FRESENIUS

Quarterly Financial Report of Fresenius Group

applying International Financial Reporting Standards (IFRS)

1st Quarter 2017

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FRESENIUS GROUP FIGURES AT A GLANCE

Fresenius is a global health care group providing products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations. We also manage projects and provide services for hospitals and other health care facilities. In 2016, Group sales were €29.5 billion. As of March 31, 2017, more than 260,000 employees have dedicated themselves to the service of health in about 100 countries worldwide.

SALES, EARNINGS, AND CASH FLOW

€ in millions	Q1/2017	Q1/2016	Change
Sales	**8,362**	7,015	19%
EBIT	**1,216**	959	27%
Net income [1]	**457**	358	28%
Earnings per share in € [1]	**0.83**	0.65	28%
Operating cash flow	**476**	336	42%

BALANCE SHEET AND INVESTMENTS

€ in millions	March 31, 2017	Dec. 31, 2016	Change
Total assets	**54,418**	46,697	17%
Non-current assets	**41,341**	34,953	18%
Equity [2]	**21,921**	20,849	5%
Net debt	**18,730**	13,201	42%
Investments [3]	**6,411**	519	--

RATIOS

	Q1/2017	Q1/2016
EBITDA margin	**18.7%**	17.7%
EBIT margin	**14.5%**	13.7%
Depreciation and amortization in % of sales	**4.1%**	4.0%
Operating cash flow in % of sales	**5.7%**	4.8%
Equity ratio (March 31/December 31)	**40.3%**	44.6%
Net debt/EBITDA (March 31/December 31) [4]	**2.98**	2.33/3.09 [5]

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Equity including noncontrolling interest
[3] Investments in property, plant and equipment, and intangible assets, acquisitions (three months)
[4] At LTM average exchange rates for both net debt and EBITDA, pro forma acquisitions
[5] Pro forma Quirónsalud

INFORMATION BY BUSINESS SEGMENT

FRESENIUS MEDICAL CARE – Dialysis products, Dialysis services

€ in millions	Q1/2017	Q1/2016	Change
Sales	**4,548**	3,916	16%
EBIT	**651**	497	31%
Net income [1]	**308**	213	45%
Operating cash flow	**170**	163	4%
Investments/Acquisitions	**348**	317	10%
R & D expenses	**32**	34	-6%
Employees (March 31/December 31)	**117,432**	116,120	1%

FRESENIUS KABI – IV drugs, Clinical nutrition, Infusion therapy, Medical devices/Transfusion technology

€ in millions	Q1/2017	Q1/2016	Change
Sales	**1,604**	1,470	9%
EBIT	**313**	303	3%
Net income [2]	**191**	173	10%
Operating cash flow	**192**	127	51%
Investments/Acquisitions	**67**	152	-56%
R & D expenses	**89**	80	11%
Employees (March 31/December 31)	**35,245**	34,917	1%

FRESENIUS HELIOS – Hospital operations

€ in millions	Q1/2017	Q1/2016	Change
Sales	**2,018**	1,435	41%
EBIT	**255**	159	60%
Net income [2]	**181**	124	46%
Operating cash flow	**184**	66	179%
Investments/Acquisitions	**5,989**	47	--
Employees (March 31/December 31)	**102,151**	72,687	41%

FRESENIUS VAMED – Projects and services for hospitals and other health care facilities

€ in millions	Q1/2017	Q1/2016	Change
Sales	**223**	218	2%
EBIT	**6**	7	-14%
Net income [3]	**4**	5	-20%
Operating cash flow	**-44**	-18	-144%
Investments/Acquisitions	**3**	2	50%
Order intake	**220**	237	-7%
Employees (March 31/December 31)	**8,175**	8,198	0%

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

FRESENIUS SHARE

In the first quarter of 2017, uncertainty concerning the future development of the U.S. health care system weighed on the share performance of health care stocks. The Fresenius share increased by 1% in the first quarter of 2017. The DAX index grew by 7% in the same period.

FIRST QUARTER 2017

The recovery of the global economy continued in the first quarter, even though the pace has slowed down. Risks for the European growth outlook declined somewhat. However, global downward risks remained unchanged. Uncertainty concerning the future development of the U.S. health care system weighed on the share performance of health care stocks in the first quarter.

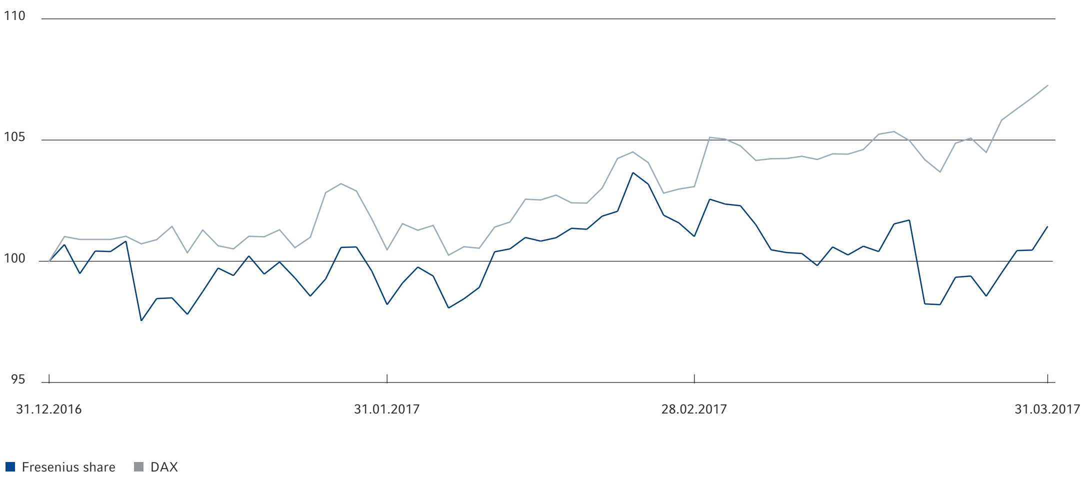
The ECB left its monetary policy unchanged during its March meeting. As expected, the U.S. Federal Reserve, raised interest rates to a corridor between 0.75% and 1.0% at its March meeting.

