true for health care reforms that could change the reimbursement method for health care service providers.

In 2016, we generated much of our global revenue from providing dialysis services that are reimbursed by the U.S. federal health insurance programs Medicare and Medicaid. Changes in legislation or reimbursement practices regarding e. g. the End-Stage Renal Disease Prospective Payment System, the Physician Fee Schedule, the Clinical Laboratory Fee Schedule, and the Ambulatory Surgical Center Payment System could influence the volume of Medicare and Medicaid reimbursements for services provided and the insurance coverage. A decrease in Medicare or Medicaid reimbursement rates or covered services could result in a significant reduction in revenue and operating profit.

To receive the full reimbursement rate under the lump-sum reimbursement system in the U.S., dialysis facilities must meet specific quality standards. Failing to achieve this could have a negative impact on Fresenius Medical Care's business, financial situation, and operating result.

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 various programs and 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.

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

In the short-term as well as in the mid-term, risks from U.S. federal health care programs present a medium risk for the Company.

Erythropoietin stimulating agents (ESAs)

Under the bundled payment system for dialysis patients ESAs are generally included in the bundled payment rate. An interruption of supply of ESAs, increasing acquisition costs or material increases in the utilization of ESAs could materially adversely affect the Company's business, financial condition and results of operations.

In 2015 patents on certain ESAs expired. This enables us to diversify the procurement sources and to reduce the risks in conjunction with supply interruptions as well as with price increases.

In the short-term as well as in the mid-term, risks associated with ESAs present a low risk for the Company.

Reimbursement from private health insurers

We generate another portion of our revenue, also in the U.S., from reimbursements by private insurers or Integrated-Care-Organizations. In some cases, these reimbursement rates have been higher than those of comparable government programs in the respective countries so far. However, non-governmental insurers could also change the level of reimbursements for products and services. In addition, consolidation among private insurers may have any adverse impact on our ability to negotiate commercially reasonable rates with such insurers. We maintain close business relationships with private health insurers, which we attempt to secure by concluding contracts that are as long-term as possible to ensure that our business remains profitable and stable.

A portion of our privately insured patients in the U.S. are dependent on charitable support to cover insurance contributions. If the recent efforts to limit or abolish this usage of charitable funds in the U.S. succeed those patients may be forced to switch to state health insurance in the near future. It could have a material negative effect on our operating results due to lower reimbursement rates.

In the short-term as well as the mid-term, risks associated with reimbursement by private health insurers are of medium significance.

Health care reforms

Political decision-makers in the U.S. and other countries are also considering reforms that could change the reimbursement method for health care service providers. Expenditure cuts or other major changes to government funding in countries in which we operate, in particular major changes to the Medicare and Medicaid programs in the U.S., can also negatively impact us and our business. For this reason, we monitor legislative activities and plans very carefully and work closely with government health care agencies.

The current U.S. administration has publicly announced its intention to revise existing health care insurance programs. Such changes could have an impact on our business, financial condition and results of operations.

In the short-term as well as in the mid-term, risks associated with health care reforms are considered medium.

Risks associated with operating activities

Growth

The health care industry has experienced significant consolidation in recent years, particularly in the dialysis services sector. The Company's ability to make future acquisitions depends, in part, on the availability of financial resources and the current restrictions imposed by competition laws as well as existing credit agreements. The integration of acquired businesses may cause problems. Furthermore the Company's business could be affected adversely by the failure to receive or the loss of required licenses, certifications, or other regulatory approvals for operation of dialysis clinics or sale of equipment, products or services.

In the mid-term risks associated with growth present a low risk to the Company.

Competition

Fresenius Medical Care has numerous competitors in the field of health care services as well as the sale of dialysis products. We are exposed to the risk of a competitor impairing our sales opportunities, thus causing us to lose market share, or of our strategy failing to account for key trends in the market.

By working closely with medical and scientific communities, we are able to take up important technological and pharmaceutical innovations at an early stage and enhance them. These alliances also give us extensive knowledge about recent advances in new treatment methods and allow us to adjust our corporate strategy as required.

In addition, we comprehensively monitor and analyze the market environment, the competitive situation, and the legal conditions in the respective sectors and regions. These include the market for generics and patented drugs for kidney patients, as increased demand for these products can adversely affect our business with pharmaceutical drugs.

Risks that arise due to competition represent a low risk for us in the short-term, as well as in the mid-term.

Research and development (R&D)

The development of new products and therapies is inherently associated with the risk of failing to achieve the objectives or achieving them much later than anticipated. Comprehensive, cost-intensive preclinical and clinical tests are required before regulatory approval is granted. We constantly and systematically monitor, test, and improve all products, packaging, applications, and technologies. We counter potential risks in the area of R&D by continuously analyzing and assessing development trends and examining whether R&D projects fit Fresenius Medical Care's overall strategy. As a vertically integrated company, we also benefit from direct contact with our patients and medical staff. This proximity to the market means that we have access to important information that allows us to develop and offer products and treatments that meet demand. For further information, see the "Research and development" chapter starting on page 52.

In the mid-term, the risk associated with research and development represents a low risk to the Company.

Quality

Dialysis treatment and the use of the requisite products involve risks for patients, which could have negative repercussions for Fresenius Medical Care if they were to occur. To supplement national and international norms and laws that set binding safety standards for dialysis products, we have drawn up in-house quality guidelines, some of which even exceed the statutory requirements. Rigorous compliance with all quality requirements is ensured primarily by our quality management systems, which contain documented process and work instructions for the employees concerned. Moreover, we perform internal checks of our production sites and clinics to make sure that our dialysis products and health care services adhere to quality standards. Our plants and clinics are also subject to external checks by the responsible regulatory bodies.

In the short-term, quality risks present a low risk to the Company and in the mid-term, they present a medium risk to the Company.

Patents

One typical patent risk is inadequate protection for technologies and products developed by Fresenius Medical Care. This could result in competitors copying our products without incurring comparable development costs. Furthermore, there is the risk that Fresenius Medical Care could infringe upon the patent of a competitor and thus be liable for damages. This could even result in a ban on further sales of the affected product. To mitigate this risk, we have installed a comprehensive patent management system with defined processes, responsibilities, and reporting lines.

In the mid-term, risks associated with patents represent a low risk to the Company.

Procurement

A key element of our purchasing strategy is securing the capacity of established strategic suppliers through long-term contracts and at the same time secure that there are at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing). If the Company is unable to counteract the risk of bottleneck situations at times of limited availability of materials this could result in delays in production and hence have an effect on the Company's results of operations. Similarly, price increases by suppliers could also affect the Company's results of operations.

To prevent loss of suppliers, we monitor our supplier relationships on a regular basis. By intensifying cooperation between our procurement teams in different regions, we can benefit from international price advantages and reduce risks related to currency fluctuations or dependencies on individual suppliers.

Risks that arise from procurement represent a low risk for us from a mid-term perspective.

Personnel

Our Company's success depends to a large extent on the dedication, motivation and abilities of our employees and managers. Our continued growth in the area of Health Care Services depends in particular on our ability to recruit and retain qualified physicians and skilled care personnel. As a result, we are currently enhancing various measures and initiatives with the aim of further increasing the satisfaction of our clinic personnel and maintaining their high level of motivation.

Also competition for experienced engineers and technical research and development staff is intense. We minimize the associated risks through our personnel management. This has the function of finding new, high-potential employees as well as specialist staff and managers, and supporting their development with targeted measures.

In the mid-term, risks associated with personnel present a low risk to the Company.

Non-compliance with laws and standards

As a result of Fresenius Medical Care's decentralized structure, thousands of employees work at a large number of subsidiaries. Despite training, supervision, and compliance programs, we cannot fully guarantee that employees will not inadvertently, negligently, or deliberately violate Company compliance guidelines or anti-corruption legislation. Such infringements could disrupt our business operations and adversely affect our results of operations or financial situation.

The Company has received communications alleging conduct that may violate anti-bribery laws. The Audit and Corporate Governance Committee of the Company's Supervisory Board is conducting investigations with the assistance of independent counsel. The Company has previously recorded a non-material accrual for an identified matter. Given the current status of the investigation, we cannot reasonably estimate the range of possible loss that may result from identified matters.

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

Risk from corruption is considered medium in the short-term and low in the mid-term.

IT

As Fresenius Medical Care continues to grow and become more international, the processes within the Company are becoming increasingly complex. This makes us more dependent on information and communication technology to structure our processes, which we are increasingly striving to harmonize between different regions. A breakdown of these systems could temporarily result in extensive parts of our business coming to a standstill and consequently cause heavy damages. Losing sensitive data or failing to comply with data protection laws, regulations, and standards could threaten our competitive position, our reputation, and the entire Company. We therefore use newly developed hardware and software that is continuously updated to prevent potential security risks in the area of IT. We are continuously enhancing our IT security guidelines and processes with the help of our Information Security Management System (ISMS) based on the internationally recognized security standard ISO 27002. Business data is regularly backed up. Potential IT risks are covered by a detailed disaster recovery plan. Fresenius Medical Care operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of our IT systems and prevent complete, worldwide system outages. We mirror critical systems, such as the clinical systems and the communication infrastructure and servers, storing them in duplicate as copies.

To minimize organizational risks arising from manipulation or unauthorized access, access is protected by passwords that are regularly changed. Moreover, we observe Company guidelines relating to data protection, which also govern the assignment of access rights.

As IT systems are increasingly integrated into our business processes, there is the risk that hackers could penetrate our internal and external systems by means of cyberattacks, causing damage or accessing sensitive information. The existing IT security architecture with security measures at different levels protects the systems in our data centers. Access to sensitive or critical data from outside the protected data center network is prevented through the use of secure protocols and cryptographic measures. In addition, annual safety tests are performed for applications with critical data (e. g. patient or staff data).

IT-risks represent a medium risk to the Company; both in the short-term as well as in the mid-term.

Other risks

Liquidity and financing

To ensure the continued existence of Fresenius Medical Care, we must be able to meet the obligations arising from our operating and financial activities. Management uses effective working capital and cash management and a forward-looking valuation of refinancing alternatives to control the Company's liquidity.

As of December 31, 2016, our financial liabilities totaled $8.57 BN. Our credit and bond agreements contain conditions that require adherence to specific financial key ratios. Non-compliance with these conditions could lead to an obligation to repay the financial liabilities prematurely. 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. We also believe that we are in a position to comply with the required key figures.

In the short-term as well as in the mid-term, risks associated with liquidity and financing present a low risk to the Company.

Currencies and interests

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

Our foreign exchange risks primarily result from transactions (purchases and sales) between Group companies located in different regions and currency areas. Most of our transaction risks stem from sales of products in the euro zone to other international Group companies. On December 31, 2016, the nominal value of all hedging transactions – predominantly relating to the euro against the U.S. dollar and various other currencies – amounted to $1,593 M. If required, the economic hedges we use are reflected in the consolidated financial statements as hedge accounting. We roughly quantify transaction risks in foreign currencies based on the statistically calculated cash-flow-at-risk figure (CFaR). This indicates the amount of a potential loss from the forecast foreign exchange cash flows over the next twelve months with a probability of 95%. As of December 31, 2016, our CFaR totaled $52.1 M.

We apply interest rate hedging instruments to prevent the risk of changes in interest rates arising from long-term debt that is subject to variable interest rates.

In the short-term, risks associated with currencies and interests represent a medium risk for the Company.

Litigation

As a company with global operations in the health care industry, Fresenius Medical Care is exposed to legal risks. These can pertain to industry-specific lawsuits relating to negligence, product liability, treatment errors, and other claims. Risks associated with legal disputes are continuously identified, assessed, and reported within our Company. Fresenius Medical Care is involved in various legal disputes resulting from our business operations. We always counter risks arising from legal disputes with the assistance of a lawyer. If necessary, we make accounting provisions by setting up reserves.

In the short-term, risks from litigation represent a low risk for the Company.

Taxes and import duties

Fresenius Medical Care is subject to the valid country-specific tax laws and regulations. Any changes to these can lead to higher tax expenses and higher tax payments. Future modifications to or developments within tax systems can affect tax liabilities and profitability. Fresenius Medical Care is regularly inspected by various financial authorities. As required, tax-relevant matters are generally coordinated with internal tax experts regarding legal compliance; if necessary, expert opinions and assessments are obtained from external advisers to minimize tax risks.

Furthermore the currently discussed initiatives of the U.S. administration, which have a wide-spread focus in terms of taxation and import duties are an uncertainty factor for our business.

The introduction of these additional import duties could have a negative effect on our operating results and consolidated earnings and represent a medium risk in the short-term. Risks associated with taxation represent a low risk to the Company, both in the short-term as well as in the mid-term.

International business activities

Fresenius Medical Care operates dialysis clinics in more than 45 countries and sells dialysis products and services to customers in over 120 countries. International business activities are therefore subject to the following risks, among others:

- We could have difficulties enforcing and collecting trade receivables in foreign legal systems.
- Our activities could be adversely affected by the inability of certain countries to service their national debt.
- Legislation could restrict our ability to acquire dialysis clinics or other companies.
- Political, social or economic instability, particularly in developing and emerging countries, may affect our activities negatively.
- National authorities could impose additional or higher taxes or charges or restrict imports of our products.

These and other risks could increase Fresenius Medical Care's costs, reduce revenues or impair our activities with possible material effects on the Company's business, results of operations and financial condition.

Risks associated with international operations represent a low risk for the Company in the mid-term.

Economic conditions and tension on the financial markets

Fresenius Medical Care is dependent on the situation in the financial markets and the state of the global economy. In order to do business, the Company, its customers and private and statutory health insurers are reliant on capital. Limited or expensive access to capital via the financial markets could have a detrimental effect on the Company's business.

The world is still recovering from the financial and economic crisis. This development is accompanied by unexpected interferences such as geopolitical conflicts in several regions around the world. As a result, the overall global economic outlook remains uncertain and current economic conditions could affect the Company's business and profitability. A possible drop in public revenue in the countries in which we operate could increase pressure to restrict or reduce reimbursements for our services from public-sector paying authorities. This could have further repercussions on remuneration rates or lead to a slowdown in incoming payments or a decrease in amounts paid. Devaluation of currencies and deteriorating economic conditions, including inflationary cost increases in various markets, in combination with a drop in country ratings, also heighten the risk of an impairment of goodwill; this could lead to a partial or a total goodwill write-off in the affected areas. If the global economic conditions continue to worsen, this could limit the Company's financial flexibility and cause a decline in earnings. However, we believe that we are well positioned to continue to grow our business while meeting our financial obligations on time.

Risks associated with global economic conditions and disruptions in financial markets represent a medium risk for the Company in the short-term.

Risk analysis and assessment

Risks that impact the one-year forecasting period are listed in chart 2.47 on page 88. The risks are shown by means of a brief reference to the fuller description in this risks and opportunities report. Along with quantitative factors, risk classification uses above all qualitative assessments.

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

Because of several initiatives by the current U.S. government we are exposed to increasing risks regarding import duties. Furthermore possible changes in the patient structure in the U.S. increase the risk regarding the reimbursement of private insurers. Considerations regarding extensive changes in health care systems in which we are operating lead to a higher risk from potentially resulting health care reforms.

Opportunities management

As a vertically integrated dialysis company, we can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our 3,624 dialysis clinics in more than 45 countries constitute the largest and most international network in the world. As a result, we possess valuable dialysis expertise that is unique in the industry. Thanks to this wealth of experience, we know that high quality is not only the key to a better quality of life for patients, but can also make a significant contribution to reducing the costs of health care. Based on this understanding and our business model, major opportunities arise that could have a positive impact on the results of operations, financial situation, assets, and liabilities of Fresenius Medical Care as things stand today.

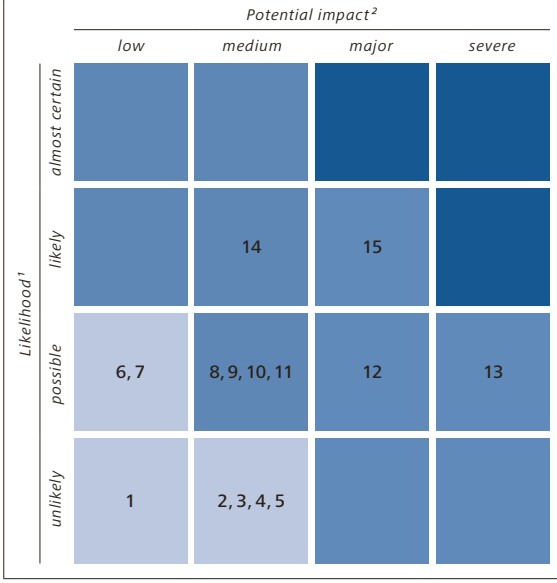
As much of our business is organized regionally, we can identify industry-specific trends and requirements as well as the opportunities arising from these in the different regions at an early stage and gear our actions to them. To capture business opportunities, we also perform comprehensive quantitative and qualitative analyses. This involves systematically evaluating relevant market data, closely examining research projects, and taking general trends in society into consideration; see the "Strategy, objectives and corporate management" chapter starting on page 35. 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.

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 increasing at a relatively constant annual rate of around 6%. It is expected to reach more than 3.2 M patients in 2017 and around 3.7 M by 2020. Social trends contribute to this rise in patient numbers. In Europe and the U.S. in particular, they include the aging population and the increasing incidence of diabetes and hypertension, two illnesses that frequently precede the onset of end-stage renal

RISKS WITH POTENTIAL IMPACT IN 2017 C. 2.47



Relevant risks for 2017	No.
Regulatory environment in the health care sector	1
Quality	2
Erythropoietin stimulating agents (ESAs)	3
Liquidity and financing	4
Litigation	5
Competition	6
Taxes	7
State health care programs	8
Reimbursement by private insurers	9
Health care reforms	10
IT	11
Global economic conditions and disruptions in financial markets	12
U.S. import duties	13
Currencies and interests	14
Non-compliance with laws and standards	15

low risk *medium risk* *high risk*

¹ *Probability of occurrence: **unlikely** = 0 to 10%, **possible** = ≥10 to 50%, **likely** = 50 to 90%, **almost certain** = 90 to 100%.*
² *Impact on the one year forecast: **low** = small negative impact, **medium** = moderate negative impact, **major** = significant negative impact, **severe** = material negative impact.*

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

Changes in legal and political conditions

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

- Health care systems face the challenge of having 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 seeking the help of private providers in looking for solutions.

One example is Germany, the seventh-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis clinics are operated predominantly by physicians in private practice, hospitals, and non-profit organizations. However, for a number of years, Fresenius Medical Care has also offered dialysis services in outpatient medical care centers: At the end of 2016, we were involved in 31 care centers (2015: 26). 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 (PPP)

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, too, as it enables us to make suitable offers flexibly for various levels of care – for hospitals, health insurers, local or national authorities. Depending on the contract, we set up new dialysis clinics and install the equipment, train medical personnel in quality, hygiene and nutrition, or manage the clinics ourselves on the agreed terms. This enables the public sector to care for a larger number of patients more effectively and less expensively. The PPP model allows Fresenius Medical Care to tap into new markets, expand its market share, and extend its range of products and services with new forms of health care.

Growing demand for integrated health care

As a result of cost pressure and the growing number of patients, global demand for a holistic (integrated) health care concept for patients with chronic kidney failure is rising. This involves combining all health care services and therapies associated with the treatment of a kidney patient to create a holistic program tailored to the patient's individual needs and the requirements of the health insurer. Depending on the contract and the structure of the health care system, dialysis can be supplemented by medical tests, drugs for kidney patients and vascular access management, for example. This 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 treatment.

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

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

Opportunities related to business operations

New products and technologies

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of dialysis centers is possibly no longer sufficient, home therapies are expected to take on a more crucial role in dialysis. This development presents us with opportunities for growth. Home dialysis as well as associated technologies and products will therefore continue to be a key focal point of our R&D activities. One major aim here is to give patients the greatest possible independence and mobility with a dialysis machine that is resource-efficient and can be used flexibly. We will continue to add innovative products and technologies to our range in the future to capture growth opportunities and meet the demand for integrated care as effectively as possible.

Internal organization and processes

Fresenius Medical Care can benefit from a number of long-term opportunities in the way it organizes and designs its business operations. To this end, we use the Lean Six Sigma management method to analyze and better coordinate our production processes worldwide with the aim of reducing both our defect rates and manufacturing cycles. In addition, we are systematically expanding environmental management at our production sites and dialysis centers to improve our operating efficiency, for instance by saving resources.

Capital expenditures 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. Further information on our acquisitions in the year under review can be found in the "Financial situation" section starting on page 71.

Fresenius Medical Care's business model

Our business model itself also provides opportunities for our Company'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 dialysis centers. As a result, we can benefit a great deal from the feedback of 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.

Management board assessment of overall risks and opportunities

The Management Board bases its assessment of the overall risk on Fresenius Medical Care's risk management system, which is regularly reviewed by third parties and by senior management. The Company's overall risk situation is determined by the risks described above. Management is not currently aware of any risks that threaten the continued existence of Fresenius Medical Care.

The effectiveness of the implemented risk management system is monitored and improved if necessary as part of a Company-wide review of the integrated management system. The Management Board will continue to expand our risk management and the review of the associated management system to be able to identify, investigate, and assess potential risks even sooner and implement appropriate countermeasures. From an organizational point of view, we believe that we have created all the necessary conditions to identify emerging risk situations early and to react appropriately.

We remain confident that our integrated global business model and our Group's earning power constitute a sound basis for our business development, allowing us to capture the potential that arises for the Company. In view of our leading position in the dialysis market, our innovative strength, our committed staff, and our structured processes for identifying risks early 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.

According to our estimates, we have a well-balanced risks and opportunities profile both for the 2017 forecasting period and in the long-term.

SUBSEQUENT EVENTS

Fresenius Medical Care's business development met our expectations in the first weeks of 2017.

Management Board changes

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

Economic and business environment

On February 3, 2017, Fresenius Medical Care announced the acquisition of a majority stake in Cura Group ("Cura"). Cura is a leading operator of day clinics in Australia. In its 19 private facilities, Cura provides a great variety of outpatient services. The company generated revenue of around €87 M in the 2015/2016 financial year. By acquiring the day clinics from Cura, Fresenius Medical Care is expanding its dialysis network by scaling up to about 40 outpatient facilities in the Australian market. This step allows Fresenius Medical Care to treat patients in a more holistic way by coordinating different therapies as well as offering dialysis services at more facilities. This transaction is subject to the consent of the remaining shareholders of Cura as well as authority approval and will be financed through a combination of cash and debt. Fresenius Medical Care expects the investment to be accretive to operating earnings in the first year after closing.

On January 31, 2017, Fresenius Medical Care announced that it will receive reimbursement for services provided to U.S. veterans from January 2009 through February 15, 2011. The amicable agreement with the U.S. Departments of Veterans Affairs and Justice resolves litigation that began in March 2014. The additional payment will support Fresenius Medical Care's revenue in 2017 by approximately €100 M. The estimated net income gain after tax attributable to shareholders of Fresenius Medical Care is expected to be around €45 to 50 M. The payment is expected to be received in the first half of 2017.

No further significant events took place between the closing date of December 31, 2016, and the date this report went to print on March 8, 2017.

Overall assessment of the business situation

Fresenius Medical Care's business development met our expectations in the first weeks of 2017.

From today's perspective, we expect to achieve our revenue, earnings and the other performance ratios as planned. At this report's editorial deadline, the current development of our business is basically in line with our expectations.

OUTLOOK

We continue to remain optimistic regarding Fresenius Medical Care's performance in the years ahead. In the future, we aim to further expand our product and services business. Thanks to our strong operating basis in our core business of dialysis but also in the area of Care Coordination, we will be able to grow our results in the current financial year.

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 base principle of our corporate strategy is to fully capture the potential of the vertically integrated company. This means rigorously utilizing the advantages that arise from covering the complete value chain of dialysis. Fresenius Medical Care pursues the aim of making constant progress in providing holistic care to dialysis patients and in dialysis-related treatments. In addition to our products and the dialysis treatment itself, we will continue to expand our activities in the area of Care Coordination and offer supplementary medical services for the treatment of our patients in the future.

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

Our industry continues to grow

Fresenius Medical Care expects the number of dialysis patients worldwide to increase by about 6% in 2017. Some significant regional differences are likely to remain. We anticipate 0 to 4% growth in patient numbers in the U.S., Japan, Western and Central Europe. The number of patients with chronic kidney disease is already relatively high in these regions and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, the growth rates are higher. We expect patient numbers to continue growing in the coming years – see table 2.48.

Demographic factors are one of the main reasons for the continued growth of dialysis markets, including the aging population and the rising number of patients with diabetes and high blood pressure – two diseases that often precede chronic kidney failure. In addition, the life expectancy of dialysis patients is increasing primarily due to ongoing improvements in the quality of treatment and ever higher standards of living, even in developing countries.

As a result of an improved infrastructure, the establishment of health care systems but also an increase in chronic diseases in Asia, Latin America, Eastern Europe, the Middle East and Africa, we expect high growth rates in dialysis. This opens up huge potential for the entire spectrum of dialysis services and products, as most of the world's population live in these regions.

We do not expect significant changes in treatment methods. Hemodialysis will remain the treatment of choice in future, accounting for about 88% of all dialysis therapies. Peritoneal dialysis will continue to be the preferred treatment for about 12% of all dialysis patients. The volume of the worldwide dialysis market, which amounted to about $76 BN last year according to preliminary estimates, is expected to increase by around 4% annually. This is based on the assumption that exchange rates

EXPECTED GROWTH IN PATIENT NUMBERS — T. 2.48

	Growth 2017
North America	~4%
Europe, Middle East, Africa	~4%
Asia-Pacific	~8%
Latin America	~5%
▸ **WORLDWIDE**	**~6%**

Source: Internal estimates

remain stable in the forecasting period. As a result, the overall volume of the dialysis market could reach around $79 BN in 2017.

Growth markets and future sales markets

We consider Care Coordination to be a growth market for Fresenius Medical Care. We significantly increased our revenue in this area last year. Care Coordination accounted for 13% of total revenue based on our North American activities. We expect revenue from this to rise substantially in 2017.

We also see growth potential in our core business. Our aim is to keep on expanding Dialysis Services worldwide. Above and beyond this, we have operated our own sales organizations in the Product Business in key growth markets in Eastern Europe, Latin America and Asia for several years and already hold a leading market position in these regions. We serve smaller markets via distributors. We intend to continue expanding our regional range of products and services in the future. Acquisitions can help us to achieve our aim of strengthening our business.

Legal structure and organization

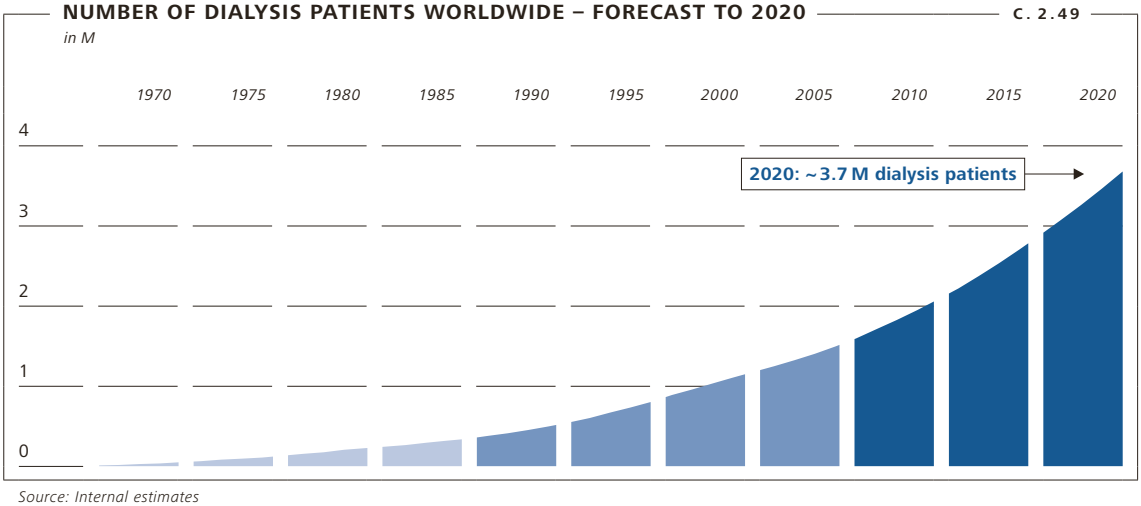
The holding company of Fresenius Medical Care has been a partnership limited by shares (Kommanditgesellschaft auf Aktien, KGaA) since 2006. Changes to the legal form are not planned in the foreseeable future. We also intend to retain our decentralized organizational structure. In our view, this well-proven structure guarantees maximum flexibility and allows us to adapt to the requirements of individual markets.

Business development of Fresenius Medical Care in 2017

From 2017, we report in line with the International Financial Accounting Standards (IFRS) using the euro as reporting currency and not in accordance with U.S. GAAP in U.S. dollar anymore. The outlook already includes targets in euros derived in accordance with IFRS. From then on, changes in the financial indicators will also be determined at constant exchange rates terms due to the greater impact of foreign exchange rate fluctuations on the euro figures.

Fresenius Medical Care's outlook for 2017 is based on exchange rates prevailing at the beginning of 2017. The expected revenue and earnings development described below excludes the contributions from the agreement with the United States Departments of Veterans Affairs and Justice for services

NUMBER OF DIALYSIS PATIENTS WORLDWIDE – FORECAST TO 2020 C. 2.49



Source: Internal estimates

provided to veterans by our clinics during the period January 2009 through February 15, 2011. The agreement is expected to increase our revenue in 2017 by approximately €100 M. The estimated positive impact on our net income (net income attributable to shareholders of FMC AG & CO. KGAA) is expected to be approximately €45 to 50 M.

Revenue

In 2017, we expect revenue growth of 8 to 10% at constant exchange rates.

Earnings

Operating income

We expect operating income for 2017 to grow with revenue or even exceed revenue growth. Delivered EBIT is expected to grow approximately in line with revenue.

Net income

We aim to achieve an increase in net income (net income attributable to shareholders of FMC AG & CO. KGAA) at constant exchange rates by 7 to 9% in 2017.

Earnings per share

Basic earnings per share are expected to show the same development as net income in 2017 compared to 2016.

Dividend

We intend to maintain our profit-oriented dividend policy in principle. Information on the proposed dividend increase can be found in the "Dividend Continuity" section on page 20.

Capital expenditures and acquisitions

In 2017 we intend to spend around €1.85 to 1.95 BN for capital expenditures and acquisitions and investments. Capital expenditures should account for €1.1 to 1.2 BN in 2017. Around 50% of this amount is earmarked for expansion investments.

Approximately €0.75 BN is to be used for mainly acquisitions and equity investments in Health Care Services.

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

Liquidity

Cash flow

Net cash provided by operating activities is again expected to account for more than 10% of revenue in 2017, while the free cash flow is set to exceed 4% of revenue.

Debt/EBITDA ratio (leverage ratio)

Fresenius Medical Care uses the leverage ratio (debt/EBITDA ratio) as a guideline in its long-term financial planning. The ratio was 2.6 at the end of 2016. For the end of 2017 the target figure is expected to be below 2.5.

Profitability

We expect an improvement in return on invested capital (ROIC) from 7.8% in 2016 to at least 8.0% in 2017.

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 2017, particularly in the area of Health Care Services. By the end of 2017, the number of people working for Fresenius Medical Care is estimated to increase to more than 117,000 full-time equivalents.

Research and development

We plan to spend approximately $150 to 160 M on research and development in 2017. The number of employees in this area (currently 794 full-time equivalents) is not expected to change significantly in 2017.

Our targets for the financial year 2017 are summarized in table 2.50 on page 96.

Long-term growth target

In 2014 we set ourselves new long-term targets with our growth strategy 2020. This growth strategy expressed a goal to increase revenues to $28 BN, in accordance with U.S. GAAP, by fiscal year 2020. In accordance with IFRS in euro, this revenue goal would be €21 BN by fiscal year 2020 utilizing the currency exchange rates at the time the growth strategy 2020 was presented in April 2014. At currency rates prevailing at the beginning of 2017, this represents revenue of €24 BN in 2020. In addition, we indicated average annual revenue growth of approximately 10% and average annual growth of net income attributable to shareholders of FMC AG & CO. KGAA in the high single-digits, these goals are unchanged.

General assessment of expected development

We remain optimistic regarding the performance of Fresenius Medical Care in the years to come. We aim to further expand our core business with dialysis products and services in the future, too. Despite this, we will be operating in a challenging business environment in which cost increases are not adequately reflected in higher reimbursement rates. This particularly applies to the U.S., Fresenius Medical Care's most important market in terms of business volume. Due to our strong operating basis in dialysis and the expansion of Care Coordination, we expect to grow our income in the current financial year and beyond.

The outlook describes the expected development of Fresenius Medical Care in the 2017 financial year. It takes into account all events known at the time the financial statements were prepared that could influence our business development in 2017. As in the past, we take every effort to ensure that we achieve and – where possible – exceed our targets. The forecasts may be adversely affected by unfavorable developments in our risk situation. Further information on the risks to which Fresenius Medical Care is exposed can be found in the "Risks and opportunities report" starting on page 78, the consolidated financial statements, and the Form 20-F report in the "Investors" section at www.freseniusmedicalcare.com.

OUTLOOK 2017 — T. 2.50

	Results 2016		***Targets 2017***
	in accordance with U.S. GAAP in $	*in accordance with IFRS in €*	*in accordance with IFRS in €*
Revenue[1]	$17.9 BN[2]	€16.6 BN	Growth 8–10% (at constant exchange rates)
Operating income[1]	$2.6 BN	€2.4 BN	Growth ≥ revenue growth
Delivered EBIT[1]	$2.3 BN	€2.1 BN	Growth ~ revenue growth
Net income[3]	$1.2 BN	€1.1 BN	
Net income growth[1,3]			7–9% (at constant exchange rates)
Basic earnings per share growth[1,3]			based on development of net income
Capital Expenditures	$1.0 BN	€0.9 BN	€1.1–1.2 BN
Acquisitions and investments	$0.4 BN	€0.3 BN	~ €0.75 BN
Net cash provided by (used in) operating activities *in % of revenue*	11.9%	11.7%	>10%
Free cash flow *in % of revenue*	6.3%	6.1%	>4%
Debt/EBITDA Ratio	2.4	2.6	<2.5
ROIC	7.8%	7.8%	≥8.0%
Employees[4]	109,319	109,319	>117,000
Research and development expenses	$162 M	€147 M	€150–160 M

[1] *Targets 2017 exclude the effects of the agreement with the United States Departments of Veterans Affairs and Justice.*
[2] *Results 2016 revenue prepared in accordance with U.S. GAAP is recorded net of patient service bad debt provision.*
[3] *Net income attributable to shareholders of FMC AG & Co. KGaA.*
[4] *Full-time equivalents.*

CHAPTER 3

CORPORATE GOVERNANCE

CHAPTER 3
CORPORATE GOVERNANCE

REPORT OF THE SUPERVISORY BOARD

The past fiscal year once more was a very successful year for Fresenius Medical Care. The business with dialysis services had a particularly positive development. Furthermore, the expansion of the Care Coordination sector progressed. In this still relatively young sector, the Company was able to achieve a sustained strong sales growth. The work of the Supervisory Board was characterized by, among other things, the new elections by the Annual General Meeting.

The Supervisory Board of Fresenius Medical Care AG & Co. KGaA (hereinafter the "Company") in the past fiscal year observed all the duties imposed on it by the law, the articles of association and the rules of procedure. In this context it also took into account the recommendations of the German Corporate Governance Code. The Supervisory Board supervised the general partner, Fresenius Medical Care Management AG, within its responsibility and regularly advised the management board (hereinafter the "Management Board").

Deliberations of the Supervisory Board covered all significant questions of business policy, the company planning and the strategy. Reports of the Management Board on the progress of transactions, acquisitions, the profitability and liquidity as well as on the situation and perspectives of the Company and the Group served as a basis for the work of the Supervisory Board. Further subjects were the risk situation and risk management. This and all further significant business issues were comprehensively discussed by the Supervisory Board and its committees. The agenda also included regular reviews of the development of the acquisitions of the previous years. Key benchmarks for this were the planning and prognoses at the time of each acquisition. The Supervisory Board passed various resolutions within its competencies according to law and the Articles of Association.

Meetings

In the last fiscal year, six meetings of the Supervisory Board, some of which lasting several days, took place. In addition, the Supervisory Board had one session via telephone conference. In the last fiscal year, no Supervisory Board member attended only half of the meetings of the Supervisory Board and the committees he is a member of, or less. The following table shows the participation of the members in the meetings and the telephone conference held in the past fiscal year.

The Supervisory Board was always informed promptly, regularly and comprehensively by the Management Board. The Management Board reported to the Supervisory Board in writing in between, or in due time in advance of, meetings. During the meetings, it also informed the Supervisory Board orally. In addition, this year the Supervisory Board had the opportunity to meet individual members of the upper management level. The members of the Management Board were further available to the Supervisory Board for follow-up queries. The Chairman of the

Supervisory Board maintained regular and close contact with the Management Board outside the meetings. In case of particularly important events, the Management Board promptly informed the Chairman of the Supervisory Board or the chairmen of its committees. During the entire fiscal year, the Chairman of the Supervisory Board was in close contact with the other members of the Supervisory Board.

Focus of the discussions in the Supervisory Board

Also in the past year, the Supervisory Board mainly focused on strategic considerations. Measures discussed by the Supervisory Board related to both existing and potentially new business areas. Fresenius Medical Care intends to continue growing strongly in the current core business with dialysis products und the treatment of dialysis patients. A notable acquisition project in the field of dialysis services was the acquisition of a 85% participation in the Indian dialysis group Sandor Nephro Services. This group of companies is the second largest provider of dialysis treatments in India; it operates more than 50 dialysis centers. With this takeover, Fresenius Medical Care strengthens its core business in one of the world's fastest growing economies. At the same time, the Company pursues its "Growth Strategy 2020". The goal of that strategy is to also offer medical services which go beyond the dialysis treatment itself. Those services, which are combined under the title "Care Coordination", shall form an even larger share of the overall turnover in the future. Against this background, the Supervisory Board primarily deliberated on acquisition- and cooperation projects in this area.

The Supervisory Board also deliberated on the compensation of the Management Board. The Supervisory Board discussed in detail in particular the structure of the Long-Term Incentive Plan 2016. This plan sets long-term incentives for the Management Board to align its work with the success of the Company by means of a performance-oriented remuneration. The Long-Term Incentive Plan 2016, thus, is an essential component of the compensation system for the Management Board. The Annual General Meeting has approved the compensation system on May 12, 2016.

The Supervisory Board also discussed in depth the changes in accounting. Going forward, Fresenius Medical Care will no longer report in accordance with US-GAAP, with US dollars as the reporting currency, but in accordance with the International Financial Reporting Standards (IFRS), with euro as the reporting currency.

The business development, the competitive situation and the Management Board's planning in the individual regions, once more, were at the centre of the Supervisory Board's discussions. It particularly the Supervisory Board discussed in detail the development of cost reimbursement in the various health care systems. Another focus of the discussions was on research and development activities. In the past fiscal year, the 6008 CAREsystem was presented. With the help of this dialysis machine, a further improvement of the already high therapy standards of Fresenius Medical Care and a more efficient structuring of the treatments could be achieved. In the past year, the Supervisory Board also informed itself about the quality assurance systems and the results of the product quality testing in the production facilities.

PARTICIPATION OF MEMBERS OF THE SUPERVISORY BOARD T. 3.1

in meetings and telephone conference in 2016

	Supervisory Board	*Audit and Corporate Governance Committee*	*Nomination Committee*	*Joint Committee*
Dr. Gerd Krick (Chairman)	7 / 7	9 / 9	1 / 1	1 / 1[3]
Dr. Dieter Schenk (Vice Chairman)	7 / 7	0 / 0	1 / 1	0 / 0
Rolf A. Classon	7 / 7	4 / 4	0 / 0	1 / 1
William P. Johnston	7 / 7	8 / 9	0 / 0	1 / 1
Deborah Doyle McWhinney[1]	3 / 3	4 / 4	0 / 0	0 / 0
Pascale Witz[1]	3 / 3	0 / 0	0 / 0	0 / 0
Prof. Dr. Bernd Fahrholz[2]	4 / 4	5 / 5	0 / 0	0 / 0
Dr. Walter L. Weisman[2]	3 / 4	4 / 5	1 / 1	0 / 0

[1] *Member of the Supervisory Board since May 12, 2016.*
[2] *Member of the Supervisory Board until May 12, 2016.*
[3] *On behalf of the general partner.*

In joint consultations with the Management Board the expected development of the production quantities in the existing facilities and their expansion was discussed. For example, Fresenius Medical Care will invest in a new approximately 7,000 square meters technology center at the Schweinfurt location. Around 250 employees will be working together in a project-related manner under a single roof in the future.

