You should read the following discussion and analysis of the group management report of Fresenius Medical Care AG & Co. KGaA and its subsidiaries (together "we", "our", "FMC-AG & Co. KGaA", "Fresenius Medical Care", "the Group" or "the Company"), which has been prepared in accordance with sections 315 and 315a of the German Commercial Code and German Accounting Standards No. 17 and 20., in conjunction with the consolidated financial statements and related notes contained elsewhere in this report. Some of the statements contained below, including those concerning future revenue, costs and capital expenditures and possible changes in our industry and competitive and financial conditions include forward-looking statements. We made these forward-looking statements based on the expectations and beliefs of the Management Board of the Company's General Partner ("Management Board") concerning future events which may affect us, but we cannot assure that such events will occur or that the results will be as anticipated. Because such statements involve opportunities, risks and uncertainties, actual results may differ materially (positive as well as negative) from the results which the forward-looking statements express or imply. Such statements include the matters and are subject to the uncertainties that we described in the discussions in this report entitled D. "Report on expected developments", E. "Report on risks and opportunities" as well as in Note 2 and 22 of the notes to the consolidated financial statements.

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

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

A. Fundamental information about the Group

I. The Group's business model

Operations and group structure

Fresenius Medical Care is the world's largest kidney dialysis company, based on publicly reported sales and number of patients treated. We provide dialysis care and related services to persons who suffer from end stage renal disease ("ESRD") as well as other health care services. We develop and manufacture a full range of dialysis machines, systems and disposable products, which we sell to customers in more than 120 countries and also use in our internal health care service operations. Our dialysis business is therefore vertically integrated. We describe our other health care services as "Care Coordination." Care Coordination currently includes 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 our health care services.

The main part of our sales is still generated by dialysis products and dialysis care services. We care for over 308,000 dialysis patients in 3,624 proprietary dialysis clinics in more than 45 countries worldwide. We are continuously developing this network of clinics, which is the largest and most international in the world, to accommodate the ever rising number of dialysis patients. At the same time, we operate 37 production sites in more than 20 countries. The most important plants for dialyzer production are in St. Wendel (Germany), Ogden (U.S.), Changsu (China), L'Arbresle (France) and Buzen (Japan). We manufacture dialysis machines in Schweinfurt (Germany) and in Concord, California (U.S.).

Fresenius Medical Care is organized decentralized and divided into the regions North America, EMEA (Europe, Middle East, Africa), Asia-Pacific and Latin America; our business segments correspond to this regional breakdown.

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

Our Products, services and business processes

Dialysis

Approximately 3.0 M patients regularly underwent dialysis treatment at the end of 2016 worldwide. Dialysis is a life-saving blood cleansing procedure that substitutes the function of the kidney in case of kidney failure. 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: a kidney transplant and dialysis.

As a globally leading company Fresenius Medical Care offers services and products in more than 130 countries around the world with a focus on the following areas:

- Hemodialysis - treatment in specialized clinics
- Home dialysis
- Peritoneal dialysis
- Acute dialysis - in case of a sudden loss of renal function
- Further blood cleansing procedure
- Dialysis drugs.

Medical services – Care Coordination

Since 2014, our non-dialysis medical services have been bundled in Care Coordination.

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

Major markets and competitive position

According to our estimates, the volume of the global dialysis market increased to around $76 BN in 2016. 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 dialysis drugs).

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) clinics worldwide. We treated most of our patients (61%) in the North America Segment, 19% in the EMEA Segment, 10% in the Latin America Segment and 10% in the Asia-Pacific Segment.

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 significantly higher at around 45% and more than 50% respectively.

Due to the different services we offer in the field of Care Coordination we cannot estimate the market volume in a meaningful number. We offer medical services in Care Coordination mainly in the U.S. at present, and have adapted our activities to this market. One of our medical service providers in Care Coordination is our subsidiary Sound Inpatient Physicians Inc. (Sound). More than 2,200 Sound providers cared for more than 1.5 million 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 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. 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.

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.

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.

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.

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.

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

For further information regarding the Group's business model, mainly external factors influencing the business, see Chapter B. Report on economic position, Part I. Macroeconomic and sector-specific environment.

II. Internal management system

Until now the Management Board oversaw our Company by setting strategic and operational targets as well as measuring various financial key performance indicators used for internal management determined in U.S. dollar based on U.S. GAAP. Part II. Course of business in Chapter B. Report on economic position contains therefore figures in U.S. dollar, which are derived from U.S. GAAP measured values. In the segment reporting in the notes to the consolidated financial statements and in the group management report the operating segments are based on U.S. GAAP and determined in euro. Starting in 2017 the financial key performance indicators used for internal management are no longer determined in U.S. dollar based on U.S. GAAP. Instead the indicators are determined in euro based on IFRS. To reflect this change Chapter D. Report on expected developments contains figures determined in euro based on IFRS. As such, in 2017 in the segment reporting in the notes to the consolidated financial statements and in the group management report the operating segments are based on IFRS and determined in euro. Due to increased impacts of exchange rate fluctuations on the financial key performance indicators in euro the growth rates will also be calculated at constant exchange rates starting in 2017.

The key performance indicators used for internal management do not differ in the individual operating segments.

Each operating segment is evaluated based on target figures that reflect revenue and expenses the operating segments control. We do not include the effects of certain transactions nor income taxes as we believe these items to be outside the operating segments' control. Financing is a corporate function, which the operating segments do not control. Therefore, we do not include interest expense relating to financing as an operating segment measurement. Similarly, we do not allocate certain costs which relate primarily to certain headquarters overhead charges, including accounting and finance, global research and development, etc. because we believe that these costs are also not within the control of the individual operating segments.

The management of our operating segments is based on **revenue** as a key performance indicator. We believe that the key to continued growth in revenue is our ability to attract new patients in order to increase the number of treatments performed each year. The number of treatments performed each year is therefore an indicator of continued revenue growth and success.

Further, **operating income** is from our point of view the most appropriate yardstick for measuring the profitability of the operating segments.

Operating income margin represents the operating income to revenue ratio and shows the profitability of each operating segment respectively the Group. We believe that the operating margin is an appropriate measurement for the evaluation of the profitability.

As a result of the significance of noncontrolling interest holders in our operations, we believe a measure that is meaningful to investors is operating income less noncontrolling interests ("**Delivered EBIT**"). Delivered EBIT approximates the operating income attributable to the shareholders of FMC-AG & Co. KGaA.

Below is a table showing the reconciliation of Delivered EBIT to Operating Income for each of our reporting segments:

Delivered EBIT Reconciliation

in € M

	2016	2015
Consolidated Financial Statements		
Total		
Operating income (EBIT)	2,409	2,129
less noncontrolling interests	(276)	(256)
Delivered EBIT	2,133	1,873
Segment Reporting[1]		
Total North America Segment		
Operating income (EBIT)	1,915	1,620
less noncontrolling interests	(267)	(246)
Delivered EBIT	1,648	1,374
Dialysis		
Operating income (EBIT)	1,861	1,532
less noncontrolling interests	(243)	(210)
Delivered EBIT	1,618	1,322
Care Coordination		
Operating income (EBIT)	54	88
less noncontrolling interests	(24)	(36)
Delivered EBIT	30	52
EMEA Segment		
Operating income (EBIT)	474	520
less noncontrolling interests	(3)	(3)
Delivered EBIT	471	517
Asia-Pacific Segment		
Operating income (EBIT)	288	268
less noncontrolling interests	(6)	(7)
Delivered EBIT	282	261
Latin America Segment		
Operating income (EBIT)	59	44
less noncontrolling interests	0	0
Delivered EBIT	59	44

(1) The measures are determined in U.S. dollar based on U.S. GAAP and converted into euro.

On consolidated level, the percentage **growth in net income** (net income attributable to shareholders of FMC-AG & Co. KGaA) is an additional key performance indicator used for internal management.

The percentage **growth in basic earnings per share** is a key performance indicator to evaluate our profitability. This indicator helps to manage our overall performance. The basic earnings per share is calculated by dividing net income attributable to shareholders by the weighted-average number of shares during the year. Additionally, we compute a percentage growth in adjusted basic earnings per share for use in our management incentive program targets under the FMC AG & Co. KGaA Long-Term Incentive Program 2011.

We manage our investments using a detailed coordination and evaluation process. The Management Board sets the complete investment budget for the Group as well as the investment targets. Before concrete 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 yield. The investment projects are evaluated based on commonly used methods 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 shareholder value. **Capital expenditures** for

property, plant and equipment is an indicator used for our internal management. The indicator influences the capital invested for replacement and expansion investments.

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

Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments) is the free disposable cash flow. The indicator **free cash flow in % of revenue** shows the percentage of revenue that is available for acquisitions and investments, dividends to the shareholders or for the reduction of debt financing.

Another important key performance indicator used for internal management on group level is the **debt/EBITDA ratio**. To determine the total debt/EBITDA ratio, debt is compared to EBITDA (earnings before interest, taxes, depreciation and amortization) adjusted for acquisitions made during the year with a purchase price above a $50 M threshold as defined in the Amended 2012 Credit Agreement and non-cash charges. The ratio is an indicator of the length of time needed to service it out of its own resources. The debt/EBITDA ratio provides more reliable information about the extent to which a company is able to meet its payment obligations than taking the absolute amount of financial liability into account only. We hold a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of the customers have a high credit rating as the dialysis industry is characterized by stable and sustained cash flows. This means that we can work with a relatively large share of debt capital compared with companies in other industries.

New key performance indicator

With the development of Vision 2020 we communicated improvements in Return on Invested Capital (“ROIC”). Therefore we implemented ROIC improvement on group level in 2016 as key performance indicator in association with the FMC-AG & Co. KGaA Long-Term Incentive Plan 2016 (“LTIP 2016”) to measure our performance. The ROIC is the ratio of operating income after tax (Net Operating Profit After Tax, NOPAT) to average invested capital of the last five quarter closing dates and expresses how efficiently we allocate the capital under our control or how well we employ our capital with regard to a specific investment project. The ROIC is determined according to IFRS in euro based on full year results.

The following table shows the reconciliation of average invested capital and ROIC:

Reconciliation of Average Invested Capital and ROIC

in € M, except ROIC

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

2015	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015	December 31, 2014
Total assets	23,246	22,393	22,433	23,000	20,673
Plus: Cumulative goodwill amortization	431	420	421	437	390
Minus: Cash and cash equivalents	(505)	(555)	(520)	(579)	(522)
Minus: Loans to related parties	(182)	(142)	(105)	(136)	(141)
Minus: Deferred tax assets	(256)	(226)	(226)	(220)	(212)
Minus: Accounts payable	(577)	(520)	(480)	(542)	(472)
Minus: Accounts payable to related parties	(141)	(179)	(160)	(127)	(116)
Minus: Provisions and other current liabilities[1]	(2,438)	(2,192)	(2,209)	(2,218)	(1,904)
Minus: Income tax payable	(216)	(201)	(198)	(208)	(212)
Invested capital	19,362	18,798	18,956	19,407	17,484
Average invested capital as of December 31, 2015	18,801				
Operating income	2,129				
Income tax expense[3]	(786)				
NOPAT	1,343				
ROIC in %	7.1				

(1) Including non-current provisions and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.

(2) 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.

(3) Adjusted for noncontrolling partnership interests.

III. 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 by the “Global Research and Development” division (GRD), enable us to develop products efficiently and to systematically promote the exchange of knowledge and technology between regions.

Global research and development strategy

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

Our R&D strategy is globally oriented. This enables us to respond even better to the 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

- Market leadership
- Vertical integration
- Global portfolio management
- New technologies and applications
- Home therapies
- Emerging markets.

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.

R&D resources

In the fiscal year, Fresenius Medical Care spent a total of around €147 M on research and development (2015: €128 M). R&D expenditure corresponded to around 5% (2015: 4%) of our dialysis product revenue and slightly less than 1% of our total revenue. Around a quarter of our R&D expenditure went into funding advance development, which lay the foundations for future product innovations. At the end of 2016, our patent portfolio comprised some 7,748 property rights in approximately 1,163 patent families, i.e. groups of patents linked to the same invention. Our R&D work in the fiscal year produced around 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 (full-time equivalents) worked for Fresenius Medical Care in R&D worldwide (2015: 649). They come from various backgrounds: Physicians work side by side with software specialists, business economists and engineers in interdisciplinary teams. Around 490 employees, and therefore the majority of our R&D staff, are based in Europe. Most activities are carried out at our facilities in Schweinfurt and Bad Homburg v.d.Höhe (Germany). Other R&D sites are in St. Wendel (Germany), Bucharest (Romania) and Krems (Austria). In the U.S. the Company maintains centers of excellence for the development of devices in Concord 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 for Asia and emerging markets. The global R&D organization coordinates collaboration and technology exchange among the various sites. As part of our innovation culture, we also strive to carry out research and development responsibly.

IV. Employees

Fresenius Medical Care owes its business success to the commitment of its employees.

Number of employees worldwide continues to grow

As at December 31, 2016, Fresenius Medical Care employed a total of 109,319 members of staff (full-time equivalents) in more than 50 countries. This means that our workforce grew by 5% or more than 5,200 in absolute terms compared to the previous year. This was primarily due to organic growth in our business and acquisitions.

At the end of the fiscal year, most of our employees were based in the North America segment (60%), followed by the EMEA segment (22%), the Latin America segment (9%) and the Asia-Pacific segment (9%). The workforce in the North America segment grew fastest last year as a result of expanding our clinic network. In Germany, Fresenius Medical Care employed approximately 5,500 people (full-time equivalents 2015: around 4,900) at the end of the fiscal year, accounting for around 5% (2015: 5%) of the total workforce. This underscores our very high degree of internationalization.

Staff costs at Fresenius Medical Care rose to €6,291 M in 2016 (2015: €5,698 M). This corresponds to 38% (2015: 37%) of revenue. Average staff costs per employee (average full-time equivalents) stood at €58,596 (2015: €55,447).

V. Quality management

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.

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

Due to the 2011 ESRD pro spective payment system (PPS) our Medicare reimbursement rate in the U.S. is influenced by our established quality management. We mitigated the impact of the ESRD PPS with two broad measures in our quality management. First, we worked with medical directors and treating physicians to find efficiencies consistent with the ESRD PPS's quality incentive program ("QIP") and good clinical practices, and we negotiated pharmaceutical acquisition cost savings. In addition, we achieved greater efficiencies and better patient outcomes by introducing new initiatives to improve patient care upon initiation of dialysis.

The ESRD PPS's QIP began affecting payments starting January 1, 2012. Dialysis facilities that fail to achieve the established quality standards have payments for a particular year reduced by up to 2%, based on a prior year's performance. CMS updates the set of quality measures each year, adding, revising or retiring measures. The 2017 QIP payment adjustment is based on each facility's performance in 2015 on a set of measures that focus on anemia management, dialysis adequacy, reporting of dialysis events to the Centers for Disease Control and Prevention (CDC), administration of patient satisfaction surveys and monthly reporting of mineral metabolism. For payment year 2017, CMS continued the 2016 QIP measures with the exception of the retirement of one measure of hemoglobin adequacy and added a measure of hospital readmissions in order to assess coordinated care. For payment year 2018, CMS will add two new clinical measures (standardized transfusion ratio and pediatric peritoneal dialysis adequacy) and three new reporting measures (pain assessment and follow-up, clinical depression screening and follow-up and influenza vaccination of healthcare personnel). For payment year 2019, CMS will replace four separate measures of dialysis adequacy with a single comprehensive dialysis adequacy clinical measure. In addition, CMS will make changes to the technical specifications of the hypercalcemia clinical measure, reintroduce a dialysis event reporting measure, and make changes relating to QIP scoring, including introduction of a new Safety Measure Domain. For payment year 2020, CMS will replace a mineral metabolism reporting measure with a new serum phosphorous reporting measure and adopt two new measures: the standardized hospitalization ratio clinical measure and the ultrafiltration rate reporting measure.

Furthermore, we participate in CMS's Comprehensive ESRD Care Model twenty-four of our dialysis organizations participate in (CEC Model), through ESRD Seamless Care Organizations (ESCOs) in six markets. The CEC Model seeks to deliver better health outcomes for ESRD patients while lowering Medicare's costs. For six of our ESCOs, the CEC Model commenced on October 1, 2015, and for the other eighteen ESCOs, the CEC Model commenced on January 1, 2017. The initial agreement period for all ESCOs participating in the CEC Model lasts through 2018. As originally specified, CMS and an ESCO would then have the option of extending the ESCO's agreement for an additional two years based on the ESCO's performance.