The economic growth of the euro zone continues. The economy in the euro zone is expected to grow 1.8% this year, according to the latest ECB forecast. The Federal Reserve's latest forecast projects the U.S. economy to grow 2.1% in 2017.

Within this economic environment, the DAX increased by 7% in the first quarter of 2017 to 12,313 points. The Fresenius share closed at €75.33 on March 31, 2017. This represents a gain of 1% over the closing price of 2016.

RELATIVE SHARE PRICE PERFORMANCE VS. DAX

31.12.2016 = 100



KEY DATA OF THE FRESENIUS SHARE

	Q1 /2017	2016	Change
Number of shares (March 31 / December 31)	**553,497,393**	547,208,371	
Quarter-end quotation in €	**75.33**	74.26	1%
High in €	**76.98**	74.26	4%
Low in €	**72.43**	53.05	37%
Ø Trading volume (number of shares per trading day)	**980,459**	1,176,579	-17%
Market capitalization, € in millions (March 31 / December 31)	**41,695**	40,636	3%

MANAGEMENT REPORT

Fresenius made an excellent start in 2017. All four business segments developed very well in the first quarter and continue to have healthy growth prospects. That makes us all the more optimistic as we look ahead.

FRESENIUS IS OFF TO AN EXCELLENT START TO THE YEAR WITH STRONG SALES AND EARNINGS GROWTH

	Q1/2017	at actual rates	in constant currency
Sales	**€8.4 bn**	+19%	+17%
EBIT	**€1,216 m**	+27%	+25%
Net income [1]	**€457 m**	+28%	+26%

HEALTH CARE INDUSTRY

The health care sector is one of the world's largest industries. It is relatively insensitive to economic fluctuations compared to other sectors and has posted above-average growth over the past years.

The main growth factors are rising medical needs deriving from aging populations, the growing number of chronically ill and multimorbid patients, stronger demand for innovative products and therapies, advances in medical technology and the growing health consciousness, which increases the demand for health care services and facilities.

In the emerging countries, drivers are the expanding availability and correspondingly greater demand for basic health care and increasing national incomes and hence higher spending on health care.

Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising health care expenditures. However, such measures cannot compensate for the cost pressure. Market-based elements are increasingly being introduced into the health care system to create incentives for cost- and quality-conscious behavior. Overall treatment costs shall be reduced through improved quality standards. In addition, ever-greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

SALES

Group sales increased by 19% (17% in constant currency) to €8,362 million (Q1/2016: €7,015 million). Organic sales growth was 7% [2]. Positive currency translation effects (2%) were mainly related to the appreciation of the US-Dollar against the Euro. Divestitures had no impact on sales. Acquisitions and the €100 million agreement with the United States Departments of Veterans Affairs and Justice at Fresenius Medical Care North America ("VA agreement") contributed 10%.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Excluding effects of VA-agreement

EARNINGS

Group EBITDA increased by 26% (23% in constant currency) to €1,560 million (Q1/2016: €1,241 million). Group EBIT increased by 27% (25% in constant currency) to €1,216 million (Q1/2016: €959 million). The EBIT margin increased to 14.5% (Q1/2016: 13.7%).

Group net interest was -€157 million (Q1/2016: -€152 million). The change is mainly attributable to the financing of the Quirónsalud acquisition.

The Group tax rate increased to 29.1% (Q1/2016: 28.4%), mainly driven by the higher proportion of U.S. pre-tax income, primarily due to the VA-agreement.

EARNINGS

€ in millions	Q1/2017	Q1/2016
EBIT	**1,216**	959
Net income [2]	**457**	358
Earnings per share [2]	**0.83**	0.65

Noncontrolling interest increased to €294 million (Q1/2016: €220 million), of which 96% was attributable to the noncontrolling interest in Fresenius Medical Care.

Group net income [2] increased by 28% (26% in constant currency) to €457 million (Q1/2016: €358 million). The VA-agreement increased net income [2] by €18 million or 5%-points. Earnings per share [2] increased by 28% (25% in constant currency) to €0.83 (Q1/2016: €0.65).

SALES BY REGION

€ in millions	Q1/2017	Q1/2016	Change at actual rates	Currency translations effects	Change at constant rates	Organic growth	Acquisitions/ divestitures	% of total sales
North America	**3,977** [1]	3,418	16% [1]	4% [1]	12% [1]	9%	3% [1]	47% [1]
Europe	**3,242**	2,619	24%	0%	24%	5%	19%	39%
Asia-Pacific	**719**	643	12%	3%	9%	7%	2%	9%
Latin America	**337**	262	29%	10%	19%	12%	7%	4%
Africa	**87**	73	19%	11%	8%	8%	0%	1%
Total	**8,362**	7,015	19%	2%	17%	7%	10%	100%

SALES BY BUSINESS SEGMENT

€ in millions	Q1/2017	Q1/2016	Change at actual rates	Currency translations effects	Change at constant rates	Organic growth	Acquisitions/ divestitures	% of total sales [3]
Fresenius Medical Care	**4,548**	3,916	16%	4%	12%	8%	4%	54%
Fresenius Kabi	**1,604**	1,470	9%	2%	7%	7%	0%	19%
Fresenius Helios	**2,018**	1,435	41%	0%	41%	5%	36%	24%
Fresenius Vamed	**223**	218	2%	0%	2%	2%	0%	3%

[1] Including effects of VA-agreement
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[3] Calculated on the basis of contribution to consolidated sales

INVESTMENTS

Spending on property, plant and equipment was €328 million (Q1/2016: €315 million), primarily for the modernization and expansion of dialysis clinics, production facilities and hospitals.