Already in 2013 Fresenius Medical Care started a worldwide efficiency enhancement program. Also in the past year, the Supervisory Board had itself informed on the success of the measures to improve the cost situation. Additional discussions related to the litigation in connection with alleged inadequate warning notices on the acid concentrate products NaturaLyte® and GranuFlo®. At the center of the discussions was an out-of-court settlement in principle with the plaintiffs in early 2016.

The Supervisory Board has regularly received informed on the compliance of the Company. Also results of the internal revision were taken into account in this context. As a further topic, the Supervisory Board inquired about the progress of the internal investigation concerning asserted violations of provisions of the US Foreign Corrupt Practices Act (FCPA) or other anti-corruption laws.

In particular in the first half of 2016, the Supervisory Board was intensely occupied with the preparation of personnel changes. The ordinary election of the members of the Supervisory Board was on the agenda of the Annual General Meeting on May 12, 2016. Dr. Walter L. Weisman and Prof. Dr. Bernd Fahrholz did not stand for re-election; thus their term of office ended with effect of the end of this Annual General Meeting. In preparation for the elections, the Supervisory Board discussed proposals from the Nomination Committee as well as suitable candidates. As a result of the discussions, the Supervisory Board proposed to the Annual General Meeting the election of Ms. Deborah Doyle McWhinney and Ms. Pascale Witz as new members in addition to the re-election of four of its former members. Deborah Doyle McWhinney is an American manager with many years of experience in the financial sector. Pascale Witz, French citizen, has extensive experience in the health sector. The Supervisory Board is pleased that the Annual General Meeting followed its proposals. As a result, the Supervisory Board not only fulfilled its self-defined goals with regard to the proportion of female members in Supervisory Board at an early stage. Moreover, it was able to increase anew the diversity of its composition with regard to the internationality and professional background of its members.

Following the elections to the Supervisory Board by the Annual General Meeting, the Supervisory Board passed resolutions on the election of its Chairman and the composition of its committees.

The Supervisory Board has formed committees from among its members that support the Supervisory Board as a whole in its supervisory and advisory functions. In the Joint Committee of the Company, some members of the Supervisory Board also have to deliberate on matters relating to transactions requiring approval.

Audit and Corporate Governance Committee

The Audit and Corporate Governance Committee convened four times in the past fiscal year. In addition, five telephone conferences were held. Dr. Walter L. Weisman held the function of the chairman until his resignation from the Supervisory Board. As of May 12, 2016, William P. Johnston is the chairman of the committee. He has been a member of this body for several years. All members, in particular the two aforementioned chairmen, are independent financial experts according to Sec. 100 para. 5 of the German Stock Corporation Act. In addition, the members of the committee in their entirety are familiar with the sectors in which Fresenius Medical Care operates.

In 2016 the committee dealt with the annual and consolidated financial statements, the proposal for the allocation of profit and the report according to Form 20-F for the U.S. Securities and Exchange Commission (SEC). It also discussed the quarterly reports with the Management Board. Furthermore, it dealt with the selection and the independence of the auditor of the annual and consolidated financial statements. In doing so, it also considered additional non-audit services provided by the auditor for the Group. Also, the auditing mandate for the consolidated financial statements and the consolidated annual management report according to US accounting principles was issued by the committee. Its activities also included negotiating the fee agreement with the auditor and discussing and determining the focuses of the audit. As an additional topic the committee dealt with the compliance of the Company. In this context, the committee provided support in connection with investigations of alleged cases of non-compliance, which are currently still pending, as well as the review of the internal control processes.

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

The committee discussed the accountancy process, the effectiveness of the internal control system, the risk management system and the internal audit system as well as the audit several times. In the course of its audit, the auditor reviewed the internal control and risk management system in relation to the accountancy process as well as the early risk recognition system. It did not raise any objections. With a view to the internal control system and the implementation of the relevant provisions of the Sarbanes-Oxley Act it granted an unqualified audit certificate on Februar 21, 2017. The Management Board periodically reported to the committee on larger individual risks. It also informed the committee regularly on the compliance situation as well as on the audit plans and results of the internal audit.

The legal and business relations of the Fresenius Medical Care group companies to Fresenius SE & Co. KGaA and/or its affiliates were a further subject matter of the reviews of the committee. It was confirmed in each case that these relationships corresponded to those between unrelated third parties.

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

Nomination Committee

After the Nomination Committee had already intensively dealt with suitable candidates in 2015, it convened once again in the past fiscal year on March 8. Subject of the deliberations were now, among other things, the resolution proposals for the Supervisory Board elections 2016. The Nomination Committee therefore conducted preliminary interviews with potential female and male candidates. In the selection process, the Nomination Committee was supported by an external service provider.

Joint Committee

The Company has a Joint Committee. It is composed of two representatives nominated by the general partner as well as two members of the Supervisory Board. For certain matters, the Management Board requires the approval of the Joint Committee. The Joint Committee held one meeting in the past fiscal year. The subject of such meeting was the deliberation on the renewal of lease agreements for offices and production buildings at the locations of Bad Homburg, Schweinfurt and St. Wendel. The committee was presented with an external expert's report on the market adequacy of the rent and other contents of the agreements. In its meeting held on November 29, 2016 the Joint Committee agreed to prolong the lease agreements for another ten years.

Corporate Governance

The Supervisory Board again reviewed the efficiency of its work and also dealt with the exchange of information between it and its committees as well as between it and the Management Board. 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 Rolf A. Classon, William P. Johnston, Dr. Gerd Krick and Dr. Dieter Schenk. The same was true for Dr. Walter L. Weisman, who did not stand for re-election to the Supervisory Board in May 2016. In addition, Dr. Gerd Krick is chairman and Dr. Dieter Schenk 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 30.7% of the shares in the Company. It is also the sole shareholder of Fresenius Medical Care Management AG. Dr. Gerd Krick is also chairman of the supervisory board of Fresenius SE & Co. KGaA.

Consultancy or other service relationships with Supervisory Board members in the last fiscal year existed only in the case of Dr. Dieter Schenk. He is, at the same time, a partner in the law firm Noerr LLP. The companies of the international law firm Noerr LLP provided legal advice to Fresenius Medical Care AG & Co. KGaA and its affiliates in the past fiscal year. In the last fiscal year, Fresenius Medical Care paid legal fees in an amount of approx. €0.9 million (plus VAT) to the law firm Noerr (previous year: approx. €1.1 million). This amount paid includes also payments for services already provided in 2015 which have been paid in 2016. That is less than 1% of the legal and consultancy costs paid by Fresenius Medical Care worldwide. The Supervisory Board approved the assignments and the payments based on the presentation of detailed information and following corresponding

recommendations of the Audit and Corporate Governance Committee. The same applies to the Supervisory Board of Fresenius Medical Care Management AG. With regard to such approvals, Dr. Dieter Schenk abstained from voting. The payments were only executed after approval by the Supervisory Board.

The Supervisory Board dealt with the provisions of the German Corporate Governance Code and their application in relation to the group of companies. In this context, the Supervisory Board concluded that it and its committees have, in its opinion, an adequate number of independent members. Independent in terms of the German Corporate Governance Code are Rolf A. Classon, William P. Johnston, Deborah Doyle McWhinney and Pascale Witz. In accordance with the regulations of the SEC, the Supervisory Board also considers Dr. Gerd Krick as independent. In the opinion of the Supervisory Board, depending on the definition applied four or five of six members are independent.

Based on its deliberations, the Supervisory Board resolved on the Declaration of Conformity in relation to the German Corporate Governance Code according to Sec. 161 of the German Stock Corporation Act. It was published in December 2016. The Declaration of Conformity is permanently available to the public on the Company's website.

The Corporate Governance Report of the general partner and of the Supervisory Board together with the "Declaration on Corporate Governance" is on pages 105 et seqq. of the annual report. The declaration on the corporate governance was discussed by the Supervisory Board and approved at its meeting of March 8, 2017.

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, on the other hand, follow Sec. 315a German Commercial Code in accordance with International Financial Reporting Standards (IFRS) as applicable in the European Union. Accountancy, annual financial statements, annual management report as well as consolidated financial statements and consolidated annual management report for 2016, were audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin. Said company was elected as auditor by resolution of the Annual General Meeting of May 12, 2016 and instructed by the Supervisory Board. The auditor has provided each of the aforementioned documents with an unqualified certificate. The audit reports of the auditor were made available to the Audit and Corporate Governance Committee and the Supervisory Board. The Audit and Corporate Governance Committee reviewed the annual and consolidated financial statements as well as the management reports taking into account the audit reports of, and the discussions with, the auditor. It reported to the Supervisory Board thereon.

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

At its meeting on February 21, 2017 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 22, 2017. It contains, inter alia, also the consolidated financial statements and the consolidated annual management report which have been prepared for the last time in accordance with US accounting principles, with the US dollar as the reporting currency. In the future and for the first time for fiscal year 2017, the report according to Form 20-F will contain the consolidated financial statements and the consolidated annual management report according to IFRS with euro as the reporting currency.

The annual financial statements and annual management report of Fresenius Medical Care AG & Co. KGaA as well as the consolidated financial statements and the consolidated annual management report for the last fiscal year, as presented by the general partner, were approved by the Supervisory Board at its meeting on March 8, 2017.

The Supervisory Board also approved the general partner's proposal for the application of profit which provides for a dividend of €0.96 for each share.

Dependency report

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

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

Both, the Audit and Corporate Governance Committee and the Supervisory Board received the dependency report in good time and reviewed it. The auditor participated in the relevant meetings. It reported on the main results of his audit and was available for additional information. On February 21, 2017, the auditor added the following certificate to that dependency report:

"Based on our audit and the conclusions reached, we confirm that 1. the disclosures made in the report are factually correct, 2. the consideration received or paid by the Company for each legal transaction disclosed in the report was not unreasonably high, 3. there are no other circumstances relating to the transactions and measures disclosed in the report which would lead to a conclusion different to the one reached by the personally liable shareholder (General Partner)."

The Audit and Corporate Governance Committee and the Supervisory Board concur with the assessment of the auditor. Following the final results of the review by the Supervisory Board, it does not raise any objections against the declaration of the general partner at the bottom of the report on the relationships to affiliates.

Personnel matters

After many years as member of the Management Board and as General Manager for the region Asia-Pacific Roberto Fusté has decided to resign from both offices with effect as of March 31, 2016. It has been agreed that Roberto Fusté will continue to support Fresenius Medical Care with his long-term experience as Executive Advisor for Regional Strategies until December 31, 2018. In this function he will directly report to the Chairman of the Management Board. The successor of Roberto Fusté is Andreas Hendrik (Harry) de Wit. Harry de Wit has been working in the medical technology sector for over 25 years. He has extensive experience in the Asia-Pacific region and is based in Hong Kong. The Supervisory Board is convinced that the Asia-Pacific region will continue to develop successfully under his leadership.

With effect as of February 17, 2017 also Ronald Kuerbitz has resigned as member of the Management Board and General Manager for the region North America. His successor William (Bill) Valle has close to 30 years of experience in the dialysis business. Since 2014 he is heading the dialysis service business and the vascular access unit of Fresenius Medical Care in North America.

The Supervisory Board thanks Roberto Fusté and Ronald Kuerbitz for their efforts and outstanding contributions.

The Supervisory Board also thanks the retiring Supervisory Board members Dr. Walter L. Weisman and Prof. Dr. Bernd Fahrholz for their professional dedication and for their valuable contributions as well as for the long-time and trustful cooperation.

The Supervisory Board finally thanks the members of the Management Board as well as all employees of the group for their commitment. Thank you very muchfor the successful work performed in the last fiscal year!

Bad Homburg v.d. Höhe, March 8, 2017
On behalf of the Supervisory Board

DR. GERD KRICK
Chairman

CORPORATE GOVERNANCE REPORT AND DECLARATION ON CORPORATE GOVERNANCE

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

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

The Declaration on Corporate Governance is 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). Their 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 2016 as the year under review, there were no significant changes to the Group's management and supervision structure – see chart 3.2 on page 106.

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

Functioning of the Management Board and the Supervisory Board as well as composition and functioning of their committees

The German Stock Corporation Act (Aktiengesetz – AktG) prescribes a dual management system for stock corporations (Aktiengesellschaft) as well as for partnerships limited by shares consisting of a management body and a supervisory board. The peculiarity in the case of the legal form of a KGaA is that its business activities are conducted by a personally liable shareholder (General Partner). In the case of FMC AG & CO. KGAA, this is Fresenius Medical Care Management AG, whose Management Board is also responsible for conducting the business activities of the KGaA. Within the scope of statutory allocation of competences, the Supervisory Board is responsible for supervising and advising the Management Board and is involved in making decisions that are fundamental to the Company. The duties and responsibilities of both bodies are clearly defined by legislation and are strictly separated from one another. In addition to the Company's Supervisory Board, 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. In the year under review, the Management Board was composed of seven members, with a change of personnel taking place at the end of the first quarter of the year under review.

With effect as of March 31, 2016 Mr. Roberto Fusté, Management Board member for the Asia-Pacific region, resigned from the Management Board; with effect as of April 1, 2016 Mr. Andreas Hendrik (Harry) de Wit has been appointed as a member of the Management Board for the Asia-Pacific region.

In addition to observing legislation, the Articles of Association and the principles as explained herein, the General Partner's Management Board conducts the business activities of the Company in accordance with the applicable rules of procedure, as amended on December 29, 2016, within the meaning of section 77 para. 2 of the German Stock Corporation Act and section 4.2.1 sentence 2 of the Code. These rules of procedure define the principles of cooperation and provide for the schedule of responsibilities. Matters of special significance and scope are decided by the full Management Board in accordance with the rules of procedure. In order to increase the efficiency of the Management Board's work, the General Partner's Supervisory Board established a Management Board Committee for certain cross-departmental matters. Such Management Board Committee essentially deals with corporate matters of subsidiaries of FMC AG & CO. KGAA or acquisitions that do not reach the minimum relevance and importance level required for being referred to the entire Management Board. Apart from the Chairman of the Management Board and the Chief Financial Officer, the Management Board Committee, which consists of at least three members, must include the Management Board member responsible for the respective matter or another Management Board member appointed by the Chairman at his reasonable discretion 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.

The rules of procedure determine that meetings of the Management Board are held as the circumstances require, but at least twelve times a year.

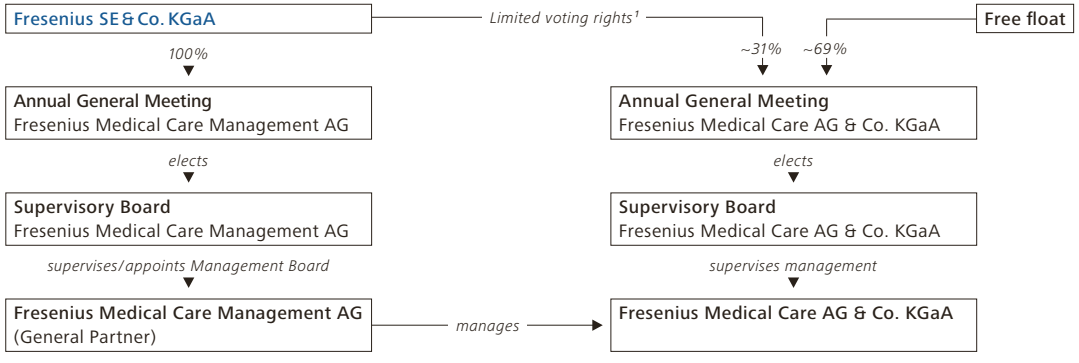
The meetings and the taking of resolutions by the Management Board are led by the Chairman of the Management Board. If he is unavailable, this task resides with the Management Board member named by the Chairman, or, if no member has been named, with the participating Management Board member most senior in office. The Chairman of the meeting determines the order of the agenda items and the modus of voting. Unless unanimity or the acting of all members of the Management Board is required by mandatory legal regulations or the Articles of Association, the Management Board adopts resolutions at meetings by simple majority of votes cast, and outside the meetings by simple majority of its members. In case of a voting tie, the Chairman of the Management Board has the casting vote.

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 as well as in chapter "Management Board" starting on page 16.

In various relevant and important 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.

STRUCTURE OF FRESENIUS MEDICAL CARE AG & CO. KGAA C. 3.2

Based on data as of December 31, 2016



[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.*

The Supervisory Board of Fresenius Medical Care Management AG

As a stock corporation, Fresenius Medical Care Management AG also has its own Supervisory Board. According to the Articles of Association the Supervisory Board consists of six members. In the year under review, initially six members were in office and as of June 30, 2016 five members. With effect as of June 30, 2016 Mr. Stephan Sturm has been appointed as Chairman. Until that point in time Dr. Ulf M. Schneider acted as Chairman. Other members of the Supervisory Board of Fresenius Medical Care Management AG were in the year under review Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon, William P. Johnston and Dr. Gerd Krick as well as Dr. Walter L. Weisman until the end of the Annual General Meeting of Fresenius Medical Care Management AG on May 11, 2016 and Dr. Ulf M. Schneider until resigning from the Supervisory Board on June 30, 2016. Mr. Stephan Sturm was elected as member of the Supervisory Board on May 11, 2016. With regard to candidates proposed by the Supervisory Board to the Annual General Meeting of Fresenius Medical Care Management AG the Supervisory Board has ensured that each candidate would be able to meet the time requirements for this position. Further information on the members of the Supervisory Board of Fresenius Medical Care Management AG is available on the Company's website at www.freseniusmedicalcare.com in the "About us" section as well as in chapter "Bodies of the Company" starting on page 138.

In addition to this, for the year under review the following information is provided with regard to the chairmen of the Supervisory Board of Fresenius Medical Care Management AG, Dr. Ulf M. Schneider (chairman until June 30, 2016) as well as for Mr. Stephan Sturm (chairman as of June 30, 2016):

Dr. Ulf M. Schneider
Chairman and member of the management board of Fresenius Management SE, general partner of Fresenius SE & Co. KGaA
(until June 30, 2016)

Supervisory Board
Fresenius Kabi AG
(Chairman and member until June 30, 2016)

Others
Fresenius Kabi USA, Inc., U.S.
(member of the Board of Directors until June 30, 2016)
E.I. du Pont de Nemours and Company, U.S. (member of the Board of Directors)

Mr. Stephan Sturm
Chairman of the management board (as of July 1, 2016) and Chief Financial Officer of Fresenius Management SE, general partner of Fresenius SE & Co. KGaA

Supervisory Board
Fresenius Kabi AG
(deputy chairman until 29 August 2016, Chairman as of August 29, 2016)
Vamed AG, Austria
(deputy chairman)
Deutsche Lufthansa AG

Other
No other mandates

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 section 5.1.3 of the Code, 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 3.3.

Supervisory Board of the Company

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

The Supervisory Board of FMC AG & CO. KGAA consisted in the year under review of the following six members: Dr. Gerd Krick (Chairman), Dr. Dieter Schenk (Vice Chairman), Rolf A. Classon and William P. Johnston. Until the completion of the Annual General Meeting of FMC AG & CO. KGAA on May 12, 2016 also Dr. Walter L. Weisman and Prof. Dr. Bernd Fahrholz were members of the Supervisory Board; with effect as of that date, Ms. Deborah Doyle McWhinney and Ms. Pascale Witz have been elected as additional members to the Supervisory Board. In accordance with section 5.4.1 para. 4 of the Code, the Supervisory Board has ensured that both candidates proposed to the Annual General Meeting of the Company for election to the Supervisory Board would be able to meet the time requirements for this position.

Information on the members of the Supervisory Board is also available on the internet at www.freseniusmedicalcare.com in the "About us" section as well as in chapter "Bodies of the Company" starting on page 138.

COMMITTEES OF THE SUPERVISORY BOARD — T. 3.3

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Human Resources Committee 5 members **Chairman:** Stephan Sturm (member and chairman as of September 27, 2016) Dr. Ulf M. Schneider (member and chairman until June 30, 2016) **Vice Chairman:** Dr. Gerd Krick **Other members:** William P. Johnston Dr. Dieter Schenk (as of May 11, 2016) Rolf A. Classon (as of May 11, 2016) Dr. Walter L. Weisman (until May 11, 2016)	▶ Advice on complex special matters such as the appointment of Management Board members and their compensation	As required
Regulatory and Reimbursement Assessment Committee 3 members **Chairman:** Rolf A. Classon (Chairman as of May 11, 2016) William P. Johnston (Chairman until May 11, 2016) **Vice Chairman:** William P. Johnston (Vice Chairman as of May 11, 2016) Rolf A. Classon (Vice Chairman until May 11, 2016) **Other member:** Dr. Dieter Schenk	▶ Advice on complex special matters such as regulatory provisions and reimbursement in the dialysis segment	As required
Nomination Committee 3 members **Chairman:** Stephan Sturm (member and Chairman as of September 27, 2016) Dr. Ulf M. Schneider (member and Chairman until June 30, 2016) **Other members:** Dr. Gerd Krick Dr. Dieter Schenk (as of May 11, 2016) Dr. Walter L. Weisman (until May 11, 2016)	▶ Preparing personnel 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

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"). When discussing its recommendations for the election of members of the Supervisory Board to the General Meeting, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, what it considers an adequate number of independent Supervisory Board members and diversity. As the composition of the Supervisory Board needs to be aligned with the interests of the enterprise and has to ensure the effective supervision and consultation of the Management Board, it is a matter of principle and of prime importance that each member is suitably qualified. In the 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 (for details see also the paragraph "Diversity and definition of targets") and particularly refrains from an age limit for its members and from a duration limit on the term of membership of the Supervisory Board. Therefore, with the exception of the determination of target figures for women's proportion on the Supervisory Board, the Supervisory Board has refrained from determining and taking into account specific objectives with respect to its composition when proposing candidates and from publishing the state of their implementation in the Corporate Governance Report. Accordingly, non-compliance is declared in the declaration of compliance of the 2016 financial year also insofar.

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.

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

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

Details on the election, constitution and term of office of the Supervisory Board, its meetings and the adoption of resolutions, as well as its rights and obligations, are set out in the Company's Articles of Association. In accordance with section 5.1.3 of the Code, the Supervisory Board has furthermore adopted rules of procedure which set out, among other things, the modalities for convening meetings and the manner in which resolutions are adopted. As a consequence, the Supervisory Board meets regularly at least twice per calendar half year. The deliberations of the Supervisory Board are conducted by the Chairman or, if the latter is unavailable, by his deputy. The chairman of the meeting also determines the order of the agenda items and the type of voting. As a rule, the Supervisory Board decides by simple majority of votes cast if decisions are taken in physical meetings and otherwise with the simple majority of its members, unless other majorities are prescribed by a mandatory provision of law in the individual case. Moreover, the Chairman of the Supervisory Board is responsible for coordinating and directing the Supervisory Board and represents the Supervisory Board vis-à-vis third parties.

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

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

In the year under review, six meetings of the Supervisory Board have taken place. In addition, the Supervisory Board had one session via telephone conference. In fiscal year 2016, key aspects of the activities of the Supervisory Board involved the strategic considerations and actions on the expansion of the business areas, in particular medical services which go beyond the dialysis treatment itself (Care Coordination). The compensation of the Management Board was discussed. The business development, the competitive situation and the Management Board's business planning in the regions have also been key aspects of the consultations. The Supervisory Board was informed on the progress with regard to improve the cost base. The Supervisory Board was also informed on the quality standards system and the qualitative results of the various production sites and, together with the Management Board, deliberated on the expected developments in the volume of the existing sites and its expansions. The Supervisory Board was informed of the compliance situation and, together with the Management Board, it further discussed and deliberated legal disputes. The Supervisory Board was intensely occupied with the preparation of personnel changes.

Committees of the Supervisory Board of FMC AG & CO. KGAA

From the midst of its members, the Supervisory Board forms qualified committees for the efficient exercise of its responsibilities, which prepare the matters for deliberation and resolutions of the Supervisory Board. The Supervisory Board regularly and timely receives briefings on the committees' work – see table 3.4 on page 111.

Further 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) the rules of procedure define the composition, work and tasks of the Audit and Corporate Governance Committee. Accordingly, the Audit and Corporate Governance Committee shall consist of at least three and not more than five exclusively independent members. The requirement of independence is met, inter alia, if the respective member fulfills the criteria for independence pursuant to section 12 para. 2 sentence 3 of the Articles of Association as well as to the rules of the New York Stock Exchange.

In addition, pursuant to section 107 para. 4 in connection with section 100 para. 5 of the German Stock Corporation Act, at least one independent 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 seq. of the Articles of Association of the Company. The Joint Committee is convened only as required, namely in cases of certain legal transactions defined in the Articles of Association as substantial transactions and for which the General Partner requires the consent of the Joint Committee – see table 3.5 on page 111.

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. Deliberations of the Supervisory Board covered all significant questions of business policy, the company planning and the strategy. Further subjects were the risk situation and risk management.

Diversity and definition of targets

At Fresenius Medical Care, for each selection of personnel the individual qualification is decisive. Irrespective thereof, Fresenius Medical Care duly considers aspects of diversity, e. g. internationality, age or intercultural background when selecting professionally qualified candidates.

In addition, the Supervisory Board of FMC AG & CO. KGAA is legally obliged to define targets for the representation of female members in the Supervisory Board as well as an implementation period and to report on the defined targets and their achievement

COMMITTEES OF THE SUPERVISORY BOARD T. 3.4

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Audit and Corporate Governance Committee 4 members **Chairman:** William P. Johnston (Chairman as of May 12, 2016) Dr. Walter L. Weisman (until May 12, 2016) **Vice Chairman:** Rolf A. Classon (as of May 12, 2016) Prof. Dr. Bernd Fahrholz (until May 12, 2016) **Other members:** Dr. Gerd Krick Deborah Doyle McWhinney (as of May 12, 2016)	▶ Supervision of the accounting process, the effectiveness of the internal control system, of the risk management system, of the internal audit system 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, otherwise as required
Nomination Committee 3 members **Chairman:** Dr. Gerd Krick **Vice Chairman:** Dr. Dieter Schenk (Vice Chairman as of May 12, 2016) **Other members:** Rolf A. Classon (as of May 12, 2016) Dr. Walter L. Weisman (until May 12, 2016)	▶ Preparing personnel recommendations on suitable candidates for an election to the Supervisory Board, who are to be presented to the Supervisory Board for the purpose of its proposal to the General Meeting	As required

COMMITTEES OF THE SUPERVISORY BOARD T. 3.5

Supervisory Board Committee	*Responsibility*	*Number of meetings*
Joint Committee 4 members **Members of Fresenius Medical Care Management AG:** Stephan Sturm (as of September 27, 2016 member and Chairman) Dr. Gerd Krick Dr. Ulf M. Schneider (until June 30, 2016 member and Chairman) **Members of Fresenius Medical Care AG & Co. KGaA:** Rolf A. Classon (as of May 12, 2016) William P. Johnston Dr. Walter L. Weisman (until May 12, 2016)	▶ Approval of certain legal transactions as defined in the Articles of Association, such as acquisitions and disinvestments	As required

during the relevant reference period or in the event of a failure to meet these targets, on the reasons for this, within the scope of the declaration on corporate governance. By contrast, for companies which, like Fresenius Medical Care, are organized in the legal form of a partnership limited by shares the definition of targets for the composition of the Management Board is not expressly required. Likewise, also the Supervisory Board of Fresenius Medical Care Management AG is not required to define targets for the Management Board, because Fresenius Medical Care Management AG is not in the scope of the relevant legal provisions.

The Supervisory Board of FMC AG & CO. KGAA has resolved on September 29, 2015 to set the target for the representation of female Supervisory Board members at two Supervisory Board members with a view to its own composition; this corresponds to a percentage share of approximately 33% of all members, of which the Supervisory Board of the Company is required to be composed of according to the Articles of Association. This target was achieved by the election of Ms. Deborah Doyle McWhinney and Ms. Pascale Witz to the Supervisory Board of FMC AG & CO. KGAA by the Annual General Meeting of the Company on May 12, 2016 and, thus, already in the year under review and well before the end of the ongoing initial implementation period ending on June 30, 2017.

Moreover, the Management Board is legally 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 fulfillment of this legal obligation the Management Board, had resolved to define the two top management levels below the Management Board in a first fundamental step already on September 28, 2015 as follows:

- the first management level includes all direct reports worldwide to a member of the Management Board who are participants in the Long-Term Incentive Program (or any successive program) of Fresenius Medical Care;
- the second management level includes all direct reports worldwide to a member of the first management level who are participants in the Long-Term Incentive Program (or any successive program) of Fresenius Medical Care.

On January 13, 2016, the Management Board also resolved in a second step upon new targets for female representation envisaged for the two top management levels below the Management Board and upon an additional implementation period to end on December 31, 2020. The corresponding targets were defined at 18.8% for the first management level and at 28.2% for the second management level below the Management Board. Hence, the Management Board pursued the target of at least maintaining the level of female participation existing at the first management level at the end of the previous year and of slightly improving such level of participation on the second management level. Irrespective of the Management Board fully complying with the legal requirements regarding the definition of targets for the proportion of women in the two management levels below the Management Board, the recruiting and staffing practice of Fresenius Medical Care as well as the selection decisions regarding the hiring and promotion to top management levels will continue to be taken with a focus on the specific qualifications of the individual. For this reason, the Management Board will select candidates for the top management of Fresenius Medical Care according to the candidate's excellence and suitability for the specific role and function in such management positions, regardless of their race, gender or other non-performance-related attributes.

RELEVANT INFORMATION ON CORPORATE GOVERNANCE PRACTICES

Compliance

Global business activities result in global responsibility. As the global market leader in dialysis, Fresenius Medical Care is aware of its responsibility. We are committed to conduct the Company's business activities in compliance with the respective legal provisions.

Our efforts to provide our patients around the world with a better life through excellent products and services are based on our commitment to the core values of our Company: quality, honesty and integrity, innovation and progress, respect and dignity. Our corporate culture and policy as well as our entire business activities are guided by our values. This also applies to our work and business relationships with our patients, customers, business partners, public

authorities, investors and the general public, as well as to our employees.

These fundamental values are firmly established in our Code of Ethics and Business Conduct. Our Code of Conduct describes our Company's business standards and emphasizes our commitment to operate in accordance with the applicable laws and regulations and with our own company policies.

The Code of Ethics and Business Conduct is available on the Company's website at www.fresenius medicalcare.com in the "About us/Compliance" section.

Each employee is required to ensure, by complying with the laws as well as the values and rules of the Company, that Fresenius Medical Care is appreciated as a partner of integrity and reliability in the healthcare system for patients, customers, business partners, public authorities, investors and the general public. Fresenius Medical Care has developed a compliance program which shall help to abide by these values and by the legal and ethical obligations. Compliance is the responsibility of every single employee.

Compliance organization

Our compliance organization supports managers and employees to live by these values during their daily work.

The Chief Compliance Officer, who is responsible for the worldwide compliance organization, directly reports to the Chairman of the Management Board of Fresenius Medical Care. Furthermore, the Chief Compliance Officer regularly provides a compliance update to the Audit and Corporate Governance Committee of the Supervisory Board of FMC AG & CO. KGAA and to the Supervisory Board of Fresenius Medical Care Management AG.

Our compliance organization is arranged on a global scale. The compliance officers work together closely on a central, regional and national level to efficiently support the business activities.

In the year under report 2016 we established further resources within the compliance organization. The worldwide teamwork within our compliance organization was further strengthened through various measures.

Compliance program

In order to adequately and effectively address the challenges and compliance risks associated with changes in the economic and regulatory environment, world-wide business activities and business development, we are continuously working on enhancing our compliance program.

The Code of Ethics and Business Conduct is the basis of the compliance program.

In the year 2016, we have revised various other compliance-related internal guidelines, processes and controls. These guidelines and provisions will be implemented in each of our business units and subsidiaries worldwide.

Existing processes and controls are also being reviewed and revised. The efficiency of our compliance program is reviewed through monitoring measures.

All employees are in a position to report potential violations of applicable law or company policies. Information on violations may also be provided anonymously.

We have also continued and further developed our compliance training. Our portfolio of compliance trainings consists of on-site and web-based trainings. On-site trainings enable our employees and executives to discuss issues of relevant correct behavior by reference to practical examples from the daily working routine.

Risk and opportunity management

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

Further information about the risk and opportunity management system can be found in the risk management section of the management report as well as in the "Risks and opportunities report" starting on page 78.

GERMAN CORPORATE GOVERNANCE CODE AND DECLARATION OF COMPLIANCE

The German Corporate Governance Code includes in form of recommendations and suggestions of national and international accepted standards of good and responsible corporate governance, with the aim of 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 guidelines, recommendations and suggestions in the code have been an integral and active part of Fresenius Medical Care's day-to-day operations since the founding of the Company. Comprehensive information regarding corporate governance is available on our website at www.fresenius medicalcare.com in the "Investors" section.

The annually required Declaration of Compliance according to section 161 of the German Stock Corporation Act issued by the Management Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA as of December 2016, previous Declarations of Compliance and other extensive information on corporate governance are made permanently available on the Company's website at www.freseniusmedicalcare.com in the "Investors" section.

Declaration by the Management Board of the general partner of Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, and by the Supervisory Board of Fresenius Medical Care AG & Co. KGaA on the German Corporate Governance Code pursuant to Section 161 German Stock Corporation Act (Aktiengesetz)

The Management Board of the general partner of Fresenius Medical Care AG & Co. KGaA, Fresenius Medical Care Management AG, (hereafter the Management Board) and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA declare that since issuance of the previous declaration of compliance in December 2015 the recommendations of the "German Corporate Governance Code Government Commission" published by the Federal Ministry of Justice and Consumer Protection in the official section of the Federal Gazette (hereafter the Code) in the version of May 5, 2015 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 May 5, 2015 have not been met and will not be met:

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 3: Specification of concrete objectives regarding the composition of the Supervisory Board and their consideration when making recommendations to the competent election bodies

Pursuant to Code number 5.4.1 paragraph 2 and paragraph 3, the Supervisory Board shall specify concrete objectives regarding its composition and, when making recommendations to the competent election bodies, take these objectives into account. The objectives specified by the Supervisory Board and the status of the implementation shall be published in the Corporate Governance Report. These recommendations are not met.

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 recommendations to the competent election bodies, the Supervisory Board will take into account the international activities of the enterprise, potential conflicts of interest, the number of independent Supervisory Board members within the meaning of Code number 5.4.2, and diversity.

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.

Bad Homburg v.d.H., December 2016

Management Board of the general partner of Fresenius Medical Care AG & Co. KGaA,
Fresenius Medical Care Management AG, and
Supervisory Board of Fresenius Medical Care AG & Co. KGaA

FURTHER INFORMATION REGARDING CORPORATE GOVERNANCE

Shareholders

The shareholders of the Company exercise their rights and voting powers in the General Meeting. The share capital of FMC AG & CO. KGAA is divided exclusively into ordinary shares. Each share of FMC AG & CO. KGAA entitles the holder to one vote at the General Meeting. Shares with multiple or preference voting rights do not exist. As a matter of principle, the General Partner (as far as it would be a shareholder in the Company, which was not the case in the year under review), respectively, its sole shareholder, Fresenius SE & Co. KGaA, can exercise at the General Meeting the voting rights connected with the shares it holds in FMC AG & CO. KGAA. However, the General Partner and its sole shareholder are subject to various rules preventing them by law from voting on certain resolutions. These include, among others, the election of the Supervisory Board, formal approval of the actions of the General Partner and the members of the Supervisory Board of FMC AG & CO. KGAA, as well as the election of the auditor of the annual financial statements. This is to guarantee that the shareholders in the partnership limited by shares (KGaA) can solely decide on these matters, particularly those concerning the control of the management.

Annual General Meeting

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

The Annual General Meeting of FMC AG & CO. KGAA took place on May 12, 2016 in Frankfurt/Main (Germany). Approximately 78% 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 2015,
- allocation of distributable profit,
- approval of the actions of the General Partner and the Supervisory Board,
- election of the auditors and consolidated group auditors for the fiscal year 2016,
- approval of the modified system for the compensation of the members of the Management Board of the General Partner,
- elections to the Supervisory Board as well as to the Joint Committee,
- adjustment of the compensation of the members of the Supervisory Board and its Committees as well as the adoption of a corresponding new version of section 13 of the Articles of Association of the Company,
- authorization to acquire own shares pursuant to section 71 para. 1 no. 8 of the German Stock Corporations Act as well as the exclusion of the subscription right,
- approval to adjust the pooling agreement between the Company, Fresenius SE & Co. KGaA and the so-called Independent Directors as well as the adjustment of the existing authorization to grant subscription rights to executives and members of the management of the Company or an affiliated company (Stock Option Program 2011).

All documents and information on the Annual General Meeting are available on our website at www.freseniusmedicalcare.com in the "Investors" section.

Legal relationships with members of the Company's corporate bodies

When making decisions and in connection with the tasks and activities performed by them, the members of the Management Board of the General Partner and of the Supervisory Board of FMC AG & CO. KGAA, as well as the Supervisory Board of Fresenius Medical Care Management AG, do not pursue personal interests or give unjustified advantages to other people. Any outside activities or business dealings with the Company by members of the corporate bodies are to be disclosed to the Supervisory Board immediately and are subject to its approval, if necessary. The Supervisory Board reports to the General Meeting about possible conflicts of interests and how to deal with them. Furthermore, Mr. Rice Powell as the Chairman of Fresenius Medical Care Management AG's

Management Board, in the year under review, with the approval of Fresenius Medical Care Management AG's Supervisory Board, was at the same time a member of the Management Board of Fresenius Management SE. The members of the Supervisory Board of FMC AG & CO. KGAA Dr. Krick (Chairman) and Dr. Schenk (Vice Chairman) were, in the year under report, also members of the Supervisory Board of Fresenius Medical Care Management AG (Dr. Schenk as Vice Chairman) and of the Supervisory Board of Fresenius Management SE (Dr. Krick as Chairman, Dr. Schenk as Vice Chairman), the general partner of Fresenius SE & Co. KGaA. Furthermore, Dr. Krick is the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. Dr. Schenk continues to be chairman of the foundation board of the Else Kröner-Fresenius-Stiftung, the sole shareholder of Fresenius Management SE as well as limited shareholder of Fresenius SE & Co. KGaA, and co-executor of the estate of Ms. Else Kröner. Dr. Krick receives a pension from Fresenius SE & Co. KGaA due to his previous work on the Management Board of the Company. During the year under review, consulting or other service relationships between members of the Supervisory Board and the Company existed only in the case of Dr. Schenk, who was in the year under review a member of the Supervisory Board of the Company and of the Supervisory Board of Fresenius Medical Care Management AG, a member of the Supervisory Board of Fresenius Management SE and, at the same time, a partner of the law firm Noerr LLP. In the year under review, the companies of the internationally operating law firm Noerr acted for FMC AG & CO. KGAA and affiliated companies as legal advisor. The Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA have concerned themselves with each of the assignments in a detailed manner; moreover, the Supervisory Board dealt with the fee volume for the legal advice rendered by the law firm Noerr in proportion to the fee volume for other law firms. As regards specific mandates for future services to be provided by law firm Noerr and as regards the first three quarters of the year under review, the Supervisory Board of Fresenius Medical Care Management AG and the Supervisory Board of FMC AG & CO. KGAA have already given their consent to such activity, with Dr. Schenk abstaining from the vote. The resolutions were in each case passed on the basis of a written document for the Supervisory Board specifically stating each single mandate and the invoices rendered for each mandate. All payments rendered to the law firm Noerr in the year under review were made only after the approval of both Supervisory Boards. Any services rendered in the fourth quarter of the year under review will be topic of the Supervisory Board's Meeting in March 2017 and will also be compensated only after approval has been obtained.