We are also working closely with CMS, a state-run public health care authority, 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 since April 2015. This is a CMS three-year pilot initiative with bundled payments for the individual services, including acute inpatient hospital services, physician services, and post-acute services, furnished to Medicare beneficiaries during a single episode of illness or course of treatment.

We measure and assess the treatment quality at our dialysis clinics on the basis of generally recognized quality standards, such as industry-specific clinical benchmarks, as well as our own quality targets. We use quality parameters that are generally recognized in the dialysis industry:

- The Kt / V value shows whether a patient was detoxified effectively during dialysis.
- Other quality indicators are the albumin, calcium and phosphat level in the blood. These parameters are indicative of a patient's general nutritional status.
- We also strive for a defined hemoglobin value in our patients. Hemoglobin is the component of red blood cells that transports oxygen around the body. An insufficient level of this in the blood is indicative of anemia.
- The number of days patients are hospitalized because of complications as part of their kidney disease is also crucial for determining treatment quality, because they are particularly cost-intensive and can significantly reduce the quality of life of dialysis patients.
- We record the number of patients who do not use a hemodialysis catheter as a vascular access in dialysis treatment. In order to guarantee sufficient blood flow through and therefore an effective dialysis treatment a permanent vascular access is necessary. Catheters are associated with serious infections and increases in the number of days spent in the hospital.

The ongoing measurement of these and other parameters is the basis for us to improve our dialysis services.

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., the state-run public health care authority 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.

VI. Responsibility, environmental management and sustainability

Not only are a company's activities affected by a number of external factors; companies themselves also influence their environment in many ways. Our activities are always focused on our patients. As a manufacturer and provider of dialysis products and health care services, we are a business partner to suppliers as well as to other companies and organizations in the health care system. We are also an international employer. At the same time, we gear our corporate activities towards using resources in an environmentally sound way. We act as a partner for both state health care systems, i.e. governments, and taxpayers, thus making an important contribution to society. 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 secure the Company's future. In doing so, we distinguish between the following four areas:

- Economic responsibility
- Responsibility for our employees
- Responsibility for the environment
- Social responsibility

In 2016, we established a company-wide project to expand our sustainability reporting. As part of this expansion, we started carrying out a materiality analysis at the end of the reporting year. We will continue the project in 2017 and plan to report extensively on it 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 organized on a regional basis, in the same way as our operations management.

Regular, trust-based interaction with our stakeholders 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. The key players in the stakeholder dialog are:

- Partners:employees, patients, physicians, clinical staff, suppliers, associations, health insurers
- Regulators: legislators, politicians, authorities, health care systems
- Capital market participants: investors, banks, rating agencies
- Societal stakeholders: general public, non-governmental organizations, competitors, media.

Economic responsibility

Economic responsibility is an integral part of our corporate strategy and management. Fresenius Medical Care again achieved economic success in 2015 and posted profitable growth. We improved our revenue and earnings in line with our strategy, thus generating economic value-added.

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.

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 company 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.

Social Responsibility

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

B. Report on economic position

I. Macroeconomic and sector-specific environment

a) Macroeconomic environment

Minimum dependency on economic cycles

Fresenius Medical Care provides life-saving products and therapies for patients suffering from chronic kidney failure and is therefore exposed to economic cycles to a relatively small extent. This sets us apart from manufacturers of consumer goods, for instance, whose products are subject to a more cyclical demand.

Our business is impacted more by government reimbursement rates and remuneration systems. Dialysis is a vital medical service, which is why it is usually paid for by the responsible health system. See also dialysis market in the following part.

Exchange rate developments characterized by a constant euro during the course of the year compared to prior year

As Fresenius Medical Care operates worldwide, exchange rate developments impact its results of operations. For Fresenius Medical Care, movements in the U.S. dollar and the euro in relation to one another are especially crucial as we generate a major part of our revenues in the U.S. The euro remained constant in relation to the U.S. dollar at the annual average rate in 2016.

In addition, the exchange rate developments between the euro and local currencies are influencing the operating results of Fresenius Medical Care due to sales within the Group of the large production sites in the euro zone to group companies with different functional currencies as well as due to the euro being the financial reporting currency. In relation to the sales within the Group, individual subsidiaries are exposed to transactional risks due to fluctuations in the rate of exchange between the invoicing currencies and the currencies, in which their local operations are conducted. Fresenius Medical Care reduces transaction risks, i.e. risks due to foreign currency exposures or exchange rate fluctuations, through a global network of production facilities, which is geared towards demand in the dialysis product business of Fresenius Medical Care. Often, the production facilities are based in the markets that they serve. Therefore costs are incurred in the same currency in which Fresenius Medical Care generates revenue. For health care services the risk of exchange rate fluctuations is relatively low because services are provided locally and therefore are invoiced in the respective currency.

b) Sector-specific environment

Number of dialysis patients is rising worldwide

Chronic kidney failure is a global problem: 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 the 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, meaning that many patients suffering from kidney failure are not treated and therefore do not appear in prevalence statistics.
- Cultural factors such as nutrition play a role.

The number of dialysis patients in 2016 rose by around 6%. In the U.S., Japan, and Western and Central Europe the number of patients was below average. In these regions, prevalence is already relatively high and patients generally have reliable access to treatment, normally dialysis. In economically weaker regions, on the other hand, growth was above average – an indication that access to dialysis treatment in these countries is still limited and is gradually improving.

Comparison of dialysis treatment methods

Of the approximately 3.0 M patients who were undergoing dialysis treatment at the end of 2016 2.632 M, or about 88%, were treated with hemodialysis and around 348,000 (12%) with peritoneal dialysis. In a global comparison of treatment methods, hemodialysis is clearly the most common.

Dialysis patients can be treated either in a dialysis center or at home. Treatment options available outside dialysis clinics are home hemodialysis, which is so far relatively uncommon, and peritoneal dialysis. The ratio of patients treated in dialysis clinics to patients on home dialysis varies from region to region.

The third option for treating patients with end-stage renal disease is kidney transplantation. Approximately 726,000 patients were living with a transplanted kidney at the end of 2016. However, for many years now, the number of donated organs worldwide has been significantly lower than the number of patients on transplant waiting lists. Despite extensive efforts by regional initiatives to increase awareness of kidney donation and the willingness to donate, the share of patients receiving kidney transplantation compared witch other treatment methods has remained relatively unchanged over the past ten years.

Care Coordination: Chronic diseases are becoming increasingly common

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.

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. For 2016, approximately 33% of the Company's consolidated revenues were attributable to U.S. federal health care benefit programs, such as Medicare and Medicaid reimbursement.

Health care and reimbursement systems vary from country to country

As renal replacement therapy is a life-saving medical service, patients 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 (Medicare patients). Dialysis costs are compensated as part of a lump-sum reimbursement system that bundles specific products and services in a single reimbursement rate.

In addition, the reimbursement and ancillary services utilization environment significantly influences our business. In the U.S., the reimbursement rates for Medicare patients are finalized by the responsible authority, the CMS. Overall, the reimbursement rate for 2016 has not changed material year-on-year. In our biggest sales market, the U.S. market, the reimbursements of governmental institutions are lower than the reimbursements of private insurers and managed care organizations.

Therefore a change in the portion of reimbursements by private insurers in the U.S. influences our business. The majority of treatments we provide are paid for by governmental institutions such as Medicare in the U.S. As a consequence of the pressure to decrease health care costs, government reimbursement rate increases in the U.S. have historically been limited. The stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD PPS in the U.S. in January 2011, (ii) the U.S. Sequestration cuts, (iii) the phased reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis and (iv) the enactment of the Protecting Access to Medicare Act of 2014 (PAMA) and could be affected by (v) the CMS rule published on November 15, 2016 that modifies certain payment policies, payment rates and quality provisions in the Pyhsician Fee Schedule for calendar year 2017. There is presently considerable uncertainty regarding possible future changes in health care regulation in the U.S., including the regulation of reimbursement for dialysis services. We have generally experienced stable reimbursement globally, including the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries. Our ability to influence the pricing of our services is limited. Any significant decreases in Medicare reimbursement rates could have material adverse effects on our health care services business and, because the demand for dialysis products is affected by Medicare reimbursement, on our products business. To the extent that increases in operating costs that are affected by inflation, such as labor and supply costs, are not fully reflected in a compensating increase in reimbursement rates, our business and results of operations may be adversely affected. More information can be found in Part III. Results of operation, financial position and net assets as well as in Chapter D. Report on expected developments.

We are also working closely with CMS in Care Coordination. For example, the participation of our subsidiary Sound in the BPCI initiative will have an impact on the reimbursement. 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. In addition, the participation in CMS's CEC Model through ESCO has an impact on the reimbursement since October 1, 2015. The CEC Model seeks to deliver better health outcomes for ESRD patients while lowering Medicare's costs. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS's cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. Our ESCOs also share in the risk of cost increases and are obligated to reimburse CMS for a share of any such increases if actual costs rise above set thresholds.

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

We also participate in sub-capitation and other shared savings and risk arrangements with certain Medicare Advantage plans, accountable care organizations and other integrated care organizations under which we assume risk and share in savings realized in providing care to the plans' ESRD patients.

II. Course of business

Highlights

Change in management structure

Mr. Roberto Fusté, a member of the General Partner's Management Board as well as the Chief Executive Officer of the Asia-Pacific Segment resigned from the General Partner's Management Board effective March 31, 2016 and retired from the Company. Mr. Fusté was succeeded by Mr. Harry de Wit, as of April 1, 2016.

Comparison of the actual business results with targets

The environment for our core business dialysis remained mainly stable in the financial year 2016. We have met the targets we have established for the financial year 2016. The targets are determined in U.S. dollar based on U.S. GAAP as described in Part II. Internal management system in Chapter A. Fundamental information about the Group.

The targets 2016 did not include contributions from acquisitions closed in 2015 and 2016 and special items. The actual results 2016 have been adjusted accordingly to make them comparable to the targets 2016. The results 2015, which are the basis for the targeted growth rates for 2016 have been adjusted accordingly. Operating income for 2015 was increased by $60 M related to accruals in relation to the NaturaLyte® and GranuFlo® agreement in principle (Net Settlement Expense) and net income was increased by $37 M Net Settlement Expense (after tax) (see Note 22 of the Notes to the Consolidated Financial Statements – Section Commercial Litigation).

The targets for the financial year 2016 were based on the exchange rates prevailing at the beginning of the year 2016. We expected revenue growth excluding contributions from acquisitions closed in 2015 and 2016 of 7-10% at constant exchange rates. Revenue amounted to $17.9 BN an increase of 7%. At constant exchange rates revenue increased by 8% and excluding the contributions from acquisitions closed in 2015 and 2016 revenue increased by 7% at constant exchange rates which is in the range of our expectations. We therefore met our expectations.

All operating segments, mainly the North America Segment and the Asia Pacific Segment, contributed to the expansion in business. Further details on the development of revenue can be found in Part III. Results of operation, financial position and net assets.

We expected a growth in operating income above growth in revenue for the financial year 2016. The basis for this target 2016 did not include the Net Settlement Expense of $60 M. Adjusted operating income for 2016 increased by 10% to $2.6 BN and we therefore met our target.

Also for Delivered EBIT we expected a growth above growth in revenue for the financial year 2016. The basis for this target 2016 did not include the Net Settlement Expense of $60 M. Adjusted operating income for 2016 increased by 10% to $2.3 BN and therefore we also met our target.

At the beginning of the year we set a target range for net income growth of 15 – 20% for the financial year 2016. This included cost savings from the global efficiency program as well as further expenses related to the expansion of Care Coordination. The Net Settlement Expense of $37 M (after tax) and contributions from acquisitions closed in 2015 and 2016 were not included in this target range. Adjusted net income for 2016 increased by 16% to $1.2BN which is in the range of our expectations.

Adjusted earnings per share increased by 16%. This increase is in line with the development of net income, as expected.

We earmarked $1.0 - $1.1BN for capital expenditures. We remained within our target, as we spent $1.0 BN for capital expenditures. For acquisitions and investments we expected around $ 0.75 BN. We spent $0.4 BN for acquisitions and investments after divestitures. We received $0.2 for divestitures mainly related to available for sale financial assets ($0.1 M) and a repayment of unsecured loans provided to an equity method investee in 2015 and 2016 ($0.1 M) and therefore were below our expectations. For further information, see Part III. Results of operation, financial position and net assets.

Driven by earnings development and good management of inventories, net cash provided by (used in) operating activities in % of revenue was on a high level with 11.9%, meeting our target of greater than 10%.

Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments) in % of revenue was 6.3% in 2016, which is also in line with our target of greater than 4%.

According to our forecast the leverage ratio (Debt/EBITDA ratio) should have been below 3.0 at the end of 2016. The actual leverage ratio decreased to 2.4 at the balance sheet date and is therefore as expected.

The number of employees at Fresenius Medical Care (full-time equivalents) grew from 104,033 at the end of 2015 to 109,319 at the end of 2016 due to organic growth and acquisitions. We therefore reached our forecasted number of more than 109,000.

Research and development expenditures aimed at boosting Fresenius Medical Care's ability to adapt to future requirements amounted to $162 M, meeting our target range of $160 -170 M. Our research and development activities are focused on further developing existing product groups.

Below is a table showing the actual results and our targets for 2016:

Results and Targets for 2016 - determined in U.S. dollar based on U.S. GAAP

	Results 2016	Results 2016 adjusted	Targets 2016
Revenue growth[1],[2]	8% (at Constant Exchange Rates)	7% (at Constant Exchange Rates)	7 - 10% (at Constant Exchange Rates)
Operating income growth[3]	13%	10%	Growth > revenue growth
Delivered EBIT growth[3]	14%	10%	Growth > revenue growth
Net income growth[2],[3],[4]	21%	16%	15 - 20%
Basic earnings per share growth[2],[3],[4]	20%	16%	based on development of net income
Capital Expenditures	$1.0 BN		$1.0 - 1.1 BN
Acquisitions and investments	$0.4 BN		~ $0.75 BN
Net cash provided by (used in) operating activities in % of revenue[3]	11.9%		> 10%
Free cash flow in % of revenue[3]	6.3%		> 4%
Debt/EBITDA Ratio[3]	2.4		< 3.0
Employees[5]	109,319		> 109,000
Research and development expenses	$162 M		$160 - 170 M

(1) Net of patient service bad debt provision

(2) Targets 2016 and Results 2016 adjusted exclude contributions from acquisitions closed in 2015 and 2016

(3)Targets 2016 and Results 2016 adjusted exclude special items

(4) Net income attributable to shareholders of FMC AG & Co. KGaA

(5) Full-time equivalents

III. Results of operations, financial position and net assets

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

We prepared the information using a management approach, consistent with the basis and manner in which our management internally disaggregates financial information to assist in making internal operating decisions and evaluating management performance.

Results of operations

Segment Data

in M €

	US-GAAP		IFRS adjustments		IFRS	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Total revenue						
North America	11,641	10,647				
EMEA	2,409	2,369				
Asia-Pacific	1,474	1,353				
Latin America	643	691				
Corporate	14	26				
Total	**16,181**	**15,086**	**389**	**369**	**16,570**	**15,455**
Operating income						
North America	1,915	1,620				
EMEA	474	520				
Asia-Pacific	288	268				
Latin America	59	44				
Corporate	(353)	(355)				
Total	**2,383**	**2,097**	**26**	**32**	**2,409**	**2,129**
Interest income	42	105	-	-	42	105
Interest expense	(408)	(458)	-	-	(408)	(458)
Income tax expense	(618)	(560)	(5)	(5)	(623)	(565)
Net income	**1,399**	**1,184**	**21**	**27**	**1,420**	**1,211**
Net income attributable to noncontrolling interests	**(276)**	**(256)**	**-**	**-**	**(276)**	**(256)**
Net income attributable to shareholders of FMC-AG & Co. KGaA	**1,123**	**928**	**21**	**27**	**1,144**	**955**

The comparison of the financial years 2016 and 2015 is affected by the development of the Euro against the U.S. dollar, since for the year ended December 31, 2016 approximately 73% of revenues and approximately 80% of operating income are generated in U.S. dollar.