Total acquisition spending of €6,083 million (Q1/2016: €204 million) was mainly related to the acquisition of Quirónsalud.

CASH FLOW

Operating cash flow increased by 42% to €476 million (Q1/2016: €336 million), mainly driven by the excellent development at Fresenius Kabi and Fresenius Helios. The cash flow margin was 5.7% (Q1/2016: 4.8%).

Free cash flow before acquisitions and dividends increased to €148 million (Q1/2016: €2 million). Free cash flow after acquisitions and dividends was -€5,393 million (Q1/2016: -€241 million).

ASSET AND LIABILITY STRUCTURE

The Group's total assets increased by 17% (17% in constant currency) to €54,418 million (Dec. 31, 2016: €46,697 million), mainly due to the acquisition of Quirónsalud. Current assets grew by 11% (12% in constant currency) to €13,077 million (Dec. 31, 2016: €11,744 million). Non-current assets increased by 18% (19% in constant currency) to €41,341 million (Dec. 31, 2016: €34,953 million).

Total shareholders' equity grew by 5% (6% in constant currency) to €21,921 million (Dec. 31, 2016: €20,849 million). The equity ratio was 40.3% (Dec. 31, 2016: 44.6%).

Group debt increased by 37% (37% in constant currency) to €20,210 million (Dec. 31, 2016: €14,780 million), mainly driven by the acquisition financing of Quirónsalud. As of March 31, 2017, the net debt/EBITDA ratio was 2.98[1,3] (Dec. 31, 2016: 2.33[1,3]/3.09[1,2,3]).

INVESTMENTS BY BUSINESS SEGMENT

€ in millions	**Q1/2017**	Q1/2016	thereof property, plant and equipment	thereof acquisitions	Change	% of total
Fresenius Medical Care	**348**	317	198	150	10%	6%
Fresenius Kabi	**67**	152	66	1	-56%	1%
Fresenius Helios	**5,989**	47	57	5,932	--	93%
Fresenius Vamed	**3**	2	3	0	50%	0%
Corporate/Other	**4**	1	4	0	--	0%
Total	**6,411**	519	328	6,083	--	100%

CASH FLOW STATEMENT (SUMMARY)

€ in millions	**Q1 /2017**	Q1/2016	Change
Net income	**751**	578	30%
Depreciation and amortization	**344**	282	22%
Change in accruals for pensions	**18**	26	-31%
Cash flow	**1,113**	886	26%
Change in working capital	**-637**	-550	-16%
Operating cash flow	**476**	336	42%
Property, plant and equipment, investments net	**-328**	-334	2%
Cash flow before acquisitions and dividends	**148**	2	--
Cash used for acquisitions, net	**-5,468**	-196	--
Dividends paid	**-73**	-47	-55%
Free cash flow paid after acquisitions and dividends	**-5,393**	-241	--
Cash provided by/used for financing activities	**5,293**	94	--
Effect of exchange rates on change in cash and cash equivalents	**1**	-15	107%
Net change in cash and cash equivalents	**-99**	-162	39%

[1] At LTM average exchange rates for both net debt and EBITDA
[2] Pro forma Quirónsalud
[3] Pro forma acquisitions

BUSINESS SEGMENTS

FRESENIUS MEDICAL CARE

Fresenius Medical Care is the world's largest provider of products and services for individuals with chronic kidney failure. As of March 31, 2017, Fresenius Medical Care was treating 310,473 patients in 3,654 dialysis clinics. Along with its core business, the company seeks to expand the range of medical services in the field of care coordination.

€ in millions	Q1/2017	Q1/2016	Change
Sales	**4,548**	3,916	16%
EBITDA	**841**	662	27%
EBIT	**651**	497	31%
Net income [1]	**308**	213	45%
Employees (March 31/Dec. 31)	**117,432**	116,120	1%

- **12% sales growth in constant currency (10% excluding the VA-agreement)**
- **41% net income growth [1] in constant currency (14% excluding the VA-agreement)**
- **2017 outlook confirmed**

FIRST QUARTER OF 2017

Sales increased by 16% (12% in constant currency) to €4,548 million (Q1/2016: €3,916 million). Organic sales growth was 8%. Acquisitions/divestitures and the VA agreement contributed 4% in total.

Health Care services sales (dialysis services and care coordination) increased by 18% (14% in constant currency) to €3,769 million (Q1/2016: €3,199 million). Product sales increased by 8% (6% in constant currency) to €779 million (Q1/2016: €718 million).

In North America, sales increased by 18% (14% excluding the VA-agreement) to €3,375 million (Q1/2016: €2,862 million). Health Care services sales grew by 19% to €3,165 million (Q1/2016: €2,670 million). Product sales increased by 9% to €210 million (Q1/2016: €192 million).

Sales outside North America increased by 11% (8% in constant currency) to €1,169 million (Q1/2016: €1,051 million). Health Care services sales increased by 14% (10% in constant currency) to €604 million (Q1/2016: €528 million). Product sales increased by 8% (6% in constant currency) to €564 million (Q1/2016: €523 million).

EBIT increased by 31% (28% in constant currency) to €651 million (Q1/2016: €497 million). The EBIT margin was 14.3% (Q1/2016: 12.7%). Excluding the VA-agreement (€99 million) EBIT increased by 11% (8% in constant currency).

Net income [1] increased by 45% (41% in constant currency) to €308 million (Q1/2016: €213 million). Excluding the VA-agreement (€59 million) net income [1] increased by 17% (14% in constant currency).