In the year under review, an amount of approximately €0.9 M (excluding VAT) was paid by Fresenius Medical Care to the law firm Noerr (2015: about €1.1 M). This represents less than 1% of the legal and other consultancy fees paid by Fresenius Medical Care on a global scale. This amount paid includes also payments for services already provided in 2015 which have been paid in 2016.

Managers' transactions

According to article 19 of the Regulation (EU) No 596/2014 (Market Abuse Regulation), the members of the Management Board and the Supervisory Board as well as other persons discharging managerial responsibilities and all persons closely associated with the aforementioned persons shall notify the Company of each transaction with shares in Fresenius Medical Care and additional related financial instruments conducted on their own account if the transaction volume reaches a total amount of €5,000 within a single year.

A detailed overview of managers' transactions undertaken in 2016 is published on our website at www.freseniusmedicalcare.com in the "Investors" section.

Transparency of our reporting

Fresenius Medical Care meets all transparency requirements imposed by section 6 of the Code. We attach special importance to informing our shareholders simultaneously and uniformly about our Company in our regular financial reporting events. Ad hoc releases and our corporate website play an essential role in these efforts. They provide investors and other interested persons equally with direct and timely access to the information we release.

Financial accounting and audit, stock exchange listing

To date, Fresenius Medical Care prepares its financial reporting in accordance with the U.S. Generally Accepted Accounting Principles (U.S. GAAP) and in U.S. dollars. In line with this, the consolidated

financial statements as well as the interim consolidated quarterly reports are also prepared in accordance with these principles. The consolidated financial statements are published within the first 90 days of the end of each fiscal year, and the quarterly reports within the first 45 days of the end of each quarter.

As required by law, consolidated financial statements and a Group management report as well as quarterly reports continue to be prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, too.

The annual financial statements and the management report of FMC AG & CO. KGAA are prepared in accordance with the German Commercial Code (Handelsgesetzbuch, HGB). The annual financial statements are decisive for the distribution of the annual profit.

Moreover, an Annual Report of Fresenius Medical Care, which equally reflects the requirements of U.S. GAAP and the German Commercial Code, is published each year.

From January 1, 2017 on, the financial reporting will be made in accordance with IFRS and in euro. The reporting in accordance with U.S. GAAP and in U.S. dollars will be discontinued from this moment on. The chance of financial reporting became possible as a consequence of the resolution by the Annual General Meeting 2016 on the adjustment of the pooling agreement. Accordingly, FMC AG & CO. KGAA can elect if it reports to the U.S. Securities and Exchange Commission according to U.S. GAAP or IFRS. For the purpose of financial reporting at its highest efficiency, financial reporting will be made according to IFRS, starting the next business year.

Fresenius Medical Care's shares are listed on the stock exchange in the U.S. (as American Depositary Receipts) and in Germany. Fresenius Medical Care is therefore subject to a number of regulations and recommendations regarding the management, administration and monitoring of the Company. On the one hand, in addition to mandatory requirements under stock corporation and commercial law, we comply with the regulations of Deutsche Börse and adhere to most of the recommendations of the German Corporate Governance Code. On the other hand, being a non U.S. company (a "foreign private issuer") we are subject to the regulations connected to our listing in the U.S. Observance of the Sarbanes-Oxley Act (SOX) and portions of the Corporate Governance Rules of the New York Stock Exchange in particular is required. The Sarbanes-Oxley Act includes provisions governing companies and their auditors and is aimed at improving financial reporting, ensuring auditor independence and implementing other matters. The extension of regulations for financial reporting and internal control systems is intended to increase the trust of investors and other parties interested in the Company. We fully meet all of the current requirements applicable to our Company.

COMPENSATION REPORT

The Compensation Report of FMC AG & CO. KGAA summarizes the main elements of the compensation system for the members of the Management Board of Fresenius Medical Care Management AG, the General Partner of FMC AG & CO. KGAA, and in this regard notably explains the amounts and structure of the compensation paid to the Management Board. Furthermore, the principles and the amount of the remuneration of the Supervisory Board 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 of December 31, 2016. The Compensation Report is prepared on the basis of the recommendations of the German Corporate Governance Code and also includes the disclosures as required pursuant to the applicable statutory regulations, notably in accordance with the German Commercial Code (HGB).

Compensation of the Management Board

The entire Supervisory Board of Fresenius Medical Care Management AG is responsible for determining the compensation of the Management Board. The Supervisory Board of Fresenius Medical Care Management AG is assisted in this task by a personnel committee, the Human Resources Committee, a committee which is created from among the Supervisory Board of Fresenius Medical Care Management AG's members. The Human Resources Committee is composed of Mr. Stephan Sturm (Chairman) Dr. Gerd Krick (Vice Chairman), Mr. William P. Johnston, Dr. Dieter Schenk and Mr. Rolf A. Classon.

The current Management Board compensation system was approved by the General Meeting of FMC AG & CO. KGAA on May 12, 2016, and is reviewed by an independent external compensation expert on

a regular basis. The objective of the compensation system is to enable the members of the Management Board to participate reasonably in the sustainable development of the Company's business and to reward them based on their duties and performance as well as their success in managing the Company's economic and financial position giving due regard to the peer environment.

The amount of the total compensation of the members of the Management Board is measured taking particular account of a horizontal comparison with the compensation of management board members of other DAX-listed companies and similar companies of comparable size and performance in the relevant industry sector. Furthermore, the relation of the overall compensation of the members of the Management Board and that of the Senior Management as well as the staff overall, as determined by way of a vertical comparison, is taken into account.

The compensation of the Management Board is, as a whole, performance-based and consisted of three elements in the fiscal year:

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

I. Fixed compensation

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

Moreover, the members of the Management Board received additional benefits consisting mainly of payment for insurance premiums, the private use of company cars and special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension 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, also in case accruals have been set up therefore.

II. Performance-based compensation

Performance-based compensation is awarded as a short-term cash component (one-year variable compensation) and as components with long-term incentive effects (share-based compensations with cash settlement). The share-based compensations with cash settlement consist of the so-called Share Based Award, resulting as a deferral amount from the one-year variable compensation, as well as of Performance Shares, which are granted in the context of the "Fresenius Medical Care Long-Term Incentive Plan 2016" (LTIP 2016). In addition, the Supervisory Board may grant a discretionary bonus for extraordinary performances.

One-year variable compensation and Share Based Award

The amount of the one-year variable compensation and of the Share Based Award depends on the achievement of the following individual and common targets:

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

The targets are weighted differently depending on the department of the Management Board or its functions. In the case of Messrs. Rice Powell and Michael Brosnan (both with corporate group functions) as well as Dr. Olaf Schermeier (Research & Development), the net income growth is weighted with 80%. In the case of Messrs. Roberto Fusté (Management Board member until March 31, 2016), Ronald Kuerbitz, Dominik Wehner and Harry de Wit (Management Board member since April 1, 2016) (Management Board members with regional responsibility) as well as Mr. Kent Wanzek (Global Manufacturing & Quality), the net income growth is weighted with 60%. In the case of the members of the Management Board last named, the valuation of the operating margins contributes another 20%. The target free cash flow as a percentage of the sales revenues is uniformly measured with 20% for all members of the Management Board – see table 3.6 on page 120.

The degree of the achievement of the specific targets (target achievement) is determined by comparing the actual values with the target values to be achieved.

The net income growth to be achieved is taken into account up to a growth rate of 10%. Furthermore, the members of the Management Board are

also evaluated by reference to the development of free cash flow within the Group or, as the case may be, in the relevant regions, with the targets being within a range of rates between 3% and 6% of the respective free cash flow in percent of revenue. For the benefit of Management Board members with regional responsibilities as well as for the benefit of the Management Board member responsible for Global Manufacturing & Quality, growth of regional operating income margins is compensated within individual targets ranging between 13% and 18.5%, reflecting the particularities of the respective regions and responsibilities – see table 3.7.

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

For the 2016 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 are shown in table 3.8 on page 121.

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

In accordance with the targets achieved in the fiscal year, the members of the Management Board who were members of the Management Board on December 31 of the fiscal year acquired entitlements to Share Based Awards valued at €3,281 THOUS (2015: €801 THOUS). Based on the already fixed value, the allocation of the specific number of virtual shares made by the Supervisory Board takes place no sooner than March of the following year on the basis of the then current price conditions of the shares of FMC AG & CO. KGAA. This number will then serve as a multiplier for the share price on the relevant exercise date and, thus, as the basis for the determination of the payment of the relevant stock-based compensation after the end of the three-year waiting period.

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

Performance Shares

In addition to the Share Based Award, the members of the Management Board were also granted so-called "Performance Shares" on the basis of the LTIP 2016, as further performance-related components with a long-term incentive effect in the fiscal year.

WEIGHTING OF TARGETS T. 3.6

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

TARGET VALUES T. 3.7

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

The LTIP 2016 was approved in the fiscal year by the Supervisory Board upon recommendation of the Human Resources Committee and replaces the LTIP 2011. As of the end of the previous year no further stock options may be granted under the LTIP 2011. Performance Shares are virtual remuneration instruments not backed by equity. These may provide entitlement to a cash payment depending on the achievement of the performance targets described below and the development of the company's share price. The LTIP 2016 stipulates that the Management Board members will be granted Performance Shares once or twice a year in the years 2016 to 2018. For the members of the Management Board, the Supervisory Board determines, after due consideration and taking into account the responsibilities and performances of the respective members of the Management Board, the so-called "grant value", as the initial amount for each grant to be made to members of the Management Board. This grant value is divided by the applicable fair value of a Performance Share at the grant date, in order to determine the number of Performance Shares to be granted. This number may change over a period of three years depending on the degree to which the performance targets are achieved, whereby the total loss of all granted Performance Shares as well as a doubling (at most) of that number is possible. The number of Performance Shares after the three-year performance period, resulting from the respective target achievement, is considered as vested four years after the date the respective allocation was made. The above-mentioned number of Performance Shares is then multiplied by the average price of the Company's shares during a thirty-day period prior to the expiration of this vesting period. The resulting amount is paid out in cash to the members of the Management Board for their respective Performance Shares.

The degree of the total target achievement during the three-year performance period is determined on the basis of the three performance targets (i) revenue growth, (ii) annual growth of the net income

AMOUNT OF CASH PAYMENTS T. 3.8

in € THOUS

	Non-performance-related compensation				*Short-term performance-related compensation*		*Cash compensation (without long-term incentive components)*	
	Fixed compensation		*Other benefits*[1]		*Bonus*			
	2016	*2015*[2]	***2016***	*2015*[2]	***2016***	*2015*[2,3]	***2016***	*2015*[2]
Management Board members serving as of December 31, 2016								
Rice Powell	1,242	1,239	121	342	2,403	1,032	3,766	2,613
Michael Brosnan	696	694	194	533	1,300	581	2,190	1,808
Ronald Kuerbitz	845	843	19	28	1,476	785	2,340	1,656
Dr. Olaf Schermeier	450	450	83	635[4]	891	381	1,424	1,466
Kent Wanzek	539	538	112	112	1,054	594	1,705	1,244
Dominik Wehner	406	350	37	37	804	394	1,247	781
Harry de Wit[5]	360	–	213	–	713	–	1,286	–
Former member of the Management Board who resigned March 31, 2016								
Roberto Fusté[6]	145	580	73	482[7]	–	648	218	1,710
▸ **TOTAL**	**4,683**	**4,694**	**852**	**2,169**	**8,641**	**4,415**	**14,176**	**11,278**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

[3] *Includes a discretionary bonus granted to Mr. Rice Powell in the amount of €541, to Mr. Michael Brosnan in the amount of €306, to Mr. Roberto Fusté in the amount of €189, to Mr. Ronald Kuerbitz in the amount of €451, to Dr. Olaf Schermeier in the amount of €203, to Mr. Kent Wanzek in the amount of €203 and to Mr. Dominik Wehner in the amount of €117.*

[4] *This also includes the rent and relocation supplements incurred by the Company, including, but not limited to, non-recurring costs in connection with the relocation of Dr. Schermeier at the start of his occupation with the Company.*

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

[6] *In addition to the compensation set out herein, Mr. Roberto Fusté received a fixed compensation in the amount of €435, fringe benefits in the amount of €253 as well as a short-term performance-based compensation in the amount of €1,531; such compensation was received by Mr. Roberto Fusté only after his resignation from the Management Board.*

[7] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*

attributable to the shareholders of FMC AG & CO. KGAA ("net income growth") as well as (iii) increase of the return on invested capital (return on invested capital "ROIC" improvement). The target corridors and targets are as set out in table 3.9.

The ROIC target for the year 2016 is set at 7.3% and increases by 0.2 percentage points each year, that is, to 7.5% (2017), 7.7% (2018), 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.

Each of these three performance targets accounts for one-third in the calculation of the yearly target achievement, which is calculated for each year of the three-year performance period. The overall target achievement at the end of the three-year performance period is determined by the mean of these three average yearly target achievements. The overall target achievement can lie in a corridor between 0% and 200%.

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

In the course of the fiscal year, 642,349 Performance Shares were granted under the LTIP 2016. This includes 79,888 Performance Shares with a total value of €6,170 THOUS, which were granted to the members of the Management Board. The relevant fair value of the Performance Shares issued in July of the fiscal year amounted on the grant date to €76.80 for grants in euro (applies to Messrs. Dr. Olaf Schermeier, Harry de Wit, Dominik Wehner and Roberto Fusté) and to $85.06 for grants in U.S. dollars (applies to Messrs. Rice Powell, Michael Brosnan, Ronald Kuerbitz and Kent Wanzek). In the previous year, instead of Performance Shares, stock options and phantom stock in a total value of €7,555 THOUS and €4,582 THOUS, respectively, were granted. By the end of the fiscal year, the Management Board members being in office on December 31, 2016, held a total of 79,888 Performance Shares (2015: 0).

For the fiscal year, the value of the share-based compensations with cash settlement issued to the members of the Management Board in each case, is shown respectively compared to the previous year, in table 3.10 on page 123.

The components with long-term incentive effect entitle to a cash payment or can be exercised only after the expiration of predefined waiting- and/or vesting periods. Their value is distributed over the waiting periods and is proportionally accounted for as an expense in the respective fiscal year.

The expenses pertaining to components with long-term incentive effects for the fiscal year and for the previous year, in which the stock options and phantom stock illustrated below were issued, are set out in table 3.11 on page 123.

TARGET CORRIDORS AND TARGETS OF THE LTIP 2016 T. 3.9

	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%	

Focus on sustainable corporate development

To the extent the portion of the performance-based components with long-term incentive effects (i. e. Performance Shares and Share Based Award) does not reach 50% of the sum of all variable compensation components for the respective fiscal year, it has been contractually provided that the one-year variable

LONG-TERM INCENTIVE COMPONENTS T. 3.10

	Stock Options				Share-based compensation with cash settlement[1]		Total	
	Number		in € THOUS		in € THOUS		in € THOUS	
	2016	2015	**2016**	2015	**2016**[1]	2015[2, 3]	**2016**	2015[2]
Management Board members serving as of December 31, 2016								
Rice Powell	–	149,400	–	2,244	2,415	941	2,415	3,185
Michael Brosnan	–	74,700	–	1,122	1,306	480	1,306	1,602
Ronald Kuerbitz	–	49,800	–	748	1,482	888	1,482	1,636
Dr. Olaf Schermeier	–	49,800	–	748	1,072	836	1,072	1,584
Kent Wanzek	–	69,720	–	1,047	1,120	596	1,120	1,643
Dominik Wehner	–	49,800	–	748	1,043	869	1,043	1,617
Harry de Wit	–	–	–	–	1,013	–	1,013	–
Former member of the Management Board who resigned March 31, 2016								
Roberto Fusté[4]	–	59,760	–	898	–	774	–	1,672
▸ **TOTAL**	**–**	**502,980**	**–**	**7,555**	**9,451**	**5,384**	**9,451**	**12,939**

[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] *This includes Phantom Stock pursuant to the LTIP 2011 as well as Share Based Awards granted to the Management Board members during the previous year. The share-based compensation amounts are based on the fair value at the grant date. Please note for purposes of comparison of the amounts indicated for the fiscal year to those for the previous year that the Performance Shares do not only replace Phantom Stock as compensation element but also Stock Options pursuant to the LTIP 2011. The increase of share-based compensation with cash settlement compared to the previous year is accompanied by the discontinuation of Stock Options as a compensation element.*

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

[4] *In addition to the compensation indicated, Mr. Roberto Fusté received the following long-term incentive compo-nents in the fiscal year: share-based compensation with cash settlement in an amount of €775, which was granted to Mr. Roberto Fusté following his resignation from the Management Board.*

EXPENSES FOR LONG-TERM INCENTIVE COMPONENTS T. 3.11

in € THOUS

	Stock Options		Share-based compensation with cash settlement		Share-based compensation	
	2016	2015	**2016**	2015	**2016**	2015
Management Board members serving as of December 31, 2016						
Rice Powell	593	377	668	699	1,261	1,076
Michael Brosnan	605	187	726	450	1,331	637
Ronald Kuerbitz	190	153	494	261	684	414
Dr. Olaf Schermeier	190	153	401	177	591	330
Kent Wanzek	288	151	398	495	686	646
Dominik Wehner	169	162	376	152	545	314
Harry de Wit	–	–	122	–	122	–
Former member of the Management Board who resigned March 31, 2016						
Roberto Fusté[1]	887	136	1,014	471	1,901	607
▸ **TOTAL**	**2,922**	**1,319**	**4,199**	**2,705**	**7,121**	**4,024**

[1] *In addition to the compensation set out, the following expenses arose for Mr. Roberto Fusté following his resignation from the Management Board in the fiscal year: €1,176 for share-based compensation with cash settlement.*

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

Stock options and phantom stock

Until the end of the fiscal year 2015 grants under the Long-Term Incentive Program 2011 (LTIP 2011), which consisted of the 2011 Stock Option Plan and the 2011 Phantom Stock Plan, constituted an essential component of the compensation system for the members of the Management Board. As of the end of the fiscal year 2015 grants under the LTIP 2011 are no longer possible. However, the members of the Management Board may exercise stock options or phantom stock, which have already been granted, taking into consideration the blackout periods applicable to the exercise of such instruments, the achievement of defined performance targets as well as, subject to deviating stipulations in the individual case, the continuation of the service- and/or employment relationship.

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

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

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

At the end of the fiscal year the members of the Management Board held a total of 1,010,784 stock options (2015: 1,565,195) originating from previous compensation programs with long-term incentive effects secured by conditional capital, which entitled their participants to stock options. Moreover, the Management Board members held, by the end of the fiscal year, a total of 81,019 phantom stock (2015: 118,703) pursuant to the Phantom Stock Plan 2011.

The development and status of stock options of the members of the Management Board serving at December 31 of the fiscal year in the fiscal year are shown in more detail in table 3.12 on page 125.

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 3.13 on page 126.

IV. Commitments to members of the Management Board for the event of termination of their appointment

The following pension commitments and other benefits are also part of the compensation system for the members of the Management Board: individual contractual pension commitments for the Management

Board members Mr. Rice Powell, Mr. Michael Brosnan, Mr. Ronald Kuerbitz, Dr. Olaf Schermeier and Mr. Kent Wanzek have been entered into by Fresenius Medical Care Management AG. In addition, pension commitments from the participation in employee pension schemes of other Fresenius Medical Care companies exist for individual members of the Management Board.

Each of the pension commitments by Fresenius Medical Care Management AG provides for a pension and survivor benefit as of the time of conclusively ending active work, at age 65 at the earliest or upon occurrence of disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), however, calculated by reference to the amount of the recipient's most recent base salary.

DEVELOPMENT AND STATUS OF THE STOCK OPTIONS T. 3.12

	Options outstanding January 1, 2016		*Options granted during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	465,318	55.88	–	–
Michael Brosnan	260,212	54.46	–	–
Ronald Kuerbitz	157,002	58.61	–	–
Dr. Olaf Schermeier	124,500	60.70	–	–
Kent Wanzek	209,782	57.73	–	–
Dominik Wehner	123,759	59.29	–	–
Harry de Wit	–	–	–	–
▸ **TOTAL**	**1,340,573**	**56.98**	**–**	**–**

	Options exercised during the fiscal year			*Options forfeited during the fiscal year*	
	Number	*Weighted average exercise price in €*	*Weighted average share price in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	64,500	34.41	72.99	56,025	49.76
Michael Brosnan	33,000	31.97	77.61	28,012	49.76
Ronald Kuerbitz	–	–	–	28,012	49.76
Dr. Olaf Schermeier	–	–	–	28,012	49.76
Kent Wanzek	49,800	42.68	82.82	28,013	49.76
Dominik Wehner	7,350	31.97	74.91	7,065	49.76
Harry de Wit	–	–	–	–	–
▸ **TOTAL**	**154,650**	**36.44**	**77.23**	**175,139**	**49.76**

	Options outstanding December 31, 2016				*Options exercisable December 31, 2016*	
	Number	*Weighted average exercise price in €*	*Weighted average remaining contractual life in years*	*Range of exercise prices in €*	*Number*	*Weighted average exercise price in €*
Rice Powell	344,793	60.89	4.76	42.68 – 76.99	102,018	47.38
Michael Brosnan	199,200	58.84	4.27	42.68 – 76.99	77,812	46.79
Ronald Kuerbitz	128,990	60.53	5.03	42.68 – 76.99	32,502	50.58
Dr. Olaf Schermeier	96,488	63.88	5.99	49.76 – 76.99	–	–
Kent Wanzek	131,969	65.10	5.46	49.76 – 76.99	28,012	54.09
Dominik Wehner	109,344	61.75	5.27	42.68 – 76.99	19,839	47.15
Harry de Wit	–	–	–	–	–	–
▸ **TOTAL**	**1,010,784**	**61.37**	**4.96**	**42.68 – 76.99**	**260,183**	**48.31**

The retirement pension will be based on 30% of the last fixed compensation and will increase for each complete year of service by 1.5 percentage points up to a maximum of 45%. Current pensions increase according to legal requirements (Sec. 16 of the German Act to improve company pension plans, "BetrAVG"). 30% of the gross amount of any post-retirement income from an activity of the Management Board member is offset against the pension obligation. Any amounts to which the Management Board members or their surviving dependents, respectively, are entitled from other company pension rights of the Management Board member, even from service agreements with other companies, are also to be set off. If a Management Board member dies, the surviving spouse receives a pension amounting to 60% of the resulting pension claim at that time. Furthermore, the deceased Management Board member's own legitimate children (leibliche eheliche Kinder) receive an orphan's pension amounting to 20% of the resulting pension claim at that time, until the completion of their education or they reach 25 years of age, at the latest. All orphans' pensions and the spousal pension together reach a maximum of 90% of the Management Board member's pension, however. If a Management Board member leaves the Management Board of Fresenius Medical Care Management AG before reaching the age of 65, except in the event of a disability or incapacity to work (Berufs- oder Erwerbsunfähigkeit), the rights to the aforementioned benefits remain, although the pension to be paid is reduced in proportion to the ratio of the actual years of service as a Management Board member to the potential years of service until reaching the age of 65.

Based on individual contractual commitments, Management Board members Mr. Rice Powell, Mr. Michael Brosnan, Mr. Ronald Kuerbitz and Mr. Kent Wanzek additionally participated in the U.S.-based 401(k) savings plan in the fiscal year; in this regard, contributions in the amount of $7,950.00 (2015: $7,950.00) were earned in the fiscal year in each case and allocated in January 2017. This plan generally allows employees in the U.S. to invest a limited portion of their gross salaries in retirement pension programs. The Company supports its employees hereby with contributions of up to 50% of the yearly made payments.

Furthermore, the Management Board members Mr. Rice Powell, Mr. Michael Brosnan and Mr. Ronald Kuerbitz 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.

TOTAL COMPENSATION T. 3.13

in € THOUS

	Cash compensation (without long-term incentive components)		*Components with long-term incentive effect*		*Total compensation (including long-term incentive components)*	
	2016	*2015*[1]	***2016***	*2015*[1]	***2016***	*2015*[1]
Management board members serving as of December 31, 2016						
Rice Powell	3,766	2,613	2,415	3,185	6,181	5,798
Michael Brosnan	2,190	1,808	1,306	1,602	3,496	3,410
Ronald Kuerbitz	2,340	1,656	1,482	1,636	3,822	3,292
Dr. Olaf Schermeier	1,424	1,466	1,072	1,584	2,496	3,050
Kent Wanzek	1,705	1,244	1,120	1,643	2,825	2,887
Dominik Wehner	1,247	781	1,043	1,617	2,290	2,398
Harry de Wit	1,286	–	1,013	–	2,299	–
Former member of the management board who resigned March 31, 2016						
Roberto Fusté[2]	218	1,710	–	1,672	218	3,382
▸ **TOTAL**	**14,176**	**11,278**	**9,451**	**12,939**	**23,627**	**24,217**

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

[2] *For the entire fiscal year, the cash compensation (without long-term incentive components) of Mr. Roberto Fusté amounts to €2,437, long-term incentive components to €775 and the total compensation (including long-term incentive components) to €3,212.*

From the time of his previous employment activities for Fresenius Medical Care Deutschland GmbH, a pension commitment exists for Management Board member Mr. Dominik Wehner. As a result of his service agreement with Fresenius Medical Care Management AG, the latter assumed this pension commitment and continues the commitment on the basis of Mr. Wehner's compensation as Management Board member. This pension commitment is based on the Fresenius companies' pension scheme of January 1, 1988 and provides old-age pensions, disability pensions and surviving dependents' pensions. It does not provide for any offsetting mechanisms against other income or pension payments. The spousal pension amounts to 60% of the disability pension or old-age pension to be granted at the time of death. The orphan's pension amounts to 10% (semi-orphans) or 20% (orphans) of the disability pension or old-age pension to be granted at the time of death. The claims of all surviving dependents are limited to a total of 100% of Mr. Dominik Wehner's pension entitlements.

Additions to pension provisions in the fiscal year for Management Board members serving as of December 31 amounted to €4,035 THOUS (2015: €8,355 THOUS). The pension commitments are shown in table 3.14.

A post-employment non-competition covenant was agreed upon with all Management Board members. If such covenant becomes applicable, the Management Board members receive compensation amounting to half of their respective annual fixed compensation for each year of respective application of the non-competition covenant, up to a maximum of two years. The employment contracts of the Management Board members contain no express provisions that are triggered by a change of control of the Company.

V. Miscellaneous

All members of the Management Board have received individual contractual commitments for the continuation of their compensation in cases of sickness for a maximum of 12 months, although after six months of sick leave, insurance benefits may be set off against such payments. If a Management Board member dies, the surviving dependents will be paid three more monthly instalments after the month of death, not to exceed, however, the amount due between the time of death and the scheduled expiration of the agreement.

In the 2016 fiscal year, Mr. Roberto Fusté – who was a member of the Management Board until March 31, 2016 – received the compensation payments he was entitled to until December 31, 2016 pursuant to his termination agreement, i. e., fixed compensations (in the amount of €435 THOUS) and fringe benefits (in the amount of approximately €253 THOUS) as well as one-year and multi-year variable compensation components (in the amount of approximately €1,531 THOUS and in the amount of €775 THOUS, respectively). The long-term variable compensation components granted to Mr. Roberto Fusté on the basis of the LTIP 2011 were not affected by his retirement from the Management Board. The payment of the Share Based Award for the fiscal year 2012 earned by Mr. Roberto Fusté took place in the fiscal year 2016. The Share Based Awards earned during the fiscal years 2013 to 2015 are to be paid out until March 1, 2017. As of the completion of the age of 65, Mr. Roberto Fusté receives a company-funded retirement pension of €261 THOUS per year. It was also agreed with Mr. Roberto Fusté that following the termination of his service agreement as of December 31, 2016 as a member of the Management Board, he would be subject to a post-employment non-compete obligation lasting until the end of December 31, 2018, and would

DEVELOPMENT AND STATUS OF PENSION COMMITMENTS T. 3.14

in € THOUS

	As of January 1, 2016	*Increase*	*As of December 31, 2016*
Rice Powell	9,397	875	10,272
Michael Brosnan	4,260	724	4,984
Ronald Kuerbitz	2,557	810	3,367
Dr. Olaf Schermeier	309	266	575
Kent Wanzek	2,327	434	2,761
Dominik Wehner	2,023	926	2,949
Harry de Wit	–	–	–
▸ **TOTAL**	**20,873**	**4,035**	**24,908**

act as an advisor of the Chairman of the Management Board. For this, he will receive an annual non-compete compensation of approximately €377 THOUS and an annual advisory fee in the amount of €377 THOUS, respectively. The type and amount of the benefits granted and allocations made in favor of Mr. Roberto Fusté during the fiscal year are shown in table 3.15 on page 133.

Furthermore, there is a compensation agreement between FMC AG & CO. KGAA, the Fresenius Medical Care Management AG and Mr. Roberto Fusté, according to which Mr. Roberto Fusté is exempted from certain tax disadvantages resulting from income tax audits. In the fiscal year, the company did not compensate any such tax disadvantages (2015: €91 THOUS).

Prof. Emanuele Gatti, who was a member of the Management Board until March 31, 2014, received pension payments in the amount of approximately €338 THOUS (2015: €113 THOUS) as well as fringe benefits in the amount of €7 THOUS during the fiscal year. 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. Gatti. As a compensation for this, Prof. Emanuele Gatti receives an annual non-compete compensation in the amount of approximately €488 THOUS. In the previous year Prof. Gatti received a partial non-compete compensation in the amount of approximately €325 THOUS.

As agreed, Dr. Rainer Runte was a member of the Management Board until March 31, 2014, was granted and paid in the fiscal year a compensation in connection with his post-contractual non-compete clause in the amount of approximately €486 THOUS (2015: €486 THOUS) as well as fringe benefits in the amount of €0 THOUS (2015: €28 THOUS).

With Dr. Ben Lipps, the Chairman of the Management Board until December 31, 2012, instead of a pension provision a consulting agreement was entered into for the period January 1, 2013 to December 31, 2022. By this consulting agreement Dr. Ben Lipps will provide consulting services on certain fields and within a specified time frame as well as complying with a non-compete covenant. The annual consideration to be granted by Fresenius Medical Care Management AG for such services (including reimbursement of expenses) amounts for the fiscal year to €585 THOUS (2015: €588 THOUS). The present value of this agreement (including pension payments for the surviving spouse in case of death) amounts to €3,357 THOUS (2015: €3,694 THOUS) as at December 31 of the fiscal year.

In the fiscal year, no loans or advance payments of future compensation components were made to 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 against claims against them arising out of their work for the Company and its affiliates, if such claims exceed their liability under German law. To secure such obligations, the Company has obtained directors & officers liability insurance carrying a deductible which complies with the requirements of the German Stock Corporation Act (AktG). The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after termination of membership on the Management Board in each case.

Former members of the Management Board did not receive any compensation in 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 €20,469 THOUS (2015: €13,988 THOUS), of which €5,933 THOUS were attributable to Mr. Roberto Fusté.

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

The German Corporate Governance Code provides that the compensation report shall include information for each member of the Management Board on the benefits granted and allocations made as well as on the pension expenses for the fiscal year. The model tables provided in the appendix to the German Corporate Governance Code shall be used to present this information. The following tables include information on the value of benefits granted as well as on the allocations made. They adhere to the structure and, to the greatest extent possible, the standards of the model tables of the German Corporate Governance Code – see tables 3.15 and 3.16 starting on page 129.

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2016 T. 3.15

in € THOUS

	Rice Powell *Chariman of the Management Board* *Member of the Management Board since December 21, 2005*[2]				Michael Brosnan *Chief Financial Officer* *Member of the Management Board since January 1, 2010*			
	2016	***2016*** *Minimum*	***2016*** *Maximum*	*2015*[3]	***2016***	***2016*** *Minimum*	***2016*** *Maximum*	*2015*[3]
Fixed compensation	1,242	1,242	1,242	1,239	696	696	696	694
Fringe benefits[1]	121	121	121	342	194	194	194	533
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**1,363**	**1,363**	**1,363**	**1,581**	**890**	**890**	**890**	**1,227**
One-year variable compensation	2,050	169	2,460	2,586[4]	1,148	98	1,377	1,451[4]
Multi-year variable compensation/components with long-term incentive effects	2,415	–	n.a.	3,185	1,306	–	n.a.	1,602
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	877	–	n.a.	164	537	–	n.a.	92
thereof Long-Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/4-year vesting period	–	–	n.a.	2,244	–	–	n.a.	1,122
thereof Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period	–	–	n.a.	777	–	–	n.a.	388
thereof Long-Term Incentive Program 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	1,538	–	n.a.	–	769	–	n.a.	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**5,828**	**1,532**	**n.a.**	**7,352**	**3,344**	**988**	**n.a.**	**4,280**
Pension expense	741	741	741	570	666	666	666	533
▸ **VALUE OF BENEFITS GRANTED**	**6,569**	**2,273**	**n.a.**	**7,922**	**4,010**	**1,654**	**n.a.**	**4,813**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

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

[4] *Includes a discretionary bonus for fiscal year 2015 granted to Mr. Rice Powell in the amount of €541, to Mr. Michael Brosnan in the amount of €306, to Mr. Roberto Fusté in the amount of €189, to Mr. Ronald Kuerbitz in the amount of €451, to Dr. Olaf Schermeier in the amount of €203, to Mr. Kent Wanzek in the amount of €203 and to Mr. Dominik Wehner in the amount of €117.*

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2016

T. 3.15

in € THOUS

	Ronald Kuerbitz *Member of the Management Board for North America* *Member of the Management Board since January 1, 2013*				Dr. Olaf Schermeier *Member of the Management Board for Global Research and Development* *Member of the Management Board since March 1, 2013*			
	2016	**2016** Minimum	**2016** Maximum	2015[2]	**2016**	**2016** Minimum	**2016** Maximum	2015[2]
Fixed compensation	845	845	845	843	450	450	450	450
Fringe benefits[1]	19	19	19	28	83	83	83	635[4]
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**864**	**864**	**864**	**871**	**533**	**533**	**533**	**1,085**
One-year variable compensation	1,394	127	1,673	1,841[3]	743	56	891	946[3]
Multi-year variable compensation/components with long-term incentive effects	1,482	–	n.a.	1,636	1,072	–	n.a.	1,584
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	713	–	n.a.	111	297	–	n.a.	59
thereof Long-Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/4-year vesting period	–	–	n.a.	748	–	–	n.a.	748
thereof Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period	–	–	n.a.	777	–	–	n.a.	777
thereof Long-Term Incentive Program 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	769	–	n.a.	–	775	–	n.a.	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**3,740**	**991**	**n.a.**	**4,348**	**2,348**	**589**	**n.a.**	**3,615**
Pension expense	751	751	751	2,327	151	151	151	–
▸ **VALUE OF BENEFITS GRANTED**	**4,491**	**1,742**	**n.a.**	**6,675**	**2,499**	**740**	**n.a.**	**3,615**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

[3] *Includes a discretionary bonus for fiscal year 2015 granted to Mr. Rice Powell in the amount of €541, to Mr. Michael Brosnan in the amount of €306, to Mr. Roberto Fusté in the amount of €189, to Mr. Ronald Kuerbitz in the amount of €451, to Dr. Olaf Schermeier in the amount of €203, to Mr. Kent Wanzek in the amount of €203 and to Mr. Dominik Wehner in the amount of €117.*

[4] *This also includes the rent and relocation supplements incurred by the Company, including, but not limited to, non-recurring costs in connection with the relocation of Dr. Schermeier at the start of his occupation with the Company.*

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2016

T. 3.15

in € THOUS

	Kent Wanzek *Member of the Management Board for Global Manufacturing Operations* *Member of the Management Board since January 1, 2010*				Dominik Wehner *Member of the Management Board for EMEA* *Member of the Management Board since April 1, 2014*			
	2016	***2016*** *Minimum*	***2016*** *Maximum*	*2015*[2]	***2016***	***2016*** *Minimum*	***2016*** *Maximum*	*2015*[2]
Fixed compensation	539	539	539	538	406	406	406	350
Fringe benefits[1]	112	112	112	112	37	37	37	37
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**651**	**651**	**651**	**650**	**443**	**443**	**443**	**387**
One-year variable compensation	890	73	1,068	1,091[3]	670	53	804	695[3]
Multi-year variable compensation/components with long-term incentive effects	1,120	–	n.a.	1,643	1,043	–	n.a.	1,617
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	351	–	n.a.	130	268	–	n.a.	92
thereof Long-Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/4-year vesting period	–	–	n.a.	1,047	–	–	n.a.	748
thereof Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period	–	–	n.a.	466	–	–	n.a.	777
thereof Long-Term Incentive Program 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	769	–	n.a.	–	775	–	n.a.	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**2,661**	**724**	**n.a.**	**3,384**	**2,156**	**496**	**n.a.**	**2,699**
Pension expense	379	379	379	292	98	98	98	99
▸ **VALUE OF BENEFITS GRANTED**	**3,040**	**1,103**	**n.a.**	**3,676**	**2,254**	**594**	**n.a.**	**2,798**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

[3] *Includes a discretionary bonus for fiscal year 2015 granted to Mr. Rice Powell in the amount of €541, to Mr. Michael Brosnan in the amount of €306, to Mr. Roberto Fusté in the amount of €189, to Mr. Ronald Kuerbitz in the amount of €451, to Dr. Olaf Schermeier in the amount of €203, to Mr. Kent Wanzek in the amount of €203 and to Mr. Dominik Wehner in the amount of €117.*

BENEFITS GRANTED TO SERVING MEMBERS OF THE MANAGEMENT BOARD AS OF DECEMBER 31, 2016

T. 3.15

in € THOUS

	Harry de Wit *Member of the Management Board for Asia-Pacific* *Member of the Management Board since April 1, 2016*			
	2016	***2016*** *Minimum*	***2016*** *Maximum*	*2015*[2]
Fixed compensation	360	360	360	–
Fringe benefits[1]	213	213	213	–
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**573**	**573**	**573**	**–**
One-year variable compensation	594	124	713	–
Multi-year variable compensation/components with long-term incentive effects	1,013	–	n.a.	–
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	238	–	n.a.	–
thereof Long-Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/4-year vesting period	–	–	n.a.	–
thereof Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period	–	–	n.a.	–
thereof Long-Term Incentive Program 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	775	–	n.a.	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**2,180**	**697**	**n.a.**	**–**
Pension expense	–	–	–	–
▸ **VALUE OF BENEFITS GRANTED**	**2,180**	**697**	**n.a.**	**–**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

BENEFITS GRANTED TO FORMER MEMBERS OF THE MANAGEMENT BOARD WHO RETIRED IN FISCAL YEAR 2016

T. 3.15

in TSD €

	Roberto Fusté[4] *Member of the Management Board for Asia-Pacific* *Member of the Management Board until March 31, 2016*			
	2016	***2016*** *Minimum*	***2016*** *Maximum*	*2015*[2]
Fixed compensation	145	145	145	580
Fringe benefits[1]	73	73	73	482[5]
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**218**	**218**	**218**	**1,062**
One-year variable compensation	1,276	174	1,531	1,146[3]
Multi-year variable compensation/components with long-term incentive effects	–	–	n.a.	1,672
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year waiting period	–	–	n.a.	153
thereof Long-Term Incentive Program 2011 – Stock Option Plan 2011 8-year term/4-year vesting period	–	–	n.a.	898
thereof Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period	–	–	n.a.	621
thereof Long-Term Incentive Program 2016 – Performance Share Plan 2016 4-year term/4-year vesting period	–	–	n.a.	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**1,494**	**392**	**n.a.**	**3,880**
Pension expense	301	301	301	280
▸ **VALUE OF BENEFITS GRANTED**	**1,795**	**693**	**n.a.**	**4,160**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

[3] *Includes a discretionary bonus for fiscal year 2015 granted to Mr. Rice Powell in the amount of €541, to Mr. Michael Brosnan in the amount of €306, to Mr. Roberto Fusté in the amount of €189, to Mr. Ronald Kuerbitz in the amount of €451, to Dr. Olaf Schermeier in the amount of €203, to Mr. Kent Wanzek in the amount of €203 and to Mr. Dominik Wehner in the amount of €117.*