Due this fact the growth rates of revenue and operating profit measures are influenced by increased impacts of exchange rate fluctuations. Therefore, we calculate constant currency revenue and operating profit measures (“at Constant Exchange Rates” or “Constant Currency”) to show changes in our revenue and operating profit measures without giving effect to period-to-period currency fluctuations. We calculate constant currency revenue and operating profit measures by translating foreign currencies using the average exchange rates from the comparative period instead of the current period.

Consolidated Financial Statements

Key Indicators for Consolidated Financial Statements

			Change in %	
	2016	2015	as reported	at Constant Exchange Rates
Revenue in € M	16,570	15,455	7%	8%
Health Care	13,505	12,439	9%	9%
Dialysis Products	3,065	3,016	2%	4%
Number of dialysis treatments	46,529,154	44,596,446	4%	
Same market treatment growth in %	3.2%	4.3%		
Gross profit as a % of revenue	33.9%	33.5%		
Selling, general and administrative costs as a % of revenue	18.8%	19.1%		
Operating income in € M	2,409	2,129	13%	13%
Operating income margin in %	14.5%	13.8%		
Delivered EBIT in € M[(1)]	2,133	1,873	14%	14%
Net income attributable to shareholders of FMC-AG & Co. KGaA in € M	1,144	955	20%	20%
Basic earnings per share in €	3.74	3.14	19%	

(1) For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to Operating Income for each of our reporting segments, see chapter A. II. Internal management system.

Total Revenue increased by 7% (8% at Constant Exchange Rates) to €16,570 M for the year ended December 31, 2016 from €15,455 M in the same period of 2015. The increase at Constant Exchange Rates was mainly due to increases in organic revenue (7%) and contributions from acquisitions (1%).

Health Care revenue increased by 9% to €13,505 M (9% at Constant Exchange Rates) for the year ended December 31, 2016 from €12,439 M in the same period of 2015. The increase at Constant Exchange Rates was mainly due to increases in organic revenue per treatment (5%), growth in same market treatments (3%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (1%).

Dialysis treatments increased by 4% for the year ended December 31, 2016 as compared to the same period in 2015. The increase is due same market treatment growth (3%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (1%).

At December 31, 2016, we owned, operated or managed (excluding those managed but not consolidated in the U.S.) 3,624 dialysis clinics compared to 3,418 dialysis clinics at December 31, 2015. For the year ended December 31, 2016, we acquired 136 dialysis clinics, opened 122 dialysis clinics and combined or closed 52 clinics. The number of patients treated in dialysis clinics that we own, operate or manage (excluding patients of dialysis clinics managed but not consolidated in the U.S.) increased by 5% to 308,471 at December 31, 2016 from 294,381 at December 31, 2015.

Dialysis product revenue increased by 2% (4% at Constant Exchange Rates) to €3,065 M for the year ended December 31, 2016 as compared to €3,016 M in the same period of 2015. The increase at Constant Exchange Rates was driven by increased sales of dialyzers, machines, bloodlines, products for acute care treatments, hemodialysis solutions and concentrates and peritoneal dialysis products, partially offset by lower sales of renal pharmaceuticals.

The increase in gross profit margin to 33.9% from 33.5% primarily reflects increases in the North America Segment and the Asia-Pacific Segment. The increase in the North America Segment was mainly due to lower costs for health care supplies and a higher volume of dialysis treatments with commercial payors, partially offset by higher personnel expense related to dialysis services and an unfavorable impact from Care Coordination services largely driven by the higher cost of revenue in our pharmacy services business. The increase in the Asia-Pacific Segment was predominantly driven by business growth.

Selling, general and administrative (SG&A) expenses increased to €3,119 M in the year ended December 31, 2016 from €2,949 M in the same period of 2015. SG&A expenses as a percentage of

sales decreased to 18.8% for the year of 2016 as compared to 19.1% in the same period of 2015 due to decreases in the North America Segment, Latin America Segment and at Corporate, partially offset by increases in the EMEA Segment and the Asia-Pacific Segment. The decrease in the North America Segment was due to the prior year impact from the Net Settlement Expense of $60 M (€54 M) (for further information, see Note 22 of the Notes to the Consolidated Financial Statements), a release of bad debt reserves and lower legal expenses excluding Net Settlement Expense legal costs above, partially offset by a cost impact related to the vesting of long term incentive plan grants and higher personnel expense. The decrease in the Latin America Segment was mainly due to the prior year loss related to the divestment of the dialysis service business in Venezuela as well as the impact from proportionately higher sales as compared to SG&A expenses, partially offset by higher bad debt expense and increased costs related to inflation. The decrease at Corporate was mainly driven by lower legal and consulting expenses related to compliance investigations we are conducting (for further information, see Note 22 of the Notes to the Consolidated Financial Statements). The increase in the EMEA Segment was driven by the prior year impact from a gain from the sale of our European marketing rights for certain renal pharmaceuticals (see Note 5 of the Notes to the Consolidated Financial Statements) and higher bad debt expense and higher IT project costs. The increase in the Asia-Pacific Segment was mainly due to increased costs related to further sales development, unfavorable foreign exchange effects and costs associated with changes in the Management Board.

R&D expenses increased by 14% to €147 M for the year ended December 31, 2016 from €128 M for the same period of 2015. This increase was driven by higher personnel expense and project costs related to an expansion of our project portfolio. Currently, we have certain R&D projects which are at the peak of their cost consumption.

Income from equity method investees increased to €59 M for the year ended December 31, 2016 from €28 M for the same period of 2015. This increase is primarily related to higher income from Vifor Fresenius Medical Care Renal Pharma Ltd., an entity in which we have ownership of 45%, due to increased revenue resulting from the expansion of its product portfolio partially offset by increased product development costs.

Operating income increased to €2,409 M for the year ended December 31, 2016 from €2,129 M for the same period in 2015. Operating income margin increased to 14.5% for the year ended December 31, 2016 as compared to 13.8% for the same period in 2015 as a result of increased gross profit margin, a decrease in SG&A as a percentage of revenue and increased income from equity method investees.

Delivered EBIT increased by 14% (14% at Constant Exchange Rates) to €2,133 M for the year ended December 31, 2016 from €1,873 M for the same period in 2015 as a result of the increased operating income, partially offset by increased noncontrolling interests driven by higher operating income of dialysis clinics in which we have ownership of less than 100%.

Interest expense decreased by 11% to €408 M for the year ended December 31, 2016 from €458 M for the same period in 2015 due to the lower impact of the valuation of the embedded derivative related to the equity-neutral convertible bonds issued in September 2014 (Covertible Bonds) and the related call option on our shares (see Note 14 of the Notes to the Consolidated Financial Statements) as well as due to a reduction in our overall debt level. Interest income decreased by 60% to €42 M for the year ended December 31, 2016 from €105 M for the same period in 2015 due to the lower impact of the valuation of the derivative embedded in the Convertible Bonds and the related call option on our shares (see Note 14 of the Notes to the Consolidated Financial Statements) as well as the repayment of interest bearing notes receivables in the fourth quarter of 2015.

Income tax expense increased to €623 M for the year ended December 31, 2016 from €565 M for the same period in 2015. The effective tax rate decreased to 30.5% from 31.8% for the same period of 2015, mainly driven by lower tax expense as a result of released tax liabilities and a prior year impact from the non-tax deductible loss from the divestiture of our dialysis service business in Venezuela, partially offset by a lower portion of tax free income attributable to noncontrolling interests compared to income before taxes.

Net income attributable to noncontrolling interests for the year ended December 31, 2016 increased to €276 M from €256 M for the same period of 2015 primarily driven by higher operating income of dialysis clinics in which we have ownership of less than 100%, partially offset by decreased noncontrolling interest expense related to Care Coordination, both in the North America Segment.

Net income attributable to shareholders of FMC-AG & Co. KGaA for the year ended December 31, 2016 increased by 20% (20% at Constant Exchange Rates) to €1,144 M from €955 M for the same period in 2015 as a result of the combined effects of the items discussed above. Excluding the impacts

of (i) the 2015 after tax loss, €32.7 M, related to the Net Settlement Expense (for further information, see Note 22 of the Notes to the Consolidated Financial Statements), (ii) the 2015 after tax loss, €24.3 M, from the divestiture of our dialysis service business in Venezuela, and (iii) the 2015 realized portion of the after tax gain, €10.1 M, from the sale of our European marketing rights for certain renal pharmaceuticals to our joint venture, Vifor Fresenius Medical Care Renal Pharma, net income attributable to FMC-AG & Co. KGaA increased by 14%.

Basic earnings per share increased by 19% for the year ended December 31, 2016 to €3.74 as compared with €3.14 for the same period in 2015 due to the increase in net income attributable to shareholders of FMC-AG & Co. KGaA above. The weighted average number of shares outstanding for the period was approximately 305.7 M in 2016 (304.4 M in 2015). The increase in the weighted average number of shares outstanding was the result of stock options exercised.

We employed 109,319 people (full-time equivalents) as of December 31, 2016 compared to 104,033 as of December 31, 2015, an increase of 5%, primarily due to organic growth in our business and acquisitions.

Material differences between IFRS and US-GAAP regarding the consolidated income statement

Revenue

The main differences between IFRS and US-GAAP result from the difference in the presentation of bad debt provisions for health care services. Under US-GAAP, expenses are presented as a reduction in health care service revenue, whereas IFRS requires those expenses to be presented as a component of SG&A expenses.

In 2016, the adjustments to reconcile revenue for IFRS and for US-GAAP amounted to €389 M. In 2015, the adjustments amounted to €369 M.

Operating income

The main differences between IFRS and U.S. GAAP result from the difference in the accounting treatment of actuarial gains and losses arising on the valuation of pension obligations, sale and leaseback transactions containing operating lease agreements, obligations from stock incentive plans as well as development costs.

In 2016, the adjustments to reconcile operating income for IFRS and for U.S. GAAP amounted to €26 M. In 2015, the adjustments amounted to €32 M.

Segment reporting

The following discussions pertain to the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment as well as the measures we use to manage these segments. The measures are determined in U.S. dollar based on U.S. GAAP and converted into euro as described in Part II. Internal management system in Chapter A. Fundamental information about the Group.

Due to the expansion of our Care Coordination services we established new business metrics for Care Coordination in our North America Segment in 2015, which will be defined below.

Business Metrics for Care Coordination in the North America Segment

The measures for our North America Segment discussed below include current and future programs that we will be participating in and will be reflected in the discussion of our business within the North America Segment. Currently, the sub-capitation, capitation arrangements under physician practice services, BPCI, ESCO programs and other shared savings programs are included within the Member Months and Medical Cost Under Management calculations below. In the future, there may be other programs that could be included in the following metrics. These metrics may be developed further in future periods. Note that due to the timing required by CMS to review the BPCI program data that we provide, estimates have been used in order to report these metrics in a timely manner.

Member Months Under Medical Cost Management

Member months under medical cost management is calculated by multiplying the number of members who are included in value-based reimbursement programs, such as Medicare Advantage plans or

other value-based programs in the U.S., by the corresponding number of months these members participate in those programs ("Member Months"). In the aforementioned programs, we are assuming the risk of generating savings. The financial results will be recorded in earnings as our performance is determined. The membership offerings within Care Coordination are sub-capitation arrangements, MA-CSNPs, ESCO and BPCI programs as well as other shared savings programs. An increase in patient membership may indicate future earnings or losses as our performance is determined through these managed care programs.

Medical Cost Under Management

Medical cost under management represents the management of medical costs associated with our patient membership in value-based programs. For ESCO, BPCI and other shared savings programs, this is calculated by multiplying the Member Months in each program by the benchmark of expected medical cost per member per month. The sub-capitation and MA-CSNPs calculation multiplies the premium per member of the program per month by the number of Member Months associated with the plan, as noted above.

Care Coordination Patient Encounters

Care Coordination patient encounters represents the total patient encounters and procedures conducted by certain of our Care Coordination activities. Specifically, Care Coordination patient encounters is the sum of all encounters and procedures completed during the period by Sound, MedSpring Urgent Care ("MedSpring"), Fresenius Vascular Care, and National Cardiovascular Partners ("NCP") as well as patients in our Fresenius Medical Care Rx Bone Mineral Metabolism program ("BMM program").

North America Segment

Key Indicators and Business Metrics for North America Segment

			Change in %	
	2016	2015	as reported	at Constant Exchange Rates
Total North America Segment				
Revenue in € M [1]	11,641	10,647	9%	9%
Health Care [1]	10,825	9,853	10%	10%
Dialysis Products	816	794	3%	3%
Operating income in € M	1,915	1,620	18%	18%
Operating income margin in %	16.4%	15.2%		
Delivered EBIT in € M [2]	1,648	1,374	20%	20%
Dialysis				
Revenue in € M [1]	9,557	8,951	7%	7%
Number of dialysis treatments	28,882,107	27,686,877	4%	
Same market treatment growth in %	3.1%	4.1%		
Operating income in € M	1,861	1,532	21%	21%
Operating income margin in %	19.5%	17.1%		
Delivered EBIT in € M [2]	1,618	1,322	22%	22%
Care Coordination				
Revenue in € M [1]	2,084	1,696	23%	23%
Operating income in € M	54	88	(39%)	(39%)
Operating income margin in %	2.6%	5.2%		
Delivered EBIT in € M [2]	30	52	(41%)	(41%)
Member Months Under Medical Cost Management[3],[4]	387,244	208,933	85%	
Medical Cost Under Management in € M[3],[4]	2,542	1,496	70%	70%
Care Coordination Patient Encounters[3],[4]	5,539,703	5,005,695	11%	

(1) Net of patient service bad debt provision.

(2) For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to Operating Income for each of our reporting segments, see chapter A. II. Internal management system.

(3) For further information on these metrics on our Care Coordination measures please refer to the discussion above under "Segment reporting – Business Metrics for Care Coordination in the North America Segment".

(4) The 2016 metric may be understated due to a physician mapping issue related to the BPCI program within a CMS system which has not yet been resolved. Additionally, data presented for the metrics are subject to finalization by CMS, which may result in changes from previously reported metrics.

Dialysis

Revenue

Dialysis revenue increased for the year ended December 31, 2016 by 7% (7% at Constant Exchange Rates) to €9,557 M from €8,951 M in the same period of 2015.

Dialysis care revenue increased for the year ended December 31, 2016 by 7% (7% at Constant Exchange Rates) to €8,741 M from €8,157 M in the same period of 2015. This increase at Constant Exchange Rates was driven by same market treatment growth (3%), increases in organic revenue per treatment (2%), an increase in dialysis days (1%) and contributions from acquisitions (1%).

Dialysis treatments increased by 4% for the year ended December 31, 2016 as compared to the same period in 2015 primarily due to same market treatment growth (3%) and contributions from acquisitions (1%). At December 31, 2016, 188,987 patients (a 3% increase over December 31, 2015) were being treated in the 2,306 dialysis clinics that we own or operate in the North America Segment, compared to 182,852 patients treated in 2,210 dialysis clinics at December 31, 2015.

In the U.S., the average revenue per treatment at Constant Exchange Rates was €317 for the year ended December 31, 2016 and €312 for the same period in 2015. The increase was mainly attributable to a higher volume of dialysis treatments with commercial payors.

Cost per treatment in the U.S. at Constant Exchange Rates dereased to €250 for the year ended December 31, 2016 from €251 in the same period of 2015. The decrease was largely driven by a favorable impact from lower cost for health care supplies and decreased bad debt, partially offset by higher personnel expense and various cost increases including rent expense and administration costs.

Dialysis product revenue increased by 3% (3% at Constant Exchange Rates) to €816 M for the year ended December 31, 2016 as compared to €794 M in the same period in 2015. This increase at Constant Exchange Rates was driven by higher sales of machines, dialyzers and peritoneal dialysis products, partially offset by lower sales of renal pharmaceuticals and bloodlines.