Operating cash flow increased by 4% to €170 million (Q1/2016: €163 million). The cash flow margin was 3.7% (Q1/2016: 4.2%). The VA-agreement partially offset the impact of seasonality in invoicing at Fresenius Medical Care in North America. Fresenius Medical Care expects that this timing effect will have no meaningful impact on the full year 2017.

Fresenius Medical Care confirms its outlook for 2017. The company expects sales to grow by 8% to 10% [2] in constant currency. Net income [1,2] is expected to increase by 7% to 9% in constant currency.

For further information, please see Fresenius Medical Care's Investor News at www.freseniusmedicalcare.com.

[1] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[2] Excluding effects of VA-agreement

FRESENIUS KABI

Fresenius Kabi offers infusion therapies, intravenously administered generic drugs and clinical nutrition for seriously and chronically ill patients in the hospital and outpatient environments. The company is also a leading supplier of medical devices and transfusion technology products.

€ in millions	Q1/2017	Q1/2016	Change
Sales	**1,604**	1,470	9%
EBITDA	**382**	368	4%
EBIT	**313**	303	3%
Net income [1]	**191**	173	10%
Employees (March 31 / Dec. 31)	**35,245**	34,917	1%

- **7% organic sales growth; positive contributions from all regions**
- **2% constant currency EBIT growth despite very strong PY quarter**
- **2017 outlook raised: 6% to 8% [2,3] EBIT growth in constant currency expected**

FIRST QUARTER OF 2017

Sales increased by 9% (organic growth: 7%) to €1,604 million (Q1/2016: €1,470 million). Positive currency translation effects (2%) were mainly related to the appreciation of the US-Dollar against the Euro. Acquisitions/divestitures had no impact on sales.

Sales in Europe increased by 6% (organic growth: 7%) to €544 million (Q1/2016: €512 million). Currency translation effects reduced sales by 1%.

Sales in North America increased by 7% (organic growth: 4%) to €619 million (Q1/2016: €576 million).

Sales in Asia-Pacific increased by 10% (organic growth: 10%) to €280 million (Q1/2016: €254 million).

Sales in Latin America/Africa increased by 26% to €161 million (Q1/2016: €128 million). Organic sales growth was 14%, mainly due to inflation-driven price increases.

EBIT increased by 3% (2% in constant currency) to €313 million (Q1/2016: €303 million). The EBIT margin was 19.5% (Q1/2016: 20.6%).

Net income [1] increased by 10% (9% in constant currency) to €191 million (Q1/2016: €173 million).

Operating cash flow increased by 51% to €192 million (Q1/2016: €127 million) driven by strong operating results and improved net working capital. The margin increased to 12.0% (Q1/2016: 8.6%).

Fresenius Kabi raises its outlook for 2017 and now expects EBIT growth in constant currency of 6% to 8% [2,3] (previously 5% to 7%). The company confirms its guidance of 5% to 7% organic sales growth.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Before transaction costs of ~€50 million for the acquisitions of Akorn, Inc. and Merck KGaA's biosimilars business
[3] Before expected expenditures for the further development of Merck KGaA's biosimilars business of ~€50 million (expected closing H2/17)

FRESENIUS HELIOS

Fresenius Helios is Europe's leading private hospital operator. The company comprises HELIOS Kliniken in Germany and Quirónsalud in Spain. HELIOS Kliniken operates 112 hospitals, thereof 88 acute care clinics and 24 post-acute care clinics, and treats more than 5.2 million patients annually. Quirónsalud operates 44 hospitals, 43 outpatient centers and around 300 occupational risk prevention centers, and treats approximately 9.7 million patiens per year.

€ in millions	Q1/2017	Q1/2016	Change
Sales	**2,018**	1,435	41%
EBITDA	**334**	206	62%
EBIT	**255**	159	60%
Net income [1]	**181**	124	46%
Employees (March 31 / Dec. 31)	**102,151**	72,687	41%

- **5% organic sales growth**
- **60% EBIT increase (14% excluding Quirónsalud)**
- **2017 outlook confirmed**

FIRST QUARTER OF 2017

Sales increased by 41% (organic growth: 5%) to €2,018 million (Q1/2016: €1,435 million). Acquisitions, mainly Quirónsalud, increased sales by 36%. Quirónsalud is consolidated since February 1, 2017. Sales of Quirónsalud were €490 million in February and March 2017.

Sales of HELIOS Kliniken [2] increased by 6% (organic growth: 5%) to €1,528 million.

EBIT grew by 60% to €255 million (Q1/2016: €159 million). The EBIT margin increased to 12.6% (Q1/2016: 11.1%).

EBIT of HELIOS Kliniken [2] increased by 14% to €181 million with a margin of 11.8% (Q1/2016: 11.1%). EBIT of Quirónsalud was €74 million with a margin of 15.1%.

Net income [1] increased by 46% to €181 million (Q1/2016: €124 million).

Operating cash flow increased by 179% to €184 million (Q1/2016: €66 million) driven by the first time consolidation of Quirónsalud and good operating results. The margin increased to 9.1% (Q1/2016: 4.6%).

Fresenius Helios confirms its outlook for 2017 and projects organic sales growth of 3% to 5% [2] and sales of ~€8.6 billion (thereof Quirónsalud: ~€2.5 billion [3]). EBIT is expected to increase to €1,020 to €1,070 million (thereof Quirónsalud: €300 to 320 million [3]).

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] HELIOS Kliniken Germany, excluding Quirónsalud
[3] Quirónsalud consolidated for 11 months

FRESENIUS VAMED

Fresenius Vamed manages projects and provides services for hospitals and other health care facilities worldwide. The portfolio ranges along the entire value chain: from project development, planning, and turnkey construction, via maintenance and technical management, to total operational management.