[4] *Mr. Roberto Fusté resigned from the Management Board of the General Partner with effect as of March 31, 2016, In addition to the compensation set out, Mr. Roberto Fusté received the following compensation in the fiscal year: fixed compensation (€435), fringe benefits (€253) as well as multi-year variable compensation (Long-Term Incentive Program 2016 – Performance Share Plan 2016 (€775)); such compensation was received by Mr. Roberto Fusté only after his resignation from the Management Board.*

[5] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*

ALLOCATIONS

in € THOUS

	Serving members of the Management Board as of December 31, 2016					
	Rice Powell *Chairman of the Management Board* *Member of the Management Board* *since December 21, 2005*[2]		**Michael Brosnan** *Chief Financial Officer* *Member of the Management Board* *since January 1, 2010*		**Ronald Kuerbitz** *Member of the Management Board for North America* *Member of the Management Board* *since January 1, 2013*	
	2016	*2015*[3]	***2016***	*2015*[3]	***2016***	*2015*[3]
Fixed compensation	1,242	1,239	696	694	845	843
Fringe benefits[1]	121	342	194	533	19	28
▸ **TOTAL NON-PERFORMANCE-BASED COMPENSATION**	**1,363**	**1,581**	**890**	**1,227**	**864**	**871**
One-year variable compensation	2,403	1,032[4]	1,300	581[4]	1,476	785[4]
Multi-year variable compensation/components with long-term incentive effects	3,273	2,608	2,006	4,031	100	1,900
thereof Share Based Award – New Incentive Bonus Plan 2010 3-year term/3-year vesting period						
Grant 2011	–	485	–	292	–	–
Grant 2012	598	–	376	–	–	–
thereof International Stock Option Plan 2001 10-year term/one third 2-, 3- and 4-year vesting period						
Grant 2005	–	–	–	2,353	–	–
thereof Stock Option Plan 2006 7-year term/3-year vesting period						
Grant 2008	–	2,123	–	1,386	–	–
Grant 2009	2,043	–	1,506	–	–	824
Grant 2010	446	–	–	–	–	1,076
thereof Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 5-year term/4-year vesting period						
Grant 2011	186	–	124	–	100	0
Other	–	–	–	–	–	–
▸ **TOTAL NON-PERFORMANCE-BASED AND PERFORMANCE-BASED COMPENSATION**	**7,039**	**5,221**	**4,196**	**5,839**	**2,440**	**3,556**
Pension expense	741	570	666	533	751	2,327
▸ **ALLOCATION**	**7,780**	**5,791**	**4,862**	**6,372**	**3,191**	**5,883**

[1] *Includes insurance premiums, private use of company cars, special payments such as school fees, rent and relocation supplements, reimbursement of fees for the preparation of tax returns and reimbursement of certain other charges, contributions to pension and health insurance as well as tax burden compensation due to varying tax rates applicable in Germany and the U.S. (net compensation) as well as other fringe benefits, also in case accruals have been set up therefore.*

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

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

[4] *Includes a discretionary bonus for fiscal year 2015 granted to Mr. Rice Powell in the amount of €541, to Mr. Michael Brosnan in the amount of €306, to Mr. Roberto Fusté in the amount of €189, to Mr. Ronald Kuerbitz in the amount of €451, to Dr. Olaf Schermeier in the amount of €203, to Mr. Kent Wanzek in the amount of €203 and to Mr. Dominik Wehner in the amount of €117.*

T. 3.16

	Serving members of the Management Board as of December 31, 2016								*Former member of the Management Board (retired in fiscal year 2016)*	
	Dr. Olaf Schermeier *Member of the Management Board for Global Research and Development Member of the Management Board since March 1, 2013*		**Kent Wanzek** *Member of the Management Board for Global Manufacturing Operations Member of the Management Board since January 1, 2010*		**Dominik Wehner** *Member of the Management Board for EMEA Member of the Management Board since April 1, 2014*		**Harry de Wit** *Member of the Management Board for Asia-Pacific Member of the Management Board since April 1, 2016*		**Roberto Fusté**[6] *Member of the Management Board for Asia-Pacific Member of the Management Board until March 31, 2016*	
	2016	*2015*[3]	***2016***	*2015*[3]	***2016***	*2015*[3]	***2016***	*2015*[3]	***2016***	*2015*[3]
	450	450	539	538	406	350	360	–	145	580
	83	635[5]	112	112	37	37	213	–	73	482[7]
	533	**1,085**	**651**	**650**	**443**	**387**	**573**	**–**	**218**	**1,062**
	891	381[4]	1,054	594[4]	804	394[4]	713	–	0	648[4]
	–	–	2,437	255	346	784	–	–	–	3,518
	–	–	–	255	–	–	–	–	–	262
	–	–	314	–	–	–	–	–	–	–
	–	–	–	–	–	475	–	–	–	–
	–	–	–	–	–	309	–	–	–	2,110
	–	–	–	–	316	–	–	–	–	1,146
	–	–	1,999	–	–	–	–	–	–	–
	–	–	124	–	30	–	–	–	–	–
	–	–	–	–	–	–	–	–	–	–
	1,424	**1,466**	**4,142**	**1,499**	**1,593**	**1,565**	**1,286**	**–**	**218**	**5,228**
	151	–	379	292	98	99	–	–	301	280
	1,575	**1,466**	**4,521**	**1,791**	**1,691**	**1,664**	**1,286**	**–**	**519**	**5,508**

[5] *This also includes the rent and relocation supplements incurred by the Company, including, but not limited to, non-recurring costs in connection with the relocation of Dr. Schermeier at the start of his occupation with the Company.*

[6] *Mr. Roberto Fusté resigned from the Management Board of the General Partner with effect as of March 31, 2016. In addition to the compensation indicated, Mr. Roberto Fusté received the following compensation in the fiscal year: fixed compensation (€435), fringe benefits (€253), one-year variable compensation (€1,531) as well as multi-year variable compensation (Share Based Award – New Incentive Bonus Plan 2010 – Grant 2012 (€351), Stock Option Plan 2006 – Grant 2009 (€1,009) and Long-Term Incentive Program 2011 – Phantom Stock Plan 2011 – Grant 2011 (€128)); such compensation was received by Mr. Roberto Fusté only after his resignation from the Management Board.*

[7] *Also included are payments and accruals the Company made in the context of holding Mr. Roberto Fusté harmless from certain adverse tax effects.*

Compensation of the Supervisory Board

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

Each Supervisory Board member receives a fixed salary of $80 THOUS ($88 THOUS as of January 1, 2017) 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 $80 THOUS ($88 THOUS as of January 1, 2017) and his deputy additional compensation of $40 THOUS ($44 THOUS as of January 1, 2017) per respective complete fiscal year.

In addition, each member of the Supervisory Board shall also receive as a variable performance-related compensation component an additional remuneration which is based upon the respective average growth in basic earnings per share of the Company (EPS) during the period of the last three fiscal years prior to the payment date (3-year average EPS growth). The amount of the variable performance-related remuneration component is $60 THOUS in case of achieving a 3-year average EPS growth corridor from 8.00 to 8.99%, $70 THOUS in the corridor from 9.00 to 9.99% and $80 THOUS in case of a growth of 10.00% or more. If the aforementioned targets are reached, the respective variable remuneration amounts are earned to their full extent, i. e. within these margins there is no pro rata remuneration. In any case, this component is limited to a maximum of $80 THOUS per annum. Reciprocally, the members of the Supervisory Board are only entitled to the remuneration component if the 3-year average EPS growth of at least 8.00% is reached. Provided that the relevant targets have been achieved, the remuneration is, in principle, disbursed on a yearly basis following the approval of the Company's annual financial statements for the respective fiscal year. For the fiscal year 2016, the 3-year average EPS growth for the fiscal years 2014, 2015 and 2016 was relevant.

In application of the principles above, for the previous year no entitlement to a payment of variable performance-related compensation was generated.

As a member of a committee, a Supervisory Board member of FMC AG & CO. KGAA additionally annually receives $40 THOUS ($44 THOUS as of January 1, 2017). A member of a committee who serves as chairman or vice chairman of a committee additionally receives $20 THOUS and $10 THOUS a year ($22 THOUS and $11 THOUS as of January 1, 2017, respectively), payable in identical instalments at the end of a calendar quarter. For memberships in the Nomination Committee of the Supervisory Board and in the Joint Committee of the Company as well as in the capacity of their respective chairmen and deputy chairmen, no separate remuneration shall be granted to the members of the Supervisory Board. In accordance with section 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 be a member of the Supervisory Board of the General Partner Fresenius Medical Care Management AG at the same time, and receive compensation for his work on the Supervisory Board of Fresenius Medical Care Management AG, the compensation for the work as a FMC AG & CO. KGAA Supervisory Board member shall be reduced by half. The same applies to the additional compensation for the Chairman of the FMC AG & CO. KGAA Supervisory Board and his deputy, to the extent that they are at the same time chairman and deputy, respectively, of the Supervisory Board of Fresenius Medical Care Management AG. If the deputy chairman of the FMC AG & CO. KGAA Supervisory Board is at the same time chairman of the Supervisory Board at Fresenius Medical Care Management AG, he shall receive no additional compensation for his work as deputy chairman of the FMC AG & CO. KGAA Supervisory Board to this extent.

The compensation of the members of the Supervisory Board of Fresenius Medical Care Management AG and the compensation of the members of its committees were charged to FMC AG & CO. KGAA in accordance with section 7 para. 3 of the Articles of Association of FMC AG & CO. KGAA.

The members of the Supervisory Board of FMC AG & CO. KGAA are to be reimbursed for the expenses incurred in their exercise of their offices, which also include the applicable VAT.

The total compensation of the Supervisory Board of FMC AG & CO. KGAA including the amount charged by Fresenius Medical Care Management AG to FMC AG & CO. KGAA, is stated in table 3.17 on page 137.

COMPENSATION OF THE SUPERVISORY BOARD

T. 3.17

in € THOUS[1]

	Fixed compensation for Supervisory Board at				*Compensation for committee services at*				*Non-performance-related compensation*	
	FMC Management AG		*FMC AG & Co. KGaA*		*FMC Management AG*		*FMC AG & Co. KGaA*			
	2016	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*	***2016***	*2015*
Dr. Gerd Krick	36	36	108	108	54	54	40	36	238	234
Stephan Sturm[2]	82	–	–	–	16	–	4	–	102	–
Rolf A. Classon	36	36	36	36	89	54	32	–	193	126
William P. Johnston	36	36	36	36	103	108	51	36	226	216
Deborah Doyle McWhinney[3]	–	–	46	–	–	–	23	–	69	–
Dr. Dieter Schenk	54	54	54	54	74	45	–	–	182	153
Pascale Witz[4]	–	–	46	–	–	–	–	–	46	–
Dr. Ulf M. Schneider[5]	72	144	–	–	32	63	–	–	104	207
Dr. Walter L. Weisman[6]	14	36	14	36	16	45	20	54	64	171
Prof. Dr. Bernd Fahrholz[7]	–	–	26	72	–	–	16	45	42	117
▶ **TOTAL**	**330**	**342**	**366**	**342**	**384**	**369**	**186**	**171**	**1,266**	**1,224**

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

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

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

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

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

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

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

FRESENIUS MEDICAL CARE AG & CO. KGAA

Supervisory Board

Dr. Gerd Krick
Chairman

Supervisory Board
Fresenius Management SE (Chairman)
Fresenius SE & Co. KGaA (Chairman)
Fresenius Medical Care Management AG
Vamed AG, Austria (Chairman)

Dr. Dieter Schenk
Vice Chairman
Attorney and tax advisor

Supervisory Board
Fresenius Management SE (Vice Chairman)
Fresenius Medical Care Management AG
(Vice Chairman)
Bank Schilling & Co. AG (Chairman)
Gabor Shoes AG (Chairman)
Greiffenberger AG (Vice Chairman)
TOPTICA Photonics AG (Chairman)

Foundation Board
Else Kröner-Fresenius-Stiftung (Chairman)

Rolf A. Classon
Chairman of the Board of Directors
of Hill-Rom Holdings, Inc.

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
Tecan Group Ltd., U.S. (Chairman)
Catalent, Inc., U.S.

William P. Johnston
Former Chairman of the Board of Directors
of Renal Care Group, Inc.

Supervisory Board
Fresenius Medical Care Management AG

Board of Directors
The Hartford Mutual Funds, Inc., U.S. (Chairman)
HCR-Manor Care, Inc., U.S.

Others
The Carlyle Group, U.S. (Operating Executive)

Deborah Doyle McWhinney
(since May 12, 2016)
Former Chief Executive Officer and Chief Operating
Officer of Citi Enterprise Payments (Citigroup, Inc.)

Others
Lloyds Banking Group, Great Britain
(Non-Executive Director)
Fluor Corporation, U.S. (Non-Executive Director)
IHS Markit, Great Britain (Non-Executive Director)

Pascale Witz
(since May 12, 2016)
Former Executive Vice President Global
Diabetes & Cardiovascular of Sanofi S.A.

Board of Directors
Savencia S.A., France
(since April 20, 2016)

Prof. Dr. Bernd Fahrholz
(until May 12, 2016)
Attorney

Dr. Walter L. Weisman
(until May 12, 2016)
Former Chairman and Chief Executive Officer
of American Medical International, Inc.

Supervisory Board
Fresenius Medical Care Management AG
(until May 11, 2016)

Board of Trustees
California Institute of Technology, U.S.
(Senior Trustee)
Los Angeles County Museum of Art, U.S.
(Life Trustee)
Oregon Shakespeare Festival, U.S.
(Trustee)

Dr. Ben J. Lipps
Honorary Chairman

Supervisory Board Committees

Audit and Corporate Governance Committee
William P. Johnston (Chairman since May 12, 2016)
Rolf A. Classon (Vice Chairman since May 12, 2016)
Dr. Gerd Krick
Deborah Doyle McWhinney (since May 12, 2016)
Dr. Walter L. Weisman (until May 12, 2016)
Prof. Dr. Bernd Fahrholz (until May 12, 2016)

Nomination Committee
Dr. Gerd Krick (Chairman)
Dr. Dieter Schenk (Vice Chairman since May 12, 2016)
Rolf A. Classon (since May 12, 2016)
Dr. Walter L. Weisman (until May 12, 2016)

Joint Committee [1]
Rolf A. Classon (since May 12, 2016)
William P. Johnston
Dr. Gerd Krick [2]
Dr. Walter L. Weisman (until May 12, 2016)

FRESENIUS MEDICAL CARE MANAGEMENT AG GENERAL PARTNER OF FRESENIUS MEDICAL CARE AG & CO. KGAA

Supervisory Board

Stephan Sturm
(Member since May 11, 2016, Chairman since June 30, 2016)
Chairman

Management Board
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA (Chairman since July 1, 2016)

Supervisory Board
Fresenius Kabi AG (Chairman since August 29, 2016)
Vamed AG, Austria
Deutsche Lufthansa AG

Dr. Dieter Schenk
Vice Chairman

Dr. Gerd Krick

William P. Johnston

Rolf A. Classon

Dr. Ulf M. Schneider
(until June 30, 2016)
Chairman

Management Board
Fresenius Management SE, General Partner of Fresenius SE & Co. KGaA (Chairman until June 30, 2016)

Supervisory Board
Fresenius Kabi AG (Chairman until June 30, 2016)

Board of Directors
Fresenius Kabi U.S., Inc., U.S. (until June 30, 2016)
E.I. Du Pont de Nemours and Company, U.S.

Dr. Walter L. Weisman
(until May 11, 2016)

Dr. Ben J. Lipps
Honorary Chairman

[1] *Until June 30, 2016 Dr. Ulf M. Schneider was and since September 27, 2016 Stephan Sturm is an additional member of the Joint Committee as representative of Fresenius Medical Care Management AG. Dr. Ulf M. Schneider was not and Stephan Sturm is not a member of the Supervisory Board of Fresenius Medical Care AG & Co. KGaA.*
[2] *Member of the Joint Committee as representative of Fresenius Medical Care Management AG.*

Management Board

Rice Powell
Chairman and Chief Executive Officer

Management Board
Fresenius Management SE,
General Partner of Fresenius SE & Co. KGaA

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.
(Chairman)

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland (Vice Chairman)

Michael Brosnan
Chief Financial Officer

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Ronald Kuerbitz
Chief Executive Officer for North America

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.
Specialty Care Services Group, LLC, U.S.

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Dr. Olaf Schermeier
Chief Executive Officer for
Research and Development

Supervisory Board
Fiagon AG
(December 31, 2015 until October 6, 2016)

Kent Wanzek
Chief Executive Officer for
Global Manufacturing Operations

Board of Directors
Fresenius Medical Care Holdings, Inc., U.S.

Dominik Wehner
Chief Executive Officer for Europe, Middle East and Africa and Labor Relations Director for Germany

Board of Administration
Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland

Harry de Wit
(since April 1, 2016)
Chief Executive Officer for Asia-Pacific

Roberto Fusté
(until March 31, 2016)
Chief Executive Officer for Asia-Pacific

Supervisory Board Committees

Human Resources Committee
Stephan Sturm (Chairman since September 27, 2016)
Dr. Gerd Krick (Vice Chairman)
Rolf A. Classon
(since May 11, 2016)
William P. Johnston
Dr. Dieter Schenk
(since May 11, 2016)
Dr. Ulf M. Schneider (Chairman until June 30, 2016)
Dr. Walter L. Weisman
(until May 11, 2016)

Regulatory and Reimbursement Assessment Committee
Rolf A. Classon (Chairman since May 11, 2016)
William P. Johnston
(Vice Chairman since May 11, 2016)
Dr. Dieter Schenk

Nomination Committee
Stephan Sturm (Chairman since September 25, 2016)
Dr. Gerd Krick
Dr. Dieter Schenk
(since May 11, 2016)
Dr. Ulf M. Schneider (Chairman until June 30, 2016)
Dr. Walter L. Weisman
(until May 11, 2016)

CHAPTER 4

CONSOLI-DATED FINANCIAL STATEMENTS

CHAPTER 4
CONSOLIDATED FINANCIAL STATEMENTS

Fresenius Medical Care filed an Annual Report under Form 20-F with the Securities and Exchange Commission (SEC) with additional information on the company. Fresenius Medical Care's Annual Report on Form 20-F may be obtained from the company.

The audited financial statements of the group's holding company, Fresenius Medical Care AG & Co. KGaA, will be submitted electronically to the German Federal Gazette (Bundesanzeiger) who files these Financial Statements with the company register. These Financial Statements can be obtained from the company.

The audited consolidated financial statements in accordance with § 315a Commercial Code (HGB) will be submitted electronically to the German Federal Gazette (Bundesanzeiger) who files these consolidated financial statements with the company register. These financial statements can be obtained from the Company.

The publications can be also accessed on www.freseniusmedicalcare.com.

CONSOLIDATED STATEMENTS OF INCOME

CONSOLIDATED STATEMENTS OF INCOME

T. 4.1

in $ THOUS, except share data

	Note	2016	2015
Net revenue			
Health Care		14,949,086	13,801,298
Less: patient service bad debt provision		430,230	409,583
Net Health Care		14,518,856	13,391,715
Dialysis Products		3,391,931	3,345,867
▸ **TOTAL**	22	**17,910,787**	**16,737,582**
Costs of revenue			
Dialysis Care		10,661,488	9,861,253
Dialysis Products		1,469,657	1,545,166
▸ **TOTAL**		**12,131,145**	**11,406,419**
Gross profit		5,779,642	5,331,163
Operating (income) expenses			
Selling, general and administrative		3,044,663	2,895,581
Research and development		162,364	140,302
Income from equity method investees	22	(64,908)	(31,452)
▸ **OPERATING INCOME**		**2,637,523**	**2,326,732**
Interest income		(46,644)	(116,575)
Interest expense		452,177	508,035
Income before income taxes		2,231,990	1,935,272
Income tax expense	16	683,139	622,123
Net income		1,548,851	1,313,149
Less: Net income attributable to noncontrolling interests		305,584	283,704
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**1,243,267**	**1,029,445**
▸ **BASIC EARNINGS PER SHARE**	14	**4.07**	**3.38**
▸ **FULLY DILUTED EARNINGS PER SHARE**	14	**4.06**	**3.38**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME T. 4.2

in $ THOUS

	Note	2016	2015
▸ **NET INCOME**		**1,548,851**	**1,313,149**
Gain (loss) related to cash flow hedges	19, 20	27,795	60,131
Actuarial gains (losses) on defined benefit pension plans	10, 20	(1,464)	81,834
Gain (loss) related to foreign currency translation	20	1,280	(352,125)
Income tax (expense) benefit related to components of other comprehensive income	20	(11,774)	(43,353)
▸ **OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX**	20	**15,837**	**(253,513)**
▸ **TOTAL COMPREHENSIVE INCOME**		**1,564,688**	**1,059,636**
Comprehensive income attributable to noncontrolling interests		304,138	278,743
▸ **COMPREHENSIVE INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**		**1,260,550**	**780,893**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED BALANCE SHEETS T. 4.3

in $ THOUS, except share and per share data, December 31

Assets	Note	2016	2015
Current assets			
Cash and cash equivalents		747,233	549,500
Trade accounts receivable less allowance for doubtful accounts of $508,562 in 2016 and $465,790 in 2015		3,524,258	3,285,196
Accounts receivable from related parties	2	220,797	218,285
Inventories	3	1,409,834	1,340,751
Prepaid expenses and other current assets	4	1,411,833	1,374,715
▸ **TOTAL CURRENT ASSETS**		**7,313,955**	**6,768,447**
Property, plant and equipment, net	5	3,773,213	3,425,574
Intangible assets	6	847,198	830,489
Goodwill	6	13,666,446	13,032,750
Deferred taxes	16	202,838	188,833
Investment in equity method investees	22	679,242	644,709
Other assets		451,050	474,452
▸ **TOTAL ASSETS**		**26,933,942**	**25,365,254**

See accompanying notes to consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

T. 4.3

in $ THOUS, except share and per share data, December 31

Liabilities and shareholders' equity	Note	2016	2015
Current liabilities			
Accounts payable		606,694	627,828
Accounts payable to related parties	2	278,355	153,023
Accrued expenses and other current liabilities	7	2,653,185	2,503,137
Short-term debt	8	602,494	109,252
Short-term debt from related parties	8	3,162	19,052
Current portion of long-term debt and capital lease obligations	9	763,398	664,335
Income tax payable		130,009	72,819
▸ TOTAL CURRENT LIABILITIES		**5,037,297**	**4,149,446**
Long-term debt and capital lease obligations, less current portion	9	7,202,545	7,853,487
Other liabilities		658,842	465,625
Pension liabilities	10	540,267	585,328
Income tax payable		124,576	162,500
Deferred taxes	16	672,267	624,500
▸ TOTAL LIABILITIES		**14,235,794**	**13,840,886**
Noncontrolling interests subject to put provisions and other temporary equity	11	1,241,088	1,028,368
Shareholders' equity			
Ordinary shares, no par value, €1.00 nominal value, 385,913,972 shares authorized, 307,221,791 issued and 306,221,840 outstanding	12	379,585	387,162
Treasury stock, at cost	12	(66,895)	(505,014)
Additional paid-in capital	12	2,977,972	3,470,308
Retained earnings	12	8,837,072	7,870,981
Accumulated other comprehensive (loss) income	20	(1,319,012)	(1,336,295)
▸ TOTAL FMC AG & CO. KGAA SHAREHOLDERS' EQUITY		**10,808,722**	**9,887,142**
Noncontrolling interests not subject to put provisions		648,338	608,858
▸ TOTAL EQUITY		**11,457,060**	**10,496,000**
▸ TOTAL LIABILITIES AND EQUITY		**26,933,942**	**25,365,254**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

CONSOLIDATED STATEMENTS OF CASH FLOWS T. 4.4

in $ THOUS

	Note	2016	2015
Operating activities			
Net income		1,548,851	1,313,149
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5, 6, 22	775,945	717,322
Change in deferred taxes, net		(5,628)	(45,452)
(Gain) loss on sale of fixed assets and investments		(2,317)	(2,318)
Compensation expense related to stock options	15	30,176	12,323
Investments in equity method investees, net		(58,608)	(17,776)
Changes in assets and liabilities, net of amounts from businesses acquired:			
Trade accounts receivable, net		(242,289)	(330,960)
Inventories		(66,668)	(301,009)
Prepaid expenses, other current and non-current assets		53,751	47,997
Accounts receivable from related parties		(79,445)	(300)
Accounts payable to related parties		133,653	27,208
Accounts payable, accrued expenses and other current and non-current liabilities		45,729	548,955
Income tax payable		6,732	(9,092)
▸ **NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES**		**2,139,882**	**1,960,047**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

T. 4.4

in $ THOUS

	Note	2016	2015
Investing activities			
Purchases of property, plant and equipment	22	(1,029,992)	(952,943)
Proceeds from sale of property, plant and equipment		17,662	17,408
Acquisitions and investments, net of cash acquired, and purchases of intangible assets	21, 22	(577,581)	(316,810)
Proceeds from divestitures		210,584	251,660
▸ **NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES**		**(1,379,327)**	**(1,000,685)**
Financing activities			
Proceeds from short-term debt		891,266	287,526
Repayments of short-term debt		(379,119)	(313,872)
Proceeds from short-term debt from related parties		137,588	58,804
Repayments of short-term debt from related parties		(153,638)	(44,270)
Proceeds from long-term debt and capital lease obligations		2,292	6,035
Repayments of long-term debt and capital lease obligations		(732,874)	(324,855)
Increase (decrease) of accounts receivable securitization program		124,000	(290,750)
Proceeds from exercise of stock options, net		49,065	94,166
Dividends paid	12	(277,176)	(263,244)
Distributions to noncontrolling interests		(325,762)	(284,474)
Contributions from noncontrolling interests		79,597	67,395
▸ **NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES**		**(584,761)**	**(1,007,539)**
▸ **EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS**		**21,939**	**(36,178)**
Cash and cash equivalents			
Net increase (decrease) in cash and cash equivalents		197,733	(84,355)
Cash and cash equivalents at beginning of period		549,500	633,855
▸ **CASH AND CASH EQUIVALENTS AT END OF PERIOD**		**747,233**	**549,500**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY T. 4.5

in $ THOUS, except share data

	Note	Ordinary shares		Treasury stock	
		Number of shares	No par value	Number of shares	Amount
▸ **BALANCE AT DECEMBER 31, 2014**		**311,104,251**	**385,215**	**(7,548,951)**	**(505,014)**
Proceeds from exercise of options and related tax effects	15	1,758,820	1,947	–	–
Compensation expense related to stock options	15	–	–	–	–
Vested subsidiary stock incentive plans	12	–	–	–	–
Dividends paid	12	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Expiration of put provisions and other reclassifications	11	–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	11	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	20	–	–	–	–
Comprehensive income		–	–	–	–
▸ **BALANCE AT DECEMBER 31, 2015**		**312,863,071**	**387,162**	**(7,548,951)**	**(505,014)**
Proceeds from exercise of options and related tax effects	15	907,720	1,014	–	–
Compensation expense related to stock options	15	–	–	–	–
Vested subsidiary stock incentive plans	12	–	–	–	–
Withdrawal of treasury stock	12	(6,549,000)	(8,591)	6,549,000	438,119
Dividends paid	12	–	–	–	–
Purchase/sale of noncontrolling interests		–	–	–	–
Contributions from/to noncontrolling interests		–	–	–	–
Expiration of put provisions and other reclassifications	11	–	–	–	–
Changes in fair value of noncontrolling interests subject to put provisions	11	–	–	–	–
Net income		–	–	–	–
Other comprehensive income (loss)	20	–	–	–	–
Comprehensive income		–	–	–	–
▸ **BALANCE AT DECEMBER 31, 2016**		**307,221,791**	**379,585**	**(999,951)**	**(66,895)**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

T. 4.5

in $ THOUS, except share data

	Note	Additional paid in capital	Retained earnings	Accumulated other comprehensive income (loss)	Total FMC AG & Co. KGaA shareholders' equity	Noncontrolling interests not subject to put provisions	Total
▸ **BALANCE AT DECEMBER 31, 2014**		**3,546,075**	**7,104,780**	**(1,087,743)**	**9,443,313**	**585,058**	**10,028,371**
Proceeds from exercise of options and related tax effects	15	87,065	–	–	89,012	–	89,012
Compensation expense related to stock options	15	12,323	–	–	12,323	–	12,323
Vested subsidiary stock incentive plans	12	(4,613)	–	–	(4,613)	–	(4,613)
Dividends paid	12	–	(263,244)	–	(263,244)	–	(263,244)
Purchase/sale of noncontrolling interests		7,461	–	–	7,461	7,169	14,630
Contributions from/to noncontrolling interests		–	–	–	–	(100,852)	(100,852)
Expiration of put provisions and other reclassifications	11	–	–	–	–	(5,206)	(5,206)
Changes in fair value of noncontrolling interests subject to put provisions	11	(178,003)	–	–	(178,003)	–	(178,003)
Net income		–	1,029,445	–	1,029,445	124,577	1,154,022
Other comprehensive income (loss)	20	–	–	(248,552)	(248,552)	(1,888)	(250,440)
Comprehensive income		–	–	–	780,893	122,689	903,582
▸ **BALANCE AT DECEMBER 31, 2015**		**3,470,308**	**7,870,981**	**(1,336,295)**	**9,887,142**	**608,858**	**10,496,000**
Proceeds from exercise of options and related tax effects	15	49,307	–	–	50,321	–	50,321
Compensation expense related to stock options	15	30,176	–	–	30,176	–	30,176
Vested subsidiary stock incentive plans	12	(2,967)	–	–	(2,967)	–	(2,967)
Withdrawal of treasury stock	12	(429,528)	–	–	–	–	–
Dividends paid	12	–	(277,176)	–	(277,176)	–	(277,176)
Purchase/sale of noncontrolling interests		(1,212)	–	–	(1,212)	13,105	11,893
Contributions from/to noncontrolling interests		–	–	–	–	(107,354)	(107,354)
Expiration of put provisions and other reclassifications	11	–	–	–	–	9,756	9,756
Changes in fair value of noncontrolling interests subject to put provisions	11	(138,112)	–	–	(138,112)	–	(138,112)
Net income		–	1,243,267	–	1,243,267	123,482	1,366,749
Other comprehensive income (loss)	20	–	–	17,283	17,283	491	17,774
Comprehensive income		–	–	–	1,260,550	123,973	1,384,523
▸ **BALANCE AT DECEMBER 31, 2016**		**2,977,972**	**8,837,072**	**(1,319,012)**	**10,808,722**	**648,338**	**11,457,060**

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Unless otherwise noted, numbers are stated in thousands, except share data.

1. The Company and basis of presentation

The Company

Fresenius Medical Care AG & Co. KGaA (FMC AG & CO. KGAA or the Company), a German partnership limited by shares (Kommanditgesellschaft auf Aktien), is the world's largest kidney dialysis company, 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 provides dialysis products for the treatment of ESRD, including products manufactured and distributed by the Company such as hemodialysis machines, peritoneal cyclers, dialyzers, peritoneal solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals and systems for water treatment. 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 its other health care services as "Care Coordination". Care Coordination currently includes the coordinated delivery of pharmacy services, vascular, cardiovascular and endovascular specialty services, non-dialysis laboratory testing services, physician services, hospitalist and intensivist services, health plan services, ambulatory surgery center services and urgent care services, which, together with dialysis care services represent the Company's Health Care Services.

In these notes, "FMC AG & CO. KGAA", or the "Company", "we", "us" or "our" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires. "Fresenius SE" and "Fresenius SE & Co. KGaA" refer to Fresenius SE & Co. KGaA, a German partnership limited by shares resulting from the change of legal form of Fresenius SE (effective as of January 2011), a European Company (Societas Europaea) previously called Fresenius AG, a German stock corporation. "Management AG" and the "General Partner" refer to Fresenius Medical Care Management AG which is FMC AG & CO. KGAA's general partner and is wholly owned by Fresenius SE. "Management Board" refers to the members of the management board of Management AG and, except as otherwise specified, "Supervisory Board" refers to the supervisory board of FMC AG & CO. KGAA. "Ordinary shares" refers to the ordinary shares prior to the conversion in 2013 of the Company's preference shares into ordinary shares. Following the conversion, the Company refers to their ordinary shares as "shares", see note 12. 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 22.

Basis of presentation

The accompanying consolidated financial statements have been prepared in accordance with the United States' generally accepted accounting principles (U.S. GAAP).

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. 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.

Summary of significant accounting policies

a) Principles of consolidation

The consolidated financial statements include the earnings of all companies in which the Company has legal or effective control. This includes variable interest entities (VIEs) for which the Company is deemed the primary beneficiary. The Company also consolidates certain clinics that it manages and financially controls. Noncontrolling interests represent the proportionate equity interests in the Company's consolidated entities that are not wholly owned by the Company. Noncontrolling interests of acquired entities are valued at fair value. The equity method of accounting is used for investments in associated companies over which the Company has significant exercisable influence, even when the Company holds 50% or less of the common stock of the entity. All significant intercompany transactions and balances have been eliminated.

The Company has entered into various arrangements with certain legal entities whereby the entities' equity holders lack the power to direct the activities that most significantly impact the entities' performance, and the obligation to absorb expected losses and receive expected residual returns of the legal entities. In these arrangements, the entities are VIEs in which the Company has been determined to be the primary beneficiary and which therefore have been fully consolidated. During 2016, as a result of the changes arising from the Financial Accounting Standards Board's (FASB) Accounting Standards Update 2015-02 (ASU 2015-02), the Company has reassessed all of its arrangements with joint ventures and other partners. With the adoption of ASU 2015-02, the Company has presented the VIE data below on a retrospective basis which is applied using the VIE entities in place as of December 31, 2016 for 2015 utilizing a pro forma presentation to ensure comparability. For further information on the Company's adoption of ASU 2015-02, see 1t) below. In the North America segment, 111 formerly consolidated VIEs do not follow the variable interest entity guidance any longer, but are consolidated through contractual management agreements. In 2016, 26 VIEs are now consolidated because of newly entered arrangements as well as one entity ceased to be a VIE because the arrangement was dissolved. In the EMEA segment, one VIE was liquidated. The Company has provided some or all of the following services to VIEs: management, financing or product supply. Consolidated VIEs generated approximately $251,594 and $246,983 in revenue in 2016 and 2015, respectively. At December 31, 2016 and 2015 the Company provided funding to VIEs through loans and accounts receivable of $188,299 and $196,199, respectively.

The table below shows the carrying amounts of the assets and liabilities of VIEs at December 31, 2016 and 2015:

CARRYING AMOUNTS VIES T. 4.6

in $ THOUS

	2016	2015
Trade accounts receivable, net	80,080	97,326
Other current assets	85,948	80,596
Property, plant and equipment, intangible assets & other non-current assets	57,306	60,155
Goodwill	31,931	31,995
Accounts payable, accrued expenses and other liabilities	191,223	204,126
Non-current loans from related parties	54,301	41,151
Equity	9,741	24,795

b) Cash and cash equivalents

Cash and cash equivalents comprise cash funds and all short-term, liquid investments with original maturities of up to three months.

c) Inventories

Inventories are stated at the lower of cost (determined by using the average or first-in, first-out method) or net realizable value see note 3. Costs included in inventories are based on invoiced costs and/or production costs or the marked to market valuation, as applicable. Included in production costs are material, direct labor and production overhead, including depreciation charges.

d) Property, plant and equipment

Property, plant, and equipment are stated at cost less accumulated depreciation see note 5. Significant improvements are capitalized; repairs and maintenance costs that do not extend the useful lives of the assets are charged to expense as incurred. Property and equipment under capital leases are stated at the present value of future minimum lease payments at the inception of the lease, less accumulated depreciation. Depreciation on property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets ranging from 4 to 50 years for buildings and improvements with a weighted average life of 13 years and 3 to 19 years for machinery and equipment with a weighted average life of 10 years. Equipment held under capital leases and leasehold improvements are amortized using the straight-line method over the shorter of the lease term or the estimated useful life of the asset. Internal use platform software that is integral to the computer equipment it supports is included in property, plant and equipment. The Company capitalizes interest on borrowed funds during construction periods. Interest capitalized during 2016 and 2015 was $4,954 and $6,082, respectively.

e) Intangible assets and goodwill

Intangible assets such as non-compete agreements, technology, distribution rights, patents, licenses to treat, licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses, trade names, management contracts, application software, acute care agreements, customer relationships and lease agreements are recognized and reported apart from goodwill see note 6. 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, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which those assets are expected to generate net cash inflows for the Company. Intangible assets with finite useful lives are amortized over their respective useful lives to their residual values. The Company amortizes non-compete agreements over their useful life which on average is 6 years. Technology is amortized over its useful life of 15 years. Licenses to manufacture, distribute and sell pharmaceutical drugs, exclusive contracts and exclusive licenses are amortized over their useful life which on average is 10 years. Customer relationships are amortized over their useful life of 10 years. All other intangible assets are amortized over their weighted average useful lives of 7 years. The weighted average useful life of all amortizable intangible assets is 8 years. Intangible assets with finite useful lives are evaluated for impairment when events have occurred that may give rise to an impairment.

To perform the annual impairment test of goodwill, the Company identified its reporting units and determined their carrying value by assigning the assets and liabilities, including the existing goodwill and intangible assets, to those reporting units. The reporting units are the North America segment, EMEA segment, Asia-Pacific segment and the Latin America segment. For the purpose of goodwill impairment testing, all corporate assets and liabilities are allocated to the reporting units.

In a first step, the Company compares the fair value of a reporting unit to its carrying amount. Fair value is determined using estimated future cash flows for the unit discounted by an after-tax weighted average cost of capital (WACC) specific to that reporting unit. Estimating the future cash flows involves significant assumptions, especially regarding future reimbursement rates and sales prices, number of treatments, sales volumes and costs. In determining discounted cash flows, the Company utilizes for every reporting unit, its three-year budget, projections for years for to ten and a representative growth rate for all remaining years. Projections for up to ten years are possible due to the stability of the Company's business which, results from the non-discretionary nature of the Health Care Services the Company provides, the need for products utilized to provide such services and the availability of government reimbursement for a substantial portion of our services. The reporting units' 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 the North America segment. The Company expects a stable operating income margin with a higher margin in dialysis business compensating a lower margin in Care Coordination. The reporting units' respective expected growth rates for the period beyond ten years are: North America segment 1%, EMEA segment 0%, Asia-Pacific segment 4% and Latin America segment 3.5%. The discount factor is determined by the WACC of the respective reporting unit. The Company's WACC consisted of a basic rate of 5.14% for 2016. The basic rate is then adjusted by a country-specific risk rate and, if appropriate, by a factor to reflect higher risks associated with the cash flows from recent material acquisitions, until they are appropriately integrated, within each reporting unit. In 2016, WACCs for the reporting units ranged from 5.12% to 15.88%.

In the case that the fair value of the reporting unit is less than its carrying value, a second step would be performed which compares the implied fair value of the reporting unit's goodwill to the carrying value of its goodwill. If the fair value of the goodwill is less than the carrying value, the difference is recorded as an impairment.