Operating Income

Dialysis operating income increased by 21% (21% at Constant Exchange Rates) to €1,861 M for the year ended December 31, 2016 as compared to €1,532 M in the same period in 2015. Operating income margin increased to 19.5% for the year ended December 31, 2016 from 17.1% for the same period in 2015, due to lower costs from health care supplies, a higher volume of dialysis treatments with commercial payors, the prior year impact from the Net Settlement Expense, a release of bad debt reserves, higher income from equity method investees and lower legal expenses excluding Net Settlement Expense legal costs noted above, partially offset by higher personnel expense and a cost impact related to the vesting of long term incentive plan grants.

Delivered EBIT

Dialysis delivered EBIT increased by 22% (22% at Constant Exchange Rates) to €1,618 M for the year ended December 31, 2016 from €1,322 M for the same period of 2015. The increase at Constant Exchange Rates was mainly the result of the increased operating income, partially offset by increased noncontrolling interests driven by higher operating income of dialysis clinics in which we have ownership of less than 100%.

Care Coordination

Revenue

Care Coordination revenue increased by 23% (23% at Constant Exchange Rates) to €2,084 M for the year ended December 31, 2016 from €1,696 M for the same period of 2015. The increase at Constant Exchange Rates was driven by increases in organic revenue growth (20%) and contributions from acquisitions (3%).

Operating Income

Care Coordination operating income decreased by 39% (39% at Constant Exchange Rates) to €54 M for the year ended December 31, 2016 from €88 M for the same period of 2015. The operating income margin decreased to 2.6% for the year ended December 31, 2016 from 5.2% mainly driven by increased costs related to bad debt reserves for hospitalist and intensivist services and the prior year impact of reimbursement for BPCI costs as well as higher costs for physician practice services due to infrastructure development, partially offset by a favorable impact from vascular, cardiovascular and endovascular specialty services.

Delivered EBIT

Care Coordination delivered EBIT decreased by 41% (41% at Constant Exchange Rates) to €30 M for the year ended December 31, 2016 from €52 M for the same period of 2015, mainly as the result of decreased operating income, partially offset by decreased noncontrolling interests effects.

Member Months Under Medical Cost Management

Care Coordination's member months under medical cost management for the year ended December 31, 2016 was 387,244 months as compared to 208,933 months for the same period of 2015. The increase in membership volume was largely attributable to furthered enrollment in our ESCOs, BPCI development, growth in our sub-capitation and other shared savings arrangements as well as the

continued contribution from MA-CSNPs which commenced in the first quarter of 2016. See note 4 to the table “Key Indicators and Business Metrics for North America Segment,” above.

Medical Cost Under Management

Care Coordination’s medical cost under management for the year ended December 31, 2016 was €2,542 M as compared to €1,496 M for the same period of 2015. The increase in medical cost under management was largely attributable to furthered enrollment in our ESCOs, BPCI development, growth in our other shared savings and sub-capitation arrangements as well as the continued contribution from MA-CSNPs which commenced in the first quarter of 2016. See note 4 to the table “Key Indicators and Business Metrics for North America Segment,” above.

Care Coordination Patient Encounters

Care Coordination’s patient encounters for the year ended December 31, 2016 was 5,539,703 encounters and procedures as compared to 5,005,695 encounters and procedures for the same period of 2015. The increase was driven by patient encounters and procedures provided by hospitalist and intensivist services, Rx BMM program, urgent care centers, vascular procedures as well as cardiovascular and endovascular services. See note 4 to the table “Key Indicators and Business Metrics for North America Segment,” above.

EMEA Segment

Key Indicators for EMEA Segment

			Change in %	
	2016	2015	as reported	at Constant Exchange Rates
Revenue in € M [1]	2,409	2,369	2%	4%
Health Care [1]	1,169	1,104	6%	9%
Dialysis Products	1,240	1,265	(2%)	0%
Number of dialysis treatments	8,872,231	8,211,464	8%	
Same market treatment growth in %	3.6%	3.8%		
Operating income in € M	474	520	(9%)	(9%)
Operating income margin in %	19.7%	21.9%		
Delivered EBIT in € M [2]	471	517	(9%)	(9%)

(1) Net of patient service bad debt provision.

(2) For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to Operating Income for each of our reporting segments, see chapter A. II. Internal management system.

Revenue

Total revenue for the EMEA Segment increased by 2% (4% at Constant Exchange Rates) to €2,409 M for the year ended December 31, 2016 as compared to €2,369 M for the same period of 2015. Health Care service revenue for the EMEA Segment increased during the year ended December 31, 2016 by 6% (9% at Constant Exchange Rates) to €1,169 M from €1,104 M in the same period of 2015. The increase at Constant Exchange Rates is a result of contributions from acquisitions (6%), same market treatment growth (4%), and an increase in dialysis days (1%), partially offset by the effect of closed or sold clinics (1%) and decreases in organic revenue growth per treatment (1%). Dialysis treatments increased by 8% for the year ended December 31, 2016 over the same period in 2015 mainly due to contributions from acquisitions (5%) and same market treatment growth (4%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2016, we had 59,767 patients (a 9% increase over December 31, 2015) being treated at the 711 dialysis clinics that we own, operate or manage in the EMEA Segment compared to 54,857 patients treated at 659 clinics at December 31, 2015.

Dialysis product revenue for the year ended December 31, 2016 decreased by 2% (remained flat at Constant Exchange Rates) to €1,240 M compared to €1,265 M in the same period of 2015. Dialysis product revenue was largely static at Constant Exchange Rates due to lower sales of renal pharmaceuticals, dialyzers and machines, mostly offset by increased sales of bloodlines, products for acute care treatments, peritoneal dialysis products and hemodialysis solutions and concentrates.

Operating Income

Operating income decreased by 9% (9% at Constant Exchange Rates) to €474 M for the year ended December 31, 2016 as compared to €520 M for the same period in 2015. Operating income margin decreased to 19.7% for the year ended December 31, 2016 from 21.9% for the same period in 2015 mainly due to the prior year impact from a gain from the sale of our European marketing rights for certain renal pharmaceuticals, higher bad debt expense, lower income from equity method investees due to product development costs and unfavorable foreign exchange effects, partially offset by fixed costs leverage of higher sales.

Delivered EBIT

Delivered EBIT decreased by 9% (9% at Constant Exchange Rates) to €471 M for the year ended December 31, 2016 as compared to €517 M for the same period in 2015 primarily due to decreased operating income coupled with increased noncontrolling interests effects.

Asia-Pacific Segment

Key Indicators for Asia-Pacific Segment

			Change in %	
	2016	2015	as reported	at Constant Exchange Rates
Revenue in € M [1]	1,474	1,353	9%	8%
Health Care [1]	659	601	10%	3%
Dialysis Products	815	752	8%	12%
Number of dialysis treatments	4,003,957	3,790,924	6%	
Same market treatment growth in %	4.7%	3.8%		
Operating income in € M	288	268	7%	5%
Operating income margin in %	19.6%	19.8%		
Delivered EBIT in € M [2]	282	261	8%	5%

(1) Net of patient service bad debt provision.

(2) For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to Operating Income for each of our reporting segments, see chapter A. II. Internal management system.

Revenue

Total revenue for the Asia-Pacific Segment increased by 9% (8% at Constant Exchange Rates) to €1,474 M for the year ended December 31, 2016 as compared to €1,353 M for the same period of 2015. Health Care service revenue for the Asia-Pacific Segment increased during the year ended December 31, 2016 by 10% (3% at Constant Exchange Rates) to €659 M from €601 M in the same period of 2015. The increase at Constant Exchange Rates is a result of same market treatment growth (5%), partially offset by decreases in organic revenue growth per treatment (1%) and the effect of closed or sold clinics (1%). Dialysis treatments increased by 6% for the year ended December 31, 2016 over the same period in 2015 mainly due to same market treatment growth (5%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (1%). As of December 31, 2016, we had 29,328 patients (a 11% increase over December 31, 2015) being treated at the 374 dialysis clinics that we own, operate or manage in the Asia-Pacific Segment compared to 26,472 patients treated at 320 clinics at December 31, 2015.

Dialysis product revenue for the year ended December 31, 2016 increased by 8% (12% at Constant Exchange Rates) to €815 M compared to €752 M in the same period of 2015. The increase at Constant Exchange Rates was driven by increased sales of machines, dialyzers, bloodlines, products for acute care treatments, peritoneal dialysis products and hemodialysis solutions and concentrates.

Operating Income

Operating income increased by 7% (5% at Constant Exchange Rates) to €288 M for the year ended December 31, 2016 as compared to €268 M for the same period in 2015. Operating income margin decreased to 19.6% for the year ended December 31, 2016 from 19.8% for the same period in 2015 due to unfavorable foreign exchange effects and costs associated with changes in the Management

Board, partially offset by a favorable effect of prior year costs related to customs duty receivables in India.

Delivered EBIT

Delivered EBIT increased by 8% (5% at Constant Exchange Rates) to €282 M for the year ended December 31, 2016 as compared to €261 M for the same period in 2015 due to increased operating income.

Latin America Segment

Key Indicators for Latin America Segment

			Change in %	
	2016	2015	as reported	at Constant Exchange Rates
Revenue in € M [1]	643	691	(7%)	13%
Health Care [1]	463	511	(9%)	15%
Dialysis Products	180	180	0%	7%
Number of dialysis treatments	4,770,859	4,907,181	(3%)	
Same market treatment growth in %	1.9%	6.5%		
Operating income in € M	59	44	37%	71%
Operating income margin in %	9.2%	6.3%		
Delivered EBIT in € M [2]	59	44	37%	71%

(1) Net of patient service bad debt provision.

(2) For further information on Delivered EBIT, including a reconciliation of Delivered EBIT to Operating Income for each of our reporting segments, see chapter A. II. Internal management system.

Revenue

Total revenue for the Latin America Segment decreased by 7% (13% increase at Constant Exchange Rates) to €643 M for the year ended December 31, 2016 as compared to €691 M for the same period of 2015. Health Care service revenue for the Latin America Segment decreased during the year ended December 31, 2016 by 9% (15% increase at Constant Exchange Rates) to €463 M from €511 M in the same period of 2015. The increase at Constant Exchange Rates is a result of increases in organic revenue per treatment (18%), growth in same market treatments (2%) and contributions from acquisitions (2%), partially offset by the effect of closed or sold clinics (mainly in Venezuela and Brazil) (7%). Dialysis treatments decreased by 3% for the year ended December 31, 2016 over the same period in 2015 mainly due to the effect of closed or sold clinics (mainly in Venezuela and Brazil) (7%), partially offset by same market treatment growth (2%), contributions from acquisitions (2%). As of December 31, 2016, we had 30,389 patients (a 1% increase over December 31, 2015) being treated at the 233 dialysis clinics that we own, operate or manage in the Latin America Segment compared to 30,200 patients treated at 229 clinics at December 31, 2015.

Dialysis product revenue for the year ended December 31, 2016 remained unchanged at €180 M (7% increase at Constant Exchange Rates) compared to the same period of 2015. The 7% increase at Constant Exchange Rates was driven by increased sales of dialyzers, hemodialysis solutions and concentrates as well as bloodlines, partially offset by lower sales of peritoneal dialysis products and machines.

Operating Income

Operating income increased by 37% (71% at Constant Exchange Rates) to €59 M for the year ended December 31, 2016 as compared to €44 M for the same period in 2015. Operating income margin increased to 9.2% for the year ended December 31, 2016 from 6.3% for the same period in 2015 mainly due the prior year loss from the divestment of the dialysis service business in Venezuela and the impact from higher revenue in the region primarily from reimbursement increases, partially offset by higher bad debt expense, an unfavorable impact from manufacturing production costs driven by (i) unfavorable foreign exchange effects and (ii) higher costs for quality development, as well as unfavorable foreign exchange effects and higher costs mainly related to inflation.

Delivered EBIT

Delivered EBIT increased by 37% (71% at Constant Exchange Rates) to €59 M for the year ended December 31, 2016 as compared to €44 M for the same period in 2015 due to increased operating income noted above.

Financial Position

Our investment and financing strategy did not change substantially in the past financial year. One of the reasons is our business model, which is based on stable and high cash flows, allowing a more consistent and higher level of debt than might be the case in other industries. We still regard our refinancing options as being very stable and flexible. During the fiscal year, the focus of our investing activities was on our health care services business.

Financial management policies and goals

Besides optimizing our financial costs, financial flexibility takes top priority within Fresenius Medical Care's financing strategy. We ensure this flexibility by using a wide range of financial instruments and securing a high level of diversification with regard to our investors and banks. Our financing profile is characterized by a wide range of maturities up to 2024.

The main financing instrument is the syndicated credit agreement with revolving credit facilities as well as long-term loans in U.S. dollar and euro. In addition, we use several other mid and long-term financing instruments, mainly including senior notes in U.S. dollar and euro and Convertible Bonds.

In our long-term financial planning, we focus primarily on the leverage ratio, defined as debt/EBITDA ratio. At the end of 2016 and 2015, the debt/EBITDA ratio was at 2.4 and 2.8, respectively.

The key financial risks we are exposed to include foreign exchange risk and interest rate risk. In order to manage these risks, we enter into various hedging transactions with banks that have been authorized by the Management Board of our general partner and which generally have ratings in the "A" Category or better. We do not use financial instruments for trading or other speculative purposes (for financial risks, see also Chapter E. Report on risks and opportunities, Part II. Risks, 3. Other risks).

Our parent, Fresenius SE & Co. KGaA (Fresenius SE), as provided for under a service agreement, conducts financial instrument activity for us under the control of a single centralized department. Fresenius SE has established guidelines that we have agreed to, 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.

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

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

Fresenius Medical Care is not involved in off-balance-sheet transactions that are likely to materially affect its financial position, results of operations, liquidity, capital expenditures, assets or capitalization.

Sources of liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term debt from third parties and related parties, as well as proceeds from the issuance of long-term debt and equity securities. We require this capital primarily to finance working capital needs, fund acquisitions and joint ventures, develop free-standing renal dialysis clinics and other health care facilities, purchase equipment for existing or new renal dialysis clinics and production sites, repay debt and pay dividends (see "Net Cash Provided By (Used In) Investing Activities" and "Net Cash Provided By (Used In) Financing Activities" below).

At December 31, 2016, we had cash and cash equivalents of €709 M.

Free Cash Flow (Net cash provided by (used in) operating activities, after capital expenditures, before acquisitions and investments) amounted to €1,017 M in 2016. Free Cash Flow in % of revenue remained flat at 6% in 2016 compared to 2015.

The following table shows the significant cash flow key performance indicators for the years ended December 31, 2016 and 2015.

Significant Cash Flow Key Performance Indicators

in € M

	2016	2015
Revenue	**16,570**	**15,455**
Net cash provided by (used in) operating activities	**1,932**	**1,767**
Capital expenditures	(931)	(859)
Proceeds from sale of property, plant and equipment	16	16
Capital expenditures, net	**(915)**	**(843)**
Free cash flow	**1,017**	**924**
Net cash provided by (used in) operating activities in % of revenue	**12%**	**11%**
Free cash flow in % of revenue	**6%**	**6%**

Net cash provided by (used in) operating activities

During 2016 and 2015 we generated net cash provided by operating activities of €1,932 M and €1,767 M, respectively. In % of revenue net cash provided by (used in) operating activities was 12% for the year ended December 31, 2016 compared to 11% the same period of 2015.

Net cash provided by (used in) operating activities is impacted by the profitability of our business, the development of our working capital, principally inventories, receivables and cash outflows that occur due to a number of specific items as discussed below. The increase in 2016 versus 2015 was mainly a result of a decreased volume of health care supplies, particularly due to erythropoietin-stimulating agents as well as increased earnings, partially offset by unfavorable effects from other working capital items and a $100 M (€90 M) discretionary contribution to pension plan assets in the United States.

The profitability of our business depends significantly on reimbursement rates. Approximately 82% of our revenues are generated by providing health care services, a major portion of which is reimbursed by either public health care organizations or private insurers. Legislative changes could affect reimbursement rates for a significant portion of the services we provide, as well as the scope of coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial condition and results of operations and thus on our capacity to generate cash flow. While we have generally experienced stable reimbursement globally, including the balancing of unfavorable reimbursement changes in certain countries with favorable changes in other countries, the stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD PPS in the U.S. in January 2011, (ii) the U.S. Sequestration cuts, (iii) the phased reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis and (iv) the enactment of PAMA, and could be affected by (v) the CMS rule published on November 15, 2016 that modifies certain payment policies, payment rates and quality provisions in the Pyhsician Fee Schedule for calendar year 2017.