€ in millions	**Q1/2017**	Q1/2016	Change
Sales	**223**	218	2%
EBITDA	**8**	9	-11%
EBIT	**6**	7	-14%
Net income [1]	**4**	5	-20%
Employees (March 31/Dec. 31)	**8,175**	8,198	0%

- **2% organic sales growth driven by service business**
- **Project business with strong order intake of €220 million**
- **2017 outlook confirmed**

FIRST QUARTER OF 2017

Sales increased by 2% (organic growth: 2%) to €223 million (Q1/2016: €218 million). Sales in the project business decreased by 9% to €77 million (Q1/2016: €85 million). Sales in the service business grew by 10% to €146 million (Q1/2016: €133 million).

EBIT decreased by 14% to €6 million (Q1/2016: €7 million). The EBIT margin was 2.7% (Q1/2016: 3.2%).

Net income [1] decreased by 20% to €4 million (Q1/2016: €5 million).

Order intake reached a strong €220 million, however, it could not quite match the previous year's excellent level (Q1/2016: €237 million). As of March 31, 2017, order backlog grew to a record €2,104 million (December 31, 2016: €1,961 million).

Fresenius Vamed confirms its outlook for 2017 and expects both organic sales growth and EBIT growth in the range of 5% to 10%.

[1] Net income attributable to shareholders of Vamed AG

EMPLOYEES

As of March 31, 2017, the number of employees increased by 13% to 263,957 (Dec. 31, 2016: 232,873).

EMPLOYEES BY BUSINESS SEGMENT

Number of employees	March 31, 2017	Dec. 31, 2016	Change
Fresenius Medical Care	**117,432**	116,120	1%
Fresenius Kabi	**35,245**	34,917	1%
Fresenius Helios	**102,151**	72,687	41%
Fresenius Vamed	**8,175**	8,198	0%
Corporate/Other	**954**	951	0%
Total	**263,957**	232,873	13%

RESEARCH AND DEVELOPMENT

Product and process development as well as the improvement of therapies are at the core of our growth strategy. Fresenius focuses its R & D efforts on its core competencies in the following areas:

- Dialysis
- Generic IV drugs
- Infusion and nutrition therapies
- Medical devices

Apart from new products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services.

RESEARCH AND DEVELOPMENT EXPENSES BY BUSINESS SEGMENT

€ in millions	Q1/2017	Q1/2016	Change
Fresenius Medical Care	**32**	34	-6%
Fresenius Kabi	**89**	80	11%
Fresenius Helios	**–**	–	--
Fresenius Vamed	**0**	0	--
Corporate/Other	**0**	1	-100%
Total	**121**	115	5%

DIALYSIS

The complex interactions and side effects that lead to kidney failure are better explored today than ever before. Technological advances develop in parallel with medical insights to improve the possibilities for treating patients. Our R & D activities at Fresenius Medical Care aim to translate new insights into novel or improved developments and to bring them to market as quickly as possible, and thus make an important contribution towards rendering the treatment of patients increasingly comfortable, safe, and individualized.

INFUSION THERAPIES, CLINICAL NUTRITION, GENERIC IV DRUGS, AND MEDICAL DEVICES

Fresenius Kabi's research and development activities concentrate on products for the therapy and care of critically and chronically ill patients. Our focus is on areas with high medical needs, such as in the treatment of oncology patients. Our products help to support medical advancements in acute and post-acute care and improve the patients' quality of life. We develop new products in areas such as clinical nutrition. In addition, we develop generic drug formulations ready to launch at the time of market formation as well as new formulations for non-patented drugs. Our medical devices significantly contribute to a safe and effective application of infusion solutions and clinical nutrition. In transfusion technology our R & D focus is on medical devices and disposables to support the secure, user-friendly, and efficient production of blood products.

OPPORTUNITIES AND RISK REPORT

Compared to the presentation in the consolidated financial statements and the management report as of December 31, 2016 applying Section 315a HGB in accordance with IFRS, there have been no material changes in Fresenius' overall opportunities and risk situation in the first quarter of 2017.

In the ordinary course of Fresenius Group's operations, the Fresenius Group is subject to litigation, arbitration and investigations relating to various aspects of its business. The Fresenius Group regularly analyzes current information about such claims for probable losses and provides accruals for such matters, including estimated expenses for legal services, as appropriate.

In addition, we report on legal proceedings, currency and interest risks on pages 37 to 43 in the Notes of this report.

RATING

Fresenius is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

	Standard & Poor's	Moody's	Fitch [1]
Company rating	BBB -	Baa3	BBB -
Outlook	stable	stable	stable

ANNOUNCED ACQUISITIONS

On April 24, 2017 Fresenius has announced, that Fresenius Kabi has agreed to acquire Akorn, Inc. a U.S.-based manufacturer and marketer of prescription and over-the-counter pharmaceutical products, for approximately US$4.3 billion, or $34 per share, plus approximately US$450 million of net debt (Fresenius projection of as of December 31, 2017).

Fresenius expects the acquisition to be accretive to Group net income [1] and Group EPS [1] in 2018, excluding integration costs, and to contribute positively from 2019 onwards including integration costs.

The transaction is subject to customary closing conditions, including regulatory review under the Hart-Scott-Rodino Antitrust Improvements Act in the U.S. and approval by Akorn shareholders. Closing is expected by early 2018.

The purchase price will be financed by a broad mix of Euro and US-Dollar denominated debt instruments.

Within the same announcement, Fresenius and Merck KGaA announced that Fresenius Kabi will acquire Merck's biosimilars business, which comprises the entire development pipeline and an experienced team of more than 70 employees located in Aubonne and Vevey, Switzerland. The product pipeline has a focus on oncology and autoimmune diseases.