To evaluate the recoverability of intangible assets with indefinite useful lives, the Company compares the fair values of intangible assets with their carrying values. An intangible asset's fair value is determined using a discounted cash flow approach or other methods, if appropriate.

f) Derivative financial instruments

Derivative financial instruments, which primarily include foreign currency forward contracts and interest rate swaps, are recognized as assets or liabilities at fair value in the balance sheet see note 19. From time to time, the Company may enter into other types of derivative instruments which are dealt with on a transaction by transaction basis. Changes in the fair value of derivative financial instruments classified as fair value hedges and in the corresponding underlying assets and liabilities are recognized periodically in earnings, while the effective portion of changes in fair value of derivative financial instruments classified as cash flow hedges is recognized in accumulated other comprehensive income (loss) (AOCI) in shareholders' equity. The ineffective portion is recognized in current net earnings. The change in fair value of derivatives that do not qualify for hedge accounting are recorded in the income statement and usually offset the changes in value recorded in the income statement for the underlying asset or liability.

g) Foreign currency translation

For purposes of these consolidated financial statements, the U.S. dollar is the reporting currency. Substantially all assets and liabilities of the parent company and all non-U.S. subsidiaries are translated at year-end exchange rates, while revenues and expenses are translated at average exchange rates. Adjustments for foreign currency translation fluctuations are excluded from net earnings and are reported in AOCI. In addition, the translation adjustments of certain intercompany borrowings, which are of a long-term nature, are reported in AOCI.

h) Revenue recognition and allowance for doubtful accounts

Revenue recognition

Health Care revenues, other than the hospitalist revenues discussed below, are recognized on the date the patient receives treatment and includes amounts related to certain services, products and supplies utilized in providing such treatment. The patient is obligated to pay for health care services at amounts estimated to be receivable based upon the Company's standard rates or at rates determined under reimbursement arrangements. In the U.S., these arrangements are generally with third party payors, such as Medicare, Medicaid or commercial insurers. Outside the U.S., the reimbursement is usually made through national or local government programs with reimbursement rates established by statute or regulation.

Dialysis product revenues are recognized upon transfer of title to the customer, either at the time of shipment, upon receipt or upon any other terms that clearly define passage of title. Product revenues are normally based upon pre-determined rates that are established by contractual arrangement.

For both, Health Care revenues and Dialysis Product revenues, patients, third party payors and customers are billed at our standard rates net of contractual allowances, discounts or rebates to reflect the estimated amounts to be receivable from these payors.

In the U.S., hospitalist revenues are reported at the estimated net realizable amount from third-party payors, client hospitals, and others at the time services are provided. Third-party payors include federal and state agencies (under the Medicare and Medicaid programs), managed care health plans, and commercial insurance companies. Inpatient acute care services rendered to Medicare and Medicaid program beneficiaries are paid according to a fee-for-service schedule. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Inpatient acute 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. Contractual adjustments and bad debts are recorded as deductions from gross revenue to determine net revenue. In addition to the net patient service revenue described below, the Company receives subsidies from hospitals to provide hospitalist 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, health care entities must record the difference between the receivable recorded and the amount estimated to be collectible as a provision with the expense presented as a reduction of Health Care revenue. The provision includes such items as amounts due from patients without adequate insurance coverage and patient co-payment and deductible amounts due from patients with health care coverage. The Company determines the provision primarily on past collection history and reports it as "patient service bad debt provision" on the consolidated statements of income.

A portion of product revenues outside the North America segment is generated from arrangements which give the customer, typically a healthcare provider, the right to use dialysis machines. In the same contract the customer agrees to purchase the related treatment disposables at a price marked up from the standard price list. If the right to use the machine is conveyed through an operating lease, FMC AG & CO. KGAA does not recognize revenue upon delivery of the dialysis machine but recognizes revenue on the sale of disposables with revenue for the use of dialysis machines recognized over the term of the lease contract. If the lease of the machines is a sales type lease, ownership of the dialysis machine is transferred to the user upon installation of the dialysis machine at the customer site. In this type of contract, revenue is recognized in accordance with the accounting principles for sales type leases.

Any tax assessed by a governmental authority that is incurred as a result of a revenue transaction (e. g. sales tax) is excluded from revenues and the related revenue is reported on a net basis.

Allowance for doubtful accounts

In the North America segment for receivables generated from Health Care Services, the accounting for the allowance for doubtful accounts is based on an analysis of collection experience and recognizing the differences between payors. The Company also performs an aging of accounts receivable which enables the review of each customer and their payment pattern. From time to time, accounts receivable are reviewed for changes from the historic collection experience to ensure the appropriateness of the allowances.

The allowance for doubtful accounts in the EMEA segment, the Asia-Pacific segment, the Latin America segment and the Dialysis Products business in the North America segment is an estimate comprised of customer specific evaluations regarding their payment history, current financial stability, and applicable country specific risks for receivables that are overdue more than one year. The changes in the allowance for these receivables are recorded in selling, general and administrative as an expense.

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.

i) Research and development expenses

Research and development expenses are expensed as incurred.

j) Income taxes

Current taxes are calculated based on the profit (loss) of the fiscal year and in accordance with local tax rules of the respective tax jurisdictions. Expected and executed additional tax payments and tax refunds for prior years are also taken into account. Benefits from income tax positions have been recognized only when it was more likely than not that the Company would be entitled to the economic benefits of the tax positions. The more-likely-than-not threshold has been determined based on the technical merits that the position will be sustained upon examination. If a tax position meets the more-likely-than-not recognition threshold, management estimates the largest amount of tax benefit that is more than fifty percent likely to be realized upon settlement with a taxing authority, which becomes the amount of benefit recognized. If a tax position is not considered more likely than not to be sustained based solely on its technical merits, no benefits are recognized.

The Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, tax credits and tax loss carryforwards. Deferred tax assets and liabilities are measured using the respective countries enacted tax rates to be applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. A valuation allowance is recorded to reduce the carrying amount of the deferred tax assets to the amount more likely than not to be realized see note 16.

It is the Company's policy that assets for uncertain tax positions are recognized to the extent it is more likely than not the tax will be recovered. It is also the Company's policy to recognize interest and penalties related to its income tax positions as income tax expense.

k) Impairment

The Company reviews the carrying value of its long-lived assets or asset groups with definite useful lives to be held and used for impairment whenever events or changes in circumstances indicate that the carrying value of these assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying value of an asset to the future net cash flows directly associated with the asset. If assets are considered to be impaired, the impairment recognized is the amount by which the carrying value exceeds the fair value of the asset. The Company uses a discounted cash flow approach or other methods, if appropriate, to assess fair value.

Long-lived assets to be disposed of by sale are reported at the lower of carrying value or fair value less cost to sell and depreciation is ceased. Long-lived assets to be disposed of other than by sale are considered to be held and used until disposal.

For the Company's policy related to goodwill impairment see 1e.

l) 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 9.

m) Self-insurance programs

Under the Company's insurance programs for professional, product and general liability, auto liability and worker's compensation claims and medical malpractice claims, the Company's largest subsidiary is partially self-insured for professional liability claims. For all other coverage, the Company assumes responsibility for incurred claims up to predetermined amounts above which third party insurance applies. Reported liabilities for the year represent estimated future payments of the anticipated expense for claims incurred (both reported and incurred but not reported) based on historical experience and existing claim activity. This experience includes both the rate of claims incidence (number) and claim severity (cost) and is combined with individual claim expectations to estimate the reported amounts.

n) Concentration of risk

The Company is engaged in the manufacture and sale of products for all forms of kidney dialysis, principally to healthcare providers throughout the world, and in providing kidney dialysis treatment. 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 healthcare programs administered by the United States government, were approximately 32 % in 2016 and 2015 of the Company's worldwide revenues.

No single debtor other than U.S. Medicare and Medicaid accounted for more than 5 % of total trade accounts receivable in any of these years. Trade accounts receivable outside the North America segment are, for a large part, due from government or government-sponsored organizations that are established in the various countries within which the Company operates. Amounts pending approval from third party payors represent less than 3 % at December 31, 2016.

See note 3 for discussion of suppliers with long-term purchase commitments.

o) Legal contingencies

From time to time, during the ordinary course of the Company's operations, the Company is party to litigation and arbitration and is subject to investigations relating to various aspects of its business see note 18. The Company regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including the estimated legal expenses and consulting services in connection with these matters, as appropriate. The Company utilizes its internal legal department as well as external resources for these assessments. In making the decision regarding the need for loss accrual, the Company considers the degree of probability of an unfavorable outcome and its ability to make a reasonable estimate of the amount of loss.

The filing of a suit or formal assertion of a claim or assessment, or the disclosure of any such suit or assertion, does not necessarily indicate that accrual of a loss is appropriate.

p) Earnings per share

Basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share include the effect of all potentially dilutive instruments on shares that would have been outstanding during the years presented had the dilutive instruments been issued.

Equity-settled awards granted under the Company's stock incentive plans see note 15 are potentially dilutive equity instruments.

q) 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.

r) Employee benefit 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 sheets if the defined benefit obligation exceeds the fair value of plan assets. A pension asset is recognized (and reported under "Other assets and notes receivables" in the consolidated balance sheets) 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. Changes in the funded status of a plan resulting from actuarial gains or losses and prior service costs or credits that are not recognized as components of the net periodic benefit cost are recognized through accumulated other comprehensive income, net of tax, in the year in which they occur. Actuarial gains or losses and prior service costs are subsequently recognized as components of net periodic benefit cost when realized. The Company uses December 31 as the measurement date when measuring the funded status of all plans.

s) 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 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 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. The corresponding liability based on the balance sheet date fair value is accrued over the vesting period of the performance share plan. For certain exceptions a shorter vesting period may apply after which the performance shares will not forfeit in any way. In such cases the vesting period is shortened accordingly.

Two of the Company's subsidiaries are authorized to issue Incentive Units see note 15. The balance sheet date fair value of the awards under the subsidiary stock incentive plans, whereby Incentive Units are issued by certain of the Company's subsidiaries, is calculated using the Monte Carlo pricing model. The corresponding liability is accrued over the vesting period of the Incentive Units.

t) Recent pronouncements

Recently implemented accounting pronouncements

On February 18, 2015, FASB issued ASU 2015-02, Consolidation (Topic 810): Amendments to the Consolidation Analysis, which focuses on clarifying guidance related to the evaluation of various types of legal entities such as limited partnerships, limited liability corporations and certain security transactions for consolidation. The update is effective for fiscal years beginning after December 15, 2015, and for interim periods within fiscal years beginning after December 15, 2015. The Company has implemented ASU 2015-02 on a retrospective basis which is applied using the VIE entities in place as of December 31, 2016 for 2015 utilizing a pro forma presentation to ensure comparability. These types of legal entities are predominantly utilized in the U.S. The consolidation disclosures in "a) principles of consolidation" above were amended in relation to this ASU.

On November 20, 2015, FASB issued Accounting Standards Update 2015-17 (ASU 2015-17) Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes, which focuses on reducing the complexity of classifying deferred taxes on the balance sheet. ASU 2015-17 eliminates the current requirement for organizations to present deferred tax liabilities and assets as current and non-current in a classified balance sheet and requires the classification of all deferred tax assets and liabilities as non-current. The update is effective for fiscal years and interim periods within those years beginning after December 15, 2016. The Company adopted this ASU as of March 31, 2016. In accordance with ASU 2015-17, deferred taxes recorded as of December 31, 2015 within current assets and liabilities have been reclassified to non-current assets and liabilities in the amount of $216,127 and $36,399, respectively. As a result of deferred tax netting, non-current assets and liabilities were then adjusted in the amount of $168,232.

The Company has prepared its consolidated financial statements in accordance with U.S. GAAP for the periods presented in these notes. The discussion below regarding accounting standards not yet adopted does not apply beyond the fiscal year 2016. Starting on January 1, 2017, the Company will prepare its consolidated financial statements in accordance with International Financial Reporting Standards.

Recent accounting pronouncements not yet adopted

On May 28, 2014, the FASB issued Accounting Standards Update 2014-09 (ASU 2014-09), Revenue from Contracts with Customers, Topic 606. Simultaneously, the IASB published its equivalent revenue standard, "IFRS 15", Revenue from Contracts with Customers. The standards are the result of a convergence project between FASB and the IASB. This update specifies how and when companies reporting under U.S. GAAP will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. ASU 2014-09 supersedes some guidance included in topic 605, Revenue Recognition, some guidance within the scope of Topic 360, Property, Plant, and Equipment, and some guidance within the scope of Topic 350, Intangibles – Goodwill and Other. This ASU applies to nearly all contracts with customers, unless those contracts are within the scope of other standards (for example, lease contracts or insurance contracts). With the issuance of Accounting Standards Update 2015-14 (ASU 2015-14), Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date on August 12, 2015, the effective date of ASU 2014-09 for public business entities, among others, was deferred from fiscal years and interim periods within those years beginning after December 15, 2016 to fiscal years and interim periods within those years beginning after December 15, 2017. Earlier adoption is permitted. There will be no impact from ASU 2014-09; however, the Company is currently evaluating the impact of IFRS 15, in conjunction with all amendments to the standard, on its consolidated financial statements. Based on the Company's evaluation, it expects differences to the current accounting mainly with regard to the calculation of the transaction price for Health Care Services provided. IFRS 15 requires the consideration of implicit price concessions when determining the transaction price. This will lead to a corresponding decrease of revenues from Health Care Services and thus will no longer be included in selling, general and administrative expenses as an allowance for doubtful accounts. The first analysis of this issue showed a decrease of revenue by approximately 2–3% without any effect on net income. A more detailed quantification of the impact of IFRS 15 is not yet possible. The Company is also evaluating accounting policy options and transition methods of IFRS 15.

On February 25, 2016, FASB issued Accounting Standards Update 2016-02 (ASU 2016-02) Leases (Subtopic 842). ASU 2016-02 is expected to increase transparency and comparability by recognizing lease assets and lease liabilities from lessees on the balance sheet and disclosing key information about leasing arrangements in the financial statements. The lessor accounting is largely unchanged. The updates are effective for fiscal years and interim periods within those years beginning after December 15, 2018. Early applications of the amendments in these updates are permitted. There will be no impact from ASU 2016-02; however, the IASB issued IFRS 16, Leases, which supersedes the current standard on lease-accounting, IAS 17, as well as the interpretations IFRIC 4, SIC-15 and SIC-27. 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 related to certain leased clinics and buildings which are currently classified as operating leases. Based on a first impact analysis as of December 31, 2015, using certain assumptions and simplifications, the Company expects a financial debt increase of approximately €4,000,000. Referring to the consolidated statement of income, the Company expects an EBITDA (earnings before interest, taxes, depreciation and amortization) as well as operating income improvement due to the separation of rent expenses in depreciation and interest expenses but without effect on the cash outflows. The Leverage Ratio (debt/EBITDA ratio – financial debt is compared to EBITDA adjusted for acquisitions made within the reporting period with a purchase price above a $50,000 threshold as defined in the Amended 2012 Credit Agreement (the Amended 2012 Credit Agreement see note 9) and non-cash charges) will increase by about 0.5. The impact on the Company will depend on the contract portfolio at the effective date, as well as the transition method. The Company expects to apply the modified retrospective method after review of the analysis performed. Currently, the Company is evaluating optional exceptions of IFRS 16.

On January 5, 2016, FASB issued Accounting Standards Update 2016-01 (ASU 2016-01) Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. ASU 2016-01 focuses on improving the recognition and measurement of financial instruments to provide users of financial statements with more decision-useful information. ASU 2016-01 affects the accounting treatment and disclosures related to financial instruments and equity instruments. The update is effective for fiscal years and interim periods within those years beginning after December 15, 2017. Earlier adoption is generally not permitted. On June 16, 2016, FASB issued Accounting Standards Update 2016-13 (ASU 2016-13) Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. ASU 2016-13 amends guidance on reporting credit losses for assets held at amortized cost basis and available for sale financial assets. For Securities and Exchange Commission filers, these updates are effective for fiscal years and interim periods within those years beginning after December 15, 2019. Early adoption is permitted as of the fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. There will be no impact from ASU 2016-01 or ASU 2016-13; however, in July 2014, the IASB issued a new version of IFRS 9, Financial Instruments. This IFRS 9 version is considered the final and complete version, which replaces IAS 39 upon application of IFRS 9. IFRS 9 includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The Company concluded that IFRS 9 will not be adopted early and is currently evaluating the impact on its consolidated financial statements. In accordance with IAS 39, the majority of the non-derivative financial assets are measured at amortized costs. The analysis on the business model and the contractual cash flow characteristics of each instrument is still ongoing. The requirements on the classification and measurement of non-derivative financial liabilities have not significantly changed. The Company anticipates a limited impact on its consolidated financial statements. Derivatives not designated as hedging instruments will continue to be classified and measured at fair value through profit and loss. Further, the Company intends to implement the simplified method to determine the provisions for risks from trade accounts receivable, receivables from lease contracts and capitalized contract costs according to IFRS 15. A quantification of the impact is not yet possible. Based on currently available information, derivative financial instruments presently designated as hedging instruments are also qualified for hedge accounting according to the requirements of IFRS 9. The Company is also evaluating accounting policy choices and transition methods of IFRS 9.

2. Related party transactions

Fresenius SE is the Company's largest shareholder and owns 30.82% of the Company's outstanding shares, excluding treasury shares held by the Company, at December 31, 2016. The Company has entered into certain arrangements for services, leases and products with Fresenius SE or its subsidiaries and with certain of the Company's equity method investees as described in item a) below. The Company's terms related to the receivables or payables for these services, leases and products are generally consistent with the normal terms of the Company's ordinary course of business transactions with unrelated parties. Financing arrangements as described in item b) below have agreed upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction. The relationship between the Company and its key management personnel who are considered to be related parties is described in item c) below. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

a) Service agreements, lease agreements and products

The Company is party to service agreements with Fresenius SE and certain of its affiliates (collectively, the Fresenius SE Companies) to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. The Company also provides central purchasing services to the Fresenius SE Companies. These related party agreements generally have a duration of 1–5 years and are renegotiated on an as needed basis when the agreement comes due. The Company provides administrative services to one of its equity method investees. In 2015, the Company also performed marketing and distribution services for certain of its equity method investees.

The Company is a party to real estate operating lease agreements with the Fresenius SE Companies, which mainly include leases for the Company's corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany. The leases were re-negotiated and revised upon expiration at the end of 2016. These new lease agreements began on January 1, 2017 and expire on December 31, 2026. Certain of the office lease contracts are commercially agreed but pending formal approval by the supervisory board of Fresenius SE. The Company expects formal approval of these contracts to be granted in the first quarter of 2017 with an effective date of January 1, 2017. Based upon an appraisal, the rents under the leases represent fair market value for such properties. As of December 31, 2016 and 2015, future minimum rental payments under non-cancelable operating leases with Fresenius SE were $18,022, including amounts pending formal approval above through September 2017, and $24,224 as well as $128,436 and $16,215 with other Fresenius SE affiliates, respectively. These minimum rental payments are included within the amounts disclosed in note 17.

In addition to the above mentioned service and lease agreements, the Company sold products to the Fresenius SE Companies and made purchases from the Fresenius SE Companies and equity method investees. In addition, Fresenius Medical Care Holdings, Inc. (FMCH) purchases heparin supplied by Fresenius Kabi USA, Inc. (Kabi USA), through an independent group purchasing organization (GPO). Kabi USA is an indirect, wholly-owned subsidiary of Fresenius SE. The Company has no direct supply agreement with Kabi USA and does not submit purchase orders directly to Kabi USA. FMCH acquires heparin from Kabi USA, through the GPO contract, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

The Company entered into an agreement with a Fresenius SE company for the manufacturing of plasma collection devices. The Company agreed to produce 3,500 units which can be further increased to a maximum of 4,550 units, over the length of the five year contract. On January 1, 2015, this manufacturing business was sold to Kabi USA for $9,327 for which a fairness opinion was obtained from a reputable global accounting firm. The disposal was accounted for as a transaction between parties under common control at the carrying amounts without the generation of profits.

In December 2010, the Company formed a renal pharmaceutical company with Galenica Ltd., named 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.

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

SERVICE AGREEMENTS, LEASE AGREEMENTS AND PRODUCTS T. 4.7

in $ THOUS

	2016		2015		December 31, 2016		December 31, 2015	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Accounts receivables	Accounts payables	Accounts receivables	Accounts payables
Service agreements[1]								
Fresenius SE	431	22,381	254	20,262	139	54	422	3,185
Fresenius SE affiliates	3,068	82,003	8,162	75,900	867	3,011	2,104	4,079
Equity method investees	19,457	–	23,369	–	2,641	–	10,180	–
▸ **TOTAL**	**22,956**	**104,384**	**31,785**	**96,162**	**3,647**	**3,065**	**12,706**	**7,264**
Lease agreements								
Fresenius SE	–	10,488	–	9,621	–	–	–	–
Fresenius SE affiliates	–	15,183	–	14,660	–	–	–	–
▸ **TOTAL**	**–**	**25,671**	**–**	**24,281**	**–**	**–**	**–**	**–**
Products								
Fresenius SE	2	–	5	–	–	–	–	–
Fresenius SE affiliates	25,846	48,028	25,920	37,166	8,378	5,046	8,774	3,768
Equity method investees	–	410,927	–	275,340	–	58,322	–	8,253
▸ **TOTAL**	**25,848**	**458,955**	**25,925**	**312,506**	**8,378**	**63,368**	**8,774**	**12,021**

[1] *In addition to the above shown accounts payables accrued expenses for service agreements with related parties amounted to $3,541 and $596 at December 31, 2016 and 2015, respectively.*

b) Financing

The Company receives short-term financing from and provides short-term financing to Fresenius SE. The Company also utilizes Fresenius SE's cash management system for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties. As of December 31, 2016 and December 31, 2015, the Company had accounts receivables from Fresenius SE related to short-term financing in the amount of $208,589 and $131,252, respectively. As of December 31, 2016 and December 31, 2015, the Company had accounts payables to Fresenius SE related to short-term financing in the amount of $196,431 and $115,932, respectively. The interest rates for these cash management arrangements are set on a daily basis and are based on the then-prevailing overnight reference rate for the respective currencies.

On August 19, 2009, the Company borrowed €1,500 ($1,581 at December 31, 2016 and $1,633 at December 31, 2015) from the General Partner on an unsecured basis at 1.335%. The loan repayment has been extended periodically and is currently due August 22, 2017 with an interest rate of 1.054%. On November 28, 2013, the Company borrowed an additional €1,500 ($1,581 at December 31, 2016 and $1,633 at December 31, 2015) with an interest rate of 1.875% from the General Partner. This loan is due on November 24, 2017 with an interest rate of 1.021%.

The Company provided unsecured term loans to one of its equity method investees during 2015 and 2016 in the amount of CHF 78,416 ($79,618 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 $11,137 after tax.

On June 12, 2014, the Company provided a one-year unsecured term loan to one of its equity method investees in the amount of $22,500 at an interest rate of 2.5366%. This loan was repaid in full on June 12, 2015.

At December 31, 2016 and December 31, 2015, a subsidiary of Fresenius SE held unsecured Senior notes issued by the Company in the amount of €8,300 and €8,300 ($8,749 at December 31, 2016 and $9,036 at December 31, 2015), respectively. The senior notes 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 senior notes see note 9.

On December 31, 2016 the Company provided a cash advance to Fresenius SE in the amount of €36,245 ($38,206 at December 31, 2016) on an unsecured basis at an interest rate of 0.771% which was repaid on January 2, 2017. On December 31, 2015 the Company borrowed from Fresenius SE in the amount of €14,500 ($15,786 at December 31, 2015) at an interest rate of 0.970%. For further information on these loan agreements see note 8.

c) Key management personnel

Due to the legal form of a German partnership limited by shares, the General Partner holds a key management position within the Company. In addition, 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 $22,663 and $16,940, respectively, for its management services during 2016 and 2015 and included an annual fee of $133 and $133, respectively, 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, 2016). As of December 31, 2016 and December 31, 2015, the Company had accounts receivable from the General Partner in the amount of $183 and $486, respectively. As of December 31, 2016 and December 31, 2015, the Company had accounts payable to the General Partner in the amount of $15,491 and $17,806, respectively.

The Chairman of the Company's Supervisory Board is also the Chairman of the supervisory board of Fresenius SE and of the general partner of Fresenius SE. He is also a member of the supervisory board of the Company's General Partner.

The Vice Chairman of the Company's Supervisory Board is a member of the supervisory board of the general partner of Fresenius SE and Vice Chairman of the supervisory board of the Company's General Partner. He is also Chairman of the Advisory Board of a charitable foundation that is the sole shareholder of the general partner of Fresenius SE. He is also a partner in a law firm which provided services to the Company and certain of its subsidiaries. The Company incurred expenses in the amount of $1,392 and $958 for these services during 2016 and 2015, respectively. Four of the six members of the Company's Supervisory Board, including the Chairman and Vice Chairman, are also members of the supervisory board of the Company's General Partner.

The Chairman of the supervisory board of the Company's General Partner is also the Chairman of the management board of the general partner of Fresenius SE, and the Chairman and Chief Executive Officer of the Management Board of the Company's General Partner is a member of the Management Board of the general partner of Fresenius SE.

3. Inventories

At December 31, 2016 and December 31, 2015, inventories consisted of the following:

INVENTORIES T. 4.8
in $ THOUS

	2016	2015
Finished goods	724,814	670,291
Health care supplies	381,908	395,342
Raw materials and purchased components	225,879	206,525
Work in process	77,233	68,593
▸ **TOTAL**	**1,409,834**	**1,340,751**

Under the terms of certain unconditional purchase agreements, the Company is obligated to purchase approximately $442,024 of materials, of which $213,338 is committed at December 31, 2016 for 2017. The terms of these agreements run 1 to 5 years.

4. Prepaid expenses and other current assets

At December 31, 2016 and 2015, prepaid expenses and other current assets consisted of the following:

PREPAID EXPENSES AND OTHER CURRENT ASSETS T. 4.9
in $ THOUS

	2016	2015
Available for sale financial assets[1]	264,310	271,952
Insurance recoveries	220,000	220,000
Cost report receivable from Medicare and Medicaid	126,655	109,311
Payments on account	88,549	37,016
Other taxes receivable	79,833	69,684
Other deferred charges	68,648	63,210
Leases receivable	57,483	53,117
Prepaid rent	57,394	51,651
Income taxes receivable	54,959	131,396
Receivables for supplier rebates	50,168	48,625
Derivatives	41,913	27,021
Amounts due from managed locations	28,863	20,888
Prepaid insurance	17,491	21,848
Deposit/Guarantee/Security	15,913	15,276
Other	239,654	233,720
▸ **TOTAL PREPAID EXPENSES AND OTHER CURRENT ASSETS**	**1,411,833**	**1,374,715**

[1] *The impact on the consolidated statements of income and the consolidated statements of shareholders' equity is not material.*

The item "Insurance recoveries" includes the recognized amount in relation to the NaturaLyte® and GranuFlo® agreement in principle, which partially offsets the accrued settlement amount recorded in note 7. For further information see note 18.

The item "Other" primarily includes loans to customers, receivables from employees and notes receivables.

5. Property, plant and equipment

At December 31, 2016 and 2015, property, plant and equipment consisted of the following:

ACQUISITION OR MANUFACTURING COSTS T. 4.10

in $ THOUS

	Jan. 1, 2016	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2016***
Land	65,076	196	231	3,652	(302)	(293)	68,560
Buildings and improvements	2,758,018	(17,319)	14,772	181,850	276,449	(54,071)	3,159,699
Machinery and equipment	4,070,878	(66,081)	17,990	527,632	16,618	(187,484)	4,379,553
Machinery, equipment and rental equipment under capitalized leases	69,179	(166)	1,310	17,795	364	(403)	88,079
Construction in progress	445,431	257	1,080	312,185	(290,854)	(1,882)	466,217
▸ **PROPERTY, PLANT AND EQUIPMENT**	**7,408,582**	**(83,113)**	**35,383**	**1,043,114**	**2,275**	**(244,133)**	**8,162,108**

DEPRECIATION T. 4.11

in $ THOUS

	Jan. 1, 2016	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2016***
Land	1,329	(12)	–	–	–	22	1,339
Buildings and improvements	1,529,982	(10,756)	4,729	223,885	2,570	(38,328)	1,712,082
Machinery and equipment	2,419,358	(40,380)	(4,698)	421,756	(119)	(163,641)	2,632,276
Machinery, equipment and rental equipment under capitalized leases	32,339	(454)	(59)	11,877	(132)	(373)	43,198
Construction in progress	–	–	–	–	–	–	–
▸ **PROPERTY, PLANT AND EQUIPMENT**	**3,983,008**	**(51,602)**	**(28)**	**657,518**	**2,319**	**(202,320)**	**4,388,895**

NET BOOK VALUE T. 4.12

in $ THOUS, December 31

	2016	*2015*
Land	67,221	63,747
Buildings and improvements	1,447,617	1,228,036
Machinery and equipment	1,747,277	1,651,520
Machinery, equipment and rental equipment under capitalized leases	44,881	36,840
Construction in progress	466,217	445,431
▸ **PROPERTY, PLANT AND EQUIPMENT**	**3,773,213**	**3,425,574**

Depreciation expense for property, plant and equipment amounted to $657,518 and $606,964 for the years ended December 31, 2016 and 2015, respectively.

Included in machinery and equipment at December 31, 2016 and 2015 were $670,258 and $628,140, respectively, of peritoneal dialysis cycler machines which the Company leases to customers with end-stage renal disease on a month-to-month basis and hemodialysis machines which the Company leases to physicians under operating leases.

Accumulated depreciation related to machinery, equipment and rental equipment under capital leases was $43,198 and $32,339 at December 31, 2016 and 2015, respectively.

6. Intangible assets and goodwill

At December 31, 2016 and 2015, the carrying value and accumulated amortization of intangible assets other than goodwill consisted of the following:

ACQUISITION COSTS T. 4.13

in $ THOUS

	Jan. 1, 2016	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2016***
Amortizable intangible assets							
Non-compete agreements	346,186	(1,086)	18,901	–	–	(3,063)	360,938
Technology	106,510	(3,525)	73,908	–	–	–	176,893
Licenses and distribution agreements	193,280	(488)	588	3,404	293	(4,330)	192,747
Customer relationships	262,754	(1,188)	200	–	–	–	261,766
Construction in progress	23,333	(169)	1,826	11,522	(13,101)	(4,538)	18,873
Self-developed software	140,914	800	–	9,927	2,334	(149)	153,826
Other	357,065	(3,851)	19,589	9,419	11,927	(5,024)	389,125
▸ TOTAL	**1,430,042**	**(9,507)**	**115,012**	**34,272**	**1,453**	**(17,104)**	**1,554,168**
Non-amortizable intangible assets							
Tradename	240,655	37	–	–	–	–	240,692
Management contracts	7,016	51	–	–	(3,163)	(407)	3,497
▸ TOTAL	**247,671**	**88**	**–**	**–**	**(3,163)**	**(407)**	**244,189**
▸ INTANGIBLE ASSETS	**1,677,713**	**(9,419)**	**115,012**	**34,272**	**(1,710)**	**(17,511)**	**1,798,357**
▸ GOODWILL	**13,470,865**	**(18,875)**	**648,583**	**–**	**2,531**	**–**	**14,103,104**

AMORTIZATION

T. 4.14

in $ THOUS

	Jan. 1, 2016	*Currency change*	*Changes in consolidation group*	*Additions*	*Reclassifications*	*Disposals*	***Dec. 31, 2016***
Amortizable intangible assets							
Non-compete agreements	273,220	(426)	–	23,258	(12)	(3,060)	292,980
Technology	57,821	–	–	6,619	–	–	64,440
Licenses and distribution agreements	112,167	(611)	–	13,632	293	(4,329)	121,152
Customer relationships	35,347	(161)	–	27,137	587	–	62,910
Construction in progress	–	–	–	–	–	–	–
Self-developed software	72,797	(472)	–	16,427	(4)	(19)	88,729
Other	264,621	(2,868)	(58)	31,354	545	(3,897)	289,697
▶ **TOTAL**	**815,973**	**(4,538)**	**(58)**	**118,427**	**1,409**	**(11,305)**	**919,908**
Non-amortizable intangible assets							
Tradename	31,251	–	–	–	–	–	31,251
Management contracts	–	–	–	–	–	–	–
▶ **TOTAL**	**31,251**	**–**	**–**	**–**	**–**	**–**	**31,251**
▶ **INTANGIBLE ASSETS**	**847,224**	**(4,538)**	**(58)**	**118,427**	**1,409**	**(11,305)**	**951,159**
▶ **GOODWILL**	**438,115**	**(825)**	**–**	**–**	**(632)**	**–**	**436,658**

NET BOOK VALUE

T. 4.15

in $ THOUS, December 31

	2016	*2015*
Amortizable intangible assets		
Non-compete agreements	67,958	72,966
Technology	112,453	48,689
Licenses and distribution agreements	71,595	81,113
Customer relationships	198,856	227,407
Construction in progress	18,873	23,333
Self-developed software	65,097	68,117
Other	99,428	92,444
▶ **TOTAL**	**634,260**	**614,069**
Non-amortizable intangible assets		
Tradename	209,441	209,404
Management contracts	3,497	7,016
▶ **TOTAL**	**212,938**	**216,420**
▶ **INTANGIBLE ASSETS**	**847,198**	**830,489**
▶ **GOODWILL**	**13,666,446**	**13,032,750**

The amortization on intangible assets amounted to $118,427 and $110,359 for the years 2016 and 2015, respectively. The table shows the estimated amortization expense of these assets for the following five years.

ESTIMATED AMORTIZATION EXPENSE T. 4.16
in $ THOUS

	2017	*2018*	*2019*	*2020*	*2021*
Estimated amortization expense	117,315	111,578	109,232	101,705	98,582

Goodwill

Changes in the carrying amount of goodwill are mainly a result of acquisitions and the impact of foreign currency translations. The Company's acquisitions consisted primarily of the purchase of clinics in the normal course of operations in 2016 and 2015 as well as the purchase of a medical technology company focusing on the treatment of lung and cardiac failure in 2016 and the purchase of a distributor in the Asia-Pacific segment in 2015. The changes to goodwill in 2016 and 2015 are as follows:

GOODWILL T. 4.17
in $ THOUS

	North America segment	*EMEA segment*	*Asia-Pacific segment*	*Latin America segment*	*Segment Total*	*Corporate*	*Total*
▸ **BALANCE AS OF DECEMBER 31, 2014**	**11,180,954**	**1,018,881**	**365,351**	**100,824**	**12,666,010**	**416,170**	**13,082,180**
Goodwill acquired, net of divestitures	43,186	52,484	22,247	(1,018)	116,899	–	116,899
Reclassifications	–	4,867	(2,774)	–	2,093	(2,093)	–
Foreign currency translation adjustment	(561)	(132,260)	(11,250)	(20,531)	(164,602)	(1,727)	(166,329)
▸ **BALANCE AS OF DECEMBER 31, 2015**	**11,223,579**	**943,972**	**373,574**	**79,275**	**12,620,400**	**412,350**	**13,032,750**
Goodwill acquired, net of divestitures	292,138	314,463	15,152	9,624	631,377	17,206	648,583
Reclassifications	3,163	–	–	–	3,163	–	3,163
Foreign currency translation adjustment	(341)	(20,331)	(825)	5,377	(16,120)	(1,930)	(18,050)
▸ **BALANCE AS OF DECEMBER 31, 2016**	**11,518,539**	**1,238,104**	**387,901**	**94,276**	**13,238,820**	**427,626**	**13,666,446**

7. Accrued expenses and other current liabilities

At December 31, 2016 and 2015, accrued expenses and other current liabilities consisted of the following:

ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES T. 4.18

in $ THOUS

	2016	2015
Accrued salaries, wages and incentive plan compensations	743,772	664,996
Unapplied cash and receivable credits	411,495	395,817
Accrued settlement	280,000	280,000
Accrued self-insurance	263,484	225,845
Accrued operating expenses	190,364	236,286
Lease obligations	122,402	105,469
Accrued interest	113,571	121,348
Withholding tax and VAT	93,777	84,918
Accrued variable payments outstanding for acquisitions	82,559	52,370
Derivatives	26,897	11,614
Other	324,864	324,474
▸ **TOTAL ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES**	**2,653,185**	**2,503,137**

The item "Accrued settlement" includes accruals related to our NaturaLyte® and GranuFlo® agreement in principle, partially offset by insurance recoveries recorded in note 4. For further information see note 18.

The item "Other" in the table above includes accruals for legal and compliance costs, deferred income, commissions, bonuses and rebates, short-term position of pension liabilities and physician compensation.

8. Short-term debt and short-term debt from related parties

At December 31, 2016 and December 31, 2015, short-term debt and short-term debt from related parties consisted of the following:

SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES T. 4.19

in $ THOUS

	2016	2015
Borrowings under lines of credit	93,829	109,230
Commercial paper program	501,662	–
Other	7,003	22
▸ **SHORT-TERM DEBT**	**602,494**	**109,252**
Short-term debt from related parties *see note 2b*	3,162	19,052
▸ **SHORT-TERM DEBT AND SHORT-TERM DEBT FROM RELATED PARTIES**	**605,656**	**128,304**

Borrowings under lines of credit and further availabilities

Borrowings under lines of credit in the amount of $93,829 and $109,230 at December 31, 2016 and 2015, respectively, represented amounts borrowed by the Company's subsidiaries under lines of credit with commercial banks. The average interest rates on these borrowings at December 31, 2016 and 2015 were 6.49% and 6.38%, respectively.

Excluding amounts available under the Amended 2012 Credit Agreement, at December 31, 2016 and 2015, the Company had $242,407 and $222,888 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, 2016 and 2015, cash and borrowings under lines of credit in the amount of $343,094 and $48,277 were offset under this cash management system.

Commercial paper program

Commercial paper programs are flexible financing instruments to obtain short-term funding on the money market. Typically, commercial paper maturities range from a few days up to under two years. The Company established a commercial paper program on January 19, 2016 under which short-term notes of up to €1,000,000 ($1,054,100) can be issued. At December 31, 2016, the outstanding commercial paper amounted to €476,000 ($501,752 at December 31, 2016).

Other

At December 31, 2016 and 2015, the Company had $7,003 and $22 of other debt which was mainly 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 its subsidiaries may request and receive one or more short-term advances up to an aggregate amount of $400,000 until maturity on October 30, 2017. The interest on the advance(s) will be at a fluctuating rate per annum equal to LIBOR or EURIBOR as applicable plus an applicable margin. Advances can be repaid and reborrowed. At December 31, 2016, there were no advances from Fresenius SE under this facility. At December 31, 2015, the Company borrowed from Fresenius SE in the amount of €14,500 ($15,786 at December 31, 2015). For further information see note 2b.

9. Long-term debt and capital lease obligations

As of December 31, 2016 and December 31, 2015, long-term debt and capital lease obligations consisted of the following:

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS T. 4.20

in $ THOUS

	2016	2015
Amended 2012 credit agreement	2,365,522	2,611,580
Senior notes	4,923,476	5,325,618
Convertible bonds	401,333	407,705
Accounts receivable facility	173,965	50,185
Capital lease obligations	46,143	40,621
Other	55,504	82,113
▸ **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS**	**7,965,943**	**8,517,822**
Less current portion	(763,398)	(664,335)
▸ **LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS, LESS CURRENT PORTION**	**7,202,545**	**7,853,487**

The Company's long-term debt as of December 31, 2016, 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 five year period (the 2012 Credit Agreement) with a large group of banks and institutional investors (collectively, the Lenders) 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 (approximately $3,800,000 as of December 31, 2016 due to quarterly repayments and currency effects) and extend the term for an additional two years until October 30, 2019.

As of December 31, 2016, the Amended 2012 Credit Agreement consists of:

- A revolving credit facility of approximately $1,400,000 comprising a $1,000,000 revolving facility and a €400,000 revolving facility, which will be due and payable on October 30, 2019.
- A term loan facility of $2,100,000, also scheduled to mature on October 30, 2019. Quarterly repayments of $50,000 began in January 2015 with the remaining balance outstanding due October 30, 2019.
- A term loan facility of €252,000 scheduled to mature on October 30, 2019. Quarterly repayments of €6,000 began in January 2015 with the remaining balance outstanding due October 30, 2019.

Interest on the credit facilities is, at the Company's option, at a rate equal to either (i) LIBOR or EURIBOR (as applicable) plus an applicable margin or (ii) the Base Rate as defined in the Amended 2012 Credit Agreement plus an applicable margin. At December 31, 2016 and 2015, the U.S.-dollar-denominated tranches outstanding under the Amended 2012 Credit Agreement had a weighted average interest rate of 2.15% and 1.72%, respectively. At December 31, 2016 and 2015, the euro-denominated tranche had an interest rate of 1.25% and 1.38%, respectively.

The applicable margin is variable and depends on the Company's consolidated leverage ratio which is a ratio of its consolidated funded debt less cash and cash equivalents held by the consolidated group to consolidated EBITDA (as these terms are defined in the Amended 2012 Credit Agreement).