We intend to continue to address our current cash and financing requirements using cash provided by operating activities, our existing and future credit agreements, issuances under the Commercial Paper Program (see Note 13 of the Notes to the Consolidated Financial Statements) and the issuance of debt securities. In addition, when funds are required for acquisitions or to meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of senior notes. We aim to preserve financial resources with a minimum of $500 M of committed and unutilized credit facilities.

Net cash provided by (used in) operating activities depends on the collection of accounts receivable. Commercial customers and governments generally have different payment cycles. A lengthening of their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems and due to the economic conditions in some countries. Accounts receivable

balances, net of valuation allowances, represented DSO of 70 at December 31, 2016, a decrease as compared to 71 at December 31, 2015.

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

The development of DSO by reporting segment is shown in the table below:

Development of Days Sales Outstanding		
in days, December 31,	**2016**	**2015**
North America days sales outstanding	54	53
EMEA days sales outstanding	101	104
Asia-Pacific days sales outstanding	105	113
Latin America days sales outstanding	143	141
FMC-AG & Co. KGaA average days sales outstanding	**70**	**71**

The DSO increase in the North America Segment is largely due to a release of bad debt reserves in our dialysis business, which is partially offset by increased bad debt reserves in our Care Coordination business. The EMEA Segment's DSO decrease reflects increased sales in the region coupled with fluctuations in payments of public health care organizations. The Asia-Pacific Segment's DSO decrease reflects an improvement of payment collections in China. The Latin America Segment's DSO increase reflects periodic delays in payment of public health care organizations in certain countries.

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

We are subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions. We have received notices of unfavorable adjustments and disallowances in connection with certain of the audits. We are contesting, including appealing, certain of these unfavorable determinations. If our objections and any final audit appeals are unsuccessful, we could be required to make additional tax payments, including payments to state tax authorities reflecting the adjustments made in our federal tax returns in the U.S. With respect to other potential adjustments and disallowances of tax matters currently under review, we do not anticipate that an unfavorable ruling could have a material impact on our results of operations. We are not currently able to determine the timing of these potential additional tax payments.

Net Cash Provided By (Used In) Investing Activities

We used net cash of €1,246 M and €902 M in investing activities during 2016 and 2015, respectively.

Capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment were €915 M and €843 M for the years ended 2016 and 2015; respectively. During 2016, capital expenditures were €514 M in the North America Segment, €228 M at Corporate, €107 M for the EMEA Segment, €35 M for the Asia-Pacific Segment and €31 M for the Latin America Segment. During 2015, capital expenditures were €433 M in the North America Segment, €235 M at Corporate, €101 M for the EMEA Segment, €42 M for the Latin America Segment and €32 M for the Asia-Pacific Segment. The majority of our capital expenditures were used for maintaining existing clinics, equipping new clinics, maintenance and expansion of production facilities (primarily in the North America Segment, Germany and France) and capitalization of machines provided to our customers and for Care Coordination. In 2016 capital expenditures were approximately 6% of total revenue as compared to 5% in 2015, respectively.

In addition to the capital expenditures discussed above, we invested approximately €522 M cash in 2016, €314 M in the North America Segment, €166 M in the EMEA Segment, €21 M at Corporate, €13 M in the Asia-Pacific Segment and €8 M in the Latin America Segment. The investment during 2016 is primarily related to acquisitions of dialysis clinics, available for sale financial assets, acquisitions in our hospitalist and intensivist business, and a loan provided to an equity method investee in the North America Segment. In the EMEA Segment, we acquired a medical technology

company focusing on the treatment of lung and cardiac failure as well as dialysis clinics. In the Asia-Pacific Segment and Latin America Segment, we acquired dialysis clinics. During 2016, we received €191 M from divestitures, mainly related to available for sale financial assets of approximately €117 M and a repayment of unsecured loans provided to an equity method investee in 2015 and 2016 of approximately €72 M. During 2015, we invested approximately €286 M cash, €206 M in the North America Segment, €49 M in the EMEA Segment, €18 M at Corporate, €12 M in the Asia-Pacific Segment and €1 M in the Latin America Segment. The investment in the North America Segment was mainly driven by available for sale financial assets, the acquisition of dialysis clinics and notes receivables related to an equity method investee. The investment in the EMEA Segment largely relates to the acquisition of dialysis clinics and the contribution to an equity method investee. The investment in the Asia-Pacific Segment was mainly driven by the takeover of a distributor. During 2015, we received €227 M from divestitures, primarily driven by a €162 M repayment of an investment in the form of subordinated notes, €29 M related to the sale of our European marketing rights for certain renal pharmaceuticals, €19 M repayment of an unsecured loan provided to an equity method investee in 2014, as well as €8 M from the sale of our plasma collection device manufacturing business to Fresenius Kabi USA, Inc. (see Note 5 of the Notes to the Consolidated Financial Statements).

We anticipate capital expenditures of €1.1 – 1.2 BN and expect to make acquisitions of approximately €0.75 BN in 2017. See Chapter D “Report on expected developments” below.

Net Cash Provided By (Used In) Financing Activities

Net cash used in financing activities was €520 M during 2016 compared to €907 M during 2015.

During 2016, cash was mainly used for the repayments of long-term debt and capital lease obligations, repayments of short-term debt, distributions to noncontrolling interests as well as payment of dividends, partially offset by proceeds from short-term debt and the increase in the utilization of our Accounts Receivable Facility. During 2015, cash was mainly used for repayments of long-term debt, repayments of short-term debt, a reduction in the Accounts Receivable Facility, distributions to noncontrolling interests and the payment of dividends, partially offset by proceeds from short-term debt, proceeds from the exercise of stock options, contributions from noncontrolling interests, and proceeds from short-term debt from related parties.

On May 13, 2016, we paid a dividend with respect to 2015 of €0.80 per share (for 2014 paid in 2015: €0.78). The total dividend payment was €244 M and €237 M in 2016 and 2015, respectively.

The following table summarizes our significant financing instruments as well as their maturity, currency and interest rate structure at December 31, 2016:

Interest Rate Exposure

in € M

	2017	2018	2019	2020	2021	There-after	Total	Fair Value Dec. 31, 2016
FLOATING RATE U.S. DOLLAR DEBT								
Principal payments on Senior Credit Agreement								
Variable interest rate = 2.15%	190	190	1,622	-	-	-	2,002	2,000
Accounts receivable securitization program								
Variable interest rate = 1.00%	-	-	166	-	-	-	166	166
FLOATING RATE EURO DEBT								
Principal payments on Senior Credit Agreement								
Variable interest rate = 1.25%	24	24	204	-	-	-	252	249
FIXED RATE U.S. DOLLAR DEBT								
Senior Notes 2007/2017;								
Fixed interest rate = 6.875%	474	-	-	-	-	-	474	487
Senior Notes 2011/2018;								
Fixed interest rate = 6.50%	-	379	-	-	-	-	379	402
Senior Notes 2011/2021;								
Fixed interest rate = 5.75%	-	-	-	-	617	-	617	667
Senior Notes 2012/2019;								
Fixed interest rate = 5.625%	-	-	759	-	-	-	759	807
Senior Notes 2012/2022;								
Fixed interest rate = 5.875%	-	-	-	-	-	664	664	728
Senior Notes 2014/2020;								
Fixed interest rate = 4.125%	-	-	-	474	-	-	474	490
Senior Notes 2014/2024;								
Fixed interest rate = 4.75%	-	-	-	-	-	379	379	387
FIXED RATE EURO DEBT								
Senior Notes 2011/2018								
Fixed interest rate = 6.50%	-	400	-	-	-	-	400	442
Senior Notes 2011/2021								
Fixed interest rate = 5.25%	-	-	-	-	300	-	300	353
Senior Notes 2012/2019								
Fixed interest rate = 5.25%	-	-	250	-	-	-	250	281
Equity-Neutral Convertible Bonds 2014/2020								
Fixed interest rate = 1.125%	-	-	-	400	-	-	400	502
INTEREST RATE DERIVATIVES								
Euro Payer Swaps Notional Amount	24	24	204	-	-	-	252	(1)
Average fixed pay rate = 0.32%	0.32%	0.32%	0.32%				0.32%	
Receive rate = 3-month EURIBOR								

All variable interest rates depicted above are as of December 31, 2016.

For a description of our short-term debt see Note 13 of the Notes to the Consolidated Financial Statements. For a description of our long-term sources of liquidity, including the 2012 Credit Agreement, the Senior Notes, the equity-neutral convertible bonds and the Accounts Receivable Facility, see Note 14 of the Notes to the Consolidated Financial Statements.

The following table summarizes our available sources of liquidity at December 31, 2016:

Available Sources of Liquidity

in € M

		Expiration per period of			
	Total	less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Accounts Receivable Facility [1]	578	-	578	-	-
Revolving Credit Facility of the Amended 2012 Credit Agreement [2]	1,336	-	1,336	-	-
Other Unused Lines of Credit	230	230	-	-	-
	2,144	**230**	**1,914**	**-**	**-**

(1) Subject to availability of sufficient accounts receivable meeting funding criteria. At December 31, 2016, the Company had letters of credit outstanding in the amount of $16 M (€15 M) which reduces the availability under the Accounts Receivable Facility to the amount shown in this table.

(2) At December 31, 2016, the Company had letters of credit outstanding in the amount of $3 M (€3 M) which reduces the availability under the Revolving Credit Facility to the amount shown in this table.

An additional source of liquidity is our Commercial Paper Program under which up to €1,000 M of short-term notes can be issued on a flexible and continuous basis. The maturity of the notes issued may not exceed two years less one day. As of December 31, 2016 €476 M was outstanding under the Commercial Paper Program.

The amount of guarantees and other commercial commitments at December 31, 2016 was not significant.

At December 31, 2016, we had short-term debt, excluding the current portion of long-term debt, and short-term debt from related parties in the total amount of €575 M.

The following table summarizes, as of December 31, 2016, our obligations and commitments to make future payments under our long-term debt and other long-term obligations, and our commitments and obligations under lines of credit and letters of credit.

Contractual Obligations and Commitments[1]

in € M

		Payments due by period of			
	Total	less than 1 Year	1-3 Years	3-5 Years	Over 5 Years
Long-term Debt [2]	8,674	1,031	4,512	2,010	1,121
Capital Lease Obligations	54	13	16	9	16
Operating Leases	3,960	702	1,139	828	1,291
Unconditional Purchase Obligations for inventory	419	202	181	36	-
Other Long-term Obligations[3]	177	102	69	6	-
Letters of Credit	18	-	18	-	-
	13,302	**2,050**	**5,935**	**2,889**	**2,428**

(1) Our pension liabilities are not included in the table of contractual obligations and commitments. The regular or special funding of our pension plans may adversely affect our liquidity in the future periods. The liability recognized in our consolidated financial statements may fluctuate significantly in future periods due to changes in assumptions, in particular the discount rate, rate of future compensation increases and pension progression. Actual results could differ from assumptions due to changing market, economic and governmental regulatory conditions, thereby resulting in an increase or decrease of the liability. Employer contributions expected to be paid to the defined benefit plans during fiscal year 2017 are €1,1 M. For additional information regarding our pension plans and expected payments for the next ten years, see Note 16 of the Notes to Consolidated Financial Statements.
(2) Includes expected interest payments which are based upon the principal repayment schedules and fixed interest rates or estimated variable interest rates considering the applicable interest rates (e.g. Libor, Prime), the applicable margins, and the effects of related interest rate swaps.
(3) Other Long-term Obligations consist mainly of production asset acquisition commitments.

Our Amended 2012 Credit Agreement, the Senior Notes and the Accounts Receivable Facility include covenants that require us to maintain certain financial ratios or meet other financial tests. Under our Amended 2012 Credit Agreement and our Accounts Receivable Facility, we are subject to a maximum consolidated leverage ratio (ratio of consolidated funded debt less cash and cash equivalents to consolidated EBITDA) as these terms are defined in these financing agreements. Other covenants in one or more of each of these agreements restrict or have the effect of restricting our ability to dispose of assets, incur debt, pay dividends, create liens or engage in sale-lease backs.

The breach of any of the covenants in any of the instruments or agreements governing our material long-term debt – Amended 2012 Credit Agreement, the Senior Notes or the Accounts Receivable Facility – could, in turn, create additional defaults under one or more of the other instruments or agreements. In default, the outstanding balance under the Amended 2012 Credit Agreement becomes due at the option of the lenders under that agreement, and the "cross default" provisions in our other long-term debt permit the lenders to accelerate the maturity of the other debt upon such a default as well. As of December 31, 2016, we were in compliance with all covenants under the Amended 2012 Credit Agreement and our other financing agreements. For information regarding our Amended 2012 Credit Agreement, the Senior Notes and the Accounts Receivable Facility, see Note 14 of the Notes to Consolidated Financial Statements.

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

Our General Partner's Management Board will propose to the shareholders at our Annual General meeting on May 11, 2017, a dividend with respect to 2016 and payable in 2017, of €0.96 per share (for 2015 paid in 2016: €0.80). The total expected dividend payment is approximately €294 M compared to dividends of €244 M paid in 2016 with respect to 2015. The Amended 2012 Credit Agreement provides for a limitation on dividends and other restricted payments which is €440 M in 2017 and increases in subsequent years. Additional dividends and other restricted payments may be made subject to the maintenance of a maximum leverage ratio.

Our 2017 principal financing needs are the repayment of Senior Notes and the quarterly payments under our Amended 2012 Credit Agreement Term Loan. These payments as well as our dividend payment of approximately €294 M in May 2017 and the anticipated capital expenditures and acquisition payments are expected to be covered by our cash flows, by using existing credit facilities and if required by additional debt financing. We currently have sufficient flexibility under our debt covenants to meet our financing needs in the near future. Generally, we believe that we will have sufficient financing to achieve our goals in the future and to continue to promote our growth.

Net assets

Net assets and capital structure

Our total assets were €25,504 M, an increase of €2,257 M (10%) over the prior year. At Constant Exchange Rates total assets would have increased by €1,592 M (7%) to €24,838 M.

Non-current assets increased by €1,545 M (9%) to €18,620 M in 2016 and remained stable at 73% of total assets. At Constant Exchange Rates, they would have increased by 6% to €18,105 M compared to prior year. This was primarily a result of the increase in goodwill due to business combinations and the increase in capital expenditures.

Current assets increased by 12% to €6,884 M (an increase of 9% at Constant Exchange Rates). The increase at Constant Exchange Rates was mainly the result of an increase in trade accounts receivable, an increase in cash and cash equivalents and higher inventories due to increased finished goods.

On the liability side of the balance sheet our total liabilities were €14,452 M at December 31, 2016, an increase of €1,011 M (8%) from €13,441 M in 2015. At Constant Exchange Rates, total liabilities would have increased by 5%. This increase at Constant Exchange Rates was mainly a result of higher short-term debt, an increase of provisions and other current liabilities due to higher noncontrolling interests subject to put provisions and higher accrued expenses for salaries and wages, an increase in accounts payable to related parties and an increase in current portion of long-term debt, partially offset by a decrease of long-term debt. Additionally, there is an increase in non-current provisions and other non-current liabilities due to higher payments outstanding for acquisitions and higher accrued expenses for salaries and wages.

€1,299 M of our debt are current liabilities, an increase of €570 M (€556M at Constant Exchange Rates) as compared to €729M last year. The increase was mainly a result of the issuance of Commercial Paper and the reclassification of dollar-denominated Senior Notes to current liabilities as these notes mature during the third quarter of 2017. This was partially offset by the repayment of euro-denominated Senior Notes that matured in the third and fourth quarter of 2016. Long-term debt decreased to €6,833 M from €7,214 M in the prior year, a decrease by €381 M (€549 M at Constant Exchange Rates). This decrease at Constant Exchange Rates was mainly a result of the reclassification of dollar-denominated Senior Notes to current liabilities and the quarterly repayment of the Amended 2012 Credit Agreement. The decrease was partially offset by additional drawings under the Accounts Receivable Facility. See also Note 14 of the Notes to the Consolidated Financial Statements.