Fresenius Kabi expects first sales towards the end of 2019 and estimates to ramp-up the business to high triple-digit million sales from 2023 onwards based on the current product development schedule. Fresenius Kabi has agreed to pay single digit percentage royalties to Merck based on sales.

The purchase price will be up to €670 million. Thereof, €170 million will be paid in cash upon closing. Approximately €500 million are milestone payments strictly tied to achievements of development targets. Analytical testing, clinical studies, quality requirements specific to biosimilars as well as marketing and sales activities are expected to result in increased costs for Fresenius Kabi. These costs are expected to occur in uneven tranches. The total expected cash-out and self-imposed investment ceiling is estimated to be up to €1.4 billion until projected EBITDA break-even in 2022. From 2023 onwards, the acquisition is expected to be significantly accretive to Group net income [1] and Group EPS [1].

The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close in the second half of 2017.

The total investment in the biosimilars business will be mainly cash flow financed.

Both transactions combined are expected to be neutral to Group net income [1] and EPS [1] by 2020 and accretive from 2021 onwards. Before amortization and before integration costs, both transactions combined are projected to be neutral to Group net income [1] and EPS [1] by 2018 and to contribute positively from 2019 onwards.

Group net debt/EBITDA will temporarily increase to approximately 3.3 [2] after closing of both transactions. The leverage ratio is expected to return to approximately 3.0 [2] at the end of 2018.

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Calculated at expected FY average exchange rates for both net debt and EBITDA; before transaction costs of ~€50 million; excluding further potential acquisitions

OUTLOOK 2017

FRESENIUS GROUP

Based on the Group's strong Q1 results and ongoing bright prospects for the remainder of the year, Fresenius raises its 2017 Group earnings guidance published in February 2017. Group net income [1,2,3] on a like-for-like basis, i.e. before effects of the recently announced acquisitions at Fresenius Kabi, is now expected to grow by 19% to 21% in constant currency (previously: 17% to 20%).

Including expenditures for the further development of Merck KGaA's biosimilars business, which is expected to be acquired in the second half of 2017, Fresenius projects net income [3] growth in constant currency within the previous range of 17% to 20% [1].

Fresenius confirms its sales guidance. Group sales are expected to increase by 15% to 17% in constant currency.

Pro forma the acquisitions of Akorn and Merck KGaA's biosimilars business, the net debt/EBITDA [4] ratio is expected to be approximately 3.3 at the end of 2017.

FRESENIUS MEDICAL CARE

Fresenius Medical Care confirms its outlook for 2017. The company expects sales to grow by 8% to 10% [5] in constant currency. Net income [5,6] is expected to increase by 7% to 9% in constant currency.

FRESENIUS KABI

Fresenius Kabi raises its outlook for 2017 and now expects EBIT growth in constant currency of 6% to 8% [1,2] (previously 5% to 7%). The company confirms its guidance of 5% to 7% organic sales growth.

FRESENIUS HELIOS

Fresenius Helios confirms its outlook for 2017 and projects organic sales growth of 3% to 5% [7] and sales of ~€8.6 billion (thereof Quirónsalud: ~€2.5 billion [8]). EBIT is expected to increase to €1,020 to €1,070 million (thereof Quirónsalud: €300 to 320 million [8]).

FRESENIUS VAMED

Fresenius Vamed confirms its outlook for 2017 and expects both organic sales growth and EBIT growth of 5% to 10%.

INVESTMENTS

The Group plans to invest around 6% of sales in property, plant and equipment.

EMPLOYEES

The number of employees in the Group will continue to rise in the future, as a result of the expected expansion. We anticipate that the number of employees will increase to approximately 270,000 [9] (December 31, 2016: 232,873). The number of employees is expected to increase in all business segments.

RESEARCH AND DEVELOPMENT

Our R&D activities will continue to play a key role in securing the Group's long-term growth through innovations and new therapies.

We plan to increase the Group's R&D spending in 2017. Approximately 5% of our product sales will be reinvested in research and development.

[1] Before transaction costs of ~€50 million for the acquisitions of Akorn, Inc. and Merck KGaA's biosimilars business
[2] Before expected expenditures for the further development of Merck KGaA's biosimilars business of ~€50 million (expected closing H2/17)
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] Calculated at expected FY average exchange rates for both net debt and EBITDA; before transaction costs of ~€50 million; excluding further potential acquisitions
[5] Excluding effects of VA-agreement
[6] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[7] HELIOS Kliniken Germany, excluding Quirónsalud
[8] Quirónsalud consolidated for 11 months
[9] This figure includes 27,600 Quirónsalud employees. It does not take into account approximately 7,400 contract employees and independent doctors

GROUP FINANCIAL OUTLOOK 2017

	Previous guidance	New guidance
Sales, growth (in constant currency)	15% – 17%	confirmed
Net income [1], growth (in constant currency)	17% – 20%	19% – 21% [2]

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[2] Before transaction costs of ~€50 million for the acquisitions of Akorn, Inc. and Merck KGaA's biosimilars business; before expected expenditures for the further development of Merck KGaA's biosimilars business of ~€50 million (expected closing H2/17)

OUTLOOK 2016 BY BUSINESS SEGMENT

		Previous guidance	New guidance
Fresenius Medical Care	Sales growth [2] (in constant currency)	8% – 10%	confirmed
	Net income [1, 2] growth	7% – 9%	confirmed
Fresenius Kabi	Sales growth (organic)	5% – 7%	confirmed
	EBIT (in constant currency)	5% – 7%	6% – 8% [3]
Fresenius Helios	Sales growth (organic)	3% – 5% [4]	confirmed
	Sales	~€ 8.6 bn [5]	confirmed
	EBIT	€1,020 – 1,070 m [6]	confirmed
Fresenius Vamed	Sales growth (organic)	5% – 10%	confirmed
	EBIT, growth	5% – 10%	confirmed