In addition to scheduled principal payments, indebtedness outstanding under the Amended 2012 Credit Agreement would be reduced by portions of the net cash proceeds received from certain sales of assets.

Obligations under the Amended 2012 Credit Agreement are secured by pledges of capital stock of certain material subsidiaries in favor of the Lenders.

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, investments, 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 held by the consolidated group to consolidated EBITDA). Additionally, the Amended 2012 Credit Agreement provides for a limitation on dividends, share buy-backs and similar payments. Dividends to be paid are subject to an annual basket, which is €440,000 ($463,804 at December 31, 2016) for 2017, and will increase in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio.

In default, the outstanding balance under the Amended 2012 Credit Agreement becomes immediately due and payable at the option of the Lenders.

The following table shows the available and outstanding amounts under the Amended 2012 Credit Agreement at December 31, 2016 and 2015:

AMENDED 2012 CREDIT AGREEMENT T. 4.21

in THOUS

	Maximum amount available 2016		*Balance outstanding[1] 2016*	
Revolving credit USD	$1,000,000	$1,000,000	$10,187	$10,187
Revolving credit EUR	€400,000	$421,640	–	–
USD term loan	$2,100,000	$2,100,000	$2,100,000	$2,100,000
EUR term loan	€252,000	$265,633	€252,000	$265,633
▸ **TOTAL**		**$3,787,273**		**$2,375,820**

	Maximum amount available 2015		*Balance outstanding[1] 2015*	
Revolving credit USD	$1,000,000	$1,000,000	$25,110	$25,110
Revolving credit EUR	€400,000	$435,480	–	–
USD term loan	$2,300,000	$2,300,000	$2,300,000	$2,300,000
EUR term loan	€276,000	$300,481	€276,000	$300,481
▸ **TOTAL**		**$4,035,961**		**$2,625,591**

[1] *Amounts shown are excluding debt issuance costs.*

At December 31, 2016 and 2015, the Company had letters of credit outstanding in the amount of $3,550 and $3,600, respectively, under the USD revolving credit facility, which are not included above as part of the balance outstanding at those dates but which reduce available borrowings under the applicable revolving credit facility.

Senior notes

At December 31, 2016 and 2015, the Company's senior notes consisted of the following:

SENIOR NOTES T. 4.22

in THOUS

		Face amount	*Maturity*	*Coupon*	*Book value in $*	
Issuer/Transaction					***2016***	*2015*
FMC Finance VI S.A. 2010	€	250,000	July 15, 2016	5.50%	–	271,409
FMC Finance VIII S.A. 2011[1]	€	100,000	October 15, 2016	3.21%	–	108,735
FMC US Finance, Inc. 2007	$	500,000	July 15, 2017	6.875%	499,098	497,363
FMC Finance VIII S.A. 2011	€	400,000	September 15, 2018	6.50%	418,665	430,600
FMC US Finance II, Inc. 2011	$	400,000	September 15, 2018	6.50%	397,275	395,678
FMC US Finance II, Inc. 2012	$	800,000	July 31, 2019	5.625%	797,560	796,505
FMC Finance VIII S.A. 2012	€	250,000	July 31, 2019	5.25%	262,464	270,655
FMC US Finance II, Inc. 2014	$	500,000	October 15, 2020	4.125%	496,798	495,944
FMC US Finance, Inc. 2011	$	650,000	February 15, 2021	5.75%	643,708	642,167
FMC Finance VII S.A. 2011	€	300,000	February 15, 2021	5.25%	314,235	324,045
FMC US Finance II, Inc. 2012	$	700,000	January 31, 2022	5.875%	696,834	696,086
FMC US Finance II, Inc. 2014	$	400,000	October 15, 2024	4.75%	396,839	396,431
▸ **TOTAL**					**4,923,476**	**5,325,618**

[1] *This note carried a variable interest rate which was 3.21% at the last interest fixing.*

All senior notes are unsecured and guaranteed on a senior basis jointly and severally by the Company and by FMCH and Fresenius Medical Care Deutschland GmbH (D-GmbH), (together with FMCH, the Guarantor Subsidiaries). The issuers may redeem the senior notes at any time at 100% of principal plus accrued interest and a premium calculated pursuant to the terms of the indenture. The holders have the right to request that the issuers repurchase the senior notes at 101% of principal plus accrued interest upon the occurrence of a change of control of the Company followed by a decline in the ratings of the respective senior notes.

The Company has agreed to a number of covenants to provide protection to the holders which, under certain circumstances, limit the ability of the Company and its subsidiaries to, among other things, incur debt, incur liens, engage in sale-leaseback transactions and merge or consolidate with other companies or sell assets. At December 31, 2016, the Company was in compliance with all of its covenants under the senior notes.

Convertible bonds

On September 19, 2014, the Company issued €400,000 ($514,080 at issuance) principal amount of equity-neutral convertible bonds (the convertible bonds) which have a coupon of 1.125% and are due on January 31, 2020. The bonds were issued at par. The current conversion price is €73.6054. Beginning 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 will amortize the remaining cost of these options and various other offering costs over the life of these bonds in the amount of €19,265 ($20,307 at December 31, 2016), effectively increasing the total interest rate to 2.611%. The convertible bonds are jointly and severally guaranteed by FMCH and D-GmbH.

Accounts receivable facility

The Company refinanced the accounts receivable facility on December 6, 2016 for a term expiring on December 6, 2019 with the available borrowings of $800,000.

The following table shows the available and outstanding amounts under the accounts receivable facility at December 31, 2016 and December 31, 2015.

ACCOUNTS RECEIVABLE FACILITY T. 4.23

in $ THOUS

	Maximum amount available[1]		Balance outstanding[2]	
	2016	*2015*	***2016***	*2015*
Accounts receivable facility	800,000	800,000	175,000	51,000

[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 $15,647 at December 31, 2016 and $16,622 at December 31, 2015. These letters of credit are not included above as part of the balance outstanding at December 31, 2016 and 2015; 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, 2016 and 2015, the interest rate was 1.00% and 0.89%, respectively. Refinancing fees, which include legal costs and bank fees, are amortized over the term of the facility.

Other

At December 31, 2016 and 2015, in conjunction with certain acquisitions and investments, the Company had fixed payments outstanding for acquisitions totaling approximately $25,895 and $4,115, respectively, of which $16,073 and $2,597, respectively, were classified as the current portion of long-term debt.

Annual payments

Aggregate annual payments applicable to the Amended 2012 Credit Agreement, senior notes, the Convertible Bonds, the accounts receivable facility, capital leases and other borrowings for the five years subsequent to December 31, 2016 and thereafter are:

ANNUAL PAYMENTS T. 4.24

in $ THOUS

	2017	*2018*	*2019*	*2020*	*2021*	*Thereafter*	***Total***
Annual payments	764,300	1,064,456	3,178,459	930,017	972,874	1,115,424	**8,025,530**

10. Employee benefit plans

General

FMC AG & CO. KGAA recognizes pension costs and related pension liabilities for current and future benefits to qualified current and former employees of the Company. The Company's pension plans are structured in accordance with the differing legal, economic and fiscal circumstances in each country. The Company currently has two types of plans, defined benefit and defined contribution plans. In general, plan benefits in defined benefit plans are based on all or a portion of the employees' years of services and final salary. Plan benefits in defined contribution plans are determined by the amount of contribution by the employee and the employer, both of which may be limited by legislation, and the returns earned on the investment of those contributions.

Upon retirement under defined benefit plans, the Company is required to pay defined benefits to former employees when the defined benefits become due. Defined benefit plans may be funded or unfunded. The Company has five major defined benefit plans, one funded plan in the U.S. and one in France as well as one unfunded plan in Germany and two in France.

Starting 2016, the defined benefit plans in France were transferred from "Benefit plans offered by other subsidiaries" to the detailed reconciliations of the funded status and the plan assets, retrospectively for 2015. The adjustment of the benefit obligation at the beginning of 2015 has been implemented through the position "Other adjustments".

Actuarial assumptions generally determine benefit obligations under defined benefit plans. The actuarial calculations require the use of estimates. The main factors used in the actuarial calculations affecting the level of the benefit obligations are: assumptions on life expectancy, the discount rate and future salary and benefit levels. Under the Company's funded plans, assets are set aside to meet future payment obligations. An estimated return on the plan assets is recognized as income in the respective period. Actuarial gains and losses are generated when there are variations in the actuarial assumptions and by differences between the actual and the estimated projected benefits obligations and the return on plan assets for that year. The Company's pension liability is impacted by these actuarial gains or losses.

Under defined contribution plans, the Company pays defined contributions to an independent third party as directed by the employee during the employee's service life, which satisfies all obligations of the Company to the employee. The employee retains all rights to the contributions made by the employee and to the vested portion of the Company paid contributions upon leaving the Company. The Company has a defined contribution plan in 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 to the plan covering United States employees at least the minimum amount required by the Employee Retirement Income Security Act of 1974, as amended. In 2016, FMCH's minimum funding requirement was $9,600. In addition to the compulsory contributions, the Company voluntarily provided $100,965 to the defined benefit plan of which $100,000 was contributed in the third quarter of 2016. Expected funding for 2017 is $1,180.

The benefit obligation for all defined benefit plans at December 31, 2016, was $855,861 (2015: $822,626) which consists of the gross benefit obligation of $438,235 (2015: $477,667) for the U.S. plan and of $4,231 (2015: $4,063) for the French plan, which are funded by plan assets, and the benefit obligation of $404,779 (2015: $333,320) for the German unfunded plan and $8,616 (2015: $7,576) for the two French unfunded plans.

The following table shows the changes in benefit obligations, the changes in plan assets, the funded status of the pension plans and the net pension liability. 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.

FUNDED STATUS OF EMPLOYEE BENEFIT PLANS T. 4.25

in $ THOUS

	2016	2015
Change in benefit obligation		
Benefit obligation at January 1	822,626	877,722
Foreign currency translation	(15,151)	(40,646)
Other adjustments	–	11,772
Service cost	25,335	25,825
Interest cost	29,330	28,016
Amendments	–	(410)
Transfer of plan participants	31	(102)
Actuarial (gain) loss	36,757	(56,250)
Benefits paid	(34,008)	(23,163)
Curtailments and settlements	(9,059)	(138)
▸ **BENEFIT OBLIGATION AT DECEMBER 31**	**855,861**	**822,626**
Change in plan assets		
Fair value of plan assets at January 1	260,260	270,858
Foreign currency translation	(3)	–
Other adjustments	–	102
Actual return on plan assets	13,225	(11,158)
Employer contributions	110,565	20,098
Benefits paid	(30,707)	(19,640)
Settlements	(9,005)	–
▸ **FAIR VALUE OF PLAN ASSETS AT DECEMBER 31**	**344,335**	**260,260**
▸ **FUNDED STATUS AT DECEMBER 31**	**511,526**	**562,366**
▸ **BENEFIT PLANS OFFERED BY OTHER SUBSIDIARIES**	**35,550**	**30,059**
▸ **NET PENSION LIABILITY**	**547,076**	**592,425**

Benefit plans offered by the U.S., Germany and France contain a pension liability of $511,526 and $562,366 at December 31, 2016 and 2015, respectively. The pension liability consists of a current portion of $4,726 (2015: $4,393) which is recognized as a current liability in the line item "Accrued expenses and other current liabilities" in the balance sheet. The non-current portion of $506,800 (2015: $557,973) is recorded as non-current pension liability in the balance sheet. Approximately 74% of the beneficiaries are located in the U.S. and 6% in France with the majority of the remaining 20% located in Germany.

The accumulated benefit obligation for all defined benefit pension plans with an obligation in excess of plan assets was $780,820 and $759,171 at December 31, 2016 and 2015, respectively; the related plan assets had a fair value of $344,335 and $260,260 at December 31, 2016 and 2015, respectively.

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 $35,550 and $30,059 at December 31, 2016 and 2015 respectively and consists of a pension asset of $0 (2015: $61) recognized as "Other non-current assets and notes receivables" and a current pension liability of $2,083 (2015: $2,765), which is recognized as a current liability in the line item "Accrued expenses and other current liabilities". The non-current pension liability of $33,467 (2015: $27,355) for these plans is recorded as "Non-current pension liability" in the balance sheet.

At December 31, 2016 the weighted average duration of the defined benefit obligation was 19 years (2015: 18 years).

Table 4.26 reflects pre-tax effects of actuarial losses (gains) in other comprehensive income (OCI) relating to pension liabilities. At December 31, 2016, there are no cumulative effects of prior service costs included in other comprehensive income.

OTHER COMPREHENSIVE INCOME (LOSS) RELATED TO PENSION LIABILITIES T. 4.26

in $ THOUS

	Actuarial (gains) losses
▸ **ACTUARIAL (GAINS) LOSSES RECOGNIZED IN OCI AT DECEMBER 31, 2014**	**438,128**
Actuarial (gain) loss for the year	(28,687)
Other adjustments	1,167
Prior service costs (credit)	(503)
Amortization of unrealized losses	(34,625)
Foreign currency translation	(19,186)
▸ **ACTUARIAL (GAINS) LOSSES RECOGNIZED IN OCI AT DECEMBER 31, 2015**	**356,294**
Actuarial (gain) loss for the year	39,014
Prior service costs (credit)	55
Amortization of unrealized losses	(30,811)
Foreign currency translation	(6,794)
▸ **ACTUARIAL (GAINS) LOSSES RECOGNIZED IN OCI AT DECEMBER 31, 2016**	**357,758**

The actuarial loss expected to be amortized from other comprehensive income into net periodic pension cost over the next year is $29,288.

The discount rates for all plans are based upon yields of portfolios of highly rated debt instruments with maturities that mirror the plan's benefit obligation. The Company's discount rates at December 31, 2016 and at December 31, 2015 are the weighted average of these plans based upon their benefit obligations.

The following weighted-average assumptions were utilized in determining benefit obligations at December 31:

WEIGHTED-AVERAGE ASSUMPTIONS FOR BENEFIT OBLIGATIONS T. 4.27

in %

	2016	2015
Discount rate	3.25	3.67
Rate of compensation increase	3.23	3.27

Sensitivity analysis

Increases and decreases in principal actuarial assumptions by 0.5 percentage points would affect the pension liability at December 31, 2016 as follows:

SENSITIVITY ANALYSIS T. 4.28

in $ THOUS

	0.5% increase	0.5% decrease
Discount rate	(75,036)	86,517
Rate of compensation increase	12,286	(12,095)
Rate of pensions increase	31,285	(28,276)

The sensitivity analysis was calculated based on the average duration of the pension obligations determined at December 31, 2016. The calculations were performed isolated for each significant actuarial parameter, in order to show the effect on the fair value of the pension liability separately.

The sensitivity analysis for compensation increases and for pension increases excludes the U.S. pension plan because it is frozen and therefore is not affected by changes from these two actuarial assumptions.

The defined benefit pension plans' net periodic benefit costs are comprised of the following components for each of the years ended December 31:

COMPONENTS OF NET PERIODIC BENEFIT COST T. 4.29

in $ THOUS

	2016	2015
Service cost	25,335	25,825
Interest cost	29,330	28,016
Expected return on plan assets	(15,482)	(16,405)
Amortization of unrealized losses	30,811	34,625
Amortization of prior service cost (credit)	(55)	94
Settlement loss (gain)	(54)	(138)
▸ **NET PERIODIC BENEFIT COSTS**	**69,885**	**72,017**

Net periodic benefit cost is allocated as personnel expense within costs of revenues, selling, general and administrative expense or research and development expense. This is depending upon the area in which the beneficiary is employed.

The following weighted-average assumptions were used in determining net periodic benefit cost for the year ended December 31:

WEIGHTED-AVERAGE ASSUMPTIONS FOR NET PERIODIC BENEFIT COSTS T. 4.30

in %

	2016	2015
Discount rate	3.67	3.21
Expected return of plan assets	6.00	6.00
Rate of compensation increase	3.27	3.26

Expected benefit payments for the next five years and in the aggregate for the five years thereafter are as follows:

EXPECTED BENEFIT PAYMENTS T. 4.31

in $ THOUS

	2017	2018	2019	2020	2021	2022–2026
Expected benefit payments	23,145	24,496	26,411	28,617	30,635	182,971

Plan assets

The following table presents the fair values of the Company's pension plan assets at December 31, 2016 and 2015.

PLAN ASSETS T. 4.32

in $ THOUS

Asset category	Total	Fair value measurements 2016: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements 2016: Significant observable inputs (Level 2)
Equity investments			
Index funds[1]	85,448	(2,102)	87,550
Fixed income investments			
Government securities[2]	2,502	1,902	600
Corporate bonds[3]	220,318	–	220,318
Other bonds[4]	5,628	–	5,628
U.S. treasury money market funds[5]	30,337	30,337	–
Other types of investments			
Cash, money market and mutual funds[6]	102	102	–
▸ **TOTAL**	**344,335**	**30,239**	**314,096**

Asset category	Total	Fair value measurements 2015: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements 2015: Significant observable inputs (Level 2)
Equity investments			
Index funds[1]	64,828	98	64,730
Fixed income investments			
Government securities[2]	4,815	4,269	546
Corporate bonds[3]	169,717	–	169,717
Other bonds[4]	7,794	–	7,794
U.S. treasury money market funds[5]	13,003	13,003	–
Other types of investments			
Cash, money market and mutual funds[6]	103	103	–
▸ **TOTAL**	**260,260**	**17,473**	**242,787**

[1] *This category comprises low-cost equity index funds not actively managed that track the S&P 500, S&P 400, Russell 2000, MSCI Emerging Markets Index and the Morgan Stanley International EAFE Index.*
[2] *This category comprises fixed income investments by the U.S. government and government sponsored entities.*
[3] *This category primarily represents investment grade bonds of U.S. issuers from diverse industries.*
[4] *This category comprises private placement bonds as well as collateralized mortgage obligations.*
[5] *This category represents funds that invest in U.S. treasury obligations directly or in U.S. treasury backed obligations.*
[6] *This category represents cash, money market funds as well as mutual funds comprised of high grade corporate bonds.*

The methods and inputs used to measure the fair value of plan assets are as follows:

- Common stocks are valued at their market prices at the balance sheet date.
- Index funds are valued based on market quotes.
- Government bonds are valued based on both market prices and market quotes.
- Corporate bonds and other bonds are valued based on market quotes at the balance sheet date.
- Cash is stated at nominal value which equals the fair value.
- U.S. Treasury money market funds as well as other money market and mutual funds are valued at their market price.

Plan investment policy and strategy in the U.S.

The Company periodically reviews the assumption for long-term expected return on pension plan assets. As part of the assumptions review, a range of reasonable expected investment returns for the pension plan as a whole was determined based on an analysis of expected future returns for each asset class weighted by the allocation of the assets. The range of returns developed relies both on forecasts, which include the actuarial firm's expected long-term rates of return for each significant asset class or economic indicator, and on broad-market historical benchmarks for expected return, correlation, and volatility for each asset class. As a result, the Company's expected rate of return on pension plan assets was 6% for 2016.

The Company's overall investment strategy is to achieve a mix of approximately 98% of investments for long-term growth and income and 2% in cash or cash equivalents. Investment income and cash or cash equivalents are used for near-term benefit payments. Investments are governed by the investment policy and include well diversified index funds or funds targeting index performance.

The investment policy, utilizing a revised target investment allocation in a range around 30% equity and 70% long-term U.S. corporate bonds, considers that there will be a time horizon for invested funds of more than 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 policy does not allow investments in securities of the Company or other related party securities. The performance benchmarks for the separate asset classes include: S&P 500 Index, S&P 400 Mid-Cap Index, Russell 2000 Index, MSCI EAFE Index, MSCI Emerging Markets Index and Barclays Capital Long-Corporate Bond Index.

Defined contribution plans

Most FMCH employees are eligible to join a 401(k) savings plan. Employees can deposit up to 75% of their pay up to a maximum of $18 if under 50 years old ($24 if 50 or over) under this savings plan. The Company will match 50% of the employee deposit up to a maximum Company contribution of 3% of the employee's pay. The Company's total expense under this defined contribution plan for the years ended December 31, 2016 and 2015, was $48,458 and $46,267, respectively.

11. Noncontrolling interests subject to put provisions and other temporary equity

The Company has potential obligations to purchase the noncontrolling interests held by third parties in certain of its consolidated subsidiaries. These obligations are in the form of put provisions and are exercisable at the third-party owners' discretion within specified periods as outlined in each specific put provision. If these put provisions were exercised, the Company would be required to purchase all or part of third-party owners' noncontrolling interests at the appraised fair value at the time of exercise. The methodology the Company uses to estimate the fair values of the noncontrolling interest subject to put provisions assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. 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. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate, the discounted cash flows and the implicit multiple of earnings and/or revenue at which these noncontrolling interest obligations may ultimately be settled could vary significantly from our current estimates depending upon market conditions.

At December 31, 2016 and 2015, the Company's potential obligations under these put options were $1,234,888 and $1,023,755, respectively. At December 31, 2016 and 2015, put options with an aggregate purchase obligation of $303,913 and $258,552, respectively, were exercisable. In the last three fiscal years ending December 31, 2016, eleven such put provisions have been exercised for a total consideration of $10,465.

The following is a roll forward of noncontrolling interests subject to put provisions for the years ended December 31, 2016 and 2015:

NONCONTROLLING INTERESTS SUBJECT TO PUT PROVISIONS T. 4.33

in $ THOUS

	2016	2015
▸ **BEGINNING BALANCE AS OF JANUARY 1**	**1,023,755**	**824,658**
Contributions to noncontrolling interests	(187,354)	(164,830)
Purchase/sale of noncontrolling interests	57,707	7,915
Contributions from noncontrolling interests	32,259	16,749
Expiration of put provisions and other reclassifications	(9,756)	5,206
Changes in fair value of noncontrolling interests	138,112	178,003
Net income	182,102	159,127
Other comprehensive income (loss)	(1,937)	(3,073)
▸ **ENDING BALANCE AS OF DECEMBER 31**	**1,234,888**	**1,023,755**

In addition to the amounts in the table above, other temporary equity related to the subsidiary stock incentive plan was $6,200 and $4,613 at December 31, 2016 and 2015, respectively see note 15.

12. Shareholders' equity

Capital stock

At December 31, 2016, the Company's share capital consists of 306,221,840 bearer shares without par value (Stückaktien) and a nominal value of €1.00 each. The Company's share capital has been fully paid in.

The General Partner has no equity interest in the Company and, therefore, does not participate in either the assets or the profits and losses of the Company. However, the General Partner is compensated for all outlays in connection with conducting the Company's business, including the remuneration of members of its Management Board and its supervisory board see note 2.

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.

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, 2016.

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, 2016.

Authorized Capital 2015/I and Authorized Capital 2015/II became effective upon registration with the commercial register of the local court in Hof an der Saale on June 10, 2015.

Conditional capital

By resolution of the Company's AGM on May 12, 2011, the Company's share capital was conditionally increased with regards to the 2011 Stock Option Plan (2011 SOP) by up to €12,000 subject to the issue of up to twelve million no par value bearer ordinary shares with a calculated proportionate value of €1.00 each. The conditional capital increase can only be used for the purposes of servicing stock options under the 2011 SOP, with each stock option awarded exercisable for one ordinary share. 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. For further information see note 15.

By resolution of the Company's AGM on May 9, 2006, as amended by the resolution of the Company's AGM on May 15, 2007, resolving a three-for-one share split, the Company's share capital was conditionally increased by up to €15,000 corresponding to 15 M ordinary shares with no par value and a calculated proportionate value of €1.00 each. This conditional capital increase can only be used for the purposes of servicing stock options under the Company's stock option plan 2006 with each stock option awarded exercisable for one ordinary share see note 15. 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, 2016, 6,067,167 options remained outstanding with a remaining average term of five years under these programs. For the year ending December 31, 2016, 907,720 options had been exercised under these employee participation plans see note 15.

As the result of the Company's three-for-one stock split for both then-outstanding preference and ordinary shares, which was approved by the shareholders at the AGM on May 15, 2007, on June 15, 2007 the Company's conditional capital was increased by $6,557 (€4,454). Conditional Capital at December 31, 2016 was $19,703 (€18,692). For all programs, Conditional Capital of $16,146 (€15,318) was available, which included $11,960 (€11,346) for the 2011 SOP and $4,186 (€3,972) for the 2006 Plan see note 15.

Treasury stock

By resolution of the Company's AGM on May 12, 2011, the Company was authorized to conduct a share buy-back program. The buy-back program commenced on May 20, 2013 and was completed on August 14, 2013 after 7,548,951 shares had been repurchased in the amount of €384,966 ($505,014). On February 16, 2016, the Company retired 6,549,000 of the repurchased shares from the buy-back program at an average weighted price of €51 per share ($67 per share).

The following tabular disclosure provides the monthly detail of shares repurchased during the buy-back program, which ended on August 14, 2013, as well as the subsequent retirement of a portion of those repurchased shares on February 16, 2016:

SHARE BUY-BACK T. 4.34

Period	Average price paid per share in €	Average price paid per share in $[1]	Total number of shares purchased and retired as part of publicly announced plans or programs	Total value of shares in €[3]	Total value of shares in $[2, 3]
				in THOUS	
Purchase of treasury stock					
May 2013	52.96	68.48	1,078,255	57,107	73,842
June 2013	53.05	69.95	2,502,552	132,769	175,047
July 2013	49.42	64.63	2,972,770	146,916	192,124
August 2013	48.40	64.30	995,374	48,174	64,001
▸ **REPURCHASED TREASURY STOCK**	**51.00**	**66.90**	**7,548,951**	**384,966**	**505,014**
Retirement of repurchased treasury stock					
February 2016	51.00	66.90	6,549,000	333,973	438,119
▸ **TOTAL**	**51.00**	**66.90**	**999,951**	**50,993**	**66,895**

[1] *The U.S. dollar value is calculated using the daily exchange rate for the share repurchases made during the month.*
[2] *The value of the shares repurchased in U.S. dollars is calculated using the total value of the shares purchased in euro converted using the daily exchange rate for the transactions. The value of the shares retired in U.S. dollars is calculated using the average weighted price of the shares repurchased in 2013.*
[3] *The amount of the shares repurchased is inclusive of fees (net of taxes) paid in the amount of approximately $106 (€81) for services rendered.*

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.

Dividends

Under German law, the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius Medical Care AG & Co. KGaA as reported in its balance sheet determined in accordance with the German Commercial Code (Handelsgesetzbuch). In addition, the payment of dividends by FMC AG & CO. KGAA is subject to limitations under the Amended 2012 Credit Agreement see note 9.

Cash dividends of $277,176 for 2015 in the amount of €0.80 per share were paid on May 13, 2016.

Cash dividends of $263,244 for 2014 in the amount of €0.78 per share were paid on May 20, 2015.

13. Sources of revenue

Outside of the U.S., the Company does not recognize patient service revenue at the time the services are rendered without assessing the patient's ability to pay. Accordingly, the additional disclosure requirements introduced with ASU 2011-07 apply solely to U.S. patient service revenue. Below is a table showing the sources of our U.S. patient service revenue (net of contractual allowance and discounts but before patient service bad debt provision), included in the Company's Health Care revenue, for the years ended December 31, 2016 and 2015:

U.S. PATIENT SERVICE REVENUE T. 4.35

in $ THOUS

	2016	2015
Medicare program	5,413,652	5,058,262
Private/alternative payors	5,361,158	4,830,401
Medicaid and other government sources	619,419	538,077
Hospitals	1,018,176	915,184
▸ **TOTAL PATIENT SERVICE REVENUE**	**12,412,405**	**11,341,924**

14. Earnings per share

The following table contains reconciliations of the numerators and denominators of the basic and diluted earnings per share computations for 2016 and 2015:

RECONCILIATION OF BASIC AND DILUTED EARNINGS PER SHARE T. 4.36

in $ THOUS, except share and per share data

	2016	2015
Numerators		
Net income attributable to shareholders of FMC AG & Co. KGaA	1,243,267	1,029,445
Denominators		
Total weighted average shares outstanding	305,748,381	304,440,184
Potentially dilutive shares	509,363	479,851
▸ **TOTAL WEIGHTED AVERAGE SHARES OUTSTANDING ASSUMING DILUTION**	**306,257,744**	**304,920,035**
Basic earnings per share	4.07	3.38
Fully diluted earnings per share	4.06	3.38

15. Share based plans

Fresenius Medical Care AG & Co. KGaA share-based plans

At December 31, 2016, 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 plan 2016 (LTIP 2016) as a successor program effective January 1, 2016.

The LTIP 2016 is a variable compensation program with long-term incentive effects. Pursuant to the LTIP 2016, the plan participants may be granted so-called "Performance Shares" annually or semiannually during 2016 to 2018. Performance Shares are non-equity, cash-settled virtual compensation instruments which may entitle plan participants to receive a cash payment depending on the achievement of pre-defined performance targets further defined below as well as the Company's share price development.

For members of the Management Board, the Supervisory Board will, in due exercise of its discretion and taking into account the individual responsibility and performance of each Management Board member, determine an initial value for each grant for any awards to Management Board members. For plan participants other than the members of the Management Board, such determination will be made by the Management Board. The initial grant value is determined in the currency in which the respective participant receives their base salary at the time of the grant. In order to determine the number of Performance Shares each plan participant receives, their respective grant value will be divided by the value per Performance Share at the time of the grant, which is mainly determined based on the average price of the Company's shares over a period of thirty calendar days prior to the respective grant date.

The number of granted Performance Shares may change over the performance period of three years, depending on the level of achievement of the following: (i) revenue growth, (ii) growth in net income attributable to shareholders of FMC AG & CO. KGAA (net income growth) and (iii) return on invested capital (ROIC) improvement.

Revenue, net income and ROIC are determined according to IFRS in euro based on full year results. Revenue growth and net income growth, for the purpose of this plan, are determined at constant currency.

An annual target achievement level of 100% will be reached for the revenue growth performance target if revenue growth is 7% in each individual year of the three-year performance period; revenue growth of 0% will lead to a target achievement level of 0% and the maximum target achievement level of 200% will be reached in the case of revenue growth of at least 16%. If revenue growth ranges between these values, the degree of target achievement will be linearly interpolated between these values.

An annual target achievement level of 100% for the net income growth performance target will be reached if net income growth is 7% in each individual year of the three-year performance period. In the case of net income growth of 0%, the target achievement level will also be 0%; the maximum target achievement of 200% will be reached in the case of net income growth of at least 14%. Between these values, the degree of target achievement will be determined by means of linear interpolation.

With regard to ROIC improvement, an annual target achievement level of 100% will be reached if the target ROIC as defined for the respective year is reached. The target ROIC is 7.3% for 2016 and will increase by 0.2 percentage points per year to 7.5% (2017), 7.7% (2018), 7.9% (2019) and 8.1% (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 30 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.

The first awards under the Long-Term Incentive Plan 2016 were granted on July 25, 2016. During 2016, under the Long-Term Incentive Plan 2016, the Company awarded 642,349 Performance Shares, including 79,888 Performance Shares awarded to the members of the Management Board at a measurement date weighted average fair value of $80.31 (€76.19) each and a total fair value of $51,588, 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 long-term incentive program 2011 (2011 Incentive Program). Under the 2011 Incentive Program, participants were granted awards, which consisted of a combination of stock options and phantom stock. The final grant under the 2011 Incentive Program was made in December 2015. Awards under the 2011 Incentive Program 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 2011 Incentive Program 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 2011 incentive program 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 2011 incentive program to U.S. participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Stock options under the 2011 Incentive Program are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or disposed of otherwise.

Phantom stock awards under the 2011 incentive program entitle the holders to receive payment in euro from the Company upon exercise of the phantom stock. The payment per phantom share in lieu of the issuance of such stock shall be based upon the share price on the Frankfurt Stock Exchange of one of the Company's shares on the exercise date. Phantom stock awards have a five-year term and can be exercised for the first time after a four-year vesting period. For participants who are U.S. tax payers, the phantom stock is deemed to be exercised in any event in the month of March following the end of the vesting period.

During 2015, under the 2011 Incentive Program, the Company awarded 3,073,360 stock options, including 502,980 stock options granted to the Management Board, at a weighted average exercise price of $83.89 (€77.06), a weighted average fair value of $16.57 each and a total fair value of $50,923 which will be amortized over the four-year vesting period. The Company also awarded 607,828 shares of phantom stock, including 62,516 shares of phantom stock granted to members of the Management Board at a measurement date weighted average fair value of $80.36 (€73.81) each and a total fair value of $48,843, which will be revalued if the fair value changes, and amortized over the four-year vesting period.

New incentive bonus plan

In 2016, 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 2016 will consist proportionately of a cash component and a share-based component which will be paid in cash. Upon meeting the annual targets, the cash component for the year 2016 will be paid in the following year. 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 2016 and 2015 was $3,632 and $891, respectively.

Fresenius Medical Care AG & Co. KGaA stock option plan 2006

The Fresenius Medical Care AG & Co. KGaA stock option plan 2006 (Amended 2006 Plan) was established with a conditional capital increase up to €12,800, subject to the issue of up to five million no par value bearer ordinary shares with a nominal value of €1.00, each of which can be exercised to obtain one ordinary share. In connection with the share split effected in 2007, the principal amount was adjusted to the same proportion as the share capital out of the capital increase up to €15,000 by the issue of up to 15 M new non-par value bearer ordinary shares. After December 2010, no further grants were issued under the Amended 2006 Plan. Options granted under this plan are exercisable through December 2017.

Options granted under the Amended 2006 Plan to US participants are non-qualified stock options under the United States Internal Revenue Code of 1986, as amended. Options under the Amended 2006 Plan are not transferable by a participant or a participant's heirs, and may not be pledged, assigned, or otherwise disposed of.

Information on holdings under share-based plans

At December 31, 2016, the Management Board held 1,010,784 stock options and employees of the Company held 5,056,383 stock options under the various share-based compensation plans of the Company.

At December 31, 2016, the Management Board held 81,019 phantom shares and employees of the Company held 812,970 phantom shares under the 2011 Incentive Program.

At December 31, 2016, the Management Board held 79,888 Performance Shares and employees of the Company held 555,148 Performance Shares under the LTIP 2016.

Additional information on stock options

The table below provides reconciliations for stock options outstanding at December 31, 2016, as compared to December 31, 2015.

RECONCILIATION OF OPTIONS OUTSTANDING T. 4.37

	Options	*Weighted average exercise price*	
	in THOUS	*in €*	*in $*
Stock options for shares			
▸ **BALANCE AT DECEMBER 31, 2015**	**8,737**	**58.75**	**61.93**
Granted	–	–	–
Exercised	908	43.45	45.80
Forfeited	1,762	52.08	54.89
▸ **BALANCE AT DECEMBER 31, 2016**	**6,067**	**62.98**	**66.38**

The following table provides a summary of fully vested options outstanding and exercisable at December 31, 2016:

FULLY VESTED OUTSTANDING AND EXERCISABLE OPTIONS T. 4.38

	Number of options	*Weighted average remaining contractual life*	*Weighted average exercise price*		*Aggregate intrinsic value*	
	in THOUS	*in years*	*in €*	*in $*	*in €*	*in $*
Options for shares	1,162	2.02	49.68	52.37	35,759	37,694

At December 31, 2016, there was $23,336 of total unrecognized compensation costs related to non-vested options granted under all plans. These costs are expected to be recognized over a weighted-average period of two years.

During the years ended December 31, 2016 and 2015, the Company received cash of $44,018 and $76,093, respectively, from the exercise of stock options see note 12. The intrinsic value of stock options exercised for the twelve-month periods ending December 31, 2016 and 2015 was $34,767 and $73,886, respectively. The Company recorded a cash inflow for income taxes from stock option exercises of $8,887 and $18,073 for the years ending December 31, 2016 and 2015, respectively. The excess tax benefit allocated to additional paid-in capital for the twelve-month periods ending December 31, 2016 and 2015 for all share-based compensation programs was $6,427 and $13,451, respectively.

The compensation expenses related to equity-settled stock option programs are determined based upon the fair value on the grant date and the number of stock options granted which will be recognized over the four year vesting period. In connection with its equity-settled stock option programs, the Company incurred compensation expense of $25,691 and $6,583 for the years ending December 31, 2016 and 2015, respectively. There were no capitalized compensation costs in relation to equity-settled instruments in any of the two years presented. The Company also recognized a related income tax benefit of $8,232 and $1,857 for the years ending December 31, 2016 and 2015, respectively.

The 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 expense of $17,167 and $11,932 related to phantom shares for the years ending December 31, 2016 and 2015, respectively, and $21,598 related to Performance Shares for the year ended December 31, 2016.

Fair value information

The Company used a binomial option-pricing model in determining the fair value of the awards under the 2011 SOP and the Amended 2006 Plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experience of other entities of the same size and in similar industries. Expected volatility is based on historical volatility of the Company's shares. To incorporate the effects of expected early exercise in the model, an early exercise of vested options was assumed as soon as the share price exceeds 155% of the exercise price. The Company's stock options have characteristics that vary significantly from traded options and changes in subjective assumptions can materially affect the fair value of the option. The assumptions used to determine the fair value of the 2015 grants are as follows:

ASSUMPTIONS — T. 4.39

	2015
Expected dividend yield *in %*	1.46
Risk-free interest rate *in %*	0.44
Expected volatility *in %*	22.32
Expected life of options *in years*	8
Weighted average exercise price *in €*	77.06
Weighted average exercise price *in $*	83.89

Subsidiary stock incentive plans

Subsidiary stock incentive plans were established during 2014 in conjunction with two acquisitions made by the Company. Under these plans, two of the Company's subsidiaries are authorized to issue a total of 116,103,806 Incentive Units. The Incentive Units have two types of vesting conditions – a service condition and a performance condition. Of the total Incentive Units granted, eighty percent vest ratably over a four year period and twenty percent vest upon the achievement of certain of the relevant subsidiary's performance targets over a six year vesting period (the Performance Units).

Fifty percent of the Performance Units will vest upon achievement of performance targets in 2017. The remaining 50%, plus any unvested Performance Units, will vest upon achievement of performance targets in 2019. All of the Performance Units will vest upon achievement of performance targets in 2020, if not previously vested. Additionally, for one of the subsidiaries, all Performance Units not previously vested will vest upon successful completion of an initial public offering.

As of December 31, 2016 and 2015, $17,220 and $28,448, respectively, of total unrecognized compensation cost related to unvested Incentive Units under the plans. These costs are expected to be recognized over a weighted average period of 2.2 years.

The Company used the Monte Carlo pricing model in determining the fair value of the awards under this incentive plan. Option valuation models require the input of subjective assumptions including expected stock price volatility. The Company's assumptions are based upon its past experiences, market trends and the experiences of other entities of the same size and in similar industries.

16. Income taxes

Income before income taxes is attributable to the following geographic locations:

INCOME BEFORE INCOME TAXES T. 4.40

in $ THOUS

	2016	2015
Germany	205,818	134,193
United States	1,626,406	1,440,040
Other	399,766	361,039
▸ **TOTAL**	**2,231,990**	**1,935,272**

Income tax expense (benefit) for the years ended December 31, 2016 and 2015, consisted of the following:

EXPENSE (BENEFIT) FOR INCOME TAXES T. 4.41

in $ THOUS

	2016	2015
Current		
Germany	56,037	72,231
United States	503,029	458,780
Other	142,037	138,588
▸ **TOTAL CURRENT**	**701,103**	**669,599**
Deferred		
Germany	(23,333)	(45,813)
United States	21,813	(12,693)
Other	(16,444)	11,030
▸ **TOTAL DEFERRED**	**(17,964)**	**(47,476)**
▸ **TOTAL**	**683,139**	**622,123**

A reconciliation between the expected and actual income tax expense is shown below. The expected corporate income tax expense is computed by applying the German corporation tax rate (including the solidarity surcharge) and the trade tax rate on income before income taxes. The German combined statutory tax rates were 29.69% and 29.62% for the fiscal years ended December 31, 2016 and 2015, respectively.