Shareholders' equity increased by 13% to €11,051 M. The change is mainly due to the net income, effects of exchange rate fluctuations and proceeds from exercised stock options. This increase was partially offset by dividend payments and the valuation of noncontrolling interests subject to put provisions at fair value. The equity to assets ratio increased to 43% at December 31, 2016 from 42% at December 31, 2015.

On group level the ROIC increased from 7.1% at December 31, 2015 to 7.8% at December 31, 2016. Within the position invested capital the goodwill had a significant impact on the calculation of the ROIC. In 2016 the ROIC on group level substantially exceeded our cost of capital. The Weighted Average Cost of Capital was 5.5%.

For supplementary information on capital management and capital structure see also Note 18 of the Notes to the Consolidated Financial Statements.

The Management's general assessment

In 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 to grow. 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 lower cost for health care supplies and by strong organic growth in the area of health care services in North America. More information can be found in chapter B. Report on economic position, section II. Course of business.

In 2016, we also continued to expand Care Coordination. This expansion 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. In our core business and with the expansion of Care Coordination, we have been preparing for this switch for some time to ensure that we have the requisite structures in place. With our many years of experience in the dialysis market, we are uniquely placed to use this development as a long-term opportunity.

To boost our profitability in the years ahead, we continued to pursue our Global Efficiency Program in 2016, making further cost savings. By the end of the fiscal year, we actually exceeded our target of achieving savings of $300 M before tax.

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, preserving and expanding production capacity, continuing to set up Care Coordination, and providing dialysis machines to customers.

In 2016, at Group level, we defined return on invested capital (ROIC) as a new key performance indicator for assessing our corporate development. ROIC was 7.8% as of December 31, 2016. When 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%.

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.

At the time this Group Management Report was prepared, the Management Board continued to assess the development of the Company as positive.

C. Report on post-balance sheet date events

Please refer to Note 27 of the Notes to the Consolidated Financial Statements.

D. Report on expected developments

The Management's general assessment

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 report on expected developments describes how Fresenius Medical Care is expected to perform in fiscal year 2017. The report on expected developments takes all events known at the time of the preparation of the financial statements into account which could affect the development of our business in 2017. As in the past, we are committed to achieve and, if possible to exceed our targets.

Sector-specific environment – Dialysis market

For 2017 the Company expects the worldwide annual growth in the number of dialysis patients to be about 6%. Some significant regional differences are likely to remain: the Company anticipates a growth in patient numbers in the U.S., Japan and Western and Central Europe of 0 to 4%. In these regions, the prevalence of chronic kidney failure is already relatively high and patients generally have readily available access to treatment, usually dialysis. Growth rates in economically weaker regions are even higher. We expect a continuing growth in patient numbers in the coming years as well.

Demographic factors are one of the main reasons for the continued growth of dialysis markets, including the aging population and the increasing incidence of patients with diabetes and hypertension, two diseases that often precede ESRD. In addition, life expectancy of dialysis patients is increasing due to continual improvements in treatment quality and higher standards of living, even in developing countries.

As a result of improved infrastructure, the establishment of health care systems and the expansion of chronic disease in Asia-Pacific, Latin America, Eastern Europe, the Middle East and Africa we expect higher dialysis growth rates in the future. This opens up a great potential for the whole spectrum of dialysis services and products, as a large part of the world's population lives in these regions.

We do not expect any significant changes regarding treatment methods. Hemodialysis will remain the treatment of choice, 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%. This is based on the assumption that exchange rates will remain stable in the forecasting period. The overall volume of the dialysis market could thus reach around $79 BN by 2017.

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

Business Performance of the Company in 2017

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 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 – 50 M.

Revenue

We aim to further increase our revenue at constant exchange rates by 8 - 10% in 2017.

Results

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

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 – 9% in 2017.

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

Capital Expenditures and Acquisitions and Investments

In 2017 we intend to spend around €1.85 – 1.95 BN for capital expenditures and acquisitions and investments. Capital expenditures should account for €1.1 – 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 bold-on acquisitions and equity investments in health care.

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

In 2017 net cash provided by operating activities in percent of revenue is again expected to account for more than 10% of revenue.

In 2017 free cash flow in percent of revenue is again expected to account for more than 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 better than 2.5.

Rentability

We expect an improvement in ROIC from 7.8% in 2016 to at least 8.0%.

Non-financial performance indicators

Employees

Due to the anticipated expansion in business, we expect the number of employees to grow in all regions in 2017, particularly for health care. By the end of 2017 the number of employees working for Fresenius Medical Care is estimated to increase to more than 117,000 (full-time equivalents).

Research and development

In 2017 our target is to spend for research and development €150 - 160 M. The number of personnel concerned (currently 794 full-time equivalents) should not change significantly.

The expected developments might be negative influenced by unfavorable developments. See also risks with potential effect on the 1 year forecast in the report on risks and opportunities (Chapter E., Part II).

The following table provides an overview of the Targets:

Targets 2017 - determined in euro based on IFRS

	Results 2016	Targets 2017
Revenue[1]	€16.6 BN	Growth 8 - 10% (at Constant Exchange Rates)
Operating income[1]	€2.4 BN	Growth ≥ revenue growth
Delivered EBIT[1]	€2.1 BN	Growth ~ revenue growth
Net income[2]	€1.1 BN	
Net income growth[1],[2]		7 - 9% (at Constant Exchange Rates)
Basic earnings per share growth[1],[2]		based on development of net income
Capital Expenditures	€0.9 BN	€1.1 - 1.2 BN
Acquisitions and investments	€0.3 BN	~ €0.75 BN
Net cash provided by (used in) operating activities in % of revenue	11.7%	> 10%
Free cash flow in % of revenue	6.1%	> 4%
Debt/EBITDA Ratio	2.6	< 2.5
ROIC	7.8%	≥ 8.0%
Employees[3]	109,319	> 117,000
Research and development expenses	€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) Net income attributable to shareholders of FMC-AG & Co. KGaA

(3) Full-time equivalents

Growth strategy 2020

In 2014 we set ourselves new long-term targets with our growth strategy 2020 („Vision 2020"). This growth strategy expressed a goal to increase revenues to $28 billion, in accordance with U.S. GAAP, by fiscal year 2020. In accordance with IFRS in euro, this revenue goal would be €21 billion by fiscal year 2020 utilizing the currency exchange rates at the time Vision 2020 was presented in April 2014. At currency rates prevailing at the beginning of 2017, this vision represents revenue of €24 billion 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.

E. Report on risks and opportunities

Risk and opportunities management

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

The Company sees risk management as the ongoing task of determining, analyzing and evaluating the spectrum of actual and potential risks within the Company's operations and its environment, and, where possible, taking corrective measures. The risk management system, which is described in more detail below, provides the Company with a basis for these activities. It enables management to identify risks that could jeopardize the Company's growth or going concern, and to take steps to minimize any negative impact. As such, it is an important component of the Company's management and governance.

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

I. Risk management

1. Risk management system

Risk management is part of the Company's integrated management system. The main objective is to identify potential risks as early as possible to assess their impact on the business activities and, where necessary, to take appropriate countermeasures. Due to constantly changing external as well as internal requirements and conditions, risk management at Fresenius Medical Care is continuously evolving. In the past financial year, Group-wide risk management began 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 structure of the internal risk monitoring system is based on the internationally recognized framework for company-wide risk management, the "Enterprise Risk Management - Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Opportunities are not covered by the implemented risk management system.

As part of the risk monitoring system, regional risk coordinators assume the task of coordinating risk management activities within the regions and selected functions with the help of risk management software. These activities relate to existing and potential emerging short-term as well as mid-term risks. In addition, risk coordinators are responsible for reporting risks to the regional or function finance boards. Twice a year, the central risk management function collects risk management reports from the regions and functions. These reports are analyzed, consolidated and communicated to the executive management board. The focus during this process lies on significant risks, which are above a defined threshold.

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

The organizational structure of risk management at Fresenius Medical Care as well as the previously described processes are shown in the following overview:

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

Part of the risk management system is the Global Internal Audit department, which is regularly informed about the results of the risk management system. This department determines risk focus areas and audits a selected number of Company departments and subsidiaries worldwide each year. The department works according to internationally accepted standards of the Institute of Internal Auditors (IIA). The scope of internal auditing is widespread and involves, among others, the efficiency of controls over business processes, the reliability of special parts of financial reporting and compliance with accounting regulations and internal policies. The Company's locations and units to be audited are determined annually on the basis of a selection model taking various risks into consideration. This annual audit plan is reviewed and approved by the Management Board and the Audit and Corporate Governance Committee of the Supervisory Board. It comprises financial audits of individual balance sheet positions, as well as full audits of all business processes of subsidiaries or business units. All audit reports with material observations are presented to the Management Board. The Global Internal Audit department is also responsible for monitoring the implementation of measures documented in the reports. The Management Board is informed about the implementation status on a quarterly basis. The Audit and Corporate Governance Committee of the Supervisory Board is also informed of the audit results. In 2016, a total of 49 audits were carried out at the Company's various worldwide sites.

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

2. Internal control and risk management system for the Group's accounting process

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

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

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

Furthermore, the Company has implemented comprehensive quality management systems and a compliance program, which is monitored regularly, in all of its regions with the intention to ensure that its business activities are in line with recognized standards as well as local laws and regulations. Monitoring compliance is a management task at all the Company's decision-making levels. 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. It encourages the employees worldwide to conduct themselves in a professional and responsible manner at all times.

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

To assess the effectiveness of the internal control system over financial reporting, the Company applies the criteria of the COSO model. This was developed by the Committee of Sponsoring Organizations of the Treadway Commission and is recognized as a standard by the Securities and Exchange Commission ("SEC"). In accordance with the COSO model, the internal control system over financial reporting is divided into the five components: control environment, risk assessment, control activities, information and communication, as well as the monitoring of the internal control system. Each of these components is regularly documented, tested and assessed. Within the revised COSO model, the before mentioned components are explained by 17 principles, which are supported by 85 points of focus. The Company aligned its internal controls to fulfil the requirements of the COSO model.

The Company's review of the internal control system over financial reporting complies with a specific SEC guideline (Commission Guidance Regarding Management's Report on Internal Control Over Financial Reporting under Section 13(a) or 15(d) of the Securities Exchange Act of 1934). For the review, the Company uses software which takes into account the definitions and requirements of this guideline. In a first step, regional project teams coordinate the assessment of the internal control system in each region, after which the results are consolidated for the whole Group. Based on this, management then evaluates the effectiveness of the internal control system for the current fiscal year. External advisers are consulted as needed. A corporate steering committee meets several times a year to review changes and new requirements of SOX, to discuss possible control deficiencies, and derive further measures. In addition, in its meetings, the Audit and Corporate Governance Committee of the Supervisory Board is informed regularly of the results of management's assessment.

As at December 31, 2016, management assessed the Company's internal control system over financial reporting and deemed it effective.

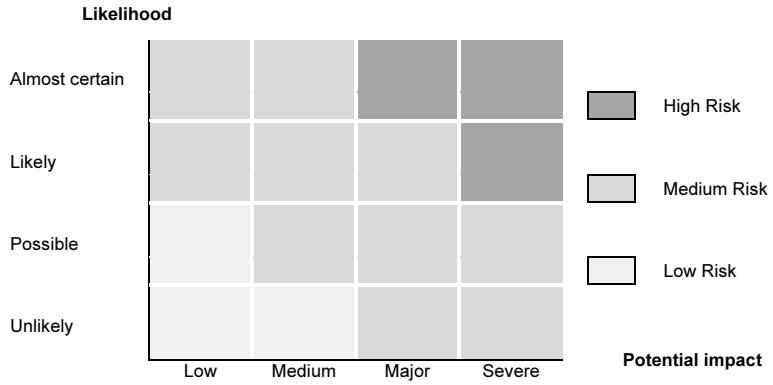
Internal control systems over financial reporting are subject to inherent limitations, no matter how carefully they are designed. As a result, there is no absolute assurance that financial reporting objectives can be met, nor that misstatements will always be prevented or detected.

II. Risks

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 (1 year forecast), risks can also be assessed in terms of a mid-term impact within the subsequent 5 years. The scales for classification of potential impact and likelihood as well as their localization within the risk matrix are depicted in the two following illustrations:

Potential impact	Description of impact	Classification	Likelihood
Severe	Material negative impact	**Almost certain**	> 90% to 100%
Major	Significant negative impact	**Likely**	> 50% to 90%
Medium	Moderate negative impact	**Possible**	> 10% to 50%
Low	Small negative impact	**Unlikely**	0% to 10%



1. Sector-specific risks

a) Regulatory environment, quality

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

- the quality, safety and efficacy of medical and pharmaceutical products and supplies;
- 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 and
- compensation of medical directors and other financial arrangements with physicians and other referral sources.

If the Company fails to comply with one or more of these laws or regulations, this may give rise to a number of legal consequences. These include, in particular, loss or suspension of governmental certifications, loss or suspension of licenses under the laws of governmental authority from which we

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

A number of the health care businesses in the U.S., that the Company operates is owned, or managed, by joint ventures in which one or more hospitals, physicians or physician practice groups hold an interest. While the Company has structured its joint venture arrangements with physicians to comply with many of the criteria for safe harbor protection under the federal and state Anti-Kickback Statutes, its investments in these joint venture arrangements do not satisfy all elements of such safe harbor. If one or more of its joint ventures were found to be in violation of the Anti-Kickback Statute or the Stark Law, the Company could be required to restructure or terminate them. The Company also could be required to repay to Medicare amounts received by the joint ventures pursuant to any prohibited referrals, and the Company could be subject to monetary penalties and exclusion from Medicare, Medicaid and other federal and state health care programs. Imposition of any of these penalties could have a material adverse effect on its business, results of operations and financial condition. In 2015, we received a subpoena from the U.S. Attorneys for Colorado and New York requesting information pertaining to certain of our joint venture dialysis facilities. For details, reference is made to Note 22 of Notes to Consolidated Financial Statements.

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

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

b) U.S. federal health care programs

In fiscal year 2016, the Company derived approximately 33% of its worldwide revenue from Medicare and Medicaid reimbursements i.e. reimbursements from U.S. federal health care benefit programs. Consequently, changes in legislation or reimbursement practices regarding e.g. the End-Stage Renal Disease Prospective Payment System, the Physician Fee Schedule, the Clinical Laboratory Fee Schedule, and the Ambulatory Surgical Center Payment System could influence the volume of Medicare and Medicaid reimbursements for services provided and the insurance coverage. A decrease in Medicare or Medicaid reimbursement rates or covered services could result in a significant reduction in revenue and operating profit.

Parts of our health care services are reimbursed within the Medicare end stage renal disease ("ESRD") prospective payment system ("ESRD PPS"). The ESRD PPS's quality incentive program ("QIP"), affects Medicare payments based on performance of each facility on a set of quality measures. Dialysis facilities that fail to achieve the established quality standards have payments for a particular year reduced by up to 2 percent, based on a prior year's performance. CMS updates the set of quality measures each year, adding, revising or retiring measures. A material failure by the Company to achieve the minimum client quality standards under the QIP could materially and adversely affect its business, financial condition and results of operations.

As part of our business we provide our products and services within diverse health care initiatives and models which, besides advantages, also carry risks.

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 such as the "Bundled Payments for Care Improvement" (BPCI) program, the "Comprehensive ESRD Care initiative" of the CMS, and the "Medicare Advantage chronic special needs plans" ("MA-CSNP"), as well as remuneration agreements with insurers under which the Company receives a fixed

remuneration to cover all, or a defined amount of treatment costs, for a defined quantity of patients. (Details and detailed descriptions of the above mentioned and other programs in which the Company participates can be found in the report under Chapter A. Part V. Quality management and Chapter B. Part I. Macroeconomic and sector-specific environment.)

Under the BPCI, we can receive additional payments if we are able to deliver quality care at a cost that is lower than certain established benchmarks, but also have the risk of incurring financial penalties if we are not successful in doing so. Should we fail to perform as required under the BPCI initiative and our agreement with CMS, CMS may, among other remedies, terminate our right to participate in the BPCI program, in whole or in part. Congress is expected to consider repeal or revision of the Affordable Care Act (“ACA”), and the position of CMS in the current U.S. administration toward projects of this sort may differ from that under the prior U.S. administration. Such changes may affect the project’s future prospects in ways which we cannot predict.