[1] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[2] Excluding effects of VA-agreement
[3] Before transaction costs of ~€50 million for the acquisitions of Akorn, Inc. and Merck KGaA's biosimilars business; before expected expenditures for the further development of Merck KGaA's biosimilars business of ~€50 million (expected closing H2/17)
[4] HELIOS Kliniken Germany, excluding Quirónsalud
[5] Thereof Quirónsalud (consolidated for 11 months): ~€2.5 billion
[6] Thereof Quirónsalud (consolidated for 11 months): EBIT €300 to €320 million

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

€ in millions	Q1/2017	Q1/2016
Sales	**8,362**	7,015
Cost of sales	**-5,669**	-4,776
Gross profit	**2,693**	2,239
Selling, general and administrative expenses	**-1,356**	-1,165
Research and development expenses	**-121**	-115
Operating income (EBIT)	**1,216**	959
Net interest	**-157**	-152
Income before income taxes	**1,059**	807
Income taxes	**-308**	-229
Net income	**751**	578
Noncontrolling interest	**294**	220
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**457**	358
Earnings per share in €	**0.83**	0.65
Fully diluted earnings per share in €	**0.82**	0.65

The following notes are an integral part of the unaudited condensed interim financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

€ in millions	Q1/2017	Q1/2016
Net income	**751**	578
Other comprehensive income (loss)		
Positions which will be reclassified into net income in subsequent years		
Foreign currency translation	**-67**	-554
Cash flow hedges	**11**	7
Change of fair value of available for sale financial assets	**–**	–
Income taxes on positions which will be reclassified	**1**	9
Positions which will not be reclassified into net income in subsequent years		
Actuarial gains/losses on defined benefit pension plans	**2**	17
Income taxes on positions which will not be reclassified	**-1**	-6
Other comprehensive loss, net	**-54**	-527
Total comprehensive income	**697**	51
Comprehensive income (loss) attributable to noncontrolling interest	**243**	-45
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA	**454**	96

The following notes are an integral part of the unaudited condensed interim financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

ASSETS

€ in millions	March 31, 2017	December 31, 2016
Cash and cash equivalents	1,480	1,579
Trade accounts receivable, less allowance for doubtful accounts	6,280	5,052
Accounts receivable from and loans to related parties	18	13
Inventories	3,272	3,189
Other current assets	2,027	1,911
I. Total current assets	**13,077**	11,744
Property, plant and equipment	9,420	8,139
Goodwill	26,169	22,901
Other intangible assets	3,010	1,763
Other non-current assets	1,903	1,523
Deferred taxes	839	627
II. Total non-current assets	**41,341**	34,953
Total assets	**54,418**	46,697

LIABILITIES AND SHAREHOLDERS' EQUITY

€ in millions	March 31, 2017	December 31, 2016
Trade accounts payable	1,409	1,315
Short-term accounts payable to related parties	64	57
Short-term accrued expenses and other short-term liabilities	5,872	5,514
Short-term debt	927	847
Short-term debt from related parties	–	6
Current portion of long-term debt and capital lease obligations	1,049	611
Current portion of Senior Notes	467	473
Short-term accruals for income taxes	396	256
A. Total short-term liabilities	**10,184**	9,079
Long-term debt and capital lease obligations, less current portion	7,012	5,048
Senior Notes, less current portion	9,455	6,941
Convertible bonds	1,300	854
Long-term accrued expenses and other long-term liabilities	1,775	1,615
Pension liabilities	1,174	1,155
Long-term accruals for income taxes	214	221
Deferred taxes	1,383	935
B. Total long-term liabilities	**22,313**	16,769
I. Total liabilities	**32,497**	25,848
A. Noncontrolling interest	**8,396**	8,185
Subscribed capital	553	547
Capital reserve	3,785	3,379
Other reserves	8,617	8,165
Accumulated other comprehensive income	570	573
B. Total Fresenius SE & Co. KGaA shareholders' equity	**13,525**	12,664
II. Total shareholders' equity	**21,921**	20,849
Total liabilities and shareholders' equity	**54,418**	46,697

The following notes are an integral part of the unaudited condensed interim financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CASH FLOWS (UNAUDITED)

€ in millions	Q1/2017	Q1/2016
Operating activities		
Net income	751	578
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	344	282
Loss on sale of investments and divestitures	1	0
Change in deferred taxes	-25	-17
Gain/Loss on sale of fixed assets	-7	1
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Trade accounts receivable, net	-446	-325
Inventories	-48	-66
Other current and non-current assets	-96	-29
Accounts receivable from/payable to related parties	-4	63
Trade accounts payable, accrued expenses and other short-term and long-term liabilities	-121	-236
Accruals for income taxes	127	85
Net cash provided by operating activities	476	336
Investing activities		
Purchase of property, plant and equipment	-346	-340
Proceeds from sales of property, plant and equipment	18	6
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	-5,473	-196
Proceeds from sale of investments and divestitures	5	–
Net cash used in investing activities	-5,796	-530
Financing activities		
Proceeds from short-term debt	113	384
Repayments of short-term debt	-28	-53
Proceeds from long-term debt and capital lease obligations	2,212	371
Repayments of long-term debt and capital lease obligations	-110	-568
Proceeds from the issuance of Senior Notes	2,600	0
Proceeds from the issuance of convertible bonds	500	0
Changes of accounts receivable securitization program	-5	-46
Proceeds from the exercise of stock options	8	4
Dividends paid	-73	-47
Change in noncontrolling interest	3	1
Exchange rate effect due to corporate financing	–	1
Net cash provided by financing activities	5,220	47
Effect of exchange rate changes on cash and cash equivalents	1	-15
Net decrease in cash and cash equivalents	-99	-162
Cash and cash equivalents at the beginning of the reporting period	1,579	1,044
Cash and cash equivalents at the end of the reporting period	1,480	882