RECONCILIATION OF INCOME TAXES T. 4.42

in $ THOUS

	2016	2015
Expected corporate income tax expense	662,566	573,228
Tax-free income	(38,008)	(35,715)
Income from equity method investees	(17,314)	(14,272)
Tax rate differentials	145,801	126,263
Nondeductible expenses	37,251	36,406
Taxes for prior years	(23,334)	19,969
Change in valuation allowance	6,600	(2,571)
Noncontrolling partnership interests	(116,818)	(109,470)
Tax on divestitures	–	14,953
Other	26,395	13,332
▸ **ACTUAL INCOME TAX EXPENSE**	**683,139**	**622,123**
▸ **EFFECTIVE TAX RATE**	**30.6%**	**32.1%**

The tax effects of the temporary differences and net operating losses that give rise to deferred tax assets and liabilities at December 31, 2016 and 2015, are presented below:

DEFERRED INCOME TAX ASSETS AND LIABILITIES T. 4.43

in $ THOUS

	2016	2015
Deferred tax assets		
Accounts receivable	12,543	8,850
Inventory	12,585	11,503
Intangible assets	6,487	7,967
Property, plant and equipment and other non-current assets	25,461	28,476
Accrued expenses and other liabilities	352,999	372,365
Pension liabilities	114,564	151,732
Net operating loss carryforwards, tax credit carryforwards and interest carryforwards	171,294	131,640
Derivatives	5,784	1,317
Stock-based compensation	6,873	3,173
Other	24,403	4,018
▸ **TOTAL DEFERRED TAX ASSETS**	**732,993**	**721,041**
Less: valuation allowance	(33,255)	(34,654)
▸ **NET DEFERRED TAX ASSETS**	**699,738**	**686,387**
Deferred tax liabilities		
Accounts receivable	26,480	43,664
Inventory	7,208	8,318
Intangible assets	706,186	686,650
Property, plant and equipment, intangible and other non-current assets	166,129	129,835
Accrued expenses and other liabilities	16,231	5,575
Derivatives	10,353	5,488
Other	236,580	242,524
▸ **TOTAL DEFERRED TAX LIABILITIES**	**1,169,167**	**1,122,054**
▸ **NET DEFERRED TAX ASSETS (LIABILITIES)**	**(469,429)**	**(435,667)**

At December 31, 2016 and December 31, 2015 the item "Other" includes the deferred tax liability in the amount of $86,790 related to the recognized insurance recoveries in relation to the NaturaLyte® and GranuFlo® agreement in principle. For further information, see note 18.

The valuation allowance decreased by $1,399 in 2016 and decreased by $14,825 in 2015.

The net operating losses included in the table below reflect U.S. federal tax, German corporate income tax, and other tax loss carryforwards in the various countries in which the Company operates, and expire as follows:

NET OPERATING LOSS CARRYFORWARDS T. 4.44

in $ THOUS

2017	*2018*	*2019*	*2020*	*2021*	*2022*	*2023*	*2024*	*2025*	*2026 and thereafter*	*Without expiration date*	***Total***
23,808	24,033	21,179	34,464	15,619	16,056	13,597	14,297	13,616	21,825	91,442	**289,936**

In assessing the realizability of deferred tax assets, management considers whether it is more-likely-than-not that some portion or all of a deferred tax asset will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences 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 more-likely-than-not the Company will realize the benefits of these deductible differences, net of the existing valuation allowances at December 31, 2016.

The Company provides for income taxes and foreign withholding taxes on the cumulative earnings of foreign subsidiaries and foreign corporate joint ventures that will not be reinvested. At December 31, 2016, the Company provided for $11,497 (2015: $9,273) of deferred tax liabilities associated with earnings that are likely to be distributed in 2017 and the following years. Provision has not been made for additional taxes on $7,418,713 (2015: $7,463,853) 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.

FMC AG & CO. KGAA companies are subject to tax audits in Germany and the U.S. on a regular basis and on-going tax audits in other jurisdictions.

In Germany, the tax years 2006 through 2013 are currently under audit by the tax authorities. The Company recognized and recorded the current proposed adjustments of this audit period in the financial statements. Fiscal years 2014 until 2016 are open to audit.

In the U.S., fiscal years 2013 until 2016 are open to audit. FMCH is also subject to audit in various state jurisdictions. A number of these audits are in progress and various years are open to audit in various state jurisdictions. All expected results for both federal and state income tax audits have been recognized in the financial statements.

Subsidiaries of FMC AG & CO. KGAA in a number of countries outside of Germany and the U.S. are also subject to tax audits. The Company estimates that the effects of such tax audits are not material to these consolidated financial statements.

The following table shows the reconciliation of the beginning and ending amounts of unrecognized tax benefits:

RECONCILIATION OF UNRECOGNIZED TAX BENEFITS (EXCLUDING INTEREST) T. 4.45

in $ THOUS

	2016	*2015*
▸ **BALANCE AT JANUARY 1**	**149,289**	**166,108**
Increases in unrecognized tax benefits prior periods	27,802	30,973
Decreases in unrecognized tax benefits prior periods	(38,707)	(20,244)
Increases in unrecognized tax benefits current period	2,287	–
Changes related to settlements with tax authorities	(22,401)	(6,762)
Reductions as a result of a lapse of the statute of limitations	–	(1,300)
Foreign currency translation	(298)	(19,486)
▸ **BALANCE AT DECEMBER 31**	**117,972**	**149,289**

Included in the balance at December 31, 2016 were $111,957 of unrecognized tax benefits which would affect the effective tax rate if recognized. The Company is currently not in a position to forecast the timing and magnitude of changes in unrecognized tax benefits.

During the year ended December 31, 2016 the Company recognized benefits of $6,594 and in 2015 expenses of $11,478 for interests and penalties. At December 31, 2016 and December 31, 2015 the Company had a total accrual of income tax related interest and penalties of $24,938 and $27,029, respectively.

17. Operating leases

The Company leases buildings and machinery and equipment under various lease agreements expiring on dates through 2055. Rental expense recorded for operating leases for the years ended December 31, 2016 and 2015 was $824,998 and $754,380, respectively. For information regarding intercompany operating leases see note 2a.

Future minimum rental payments under non-cancelable operating leases for the five years succeeding December 31, 2016 and thereafter are:

FUTURE MINIMUM RENTAL PAYMENTS T. 4.46

in $ THOUS

	2017	*2018*	*2019*	*2020*	*2021*	*Thereafter*	***Total***
Future minimum rental payments	740,438	641,122	559,252	476,878	395,448	1,360,906	**4,174,044**

18. 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.

Commercial litigation

On April 5, 2013, the U.S. Judicial Panel on Multidistrict Litigation ordered that the numerous lawsuits pending in various federal courts alleging wrongful death and personal injury claims against FMCH and certain of its affiliates relating to FMCH's acid concentrate products NaturaLyte® and GranuFlo® be transferred and consolidated for pretrial management purposes into a consolidated multidistrict litigation in the United States District Court for the District of Massachusetts. See, In Re: Fresenius GranuFlo/NaturaLyte Dialysate Products Liability Litigation, Case No. 2013-md-02428. The Massachusetts state courts and the St. Louis City (Missouri) court subsequently established similar consolidated litigation for such cases filed in Massachusetts county courts and St. Louis City court. See, In Re: Consolidated Fresenius Cases, Case No. MICV 2013-03400-O (Massachusetts Superior Court, Middlesex County). These lawsuits alleged generally that inadequate labeling and warnings for these products caused harm to patients. In addition, similar cases were filed in other state courts. On February 17, 2016, the Company reached with a committee of plaintiffs' counsel and reported to the courts an agreement in principle for settlement of potentially all cases. The agreement in principle called for the Company to pay $250,000 into a settlement fund in exchange for releases of all or substantially all of the plaintiffs' claims, subject to the Company's right to void the settlement under certain conditions, including if more than 3% of all plaintiffs rejected the settlement or the distribution of rejecters met certain criteria.

As subsequently agreed between the Company and the plaintiff committee, and ordered by the courts, plaintiffs may enforce the settlement and compel payment by the Company if the total of cases electing to participate in the settlement or dismissed by the courts with prejudice, voluntarily or involuntarily, comes to comprise 97% of all cases. The courts are entering "Lone Pine" orders requiring plaintiffs, on pain of dismissal, who have not elected to participate in the settlement to submit specific justification satisfactory to the courts for their complaints, including attorney verification of certain material factual representations and expert medical opinions relating to causation. The Company may elect to void the settlement as of May 10, 2017 if the 97% threshold has not been achieved or if plantiffs' non-participation falls into suspect patterns. Incidental change to this date is likely. Trials in cases not participating in the settlement may resume as scheduled in the discretion of their respective courts. The Company expects that, in combination with elections to participate and notices of dismissal already submitted, the Lone Pine procedure will result in confirmation of the settlement.

The Company's affected insurers have agreed to fund $220,000 of the settlement fund if the settlement is not voided, with a reservation of rights regarding certain coverage issues between and among the Company and its insurers. The Company has accrued a net expense of $60,000 for consummation of the settlement, including legal fees and other anticipated costs.

Subsequent to the agreement in principle, the Company's insurers in the AIG group initiated an action for declaratory judgment in New York state court advancing various arguments for reducing the amount of their coverage obligations. The Company filed an action in Massachusetts state court seeking to compel the AIG group carriers to honor their obligations under applicable policies, including reimbursement to the Company of litigation defense costs incurred before the agreement in principle was reached. The affected carriers have confirmed that the coverage litigation does not impact their commitment to fund $220,000 of the settlement with plaintiffs.

Certain of the complaints in the GranuFlo®/NaturaLyte® litigation named combinations of FMC AG & CO. KGAA, Management AG, Fresenius SE and Fresenius Management SE as defendants, in addition to FMCH and its domestic United States affiliates. The agreement in principle provides for dismissals and releases of claims encompassing the European defendants.

Four institutional plaintiffs have 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 will not be 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. See, State of Mississippi ex rel. Hood, v. Fresenius Medical Care Holdings, Inc., No. 14-CV-152 (Chancery Court, DeSoto County); State of Louisiana ex re. Caldwell and Louisiana Health Service & Indemnity Company v. Fresenius Medical Care Airline, 2016 Civ. 11035 (U.S.D.C. D. Mass.); Commonwealth of Kentucky ex rel. Beshear v. Fresenius Medical Care Holdings, Inc. et al., No. 16-CI-00946 (Circuit Court, Franklin County).

Other litigation and potential exposures

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. See, United States ex rel. Chris Drennen v. Fresenius Medical Care Holdings, Inc., 2009 Civ. 10179 (D. Mass.). The United States did not intervene initially in the case. The relator's complaint, which was first filed under seal in February 2009, alleged that the Company sought and received reimbursement from government payors for serum ferritin and multiple forms of hepatitis B laboratory tests that were medically unnecessary or not properly ordered by a physician. Discovery on the relator's complaint closed in May 2015. On October 2, 2015, the United States Attorney moved to intervene on the relator's complaint with respect only to certain Hepatitis B surface antigen tests performed prior to 2011, when Medicare reimbursement rules for such tests changed. FMCH opposed the government's motion to intervene, which remains undecided.

On October 6, 2015, the Office of Inspector General of the United States Department of Health and Human Services (OIG) issued a subpoena to the Company seeking information about utilization and invoicing by Fresenius Vascular Care facilities as a whole for a period beginning after the Company's acquisition of American Access Care LLC in October 2011 (AAC). The Company is cooperating in the government's inquiry, which is being managed by the United States Attorney for the Eastern District of New York. Allegations against AAC arising in districts in Connecticut, Florida and Rhode Island relating to utilization and invoicing were settled in 2015.

The Company has received communications alleging conduct in countries outside the U.S. that may violate the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. The Audit and Corporate Governance Committee of the Company's Supervisory Board is conducting investigations with the assistance of independent counsel. The Company voluntarily advised the U.S. Securities and Exchange Commission (SEC) and the U.S. Department of Justice (DOJ). The Company's investigations and dialogue with the SEC and DOJ are ongoing. The Company is cooperating with the government investigations.

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

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

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, including 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 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. See, Hawaii v. Liberty Dialysis – Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit). The State alleges that Liberty acted unlawfully by relying on incorrect and unauthorized billing guidance provided to Liberty by Xerox State Healthcare LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during the relevant period. The amount of the overpayment claimed by the State is approximately $8,000, but the State seeks civil remedies, interest, fines, and penalties against Liberty and FMCH under the Hawaii False Claims Act substantially in excess of the overpayment. FMCH filed third-party claims for contribution and indemnification against Xerox. The State's False Claims Act complaint was filed after Liberty initiated an administrative action challenging the State's recoupment of alleged overpayments from sums currently owed to Liberty. The civil litigation and administrative action are proceeding in parallel.

On August 31 and November 25, 2015, respectively, FMCH received subpoenas from the United States Attorneys for the District of Colorado and the Eastern District of New York inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. FMCH is cooperating in the investigations.

On June 30, 2016, FMCH received a subpoena from the United States Attorney for the Northern District of Texas (Dallas) seeking information about the use and management of pharmaceuticals including Velphoro® as well as FMCH's interactions with DaVita Healthcare Partners, Inc. The Company understands that the subpoena relates to an investigation previously disclosed by DaVita and that the investigation encompasses DaVita, Amgen, and Sanofi. FMCH is cooperating in the investigation.

On November 18, 2016, FMCH received a subpoena from the United States Attorney for the Eastern District of New York 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 has 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, Fresenius Medical Care North America (FMCNA) initiated termination of the employee

and notification to the United States Attorney of the termination and its circumstances. The Company cannot at this time determine the scope of the conduct implicated in the employee's termination, or whether related liability for overpayments or penalties under the False Claims Act might be material.

On January 3, 2017, the Company received a subpoena from the United States Attorney for the District of Massachusetts inquiring into the Company's interactions and relationships with the American Kidney Fund, including the Company's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH is cooperating in the investigation.

On December 14, 2016, CMS published an Interim Final Rule (IFR) titled "Medicare Program; Conditions for Coverage for End-Stage Renal Disease Facilities-Third Party Payment" that would amend the Conditions for Coverage for dialysis providers, like FMCNA. The IFR would have effectively enabled insurers to reject premium payments made by patients who received grants for individual market coverage from the AKF and therefore, could have resulted in those patients losing their individual market coverage. The loss of individual market coverage for these patients would have had a material and adverse impact on the operating results of the Company.

On January 25, 2017, a federal district court in Texas, responding to litigation initiated by a patient advocacy group and dialysis providers including FMCNA, preliminarily enjoined CMS from implementing the IFR. Dialysis Patient Citizens v. Burwell (E.D. Texas, Sherman Div.). The preliminary injunction is based on CMS' failure to follow appropriate notice-and-comment procedures in adopting the IFR. The preliminary injunction will remain in place in the absence of a contrary ruling by the district or appellate courts.

At this time, the extent to which CMS will continue to contest the preliminary injunction is unclear. It is also unclear whether CMS will elect to pursue, through notice and comment, another rule related to this topic. The operation of charitable assistance programs is also receiving increased attention by state regulators, including State Departments of Insurance. The result may be a regulatory framework that differs from state to state. Even in the absence of the IFR or similar administrative actions, insurers are expected to continue to take steps to thwart the premium assistance provided to our patients for individual market plans as well as other insurance coverages.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other healthcare providers, 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 personal health information of its patients and beneficiaries throughout the United States and other parts of the world. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies. The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of these employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act, Health Insurance Portability and Accountability Act, the Health Information Technology for Economic and Clinical Health Act and the Foreign Corrupt Practices Act, among other laws and comparable laws of other countries.

Physicians, hospitals and other participants in the healthcare industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

The Company is also subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. With respect to other potential adjustments and disallowances of tax matters currently under review, the Company does not anticipate that an unfavorable ruling could have a material impact on its results of operations. The Company is not currently able to determine the timing of these potential additional tax payments.

Other than those individual contingent liabilities mentioned above, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

19. Financial instruments

Non-derivative financial instruments

The following table presents the carrying amounts and fair values of the Company's non-derivative financial instruments at December 31, 2016, and December 31, 2015.

NON-DERIVATIVE FINANCIAL INSTRUMENTS T. 4.47

in $ THOUS

		2016		2015	
	Fair value hierarchy	Carrying amount	Fair value	Carrying amount	Fair value
Assets					
Cash and cash equivalents	1	747,233	747,233	549,500	549,500
Trade accounts receivable[1]	2	3,540,124	3,540,124	3,303,456	3,303,456
Accounts receivable from related parties	2	220,797	220,797	218,285	218,285
Available for sale financial assets[2]	1	270,310	270,310	275,770	275,770
Other financial assets[2]	2	442,163	442,163	376,035	376,035
Liabilities					
Accounts payable[1]	2	606,800	606,800	627,828	627,828
Accounts payable to related parties	2	278,355	278,355	153,023	153,023
Other current financial liabilities[3]	2	1,351,590	1,351,590	1,330,283	1,330,283
Short-term debt[4]	2	605,656	605,745	128,304	128,304
Long-term debt, excluding Amended 2012 Credit Agreement, senior notes and convertible bonds	2	275,612	276,647	172,919	172,919
Amended 2012 Credit Agreement	2	2,365,522	2,370,539	2,611,580	2,625,591
Senior notes	2	4,923,476	5,317,087	5,325,618	5,782,937
Convertible bonds	2	401,333	529,087	407,705	546,057
Variable payments outstanding for acquisitions[3]	3	235,596	235,596	55,660	55,660
Noncontrolling interests subject to put provisions	3	1,234,888	1,234,888	1,023,755	1,023,755

[1] *Includes long-term trade accounts receivable and payable, which are included in „Other assets" and „Other liabilities" in the consolidated balance sheets.*
[2] *Included in „Prepaid expenses and other current assets" and „Other assets" in the consolidated balance sheets.*
[3] *Included in „Accrued expenses and other current liabilities" and „Other liabilities" in the consolidated balance sheets.*
[4] *Also includes amounts from related parties.*

The carrying amounts in the table are included in the consolidated balance sheets under the indicated captions or, in the case of long-term debt and noncontrolling interests subject to put provisions, in the captions shown in note 9 and note 11, respectively.

The significant methods and assumptions used in estimating the fair values of non-derivative financial instruments are as follows:

Cash and cash equivalents are stated at nominal value which equals the fair value.

Short-term financial instruments such as trade accounts receivable, accounts receivable from related parties, accounts payable, accounts payable to related parties and short-term debt as well as certain other financial instruments are valued at their carrying amounts, which are reasonable estimates of the fair value due to the relatively short period to maturity of these instruments.

The fair value of available for sale financial assets quoted in an active market is based on price quotations at the period-end date.

The fair values of major long-term debt are calculated on the basis of market information. Instruments for which market quotes are available are measured using these quotes. The fair values of the other long-term 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.

The valuation of noncontrolling interests subject to put provisions is determined using significant unobservable inputs. See note 11 for a discussion of the Company's methodology for estimating the fair value of these noncontrolling interests subject to put obligations.

Currently, there is no indication that a decrease in the value of the Company's financing receivables is probable. Therefore, the allowances on credit losses of financing receivables are immaterial.

Derivative financial instruments

The Company is exposed to market risk from changes in foreign exchange rates and interest rates. In order to manage the risk of currency exchange rate and interest rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions as authorized by the Company's General Partner. On a quarterly basis, the Company performs an assessment of its counterparty credit risk. The Company currently considers this risk to be low. The Company's policy, which has been consistently followed, is that financial derivatives be used only for the purpose of hedging foreign currency and interest rate exposure.

In certain instances, the Company enters into derivative contracts that do not qualify for hedge accounting but are utilized for economic purposes (economic hedges). The Company does not use financial instruments for trading purposes.

The Company established guidelines for risk assessment procedures and controls for the use of financial instruments. They include a clear segregation of duties with regard to execution on one side and administration, accounting and controlling on the other.

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

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

At December 31, 2016 and December 31, 2015, the Company had $25,627 and $24,366, respectively, of derivative financial assets subject to netting arrangements and $28,198 and $12,765 of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of $14,413 and $16,273 as well as net liabilities of $16,984 and $4,672 at December 31, 2016 and December 31, 2015, respectively.

In connection with the issuance of the Convertible Bonds in September 2014, the Company purchased Share Options. Any change in the Company's share price above the conversion price would be offset by a corresponding value change in the Share Options.

Foreign exchange risk management

The Company conducts business on a global basis in various currencies, though a majority of its operations are in Germany and the United States. For financial reporting purposes, the Company has chosen the U.S. dollar as its reporting currency. Therefore, changes in the rate of exchange between the U.S. dollar and the local currencies in which the financial statements of the Company's international operations are maintained affect its results of operations and financial position as reported in its consolidated financial statements.

Additionally, individual subsidiaries are exposed to transactional risks mainly resulting from intercompany purchases between production sites and other subsidiaries with different functional currencies. This exposes the subsidiaries to fluctuations in the rate of exchange between the invoicing currencies and the currency in which their local operations are conducted. For the purpose of hedging existing and foreseeable foreign exchange transaction exposures, the Company enters into foreign exchange forward contracts and, on a small scale, foreign exchange options. At December 31, 2016 and December 31, 2015 the Company had no foreign exchange options.

Changes in the fair value of the effective portion of foreign exchange forward contracts designated and qualifying as cash flow hedges of forecasted product purchases and sales are reported in AOCI. Additionally, in connection with intercompany loans in foreign currency, the Company uses foreign exchange swaps thus assuring that no foreign exchange risks arise from those loans, which, if they qualify for cash flow hedge accounting, are also reported in AOCI. These amounts recorded in AOCI are subsequently reclassified into earnings as a component of cost of revenues for those contracts that hedge product purchases and sales or as an adjustment of interest income/expense for those contracts that hedge loans, in the same period in which the hedged transaction affects earnings. The notional amounts of foreign exchange contracts in place that are designated and qualify as cash flow hedges totaled $108,950 and $193,880 at December 31, 2016 and December 31, 2015, respectively.

The Company also enters into derivative contracts for forecasted product purchases and sales and for intercompany loans in foreign currencies which do not qualify for hedge accounting but are utilized for economic hedges as defined above. In these two cases, the change in value of the economic hedge is recorded in the income statement and usually offsets the change in value recorded in the income statement for the underlying asset or liability. The notional amounts of economic hedges that do not qualify for hedge accounting totaled $1,483,763 and $1,637,129 at December 31, 2016 and December 31, 2015, respectively.

Interest rate risk management

The Company enters into derivatives, particularly interest rate swaps and, to a certain extent, interest rate options, to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate. The euro-denominated interest rate swaps expire in 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.

At December 31, 2016 and December 31, 2015, the notional amount of the euro-denominated interest rate swaps in place was €252,000 and €376,000 ($265,633 and $409,351 at December 31, 2016 and December 31, 2015, respectively).

In addition, the Company also enters into interest rate hedges (pre-hedges) in anticipation of future long-term debt issuance, from time to time. 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, 2016 and December 31, 2015, the Company had $37,752 and $58,581, respectively, related to such settlements of pre-hedges deferred in AOCI, net of tax.

Derivative financial instruments valuation

The following table shows the carrying amounts of the Company's derivatives at December 31, 2016 and December 31, 2015.

DERIVATIVE FINANCIAL INSTRUMENTS VALUATION T. 4.48

in $ THOUS

	2016		2015	
	Assets[2]	Liabilities[2]	Assets[2]	Liabilities[2]
Derivatives in cash flow hedging relationships[1]				
Current				
Foreign exchange contracts	2,127	(4,323)	3,114	(2,921)
Interest rate contracts	–	–	–	(1,637)
Non-current				
Foreign exchange contracts	18	(80)	171	(127)
Interest rate contracts	–	(1,491)	–	(961)
▸ **TOTAL**	**2,145**	**(5,894)**	**3,285**	**(5,646)**
Derivatives not designated as hedging instruments[1]				
Current				
Foreign exchange contracts	39,785	(22,574)	23,908	(7,056)
Non-current				
Foreign exchange contracts	–	(125)	1,062	(65)
Derivatives embedded in the convertible bonds	–	(99,785)	–	(115,990)
Share options to secure the convertible bonds	99,785	–	115,990	–
▸ **TOTAL**	**139,570**	**(122,484)**	**140,960**	**(123,111)**

[1] *At December 31, 2016 and December 31, 2015, the valuation of the Company's derivatives was determined using significant other observable Inputs (level 2) in accordance with the fair value hierarchy levels established in U.S. GAAP.*

[2] *Derivative instruments are marked to market each reporting period resulting in carrying amounts being equal to fair values at the reporting date.*

The carrying amounts for the current portion of derivatives indicated as assets in the table above are included in prepaid expenses and other current assets in the consolidated balance sheets while the current portion of those indicated as liabilities are included in accrued expenses and other current liabilities. The non-current portions indicated as assets or liabilities are included in the consolidated balance sheets in other assets or other liabilities, respectively.

The significant methods and assumptions used in estimating the fair values of derivative financial instruments are as follows:

The fair value of interest rate swaps is calculated by discounting the future cash flows on the basis of the market interest rates applicable for the remaining term of the contract as of the balance sheet date. To determine the fair value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet date. The result is then discounted on the basis of the market interest rates prevailing at the balance sheet date for the applicable currency. The fair value of the embedded derivative of the convertible bonds is calculated using the difference between the market value of the convertible bond 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 DERIVATIVES ON THE CONSOLIDATED FINANCIAL STATEMENTS T. 4.49

in $ THOUS

	Amount of gain or (loss) recognized in AOCI on derivatives (effective portion)		*Location of (gain) or loss reclassified from AOCI in income (effective portion)*	*Amount of (gain) or loss reclassified from AOCI in income (effective portion)*	
	for the year ended December 31,			*for the year ended December 31,*	
	2016	*2015*		***2016***	*2015*
Derivatives in cash flow hedging relationships					
Interest rate contracts	1,162	11,817	Interest income/expense	29,150	28,355
Foreign exchange contracts	(2,664)	2,273	Costs of revenue	147	17,686
▸ **TOTAL**	**(1,502)**	**14,090**		**29,297**	**46,041**

	Location of (gain) or loss recognized in income on derivatives	*Amount of (gain) or loss recognized in income on derivatives*	
		for the year ended December 31,	
		2016	*2015*
Derivatives not designated as hedging instruments			
Foreign exchange contracts	Selling, general and administrative expense	(2,335)	(61,328)
Foreign exchange contracts	Interest income/expense	3,251	8,196
Derivatives embedded in the convertible bonds	Interest income/expense	(13,146)	58,105
Share options to secure the convertible bonds	Interest income/expense	13,146	(58,105)
▸ **TOTAL**		**916**	**(53,132)**

For foreign exchange derivatives at December 31, 2016, the Company expects to recognize $3,737 of losses deferred in AOCI in earnings during the next twelve months.

The Company expects to incur additional interest expense of $20,918 over the next twelve months which is currently deferred in AOCI. This amount reflects the projected amortization of the settlement amount of the terminated swaps and the current fair value of the additional interest payments resulting from the interest rate swaps maturing in 2019 at December 31, 2016.

At December 31, 2016, the Company had foreign exchange derivatives with maturities of up to 15 months and interest rate swaps with maturities of up to 34 months.

20. Other comprehensive income (loss)

The changes in the components of other comprehensive income (loss) for the years ended December 31, 2016 and 2015 are as follows:

OTHER COMPREHENSIVE INCOME (LOSS) T. 4.50

in $ THOUS

	Pretax	*Tax effect*	*Net, before non-controlling interests*	*Non-controlling interests*	*Other comprehensive income (loss), net of tax*
2016					
Other comprehensive income (loss) relating to cash flow hedges					
Changes in fair value of cash flow hedges during the period	(1,502)	627	(875)	–	(875)
Reclassification adjustments	29,297	(8,419)	20,878	–	20,878
Total other comprehensive income (loss) relating to cash flow hedges	27,795	(7,792)	20,003	–	20,003
Foreign currency translation adjustment	2,726	–	2,726	(1,446)	1,280
Defined benefit pension plans					
Actuarial (loss) gain on defined benefit pension plans	(32,275)	7,416	(24,859)	–	(24,859)
Reclassification adjustments	30,811	(11,398)	19,413	–	19,413
Total other comprehensive income (loss) relating to defined benefit pension plans	(1,464)	(3,982)	(5,446)	–	(5,446)
▸ OTHER COMPREHENSIVE INCOME (LOSS)	**29,057**	**(11,774)**	**17,283**	**(1,446)**	**15,837**
2015					
Other comprehensive income (loss) relating to cash flow hedges					
Changes in fair value of cash flow hedges during the period	14,090	(4,511)	9,579	–	9,579
Reclassification adjustments	46,041	(12,557)	33,484	–	33,484
Total other comprehensive income (loss) relating to cash flow hedges	60,131	(17,068)	43,063	–	43,063
Foreign currency translation adjustment	(347,164)	–	(347,164)	(4,961)	(352,125)
Defined benefit pension plans					
Actuarial (loss) gain on defined benefit pension plans	47,209	(13,434)	33,775	–	33,775
Reclassification adjustments	34,625	(12,851)	21,774	–	21,774
Total other comprehensive income (loss) relating to defined benefit pension plans	81,834	(26,285)	55,549	–	55,549
▸ OTHER COMPREHENSIVE INCOME (LOSS)	**(205,199)**	**(43,353)**	**(248,552)**	**(4,961)**	**(253,513)**

Changes in AOCI by component for the years ended December 31, 2016 and 2015 are as follows:

CHANGES IN AOCI BY COMPONENT T. 4.51

in $ THOUS

	Gain (loss) related to cash flow hedges	*Actuarial gain (loss) on defined benefit pension plans*	*Gain (loss) related to foreign-currency translation*	*Total, before non-controlling interests*	*Non-controlling interests*	***Total***
▸ **BALANCE AT DECEMBER 31, 2014**	**(103,277)**	**(282,019)**	**(702,447)**	**(1,087,743)**	**(5,261)**	**(1,093,004)**
Other comprehensive income (loss) before reclassifications	9,579	33,775	(347,164)	(303,810)	(4,961)	(308,771)
Amounts reclassified from AOCI	33,484	21,774	–	55,258	–	55,258
Other comprehensive income (loss) after reclassifications	43,063	55,549	(347,164)	(248,552)	(4,961)	(253,513)
▸ **BALANCE AT DECEMBER 31, 2015**	**(60,214)**	**(226,470)**	**(1,049,611)**	**(1,336,295)**	**(10,222)**	**(1,346,517)**
Other comprehensive income (loss) before reclassifications	(875)	(24,859)	2,726	(23,008)	(1,446)	(24,454)
Amounts reclassified from AOCI	20,878	19,413	–	40,291	–	40,291
Other comprehensive income (loss) after reclassifications	20,003	(5,446)	2,726	17,283	(1,446)	15,837
▸ **BALANCE AT DECEMBER 31, 2016**	**(40,211)**	**(231,916)**	**(1,046,885)**	**(1,319,012)**	**(11,668)**	**(1,330,680)**

Reclassifications out of AOCI for the years ended December 31, 2016 and 2015 are as follows:

RECLASSIFICATIONS OUT OF AOCI T. 4.52

in $ THOUS

	Amount of (gain) loss reclassified from AOCI in income		*Location of (gain) loss reclassified from AOCI in income*
Details about AOCI components	***2016***	*2015*	
(Gain) loss related to cash flow hedges			
Interest rate contracts	29,150	28,355	Interest income/expense
Foreign exchange contracts	147	17,686	Costs of revenue
	29,297	46,041	Total before tax
	(8,419)	(12,557)	Tax expense or benefit
	20,878	33,484	Net of tax
Actuarial (gain) loss on defined benefit pension plans			
Amortization of unrealized (gain) loss	30,811	34,625	[1]
	30,811	34,625	Total before tax
	(11,398)	(12,851)	Tax expense or benefit
	19,413	21,774	Net of tax
Total reclassifications for the period	40,291	55,258	Net of tax

[1] *Included in the computation of net periodic pension cost (see note 10 for additional details).*

21. Supplementary cash flow information

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

SUPPLEMENTARY CASH FLOW INFORMATION T. 4.53

in $ THOUS

	2016	2015
Supplementary cash flow information		
Cash paid for interest	387,125	381,212
Cash paid for income taxes[1]	598,916	547,401
Cash inflow for income taxes from stock option exercises[2]	8,887	18,073
Supplemental disclosures of cash flow information		
Details for acquisitions:		
Assets acquired	(877,706)	(216,023)
Liabilities assumed	125,623	34,841
Noncontrolling interest subject to put provisions	48,292	7,622
Noncontrolling interest	15,992	983
Non-cash consideration	244,458	69,233
Cash paid	(443,341)	(103,344)
Less cash acquired	22,869	3,193
▸ **NET CASH PAID FOR ACQUISITIONS**	**(420,472)**	**(100,151)**
Cash paid for investments	(143,637)	(184,101)
Cash paid for intangible assets	(13,472)	(32,558)
▸ **TOTAL CASH PAID FOR ACQUISITIONS AND INVESTMENTS, NET OF CASH ACQUIRED, AND PURCHASES OF INTANGIBLE ASSETS**	**(577,581)**	**(316,810)**

[1] *Net of tax refund.*
[2] *Thereof the excess tax benefit allocated to additional paid-in capital for the twelve-month periods ending December 31, 2016 and 2015 $6,427 and $13,451, respectively.*

22. Segment and corporate information

In 2015, the Company increased its operating segments from three to four segments in conjunction with a change in the structure of how the Company manages its business. The operating segments are the North America segment, the EMEA segment, the Asia-Pacific segment and the Latin America segment. Accordingly, the two reporting segments disclosed prior to 2015 (the North America segment and the International segment, which was comprised of EMEA, Asia-Pacific and Latin America) have now been reclassified into four reporting segments as noted above.

Management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate U.S. GAAP measures are revenue, operating income and operating income margin. The Company does not include income taxes as it believes this is outside the segments' control. Financing is a corporate function, which the Company's segments do not control. Therefore, the Company does not include interest expense relating to financing as a segment measurement. Similarly, the Company does not allocate certain costs, which relate primarily to certain headquarters' overhead charges, including accounting and finance, 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. Products are transferred to the segments at cost; therefore no internal profit is generated. The associated internal revenues for the product transfers and their elimination are recorded as Corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as Corporate.

Information pertaining to the Company's segment and Corporate activities for the twelve-month periods ended December 31, 2016 and 2015 is set forth below.

SEGMENT AND CORPORATE INFORMATION T. 4.54

in $ THOUS

	North America segment	*EMEA segment*	*Asia-Pacific segment*	*Latin America segment*	*Segment total*	*Corporate*	***Total***
2016							
Revenue external customers	12,885,879	2,666,644	1,631,717	712,150	17,896,390	14,397	17,910,787
Inter-segment revenue	3,437	–	34	267	3,738	(3,738)	–
▸ **REVENUE**	**12,889,316**	**2,666,644**	**1,631,751**	**712,417**	**17,900,128**	**10,659**	**17,910,787**
▸ **OPERATING INCOME**	**2,119,297**	**524,181**	**319,076**	**65,849**	**3,028,403**	**(390,880)**	**2,637,523**
Depreciation and amortization	(430,824)	(120,791)	(48,196)	(17,242)	(617,053)	(158,892)	(775,945)
Income (loss) from equity method investees	64,806	(2,919)	1,519	1,502	64,908	–	64,908
Total assets	18,255,288	3,785,602	1,863,441	729,193	24,633,524	2,300,418	26,933,942
Thereof investments in equity method investees	324,860	221,054	106,900	26,428	679,242	–	679,242
Capital expenditures, acquisitions and investments[1]	916,354	310,568	53,795	45,477	1,326,194	281,379	1,607,573
2015							
Revenue external customers	11,813,330	2,628,688	1,501,456	766,424	16,709,898	27,684	16,737,582
Inter-segment revenue	5,292	1	143	447	5,883	(5,883)	–
▸ **REVENUE**	**11,818,622**	**2,628,689**	**1,501,599**	**766,871**	**16,715,781**	**21,801**	**16,737,582**
▸ **OPERATING INCOME**[2]	**1,797,835**	**576,895**	**297,860**	**48,233**	**2,720,823**	**(394,091)**	**2,326,732**
Depreciation and amortization	(399,434)	(113,131)	(44,616)	(14,835)	(572,016)	(145,306)	(717,322)
Income (loss) from equity method investees	20,799	6,820	2,526	1,307	31,452	–	31,452
Total assets[3]	17,269,258	3,293,600	1,727,495	604,667	22,895,020	2,470,234	25,365,254
Thereof investments in equity method investees	288,956	220,610	109,347	25,796	644,709	–	644,709
Capital expenditures, acquisitions and investments[4]	709,503	174,229	48,949	50,549	983,230	286,523	1,269,753

[1] *North America, EMEA, Asia-Pacific, Latin America and Corporate acquisitions exclude $22,870, $235,627, $7,790, $5,526 and $7,654, respectively, of non-cash acquisitions for 2016.*

[2] *On July 1, 2015, the Company completed the sale of its clinics in Venezuela to a third party. The purchase price for these clinics was $7,500, which resulted in a loss of approximately $26,289 before tax (approximately $26,920 after tax). The loss is primarily included in Selling, general and administrative costs line item of the consolidated income statements.*

[3] *Deferred taxes which were classified as current at December 31, 2015 have been reclassified to non-current in accordance with Accounting Standards Update 2015-17, Income Taxes (Topic 740) Balance Sheet Classification of Deferred Taxes. Deferred taxes previously recorded in 2015 within current assets and liabilities have been reclassified to non-current assets and liabilities in the amount of $216,127 and $36,399, respectively. As a result of deferred tax netting, non-current assets and liabilities were then adjusted in the amount of $168,232.*

[4] *North America, EMEA, Asia-Pacific, Latin America and Corporate acquisitions and investments exclude $6,070, $41,454, $36,455, $244 and $26,214, respectively, of non-cash acquisitions and investments for 2015.*

For the geographic presentation, revenues are attributed to specific countries based on the end user's location for products and the country in which the service is provided. Information with respect to the Company's geographic operations is set forth in the table below:

GEOGRAPHIC DIVISION T. 4.55

in $ THOUS

	Germany	*North America*	*Rest of the world*	***Total***
2016				
Revenue external customers	421,604	12,885,879	4,603,304	17,910,787
Long-lived assets	907,921	15,227,607	3,181,818	19,317,346
2015				
Revenue external customers	400,401	11,813,330	4,523,851	16,737,582
Long-lived assets	556,276	14,771,036	2,963,439	18,290,751

23. Subsequent events

On January 31, 2017, the Company announced an agreement with the United States Departments of Veterans Affairs and Justice resolving litigation commenced in 2014 regarding reimbursement for services provided to veterans by the Company's clinics during the period January 2009 through February 15, 2011. The agreement is expected to increase the Company's recognition of revenue in 2017 by approximately $100,000 (approximately €100,000). The estimated positive impact on the Company's net income (net income attributable to shareholders of Fresenius Medical Care & Co. KGaA) is expected to be approximately $45,000 to $50,000 (approximately €45,000 to €50,000). The payment is expected to be received in due course.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). The Company's internal control over financial reporting is a process designed by or under the supervision of the Company's chief executive officer and chief financial officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles.

As of December 31, 2016, management conducted an assessment of the effectiveness of the Company's internal control over financial reporting based on the criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment follows the guidance for management of the evaluation of internal controls over financial reporting released by the Securities and Exchange Commission on May 23, 2007. Based on this assessment, management has determined that the Company's internal control over financial reporting is effective as of December 31, 2016.

The Company's internal control over financial reporting includes policies and procedures that (1) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect transactions and dispositions of assets; (2) provide reasonable assurance that the Company's transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of the Company's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the Company's financial statements.

Because of its inherent limitation, internal control over financial reporting, no matter how well designed, cannot provide absolute assurance of achieving financial reporting objectives and may not prevent or detect misstatements. Therefore, even if the internal control over financial reporting is determined to be effective it can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

The Company's internal control over financial reporting as of December 31, 2016 has been audited by KPMG AG Wirtschaftsprüfungsgesellschaft, an independent registered public accounting firm, as stated in their report included on page 211.