Under CMS's new Comprehensive ESRD Care Model ("the Model"), dialysis providers and physicians can form entities known as ESRD Seamless Care Organizations, or "ESCOs," as part of a new payment and care delivery model that seeks to deliver better health outcomes for ESRD patients while lowering CMS's costs. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS's cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and reimburse CMS a share of any such increases. This project was also implemented under ACA authority and is subject to the same caveat noted above.

We have also entered into sub-capitation and other shared savings arrangements with certain payors to provide care to Medicare Advantage ESRD patients. Under these arrangements, a baseline per patient per month amount is established. If we provide complete care for less than the baseline, we retain the difference. If the cost of complete care exceeds the baseline, we owe the payor the difference.

Regarding the MA-CSNP the premiums we charge and our bids are based on our estimates of future medical costs over the fixed contract period. Nevertheless many factors may cause actual costs to exceed those estimated and reflected in premiums or bids. These factors may include medical cost inflation, increased use of services, increased cost of individual services, natural catastrophes or other large-scale medical emergencies, epidemics, the introduction of new or costly drugs, treatments and technology, new mandated benefits (such as the expansion of essential benefits coverage) or other regulatory changes and insured population characteristics. Failure to adequately price our products or estimate the costs of providing benefits to our beneficiaries, or effectively manage our operating expenses, may result in a material adverse effect on our results of operations, financial position, and cash flows. There is also the possibility that MA-CSNP will not be re-authorized by Congress. Without Congressional action, these plans will expire on December 31, 2018. If the Special Needs plans are not re-authorized, our insurance business financial results could be materially and adversely impacted.

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

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

We cannot give any assurance that we will achieve the cost savings required or contemplated by these programs, which could have a material adverse effect on our operating results.

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

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.

c) Erythropoietin stimulating agents (ESAs)

Under the ESRD PPS payment for ESAs is generally included in the bundled rate; previously, it was reimbursed separately. An interruption of supply of ESAs, or material increases in the utilization of or acquisition costs for ESAs could materially adversely affect the Company's business, financial condition and results of operations.

Adverse effects caused by short-term supply interruptions can be compensated by a distribution of our ESA inventories between individual hospitals based on individual demands. Furthermore a supply interruption could be limited by the fact that ESAs are sold in various forms and products, which can be used for substitution purposes for currently used forms and products. In addition we conduct intensive monitoring of the use of ESAs and its impact on the quality of treatments. Contractual arrangements are used to mitigate a substantial increase in the cost of ESAs.

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 erythropoietin-stimulating substances present a low risk for the Company.

d) Reimbursement by private insurers

In the U.S. a portion of the dialysis treatments is reimbursed by private insurers and integrated care organizations; these reimbursements are in general higher than the reimbursements of the public health care systems. If these payors succeed in lowering reimbursement rates in the USA or if the portion of reimbursements by private insurers in general drops, this could result in a significant reduction in Company revenue and operating profit. In addition, consolidation among private insurers may have any adverse impact on our ability to negotiate commercially reasonable rates with such insurers.

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

A portion of our privately insured patients in the U.S., who depend on charitable support to cover insurance contributions, may be forced to switch to state health insurance in the near future. If the recent efforts to limit or abolish this usage of charitable funds in the US are successful, 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.

e) Health care reforms

A number of governments have been considering proposals to modify their current health care systems to improve access to health care and to control costs. Policymakers in several countries are also considering reforms that could change the methodology used to reimburse providers of health care services.

Any decrease in spending or other significant changes in state funding in countries in which the Group operates, especially significant changes in the U.S. Medicare and Medicaid programs, could reduce the Company's revenue and profitability and have a material adverse effect on its business, financial condition and results of operations.

The current U.S. administration has publicly announced its intention to pursue significant changes to existing health care insurance programs. In addition, proposals to restructure the Medicare program in the direction of a defined-contribution, "premium support" model and to shift Medicaid funding to a block grant or per capita arrangement, with greater flexibility for the states, may also be considered. Changes of this nature could have significant effects on our businesses, but, due to the continued uncertainty about the implementation of the ACA, including potential further legal challenges to or significant modifications to or repeal of that legislation, the outcomes and impact of such changes on our business, financial condition and results of operations are currently impossible to quantify or predict.

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

2. Risks relating to the Company's business

a) 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

b) Competitors

The Company faces numerous competitors in both its health care services and dialysis products business. Technological innovation has historically been a significant competitive factor in the dialysis products business. The introduction of new products by competitors could render one or more of the Company's products or services less competitive or even obsolete and thus materially adversely affect the future pricing and sale of its products and services. This also includes the launch by competitors of generic drugs or pharmaceuticals protected by patents, which could affect the Company's sales and distribution of pharmaceuticals for which, to some extent, the Company is obligated to make certain minimum annual royalty payments.

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

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

c) Research and Development

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

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

d) Referral practices

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

In the mid-term, the risk associated with referral practices represents a low risk to the company.

e) Patents

One of the typical patent risks faced by the Company is inadequate protection in the form of patents for technologies and products developed by the Company. This means that competitors could copy

the Company's products without incurring comparable development costs. In addition, the Company could infringe the patent of a competitor and thus be liable for damages; this could result in a ban on the Company further selling the affected product. An inadequate protection of the Company's patents could have an adverse impact on the Company's financial condition and results of operations.

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

f) Procurement

The Company's purchasing strategy is aimed at developing partnerships with strategic suppliers through long-term contracts and at the same time ensuring that it has 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 in spite of its purchasing strategy in combination with ongoing monitoring of market developments, this could result in delays in production and hence have an adverse effect on the Company's results of operations. Similarly, price increases by suppliers could also adversely affect the Company's results of operations.

To prevent loss of suppliers, we monitor our supplier relationships on a regular basis. Suppliers which are integral to our procurement functions are subject to performance- and risk-analyses. Through constant market analyses, a demands-based design of supplier-relationships and -contracts, as well as the use of financial instruments, possible price increases can be partially mitigated. We benefit from international price advantages and are able to mitigate procurement risks associated with currency fluctuations or with a dependency on individual suppliers through the intensive regional cooperation of our procurement teams.

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

g) Personnel

The Company's continued growth in the health care business will depend upon the ability to attract and retain skilled employees, such as highly skilled nurses and other medical personnel. Competition for those employees is intense and the current nursing shortage has increased the Company's personnel and recruiting costs. Moreover, the Company considers that future success in the provider business depends on the ability to attract and retain qualified physicians to serve as employees of or consultants to the Company's health care services businesses. The Company's dialysis products business depends on the development of new products, technologies and treatment concepts to be competitive. Competition is also intense for skilled engineers and other technical research and development personnel. If the Company is unable to recruit and retain qualified personnel, this could have an adverse impact on its ability to manage future growth and on new or continued product development and hence have an adverse impact on our profitability.

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

h) Corruption

The Company with its decentralized system has thousands of persons employed by many affiliated companies. Training, oversight and compliance programs cannot assure protection from deliberate, reckless or inadvertent acts of employees that violate the Company's compliance policies or anti-corruption laws. Such violations could disrupt the Company's business and result in a material adverse effect on results of operations or financial condition.

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 investigation and dialogue with the SEC and DOJ are ongoing. The Company has received a subpoena from the SEC requesting additional documents and a request from the DOJ for copies of the documents provided to the SEC. The Company is cooperating with the requests.

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

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

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

i) Information technology

As the Company continues to grow in size and introduces more international operations, the processes within the Company are increasingly complex. Accordingly, it is more and more dependent on information and communication technologies and -systems to structure its processes and harmonize them between different regions. A breakdown of these systems could temporarily lead to standstill of extensive parts of our business and consequently cause heavy damages. By loss of sensitive data or non-compliance with data protection related laws, regulations and standards, our position in competition, our reputation as well as our whole business could be threatened. Hence, The Company uses continuously updated and newly developed hardware and software to prevent potential security risks in the area of information technology ("IT"). Using its Information Security Management System ("ISMS"), which is based on the internationally recognized security standard ISO 27002, the security guidelines and processes within the Company are enhanced continuously. Business data is backed up regularly. The frequency of these backups depends on how important the respective IT system is for the Company's business. Potential IT risks are covered by a detailed disaster recovery plan, which is regularly tested and improved. The Company operates three data centers at geographically separate locations, each with an associated disaster recovery plan, to maximize the availability and data security of its IT systems. A mirrored infrastructure that creates a copy of critical systems is in use.

In order to minimize organizational risks, manipulation and unauthorized access, access is protected by passwords that must be changed regularly. Moreover, Company guidelines relating to data protection, which also regulate the assignment of access rights, must be considered. Compliance is monitored with controls including those relating to Section 404 of SOX. Operational and security audits are carried out every year both internally and by external auditors.

Associated with the increased integration of IT systems into business processes the possibility exists, that cyber-attacks can penetrate internal or external systems, cause damage or gain sensitive information. The existing IT security architecture with different layers of security measures protects the systems in our data centers. The access to sensitive or critical data from outside of the secured data center networks is protected by the usage of secure protocols and cryptographic measures. Besides that, annual penetration tests for applications with critical data (e.g. patient or personnel data) are conducted.

Risks associated with information technology represent a medium risk to the Company; both in the short-term as well as in the mid-term.

3. Other risks

a) Liquidity and financing

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

At December 31, 2016 respectively December 31, 2015, the Group had financial debt of €8.13 BN respectively €7.94 BN. The Company's credit agreements and notes include covenants that that require maintaining certain financial ratios or meeting other financial tests. The covenants also restrict the Company's ability to dispose of assets, incur debt, pay dividends and other restricted payments, create liens or make investments or acquisitions. The breach of any of the covenants could result in a default and acceleration of payments of the indebtedness, which would have an adverse effect on the Company's business, financial condition and results of operations. The Company considers itself able to maintain the required financial ratios at present and in the near future.

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

b) Currencies and interests

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

The Company enters into derivatives, particularly interest rate swaps and to a certain extent, interest rate options to protect against the risk of rising interest rates. These interest rate derivatives are designated as cash flow hedges and have been entered into in order to effectively convert payments based on variable interest rates into payments at a fixed interest rate. The euro-denominated interest rate swaps expire in 2019 and have an interest rate of 0.32%. As of December 31, 2016 respectively December 31, 2015, the notional amount of the euro-denominated interest rate swaps in place was €252 M respectively €376 M.

Derivative foreign currency contracts are entered into for the purpose of limiting the exchange rate exposure from sales and purchases as well as lendings and borrowings between the Company's subsidiaries located in different countries and reporting in different currencies. A large portion of the transaction exposures arise from sales of products from the Company's subsidiaries in the Euro region to other international business units. The aggregate notional amount of foreign currency hedge contracts as of December 31, 2016 was €1,511 M, primarily for hedging Euro exposure to the U.S. dollar and various other currencies. Economic hedges, which are used by the Company, are accounted for as recognized hedges in the consolidated financial statements, when necessary.

The estimation and quantification of transaction risks from foreign currencies is determined according to the statistical model Cash Flow at Risk ("CFaR"). CFaR indicates the maximum amount of a potential loss of the forecasted foreign exchange cash flow of the next twelve months that occurs with a probability of 95%. As of December 31, 2016, the Company's CFaR amounts to €49 M ($52 M).

Further information on market, default and liquidity risks is included in Note 23 of Notes to Consolidated Financial Statements.

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

c) Litigation

Risks associated with litigations are continuously identified, assessed and reported within the Company. The Company is involved in various legal proceedings resulting from its business operations. A negative outcome of these legal proceedings could have an adverse impact on the Company's financial condition and results of operations.

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

For the matters in which the Company believes a loss is both reasonably possible and assessable, an estimate of the loss or range of loss exposure is provided in Note 22 of Notes to Consolidated Financial Statements. For other proceedings the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time.

For details on ongoing proceedings and further information on material legal risks to which the Company is exposed, reference is made to Note 22 of Notes to Consolidated Financial Statements.

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

d) Taxes and import duties

The Company is subject to ongoing tax audits in the U.S., Germany and other jurisdictions. The Company could potentially receive notices of unfavorable adjustments and disallowances in connection with certain of these audits. If the Company is unsuccessful in contesting unfavorable

determinations we could be required to make additional tax payments, which could have a material adverse impact on the results of operations and operating cash flow in the relevant reporting period.

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

Risks associated with taxation represent a low risk to the company, both in the short-term as well as in the mid-term.

Furthermore we could also be exposed to additional or higher taxes or import duties, which restrict the import of our products.

Especially 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, both in terms of chances and risks. An aggregated assessment of the impact of all of these initiatives is not possible at the moment. A special topic within these initiatives is the possible introduction of further import duties on products coming from outside the U.S. 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.

e) International operations

The Company operates dialysis clinics in more than 45 countries and sells a range of equipment, products and services to customers in more than 120 countries. The Company's international operations are subject to a number of risks, including the following:

- The Company could face difficulties in enforcing and collecting accounts receivable under some countries' legal systems
- The Company could be negatively impacted by the ability of certain countries to service their sovereign debt obligations
- Local regulations could restrict the Company's ability to obtain a direct ownership interest in dialysis clinics or other operations
- Political, social or economic instability, especially in developing and newly industrializing countries, could disrupt the Company's operations
- The withdrawal of individual states from federations or multinational agreements and the associated effects on tax, exchange rate, legal, and regulatory conditions could make our activities there more difficult or negatively affect their results

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

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

f) Global economic conditions and disruptions in financial markets

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

The global recovery from the financial crisis continues. This development is accompanied by unexpected interferences like emerging geopolitical conflicts in several regions. Thus, the overall global economic outlook remains uncertain and current economic conditions could adversely affect the Company's business and profitability. Potential decline in revenues may create additional pressures to contain or reduce reimbursements for the Company's services from public payors, including Medicare and Medicaid in the U.S. and other government sponsored programs in the United States and other countries around the world. Increasing job losses or only slow improvement in the unemployment rate in the U.S. may result in a smaller percentage of the Company's patients being covered by an employer group health plan and a larger percentage being covered by lower paying Medicare and Medicaid programs. To the extent that payors are negatively impacted by a decline in the economy, the Company may experience further pressure on commercial rates, a further slowdown in collections and a reduction in the amounts it expects to collect. Devaluation of currencies and worsening

economic conditions, including inflationary cost increases in various markets in connection with deteriorating country ratings also increase the risk of a goodwill impairment, which could lead to a partial or a total goodwill write off in the affected cash generating units. If the global economic conditions continue or worsen, the Company's financial cost could increase, its financial flexibility could be limited and its results of operations could be adversely affected. The Company believes to be well positioned to continue to grow its business while meeting its financial obligations.

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

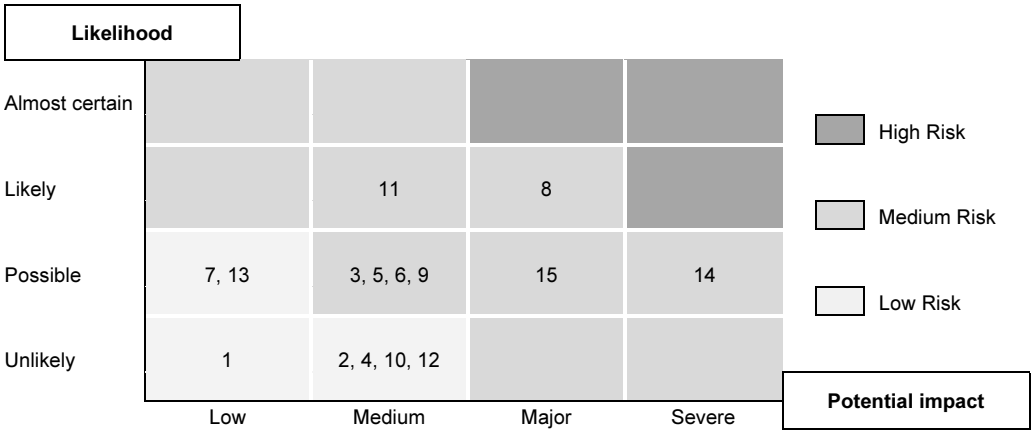
4. Risks with potential effect on the 1 year forecast

Risks with potential effect on the 1 year forecast are shown in the chart below. The risks are illustrated by a cross reference, which refers to the risks described in detail in the report on risks and opportunities. In course of the risk classification, besides quantitative factors, especially qualitative factors are applied. The scales for classification of potential impact and likelihood as well as their localization within the risk matrix are depicted in the following tables:

Potential impact	Description of impact	Classification	Likelihood
Severe	Material negative impact	**Almost certain**	> 90% to 100%
Major	Significant negative impact	**Likely**	> 50% to 90%
Medium	Moderate negative impact	**Possible**	> 10% to 50%
Low	Small negative impact	**Unlikely**	0% to 10%

In detail the risk situation of Fresenius Medical Care related to the 1 year forecast is as follows:

Risks with potential effect on the 1 year forecast



No.	Risks relevant for 2017	Reference to report on risks and opportunities
1	Regulatory environment	II.1.a)
2	Quality	II.1.a)
3	U.S. federal health care programs	II.1.b)
4	Erythropoietin stimulating agents (ESAs)	II.1.c)
5	Reimbursement by private insurers	II.1.d)
6	Health care reforms	II.1.e)
7	Competitors	II.2.b)
8	Corruption	II.2.h)
9	Information technology	II.2.i)
10	Liquidity and financing	II.3.a)
11	Currencies and interests	II.3.b)
12	Litigation	II.3.c)
13	Taxes	II.3.d)
14	U.S. import duties	II.3.d)
15	Global economic conditions and disruptions in financial markets	II.3.f)

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 (14). Furthermore possible changes in the patient structure in the U.S. increase the risk regarding the reimbursement of private insurers (5). Considerations regarding extensive changes in health care systems in which we are operating lead to a higher risk from potentially resulting health care reforms (6).

5. Overall risk position of the Group

The implemented risk management system forms the basis for the assessment of the overall risk position of the Group. The overall risk of Fresenius Medical Care is determined by the individual risks described above. Changes in the risk structure of the Group compared to the previous reporting period occur as stated under point 4. There are currently no risks identified that could endanger the continued existence of Fresenius Medical Care. As part of the enterprise-wide review of the integrated management system, the effectiveness of the risk management system is monitored and where necessary improvements are made. The management board will continue to expand our risk management as well as the review of the related management system to be able to identify, explore and evaluate potential risks more quickly and then initiate appropriate countermeasures. We believe that we have made all necessary organizational steps to recognize potential risks early and to respond appropriately to these.

III. Opportunities management

Opportunities management system

As much of our business is organized regionally, we can identify industry-specific trends and requirements as well as the resultant opportunities in the different regions at an early stage and gear our actions to them. 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. Our analyses focus on general economic, industry-specific, regional and local developments as well as regulatory changes. In addition, close cooperation between our Strategy and Planning departments and the managers of other departments allows us to identify global opportunities as early as possible.

IV. Opportunities

As a vertically integrated dialysis company, Fresenius Medical Care can offer almost all of the products and services that a patient with chronic kidney failure requires for treatment. Our 3,624 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 healthcare. 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.

1. Industry-specific opportunities

a) Patient growth and demographic development

The dialysis market is a growth market that is largely unaffected by macroeconomic influences. According to estimates, the number of people worldwide suffering from chronic kidney failure and requiring dialysis treatment is rising at a relatively constant rate of around 6% annually. It is expected to reach more than 3,2 M patients in 2017 and about 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 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.

b) Changes in legal and political conditions

Whether or not private companies can offer dialysis treatment and in what form 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 looking for solutions with private providers.

One example is Germany, the seventh-largest market worldwide in terms of the number of dialysis patients. We lead the market here with our products. Dialysis clinics 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.

c) Public private partnerships

In some countries, public-private partnerships (PPP) are an attractive business model for Fresenius Medical Care. These are contractually defined project alliances between the public sector and private companies in which both partners share the financing, tasks, risks and opportunities of a project. Our extensive dialysis expertise gives us a competitive edge here, 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 terms agreed. This enables the public sector to care for more patients more effectively and less expensively. The PPP model allows Fresenius Medical Care to tap into new

markets, expand its market share, and extend its range of products and services with new forms of health care.

d) Growing demand for integrated healthcare

Cost pressure and the growing number of patients are resulting in an increase in global demand for a holistic (integrated) health care concept for patients with chronic kidney failure. All health care services and therapies associated with the treatment of a kidney patient are combined to create a holistic program that is 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 the treatment.

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

Beyond our core business with dialysis products and the treatment of dialysis patients, we 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.

2. Opportunities related to our business operations

***a)* New products and technologies**

If patient numbers grow as strongly as anticipated, cost pressure continues to rise, and the capacity of clinics 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.

***b)* Internal organization and procedures**

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 clinics to improve our operating efficiency, for instance by saving resources.

***c)* Capital expenditure and acquisitions**

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

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

d) **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 clinics. 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.

3. Assessment of the opportunities by the management

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.

F. Takeover-related disclosures

Share capital held by the Company's shareholders (excluding treasury shares held by the Company) at December 31, 2016 totals approximately € 306 million, divided into 306,221,840 non-par bearer shares, each arithmetically representing € 1 of the share capital. The total of non-par bearer shares include 47,190 shares issued to Company employees in 2016 in conjunction with a corporate agreement and which are subject to a two-year holding period. In addition to treasury shares which have meanwhile been cancelled as part of a capital reduction measure, the Company also holds 999,951 treasury shares at December 31, 2016 which were acquired on the basis of the authorization – granted at the Company's Annual General Meeting on May 12, 2011 – to acquire treasury shares during the period from May 20, 2013 to August 14, 2013. Treasury shares held correspond to approximately € 1 million or 0.33 % of the Company's share capital. Voting rights may not be exercised on treasury shares. The treasury shares were acquired on the stock exchange via the XETRA trading system in conjunction with a share buyback program. Including treasury shares, the Company share capital therefore amounted to € 307 million at December 31, 2016, divided into 307,221,791 shares. The acquired treasury shares will only be used to reduce the Company's share capital (by cancellation of the relevant shares) or to service employee incentive plans.

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

The General Partner, Fresenius Medical Care Management AG, is responsible for managing and representing the Company. Similarly, it does not participate in the profit or loss or net assets of the Company. The General Partner's management authority also encompasses exceptional management measures, which do not require approval by the shareholders. Vis-à-vis the General Partner, the Company is represented by its Supervisory Board.

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

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

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

As at December 31, 2016, Fresenius SE & Co. KGaA, Bad Homburg v.d. Höhe, Germany holds 94,380,382 shares of the Company, corresponding to 30.72 % holding and hence in excess of 10% of the Company's total share capital. After deduction of treasury shares held by the Company in accordance with § 16 (2) sentence 2 AktG, Fresenius SE & Co. KGaA holds 30.82 % of the Company's voting rights.

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

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

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

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

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

- a conditional increase of up to € 3.374 million. This conditional increase in capital will only be carried out to the extent that convertible bonds were issued in accordance with the International Employee Participation Scheme in accordance with the shareholders' resolutions taken on May 23 2001, May 15, 2007 and May 16, 2013 and the holders of such convertible bonds exercise their conversion rights. With effect from December 2015, no exercisable option or convertible bonds are outstanding.
- a conditional increase of up to € 3.972 million. This conditional share capital increase will only be carried out to the extent that options were issued in accordance with the Stock Option Plan 2006 based on the shareholders' resolutions taken on May 9, 2006 and May 15, 2007, the holders of such options exercise their rights and the Company does not issue any own (treasury) shares to settle the options; in the case of options issued to members of the Managing Board of the General Partner entity, the Supervisory Board of that entity shall be responsible.
- a conditional increase of up to € 11.346 million. This conditional share capital increase will only be carried out to the extent that options were issued in accordance with the Stock Option Plan 2011 based on the shareholders' resolutions taken on May 12, 2011 and May 12, 2016, the holders of such options exercise their rights and the Company does not issue any own (treasury) shares to settle the options; in the case of options issued to members of the Managing Board of the General Partner entity, the Supervisory Board of that entity shall be responsible.

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

A change of control resulting from a takeover offer could, under certain circumstances, have an impact on the Company's long-term financing arrangements, in particular the Credit Agreement 2012, the notes, the equity-neutral convertible bond and the receivables sale program, in which change of control clauses are in place. These clauses, which are customary for the market, give creditors the right to terminate agreements early or call for early repayment of outstanding amounts in the event of a change in control. The right to terminate only exists, however, if the change of control involves the Company's rating or the corresponding financing instrument being downgraded.

G. Corporate Governance Declaration

For the fiscal year 2016 the Company makes use of the option to publish the Corporate Governance Declaration (*Erklärung zur Unternehmensführung*) on the Company's website pursuant to sec. 289a para. 1 German Commercial Code (HGB). The Corporate Governance Declaration is available on the Company's website under **http://www.freseniusmedicalcare.com/en/home/investors/corporate-governance/declaration-on-corporate-governance/**.

H. 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.

	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%

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.

	Minimum (0% target achievement)	**Target achievement 100%**	**Maximum (120% target achievement)**
Net income growth	0.00%	8.00%	10.00%
Free cash flow in % of revenues	3.00%	5.71%	6.00%
Operating margin (regional)	Individual target corridors between 13.00% and 18.50%, depending on the respective responsibilities		

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 consisted of the following:

Amount of Cash Payments

in € THOUS

	Non-performance related compensation				Short-term performance related compensation		Cash compensation (without long-term incentive components)	
	Fixed compensation		Other benefits [1]		Bonus			
	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.

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. 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 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 the table below:

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

The 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 the following table.

Long-term Incentive Components

	Stock Options				Share-based compensation with cash settlement		Total	
	Number		in € THOUS		in € THOUS		in € THOUS	
	2016	2015	2016	2015	2016[1]	2015[2), 3)]	2016	2015
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 components 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.

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 the following table:

Expenses for Long-term Incentive Components
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.

Focus on sustainable corporate development

To the extent the portion of the performance-based components with long-term incentive effects (i.e. Performance Shares and Share Based Award) does not reach 50% of the sum of all variable compensation components for the respective fiscal year, it has been contractually provided that the one-year variable compensation shall be reduced accordingly. The Share Based Award is increased correspondingly. This shall ensure that the compensation structure is always oriented towards a sustainable corporate development.

Stock options and phantom stock

Until the end of the fiscal year 2015 grants under the 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 the following table:

Development and Status of the Stock Options

		Rice Powell	Michael Brosnan	Ronald Kuerbitz	Dr. Olaf Schermeier	Kent Wanzek	Dominik Wehner	Harry de Wit	Total:
Options outstanding January 1, 2016	Number	465,318	260,212	157,002	124,500	209,782	123,759	-	1,340,573
	Weighted average exercise price in €	55.88	54.46	58.61	60.70	57.73	59.29	-	56.98
Options exercised during the fiscal year	Number	64,500	33,000	-	-	49,800	7,350	-	154,650
	Weighted average exercise price in €	34.41	31.97	-	-	42.68	31.97	-	36.44
	Weighted average share price in €	72.99	77.61	-	-	82.82	74.91	-	77.23
Options forfeited during the fiscal year	Number	56,025	28,012	28,012	28,012	28,013	7,065	-	175,139
	Weighted average exercise price in €	49.76	49.76	49.76	49.76	49.76	49.76	-	49.76
Options outstanding December 31, 2016	Number	344,793	199,200	128,990	96,488	131,969	109,344	-	1,010,784
	Weighted average exercise price in €	60.89	58.84	60.53	63.88	65.10	61.75	-	61.37
	Weighted average remaining contractual life in years	4.76	4.27	5.03	5.99	5.46	5.27	-	4.96
	Range of exercise prices in €	42.68 - 76.99	42.68 - 76.99	42.68 - 76.99	49.76 - 76.99	49.76 - 76.99	42.68 - 76.99	-	42.68 - 76.99
Options exercisable December 31, 2016	Number	102,018	77,812	32,502	-	28,012	19,839	-	260,183
	Weighted average exercise price in €	47.38	46.79	50.58	-	54.09	47.15	-	48.31

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 the following table:

Total Compensation
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.

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.

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.

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 the following table:

Development and Status of Pension Commitments

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

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 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 the tables in section VI below.

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:

Benefits granted to serving members of the Management Board as of December 31, 2016

in € THOUS

	Rice Powell Chairman of the Management Board Member of the Management Board since December 21, 2005[2]				Michael Brosnan Chief Financial Officer Member of the Management Board since January 1, 2010			
	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

	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[3]	2016	2016 Minimum	2016 Maximum	2015[3]
Fixed compensation	845	845	845	843	450	450	450	450
Fringe benefits[1]	19	19	19	28	83	83	83	635 [5]
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 [4]	743	56	891	946 [4]
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) 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.

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.

Benefits granted to serving members of the Management Board as of December 31, 2016

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[3]	2016	2016 Minimum	2016 Maximum	2015[3]
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 [4]	670	53	804	695 [4]
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	0	-	n.a.	748
thereof Long Term Incentive Program 2011 - Phantom Stock Plan 2011								
5-year term / 4-year vesting period	-	-	n.a.	466	0	-	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

	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[3]
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.
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 former members of the Management Board who retired in fiscal year 2016

in € THOUS

	Roberto Fusté[6] Member of the Management Board for Asia-Pacific Member of the Management Board until March 31, 2016			
	2016	2016 Minimum	2016 Maximum	2015[3]
Fixed compensation	145	145	145	580
Fringe benefits[1]	73	73	73	482 [7]
Total non-performance-based compensation	218	218	218	1,062
One-year variable compensation	1,276	174	1,531	1,146 [4]
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.

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.

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 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.

7) 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														Former member of the Management Board (retired in fiscal year 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		**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]	**2016**	**2015**[3]	**2016**	**2015**[3]	**2016**	**2015**[3]
Fixed compensation	1,242	1,239	696	694	845	843	450	450	539	538	406	350	360	-	145	580
Fringe benefits[1]	121	342	194	533	19	28	83	635[5]	112	112	37	37	213	-	73	482[7]
Total non-performance based compensation	1,363	1,581	890	1,227	864	871	533	1,085	651	650	443	387	573	-	218	1,062
One-year variable compensation	2,403	1,032[4]	1,300	581[4]	1,476	785[4]	891	381[4]	1,054	594[4]	804	394[4]	713	-	-	648[4]
Multi-year variable compensation / components with long-term incentive effects	3,273	2,608	2,006	4,031	100	1,900	-	-	2,437	255	346	784	-	-	-	3,518
thereof Share Based Award - New Incentive Bonus Plan 2010																
3-year term / 3-year vesting period																
Grant 2011	-	485	-	292	-	-	-	-	-	255	-	-	-	-	-	262
Grant 2012	598	-	376	-	-	-	-	-	314	-	-	-	-	-	-	-
thereof International Stock Option Plan 2001																
10-year term / one third 2-, 3- and 4-year vesting period																
Grant 2005	-	-	-	2,353	-	-	-	-	-	-	-	475	-	-	-	-
thereof Stock Option Plan 2006																
7-year term / 3-year vesting period																
Grant 2008	-	2,123	-	1,386	-	-	-	-	-	-	-	309	-	-	-	2,110
Grant 2009	2,043	-	1,506	-	-	824	-	-	-	-	316	-	-	-	-	1,146
Grant 2010	446	-	-	-	-	1,076	-	-	1,999	-	-	-	-	-	-	-
thereof Long Term Incentive Program 2011 - Phantom Stock Plan 2011																
5-year term / 4-year vesting period																
Grant 2011	186	-	124	-	100	-	-	-	124	-	30	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total non-performance-based and performance-based compensation	7,039	5,221	4,196	5,839	2,440	3,556	1,424	1,466	4,142	1,499	1,593	1,565	1,286	-	218	5,228
Pension expense	741	570	666	533	751	2,327	151	-	379	292	98	99	0	-	301	280
Allocation	7,780	5,791	4,862	6,372	3,191	5,883	1,575	1,466	4,521	1,791	1,691	1,664	1,286	-	519	5,508

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.

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 the following table:

Compensation of the Supervisory Board

in € THOUS[1)]

	Fixed compensation for Supervisory Board at FMC Management AG		Fixed compensation for Supervisory Board at FMC-AG & Co. KGaA		Compensation for committee services at FMC Management AG		Compensation for committee services at FMC-AG & Co. KGaA		Non-performance related compensation	
	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.

Hof an der Saale, February 21, 2017

Fresenius Medical Care AG & Co. KGaA

Represented by the General Partner
Fresenius Medical Care Management AG
Managing Board