February 22, 2017

Fresenius Medical Care AG & Co. KGaA,
a partnership limited by shares,
represented by:
Fresenius Medical Care Management AG,
its General Partner

RICE POWELL
Chief Executive Officer and Chairman of the
Management Board of the General Partner

MICHAEL BROSNAN
Chief Financial Officer and member of the
Management Board of the General Partner

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM ON INTERNAL CONTROL OVER FINANCIAL REPORTING

THE SUPERVISORY BOARD
FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the internal control over financial reporting of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the Company) as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Fresenius Medical Care's management is responsible for maintaining effective internal control over financial reporting and its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, Fresenius Medical Care maintained, in all material respects, effective internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Fresenius Medical Care as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016, and our report dated February 22, 2017 expressed an unqualified opinion on those consolidated financial statements.

Frankfurt am Main, Germany
February 22, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

THE SUPERVISORY BOARD
FRESENIUS MEDICAL CARE AG & CO. KGAA

We have audited the accompanying consolidated balance sheets of Fresenius Medical Care AG & Co. KGaA and subsidiaries (Fresenius Medical Care or the Company) as of December 31, 2016 and 2015 and the related consolidated statements of income, comprehensive income, shareholders' equity and cash flows for each of the years in the three-year period ended December 31, 2016. In connection with our audits of the consolidated financial statements, we have also audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and the financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and the financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Fresenius Medical Care as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2016, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Fresenius Medical Care's internal control over financial reporting as of December 31, 2016, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated February 22, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Frankfurt am Main, Germany
February 22, 2017

KPMG AG
Wirtschaftsprüfungsgesellschaft

CHAPTER 5

FURTHER INFOR-MATION

CHAPTER 5
FURTHER INFORMATION

REGIONAL ORGANIZATION

EUROPE, MIDDLE EAST, AFRICA

T. 5.1

Austria	FMC Austria GmbH	Vienna	100%
Belgium	FMC Belgium N.V.	Antwerp	100%
Bosnia and Herzegovina	FMC BH d.o.o.	Sarajevo	100%
Bulgaria	FMC Bulgaria EOOD	Gabrovo	100%
Croatia	FMC-Nephro d.o.o.	Zagreb	100%
Czech Republic	FMC-DS, s.r.o.	Prague	100%
Denmark	FMC Danmark A/S	Taastrup	100%
Estonia	OÜ FMC Estonia	Tartu	100%
Finland	FMC Suomi Oy	Helsinki	100%
France	FMC France S.A.S.	Créteil	100%
Germany	FMC Deutschland GmbH	Bad Homburg v.d.H.	100%
Great Britain	FMC (U.K.) Ltd.	Nottinghamshire	100%
Hungary	FMC Dializis Center Kft.*	Budapest	100%
Ireland	FMC (Ireland) Ltd.	Dublin	100%
Israel	FMC Israel Ltd.	Tel Aviv	100%
Italy	FMC Italia S.p.A.	Cremona	100%
Kazakhstan	FMC Kazakhstan LLP	Almaty	100%
Lebanon	FMC Lebanon S.a.r.l.	Beirut	99%
Morocco	FMC Nord Ouest et Centre Afrique S.A.	Casablanca	100%
Poland	FMC Polska S.A.	Poznań	100%
Portugal	NephroCare Portugal, S.A.	Lisbon	100%
Romania	FMC Romania S.r.l.	Bucharest	100%
Russian Federation	ZAO Fresenius SP	Moscow	100%
Serbia	FMC Srbija d.o.o.	Vršac	100%
Slovakia	FMC Slovensko, spol. s.r.o.	Piešťany	100%
Slovenia	FMC Slovenija d.o.o.	Zreče	100%
South Africa	FMC South Africa (Pty.) Ltd.	Johannesburg	100%
Spain	NMC of Spain, S.A.U.	Madrid	100%
Sweden	FMC Sverige AB	Stockholm	100%
Switzerland	FMC (Schweiz) AG	Oberdorf	100%
The Netherlands	FMC Nederland B.V.	Nieuwkuijk	100%
Turkey	Fresenius Medikal Hizmetler A.S.	Istanbul	100%
Ukraine	FMC Ukraine TOV	Kiev	100%
United Arab Emirates	FMC Gulf Service FZ-LLC	Dubai	100%

NORTH AMERICA

Mexico	FMC de México, S.A. de C.V.	Guadalajara	100%
U.S.	FMC Holdings, Inc.	New York	100%

LATIN AMERICA

Argentina	FMC Argentina S.A.	Buenos Aires	100%
Brazil	FMC Ltda.	São Paulo	100%
Chile	FMC Chile S.A.	Santiago de Chile	100%
Colombia	FMC Colombia S.A.	Bogotá	100%
Curaçao	Caribbean Medic Health Care System N.V.	Willemstad	100%
Ecuador	NEFROCONTROL S.A.	Quito	100%
Peru	FMC del Perú S.A.	Lima	100%

ASIA-PACIFIC

Australia	FMC Australia Pty. Ltd.	Sydney	100%
China	FMC (Shanghai) Co., Ltd.	Shanghai	100%
Hong Kong	FMC Hong Kong Ltd.	Hong Kong	100%
India	FMC India Private Ltd.	New Delhi	100%
Indonesia	PT FMC Indonesia	Jakarta	100%
Japan	Fresenius-Kawasumi Co., Ltd.	Tokyo	70%
Malaysia	FMC Malaysia Sdn. Bhd.	Kuala Lumpur	100%
Pakistan	FMC Pakistan (Private) Ltd.	Lahore	100%
Philippines	FMC Philippines, Inc.	Makati City	100%
Singapore	Asia Renal Care (SEA) Pte. Ltd.	Singapore	100%
South Korea	FMC Korea Ltd.	Seoul	100%
Taiwan	FMC Taiwan Co., Ltd.	Taipei	100%
Thailand	FMC (Thailand) Ltd.	Bangkok	100%
Vietnam	FMC Vietnam LLC	Ho Chi Minh City	100%

Production *Sales* *Service*

*Simplified chart of Fresenius Medical Care's regional organization. Line of business in respective country in 2016. We use FMC for Fresenius Medical Care except for all subsidiaries marked with *. Some percentages of subsidiaries represent direct and indirect shareholdings.*

MAJOR SUBSIDIARIES

MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE

T. 5.2

in $ M, except employees

Name[1] and location		Ownership[2] in %	Revenue[3]	Net income/ (-loss)[3]	Equity Dec. 31[3]	Employees Dec. 31[4]
Europe, Middle East, Africa						
Austria	FMC Austria GmbH, Vienna	100	29.9	1.7	4.0	38
Belgium	FMC Belgium N.V., Antwerp	100	37.5	0.9	8.4	35
Czech Republic	FMC-CR, s.r.o., Prague	100	46.9	3.4	6.4	64
Denmark	FMC Danmark A/S, Taastrup	100	11.7	1.1	4.8	23
Estonia	OÜ FMC Estonia, Tartu	100	4.1	(0.1)	0.5	40
Finland	FMC Suomi Oy, Helsinki	100	19.5	1.6	5.9	21
France	FMC France S.A.S., Créteil	100	124.0	5.9	23.4	184
	FMC SMAD S.A.S., Savigny	100	173.3	10.9	99.4	488
Germany	FMC Deutschland GmbH, Bad Homburg v.d.H.	100	1,986.5	0.0	555.2	3,485
	FMC GmbH, Bad Homburg v.d.H.	100	307.5	0.0	47.7	360
Great Britain	FMC (U.K.) Ltd., Nottinghamshire	100	91.4	6.9	56.9	176
Hungary	FMC Dializis Center Kft., Budapest*	100	19.2	0.1	17.3	618
	FMC Magyarország Egészségügyi Kft., Budapest	100	34.2	(0.7)	(0.4)	42
Israel	FMC Israel Ltd., Tel Aviv	100	9.8	0.6	1.5	377
Italy	FMC Italia S.p.A., Cremona	100	120.3	8.8	72.8	217
	SIS-TER S.p.A., Cremona	100	103.2	2.4	18.7	303
Lebanon	FMC Lebanon S.a.r.l., Beirut	99	5.7	(0.2)	0.6	16
Morocco	FMC Nord Ouest et Centre Afrique S.A., Casablanca	100	18.9	1.2	10.5	68
Poland	FMC Polska S.A., Poznań	100	53.0	4.1	149.0	72
	Fresenius Nephrocare Polska Sp.z.o.o., Poznań	100	104.4	3.8	17.8	996
Portugal	FMC Portugal, S.A., Lisbon	100	43.5	(9.4)	15.3	37
	NephroCare Portugal, S.A., Lisbon	100	122.2	17.6	80.6	961
Romania	FMC Romania S.r.l., Bucharest	100	37.9	1.3	21.7	74
Russian Federation	ZAO Fresenius SP, Moscow	100	102.4	17.6	28.6	210
Serbia	FMC Srbija d.o.o., Vršac	100	67.5	7.1	31.1	921
Slovakia	FMC Slovensko, spol. s.r.o., Pieštany	100	17.9	1.4	8.8	24
Slovenia	FMC Slovenija d.o.o., Zreče	100	6.8	0.0	2.7	13
	NEFRODIAL d.o.o., Zreče	100	11.7	0.7	1.1	91
South Africa	FMC South Africa (Pty.) Ltd., Johannesburg	100	56.0	4.3	23.9	644
Spain	FMC España, S.A.U., Madrid	100	109.8	3.0	128.5	179
	NMC of Spain, S.A.U., Madrid	100	0.6	1.4	63.4	1,316
Sweden	FMC Sverige AB, Stockholm	100	26.5	1.3	8.2	36
Switzerland	FMC (Schweiz) AG, Oberdorf	100	39.5	5.0	12.9	40
The Netherlands	FMC Nederland B.V., Nieuwkuijk	100	20.6	1.1	7.2	41
	RKZ Dialysecentrum B.V., Beverwijk	90	2.2	0.0	2.3	11
Turkey	Fresenius Medikal Hizmetler A.S., Istanbul	100	67.4	(1.9)	60.3	174
Ukraine	FMC Ukraine TOV, Kiev	100	2.7	1.1	(1.3)	76

[1] *We use FMC for Fresenius Medical Care except for all subsidiaries marked with *.*
[2] *Direct and indirect interest.*
[3] *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.*

MAJOR SUBSIDIARIES OF FRESENIUS MEDICAL CARE

T. 5.2

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]
North America						
Mexico	FMC de México, S.A. de C.V., Guadalajara[5]	100	116.3	8.3	26.9	1,603
U.S.	FMC Holdings, Inc., New York	100	12,773.6	819.5	8,257.7	65,043
Latin America						
Argentina	FMC Argentina S.A., Buenos Aires	100	226.2	17.2	79.8	2,862
Brazil	FMC Ltda., São Paulo	100	137.8	(5.4)	51.4	748
Chile	Pentafarma S.A., Santiago de Chile	100	23.1	3.3	18.7	76
Colombia	FMC Colombia S.A., Bogotá	100	107.5	11.2	104.3	1,628
Ecuador	MANADIALISIS S.A., Quito	100	21.4	1.2	5.1	772
Peru	FMC del Perú S.A., Lima	100	11.4	1.1	8.6	95
Asia-Pacific						
Australia	FMC Australia Pty. Ltd., Sydney	100	127.9	2.8	68.3	344
China	FMC (Jiangsu) Co. Ltd., Changshu	100	59.6	0.8	48.5	978
	FMC (Shanghai) Co., Ltd., Shanghai	100	337.5	28.4	148.3	518
Hong Kong	Biocare Technology Company Limited, Hong Kong	100	37.9	1.5	7.1	14
	Excelsior Renal Service Co., Limited, Hong Kong	51	33.5	3.8	20.1	981
	FMC Hong Kong Limited, Hong Kong	100	33.2	6.5	72.4	66
India	FMC India Private Ltd., New Delhi	100	51.2	3.8	13.3	257
Indonesia	PT FMC Indonesia, Jakarta	100	27.0	2.0	16.8	67
Japan	FMC Japan K.K., Tokyo	100	66.8	8.6	112.4	614
	Fresenius-Kawasumi Co., Ltd., Tokyo	70	14.8	1.7	18.6	61
Malaysia	FMC Malaysia Sdn. Bhd., Kuala Lumpur	100	29.2	(1.0)	23.6	289
Pakistan	FMC Pakistan (Private) Ltd., Lahore	100	12.3	1.3	6.8	48
Philippines	FMC Philippines, Inc., Makati City	100	33.3	0.3	18.5	142
	FMC Renalcare Corp., Makati City*	100	2.2	(1.3)	(4.3)	88
Singapore	Asia Renal Care (SEA) Pte. Ltd., Singapore	100	0.1	(0.1)	24.8	281
South Korea	FMC Korea Ltd., Seoul	100	162.9	6.3	92.1	208
	NephroCare Korea Inc., Seoul	100	4.9	0.3	5.3	19
Taiwan	FMC Taiwan Co., Ltd., Taipei	100	64.0	5.7	29.0	101
	Jiate Excelsior Co., Ltd., Taipei	51	0.0	(0.8)	2.1	0
Thailand	FMC (Thailand) Ltd., Bangkok	100	12.9	(0.6)	11.4	3
	NephroCare (Thailand) Co., Ltd., Bangkok	100	4.7	0.5	3.4	49
Vietnam	FMC Vietnam LLC, Ho Chi Minh City	100	6.5	0.6	2.5	28

[1] *We use FMC for Fresenius Medical Care except for all subsidiaries marked with *.*
[2] *Direct and indirect interest.*
[3] *These figures comply with the financial statements prepared in accordance with the specific generally accepted accounting principles of each country and do not reflect the amounts included in the consolidated financial statements. Shareholders' equity and earnings are translated at the year-end current rate, and sales are translated at the average rate of the year.*
[4] *Full-time equivalents.*
[5] *Included in the consolidated financial statement (U.S. GAAP) of FMC Holdings, Inc.*

FIVE-YEAR SUMMARY

FIVE-YEAR SUMMARY

T. 5.3

$ in THOUS, except share data

	2016	2015	2014	2013	2012
Statements of income					
Net revenue	17,910,787	16,737,582	15,831,613	14,609,727	13,800,282
Costs of revenue	12,131,145	11,406,419	10,835,767	9,871,330	9,199,029
Gross profit	5,779,642	5,331,163	4,995,846	4,738,397	4,601,253
Selling, general and administrative expenses	3,044,663	2,895,581	2,644,037	2,382,501	2,188,491
Research and development expenses	162,364	140,302	122,114	125,805	111,631
Income from equity method investees	64,908	31,452	24,838	26,105	17,442
Other operating expense					100,000
Operating income	2,637,523	2,326,732	2,254,533	2,256,196	2,218,573
Investment gain					139,600
Interest expense, net	405,533	391,460	411,127	408,561	426,060
Income before income taxes	2,231,990	1,935,272	1,843,406	1,847,635	1,932,113
Income tax expense	683,139	622,123	583,598	592,012	605,136
Net income attributable to noncontrolling interests	305,584	283,704	214,542	145,733	140,168
▸ **NET INCOME ATTRIBUTABLE TO SHAREHOLDERS OF FMC AG & CO. KGAA**	**1,243,267**	**1,029,445**	**1,045,266**	**1,109,890**	**1,186,809**
Basic earnings per ordinary share	4.07	3.38	3.46	3.65	3.89
Earnings before interest and taxes, depreciation and amortization (EBITDA)	3,413,468	3,044,054	2,953,861	2,904,421	2,821,469
Personnel expenses	7,169,874	6,485,585	5,822,949	5,199,723	4,871,606
Depreciation	657,518	606,963	600,845	555,125	515,455
Amortization	118,427	110,359	98,483	93,100	87,441
Balance sheet					
Current assets[1,2]	7,313,955	6,768,447	6,472,858	6,000,894	5,853,133
Non-current assets[1,2]	19,619,987	18,596,807	18,696,720	16,797,948	16,144,558
▸ **TOTAL ASSETS[1,2]**	**26,933,942**	**25,365,254**	**25,169,578**	**22,798,842**	**21,997,691**
Short-term debt	1,369,054	792,639	451,657	670,360	456,570
Other current liabilities[2]	3,668,243	3,356,807	2,990,847	2,849,419	2,683,118
Total current liabilities[2]	5,037,297	4,149,446	3,442,504	3,519,779	3,139,688
Long-term debt[1]	7,202,545	7,853,487	9,014,157	7,681,449	7,764,941
Other non-current liabilities[2]	1,995,952	1,837,953	1,859,888	1,464,343	1,362,542
Total non-current liabilities[1,2]	9,198,497	9,691,440	10,874,045	9,145,792	9,127,483
Total liabilities[1,2]	14,235,794	13,840,886	14,316,549	12,665,571	12,267,171
Noncontrolling interests subject to put provisions and other temporary equity	1,241,088	1,028,368	824,658	648,251	523,260
Equity	11,457,060	10,496,000	10,028,371	9,485,020	9,207,260
▸ **TOTAL LIABILITIES AND EQUITY[1,2]**	**26,933,942**	**25,365,254**	**25,169,578**	**22,798,842**	**21,997,691**
Total debt[1]	8,571,599	8,646,126	9,465,814	8,351,809	8,221,511
Working capital[1,2,3]	3,645,712	3,411,640	3,482,011	3,266,475	3,285,015
Credit rating					
Standard & Poor's					
Corporate credit rating	BBB–	BBB–	BB+	BB+	BB+
Secured debt	BBB–	BBB–	BBB–	BBB–	BBB–
Moody's					
Corporate credit rating	Ba1	Ba1	Ba1	Ba1	Ba1
Secured debt	Baa3	Baa3	Baa3	Baa3	Baa3
Fitch					
Corporate credit rating	BBB–	BB+	BB+	BB+	BB+
Secured debt	BBB–	BBB–	BBB–	BBB–	BBB

[1] *Debt issuance costs have been reclassified from current and non-current assets to long-term debt to conform to the current year's presentation (2014: $66 M; 2013: $65 M; 2012: $77 M).*

[2] *In accordance with ASU 2015-17 (Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes) deferred taxes previously recorded in current assets and liabilities have been reclassified to non-current assets and liabilities. Current assets were reduced by 2015: $216 M; 2014: $245 M; 2013: $279 M; 2012: $268 M. Current liabilities were reduced by 2015: $36 M; 2014: $35 M; 2013; $34 M, 2012: $30 M,. As a result of deferred tax netting, non-current assets and liabilities were then adjusted (2015: $168 M; 2014: $211 M, 2013: $256 M, 2012: $251 M).*

[3] *Current assets less current liabilities (excluding short-term debt and accruals for special charge recorded in accrued expenses and other current liabilities until 2013).*

FIVE-YEAR SUMMARY

T. 5.3

$ in THOUS, except share data

	2016	2015	2014	2013	2012
Cash flow					
Net cash provided by (used in) operating activities	2,139,882	1,960,047	1,861,392	2,034,805	2,039,063
Capital expenditures, net	(1,012,330)	(935,535)	(919,954)	(728,091)	(665,643)
Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments)	1,127,552	1,024,512	941,438	1,306,714	1,373,420
Acquisitions and investments	(577,581)	(316,810)	(1,779,058)	(495,725)	(1,878,908)
Proceeds from divestitures	210,584	251,660	8,257	18,276	263,306
Share data					
Year-end share price Frankfurt, Xetra *in €*					
Ordinary shares	80.45	77.73	61.85	51.73	52.31
Preference shares[4]					42.24
Year-end share price (ADR) New York *in $*					
Ordinary shares	42.21	41.84	37.14	35.58	34.30
Preference shares[4]					27.60
Weighted average number of ordinary shares	305,748,381	304,440,184	302,339,124	301,877,303	301,139,652
Weighted average number of preference shares	–	–	–	1,937,819	3,969,307
Total dividend amount *in € THOUS*	293,973	244,251	236,773	232,114	230,114
Dividend per share[5] *in €*	0.96	0.80	0.78	0.77	0.75
Employees					
Full-time equivalents	109,319	104,033	99,895	90,690	86,153
Operational ratios in %					
EBITDA margin	19.1	18.2	18.7	19.9	20.4
Operating income margin	14.7	13.9	14.2	15.4	16.1
Growth in basic earnings per share	20.3	(2.2)	(5.4)	(6.1)	10.0
Organic revenue growth (currency-adjusted)	7.0	6.5	5.3	4.6	4.9
Return on invested capital (ROIC)[1,6]	7.8	7.0	6.9	7.8	7.7
Return on operating assets (ROOA)[1,6]	10.4	9.6	9.7	10.5	10.8
Return on equity before taxes[7]	20.6	19.6	19.5	20.0	21.6
Return on equity after taxes[7]	11.5	10.4	11.1	12.0	13.3
Cash flow return on invested capital (CFROIC)[6]	13.0	12.0	12.6	12.7	13.7
Debt/EBITDA ratio[1,6,8]	2.4	2.8	3.0	2.8	2.8
Gearing ((total debt – cash)/equity)	0.7	0.8	0.9	0.8	0.8
EBITDA/Interest expense, net	8.4	7.8	7.2	7.1	6.6
Net cash provided by (used in) operating activities in % of revenue	11.9	11.7	11.8	13.9	14.8
Equity ratio (equity/total assets)[1,2]	42.5	41.4	39.8	41.6	41.9
Dialysis care data					
Treatments *in M*	46.5	44.6	42.7	40.5	38.6
Patients	308,471	294,381	286,312	270,122	257,916
Clinics	3,624	3,418	3,361	3,250	3,160

[4] *As of the preference share conversion on June 28th, 2013, the company no longer has two classes of shares.*
[5] *2016: Proposal to be approved by the Annual General Meeting on May 11, 2017.*
[6] *2016 and 2014: Adjusted for acquisitions made during the year with a purchase price above $50 M theshold as defined in the Amended 2012 Credit Agreement; 2012: Pro forma numbers including Liberty Dialysis Holdings Inc., after FTC mandated divestitures.*
[7] *Return on equity has been calculated based on net income attributable to shareholders of FMC AG & Co. KGaA and the total FMC AG & Co. KGaA shareholders' equity.*
[8] *EBITDA adjusted for other non-cash charges (2016: $99 M; 2015: $83 M; 2014: $57 M; 2013: $68 M; 2012: $64 M).*

A

Albumin
A protein that has two important functions: On the one hand, it binds water and therefore contributes to ensuring that the liquid contained in the blood remains in the bloodstream and does not penetrate the arterial walls into the surrounding tissue. On the other hand, it transports various important substances. Among others, many drugs as well as free fatty acids and hormones are bound to albumin and transported in the blood throughout the body. The level of this protein provides information on a patient's general nutritional condition.

American depositary receipt
ADR
A certificate issued by an American depositary bank allowing U.S. investors to have indirect ownership (instead of holding shares themselves) in a non-U.S. company. Fresenius Medical Care's shares are listed on the New York Stock Exchange (NYSE) in the form of American depositary receipts (ADR).

Anemia
Reduced oxygen transport capacity of the blood, measured as reduced hemoglobin concentration in the blood.

Anticoagulant
An agent (e. g. heparin) that prevents blood coagulation.

Arteriovenous (AV) vascular access
A direct surgically created connection between an artery (blood vessel carrying blood from the heart to the body) and a vein (blood vessel carrying blood to the heart) in the patient's forearm. This connection forms a large blood vessel with an increased blood flow, providing access for hemodialysis. Adequate vascular access is a prerequisite for hemodialysis.

Automated peritoneal dialysis
APD
Machine-supported version of peritoneal dialysis treatment that is usually performed at night.

B

Biofine
Environmentally friendly material for producing foils, tubing and other components for peritoneal and acute dialysis. Biofine is recyclable and PVC-free.

Blood
Fluid circulating in the body consisting of plasma and blood cells (red blood cells, white blood cells, platelets, etc.). The main function of blood is to transport oxygen, nutrients and hormones to the body's cells and to remove waste products (such as carbon dioxide and urea). Blood also regulates the water and electrolyte balance and helps fight off contaminants as part of the immune system.

Blood cells, red
Erythrocytes
Blood cells responsible for transporting oxygen. They are produced by erythropoietin, a hormone formed in the kidneys.

Blood cells, white
Leukocytes
Blood cells that defend the human body against infections. They are involved in allergic reactions and destroy damaged, old or dead cells in the body.

Blood coagulation
A complex process in which blood forms solid clots. It is an important part of hemostasis whereby the wall of a damaged blood vessel is covered by a fibrin clot that stops hemorrhaging and helps repair the vessel. Disorders in coagulation can lead to increased hemorrhaging and/or thrombosis through to embolism. During dialysis treatment, blood coagulation is inhibited with anticoagulants such as heparin.

Bloodline system
Tubing system connecting a patient's blood circulation to a dialyzer during dialysis treatment.

Body Composition Monitor
BCM
Device that can be used to precisely measure the composition of the human body and its fluid status and in this way determine the level of overhydration in dialysis patients.

C

Calcimimetics
An extension of therapy options with the aim of influencing the bone and mineral metabolism in patients with chronic kidney disease more effectively. Calcimimetics are administered when the thyroid gland is hyperactive, which is often the case with dialysis patients. Calcimimetics also have a positive effect on the calcium level of the bones.

Catheter
A flexible tube inserted surgically through the skin into a blood vessel or cavity to transport fluid into or out of the body. In peritoneal dialysis, a catheter is used to infuse dialysis solution into the abdominal cavity and drain it out again. In hemodialysis, a catheter can be used as a vascular access for dialysis treatment. In this case, the catheter is usually inserted into the superior vena cava, or occasionally the femoral vein.

Continuous ambulatory peritoneal dialysis
CAPD
A treatment method in which the dialysis solution is exchanged manually, generally four times a day.

D

Days sales outstanding
DSO
Indicates the average number of days it takes for a receivable to be paid. A shorter DSO results in less interest for the creditor and a lower risk of default.

DAX
German stock index calculated on the basis of the weighted prices of the 30 largest German stock corporations in terms of market capitalization and market turnover.

Debt/EBITDA ratio
Important indicator in corporate management. It compares a company's debt to earnings before interest, tax, depreciation and amortization and other non-cash charges.

Delivered EBIT
Operating income less noncontrolling interests. We consider delivered EBIT to be an important indicator for investors because of the significance of noncontrolling interests for our operating activities. It roughly equates to the operating income attributable to the shareholders of Fresenius Medical Care AG & Co. KGaA.

Diabetes
An increased blood glucose (sugar) level resulting from the body's inability to regulate it in the body's cells efficiently. As the main regulatory hormone in sugar metabolism, insulin helps to control this condition.

Dialysis
Form of renal replacement therapy where a semi-permeable membrane – the peritoneum of the patient in peritoneal dialysis, the membrane of the dialyzer in hemodialysis – is used to clean a patient's blood.

Dialysis solution
Dialysate
Fluid used in dialysis to remove the substances filtered during treatment and excess water from the blood.

Dialyzer
Special filter used in hemodialysis for removing toxic substances, waste products of metabolic processes and excess water from the blood. The dialyzer is sometimes referred to as an "artificial kidney".

Dialyzer membrane
Semi-permeable barrier in the dialyzer that separates the blood from the dialysis solution.

Dividend
Portion of a company's profit. The profit to be distributed divided by the number of outstanding shares shows 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

Operating result before interest and taxes. Key performance figure, which is used to assess a company's profitability, irrespective of regional taxation and different forms of financing.

EBITDA
Earnings before interest, taxes, depreciation and amortization

Key performance figure to assess the operating performance before investments.

EBT
Earnings before taxes

An indicator of a company's earning power, irrespective of regional differences in taxation.

Erythropoiesis-stimulating agents
ESA

Recombinant (artificially produced) human EPO that is commonly prescribed to patients on dialysis who suffer from anemia.

Erythropoietin
EPO

Hormone that stimulates the production of red blood cells.

EuCliD

European clinical database for ensuring the quality of dialysis treatment. It records the treatment data of dialysis patients and allows an efficient comparison of treatment quality in individual dialysis clinics.

F

FDA

U.S. Food and Drug Administration.

Free float

The total amount of a stock corporation's shares available for trading. According to the definition of Deutsche Börse, all shares that are not held by major shareholders (at least 5% of the registered share capital) form part of the free float, which can be acquired and traded by the broad public.

G

Glomerular filtration rate
GFR

Indicates the volume of liquid that the kidneys filter 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 (CKD) have advanced kidney damage (GFR of 15 to 29 ml/min); it is highly likely that these patients will need dialysis or a kidney transplant in the near future.

Stages of chronic kidney disease according to the U.S. National Kidney Foundation:

Stage 1 – kidney damage with normal or increased GFR
≥ 90 GFR (ml/min/1.73 M)

Stage 2 – kidney damage with slightly decreased GFR
60 – 89 GFR (ml/min/1.73 M)

Stage 3 – kidney damage with moderately decreased GFR
30 – 59 GFR (ml/min/1.73 M)

Stage 4 – kidney damage with greatly decreased GFR
15 – 29 GFR (ml/min/1.73 M)

Stage 5 – kidney failure (or dialysis)
< 15 GFR (ml/min/1.73 M)

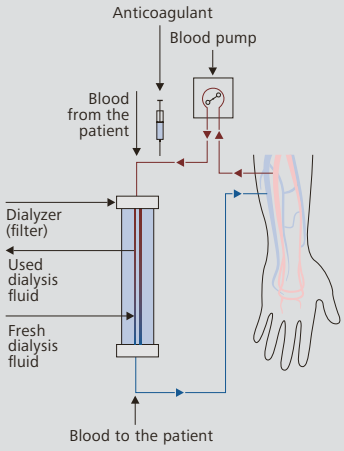
H

Hemodiafiltration
HDF

Process that combines hemodialysis and hemofiltration. This is based on the theory that low-molecular substances such as urea and creatinine are predominantly removed by diffusive transportation such as in hemodialysis, whereas the larger molecules are mainly removed by convective transportation as in hemofiltration. In hemodiafiltration (HDF), the total amount of removed toxins is larger than in the individual processes, since convection and diffusion are not cumulative, but run in parallel and influence each other. HDF uses more permeable synthetic membranes ("high-flux dialyzers") with a superior ultrafiltration performance. As in hemofiltration, the ultrafiltrate in HDF is replaced by a sterile solution (substitution solution).

Hemodialysis
HD

Treatment method for dialysis patients in which the patient's blood flows outside the body through disposable bloodlines into a special filter, the dialyzer. In the dialyzer, waste products and excess water are removed from the blood and transported away in the dialysis solution. Afterwards, the purified blood is returned to the patient. The process is controlled by a hemodialysis machine that pumps blood, adds anti-coagulants, regulates the purification process, and controls the mixing of the dialysis solution and its flow rate through the system. A patient typically receives three treatments per week, lasting from three to six hours each.



Hemofiltration
HF

A type of treatment for patients with chronic kidney failure that does not use dialysis solution. The solutes are removed by filtering 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
Substance in red blood cells that carries oxygen through the body.

Heparin
Universal anticoagulant substance that is 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 larger than with HDF. Recent studies show that HighVolumeHDF significantly increases patient survival rates compared to conventional dialysis treatments.

I

IFRS
International Financial Reporting Standards

Accounting standards, issued by the International Accounting Standards Board (IASB).

Index
Indicates the development of the stock market as a whole and/or of individual groups of stocks (e. g. DAX, DOW JONES, STOXX). Share indices are intended as a guide to help investors identify trends in the stock market. Index calculation is based on a weighted value for the average performance of the stock corporations that are included in the respective index.

Iron compound
Product for the treatment of anemia resulting from iron deficiency in dialysis patients. An example of this is Venofer.

ISO
International organization for standardization.

K

Kidneys
Two vital organs that are 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 only around 160 grams each. The kidneys ensure a regulated acid-base balance by filtering excreta and producing urine. Approximately 1,700 liters of blood normally pass through an adult's kidneys every 24 hours.

Kidney failure, acute
Acute loss of renal function. Depending on the severity of renal function loss, intermittent dialysis treatment may be necessary. In contrast to chronic kidney failure, dialysis can help to completely restore kidney function in many patients.

Kidney failure, chronic
Endstage renal disease, ESRD
Permanent failure of the kidney (terminal kidney failure) resulting from slow and progressive final loss of kidney function (no more detoxification of the body) over several years. Since the renal function cannot be recovered, the patient has to be treated with renal replacement therapy, i. e. kidney transplantation or dialysis. Chronic kidney failure is accompanied by long-term complications such as renal anemia, hypertension and other cardiovascular problems, as well as bone disease, loss of appetite and malnutrition.

Kidney transplantation
A surgical procedure to implant a kidney from a donor.

Kommanditgesellschaft auf Aktien
KGaA
A German legal form meaning partnership limited by shares. An entity with its own legal identity in which at least one general partner has full liability (personally liable shareholder, or "Komplementäraktionär"), while the other shareholders have an interest in the capital stock divided into shares without being personally liable for the debts of the company.

$\frac{Kt}{V}$
Indicator to evaluate treatment quality. It is calculated by dividing the product of urea clearance through dialysis (K) and the duration of treatment (t) by the filtration rate of certain toxins (V).

L

Lean Six Sigma
Quality management system used to describe, measure, analyze, improve and monitor processes with the goal of quality improvement.

Liberty Cycler
Innovative device with PIN technology (automatic inline-closing system to eliminate the risk of contamination during disconnection from peritoneal dialysis systems) for automated peritoneal dialysis, marketed exclusively in the U.S. The cycler automatically regulates the exchange of used and fresh dialysis solution. It is equipped with a state-of-the-art pumping mechanism and patient data management software, and is easy to use.

M

Market capitalization
Total value of all outstanding shares of a company. It is calculated by multiplying the number of shares by the share price.

Medicare / Medicaid
A program developed by the federal U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for medical care to individuals over 65, people with chronic kidney failure (end-stage renal disease, ESRD), the disabled or needy.

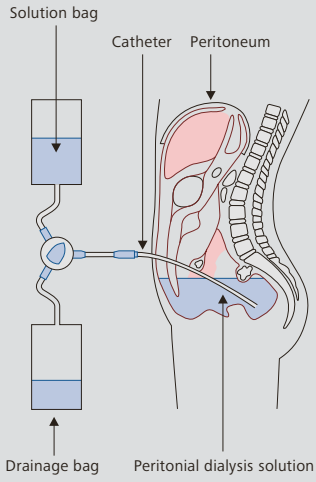
O

ONLINEplus system
A system for our 4008 and 5008 series hemodialysis machines to perform online hemodiafiltration and online hemofiltration. Online means that the dialysis machine automatically produces the infusion solution for treatment. The online method is a safe, user-friendly, resource-saving and cost-efficient alternative to ready-made infusion solutions in bags.

P

Peritoneal dialysis
PD

Dialysis treatment method using the patient's peritoneum, i. e. the tissue that covers the inner surface of the abdominal cavity and the abdominal organs, as the dialyzing membrane for blood purification. A sterile dialysis solution is introduced and removed through a catheter that has been surgically implanted into the patient's abdominal cavity. The solution absorbs toxins and removes them together with excess water. Most treatments are supported by a machine, the cycler, and are administered by patients at home or at work several times a day or during the night.



Phosphate binders

Drugs that bind excess phosphate ingested via food in the intestine. Excess phosphate is normally discharged by healthy kidneys. This filtering process can only partially be replaced by dialysis in patients with chronic kidney failure. Too much phosphate in the blood can cause numerous adverse effects, such as bone disease, thyroid problems and vascular calcification. PhosLo, OsvaRen or Velphoro (PA 21) are examples of phosphate binders for patients with chronic kidney disease.

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 who suffer from a specific disease within a defined period.

R

Rating

A classification of the creditworthiness of a company recognized by the international capital markets. It is published by independent rating agencies such as Standard & Poor's, Moody's or Fitch based on a company analysis.

Return on equity
ROE

An indicator of company profitability related to shareholders' equity.

Return on invested capital
ROIC

Refers to operating income after adapted income taxes in relation to the average invested capital of the last five quarterly balance sheet dates. It provides information on how efficiently a company works with its available capital or how efficiently the capital is employed for a specific investment project. ROIC is determined in euros based on annual figures in accordance with IFRS. With the implementation of the Long-Term Incentive Plan 2016 ("LTIP 2016"), we introduced ROIC as a new key performance indicator at Group level to measure our performance in 2016.

We define invested capital as:

Total assets
+ cumulative goodwill amortization
– cash and cash equivalents
– loans to related parties
– deferred tax assets
– accounts payable
– accounts payable to related parties
– provisions and other current liabilities (excl. pension provisions and noncontrolling interests subject to put options)
– provisions for income tax

= Invested capital

Return on operating assets
ROOA

EBIT divided by average operating assets. Operating assets consist of cash and cash equivalents, accounts receivable (including those due from related parties), inventories, prepaid expenses as well as other current and noncurrent assets, less deferred tax assets and accounts payable (including those due to related parties).

S

Sarbanes-Oxley Act
SOX

A law aimed at corporations and their auditors to improve financial accounting. The intention of SOX is to strengthen the confidence of shareholders and other stakeholders in the respective company by extending regulations which relate to financial reporting and internal monitoring systems. SOX requirements include strict obligations for a company's management regarding the provision of complete and correct information. The rules apply for all companies listed on U.S. stock exchanges.

Securities and Exchange Commission
SEC

A federal agency that regulates and monitors the U.S. financial markets.

sleep.safe

Automated peritoneal dialysis system offering the full range of peritoneal dialysis options as well as maximum safety and comfort for the patient, physician and nursing staff. Compared to previous models, sleep.safe harmony, launched in 2014, is even easier to operate and offers tailor-made solutions to meet patients' requirements.

Supply chain management

Management of all tasks along the supply chain from supplier selection, procurement and warehousing to the transport of goods to customers with the goal of improving efficiency in the value chain.

U

U.S. GAAP

United States Generally Accepted Accounting Principles.

V

Volatility

Price fluctuation of a security or currency. This is often calculated in terms of the standard deviation from the share price history or implicitly from a price-setting formula.

W

Working capital

Current assets less current liabilities. The higher the working capital, the more secure a company's liquidity.

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Publication service
This Annual Report is also available in German and may be obstained from the Company upon request.

Annual reports, interim reports, and further information on the Company are also available on our website www.freseniusmedicalcare.com

Printed reports can be ordered online, by phone or in writing from Investor Relations & Corporate Communications.

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The paper used for the Annual Report 2016 has been produced in accordance with the international FSC® standard, meaning, the pulp has been produced from sustainably managed forests. Furthermore, the Annual Report 2016 has been produced in a carbon-neutral manner. The CO_2 emissions caused by its production were compensated for by certified climate protection projects.

Financial calendar

subject to change

May 3, 2017
Report on the first quarter 2017

May 11, 2017
Annual General Meeting
FRANKFURT AM MAIN, GERMANY

May 16, 2017
Payment of dividend
subject to the approval of the Annual General Meeting

August 1, 2017
Report on the second quarter 2017

November 2, 2017
Report on the third quarter 2017

Important fairs

April 19 — 23, 2017
52th Congress of the European Association for the Study of the Liver (EASL)
AMSTERDAM, NETHERLANDS

April 21 — 25, 2017
24th World Congress of Nephrology (WCN)
MEXICO CITY, MEXICO

April 23 — 26, 2017
85th Congress of the European Atherosclerosis Society (EAS)
PRAGUE, CZECH REPUBLIC

May 6 — 9, 2017
American Society for Pediatric Nephrology Annual Meeting (ASPN)
SAN FRANCISCO, U.S.

May 17 — 20, 2017
11th International Society for Apheresis Congress (ISFA)
COPENHAGEN, DENMARK

June 3 — 7, 2017
54th Congress of the European Renal and the European Dialysis and Transplantation Association (ERA-EDTA)
MADRID, SPAIN

August 2 — 3, 2017
11th Congress of the International Society for Hemodialysis (ISHD)
BANGKOK, THAILAND

September 6 — 9, 2017
50th Annual Scientific Meeting of the European Society for Paediatric Nephrology (ESPN)
GLASGOW, SCOTLAND

September 9 — 12, 2017
46th International Conference of the European Dialysis & Transplant Nurses Association and European Renal Care Association (EDTNA/ERCA)
KRAKOW, POLAND

September 23 — 27, 2017
30th Congress of the European Society of Intensive Care Medicine (ESICM)
VIENNA, AUSTRIA

October 4 — 7, 2017
13th European Peritoneal Dialysis Meeting (EuroPD)
DUBLIN, IRELAND

Oct. 31 — Nov. 5, 2017
Kidney Week 2017
The American Society of Nephrology (ASN)
NEW ORLEANS, U.S.

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