ADDITIONAL INFORMATION ON PAYMENTS
THAT ARE INCLUDED IN NET CASH PROVIDED BY OPERATING ACTIVITIES

€ in millions	Q1/2017	Q1/2016
Received interest	18	9
Paid interest	-201	-193
Income taxes paid	-189	-90

The following notes are an integral part of the unaudited condensed interim financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Subscribed Capital			Reserves	
	Number of ordinary shares in thousand	Amount € in thousands	Amount € in millions	Capital reserve € in millions	Other reserves € in millions
As of December 31, 2015	545,728	545,728	546	3,309	6,964
Proceeds from the exercise of stock options	83	83	–	2	
Compensation expense related to stock options				6	
Dividends paid					
Purchase of noncontrolling interest					
Noncontrolling interest subject to put provisions					-13
Comprehensive income (loss)					
Net income					358
Other comprehensive income (loss)					
Cash flow hedges					
Change of fair value of available for sale financial assets					
Foreign currency translation					
Actuarial gains on defined benefit pension plans					
Comprehensive income (loss)					358
As of March 31, 2016	545,811	545,811	546	3,317	7,309
As of December 31, 2016	547,208	547,208	547	3,379	8,165
Issuance of bearer ordinary shares	6,108	6,108	6	394	
Proceeds from the exercise of stock options	181	181	–	5	
Compensation expense related to stock options				7	
Dividends paid					
Purchase of noncontrolling interest					
Noncontrolling interest subject to put provisions					-5
Comprehensive income (loss)					
Net income					457
Other comprehensive income (loss)					
Cash flow hedges					
Change of fair value of available for sale financial assets					
Foreign currency translation					
Actuarial gains on defined benefit pension plans					
Comprehensive income (loss)					457
As of March 31, 2017	**553,497**	**553,497**	**553**	**3,785**	**8,617**

FRESENIUS SE & CO. KGAA
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

	Accumulated other com-prehensive income (loss) € in millions	Total Fresenius SE & Co. KGaA shareholders' equity € in millions	Noncontrolling interest € in millions	Total shareholders' equity € in millions
As of December 31, 2015	334	11,153	7,300	18,453
Proceeds from the exercise of stock options		2	2	4
Compensation expense related to stock options		6	3	9
Dividends paid		0	-47	-47
Purchase of noncontrolling interest		0	16	16
Noncontrolling interest subject to put provisions		-13	-29	-42
Comprehensive income (loss)				
Net income		358	220	578
Other comprehensive income (loss)				
Cash flow hedges	1	1	3	4
Change of fair value of available for sale financial assets	–	–	–	–
Foreign currency translation	-267	-267	-275	-542
Actuarial gains on defined benefit pension plans	4	4	7	11
Comprehensive income (loss)	-262	96	-45	51
As of March 31, 2016	72	11,244	7,200	18,444
As of December 31, 2016	573	12,664	8,185	20,849
Issuance of bearer ordinary shares		400	0	400
Proceeds from the exercise of stock options		5	3	8
Compensation expense related to stock options		7	2	9
Dividends paid		0	-73	-73
Purchase of noncontrolling interest		0	46	46
Noncontrolling interest subject to put provisions		-5	-10	-15
Comprehensive income (loss)				
Net income		457	294	751
Other comprehensive income (loss)				
Cash flow hedges	4	4	4	8
Change of fair value of available for sale financial assets	–	–	–	–
Foreign currency translation	-7	-7	-56	-63
Actuarial gains on defined benefit pension plans	–	–	1	1
Comprehensive income (loss)	-3	454	243	697
As of March 31, 2017	**570**	**13,525**	**8,396**	**21,921**

The following notes are an integral part of the unaudited condensed interim financial statements.

FRESENIUS SE & CO. KGAA
CONSOLIDATED SEGMENT REPORTING FIRST QUARTER (UNAUDITED)

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
by business segment, € in millions	2017	2016	Change	2017	2016	Change	2017	2016	Change	2017	2016	Change	2017	2016	Change	2017	2016	Change
Sales	4,548	3,916	16%	1,604	1,470	9%	2,018	1,435	41%	223	218	2%	-31	-24	-29%	8,362	7,015	19%
thereof contribution to consolidated sales	4,541	3,911	16%	1,591	1,458	9%	2,018	1,435	41%	212	210	1%	0	1	-100%	8,362	7,015	19%
thereof intercompany sales	7	5	40%	13	12	8%	0	0		11	8	38%	-31	-25	-24%	0	0	
contribution to consolidated sales	54%	56%		19%	21%		24%	20%		3%	3%		0%	0%		100%	100%	
EBITDA	841	662	27%	382	368	4%	334	206	62%	8	9	-11%	-5	-4	-25%	1,560	1,241	26%
Depreciation and amortization	190	165	15%	69	65	6%	79	47	68%	2	2	0%	4	3	33%	344	282	22%
EBIT	651	497	31%	313	303	3%	255	159	60%	6	7	-14%	-9	-7	-29%	1,216	959	27%
Net interest	-92	-96	4%	-28	-41	32%	-29	-11	-164%	0	0		-8	-4	-100%	-157	-152	-3%
Income taxes	-182	-126	-44%	-85	-80	-6%	-42	-24	-75%	-2	-2	0%	3	3	0%	-308	-229	-34%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	308	213	45%	191	173	10%	181	124	46%	4	5	-20%	-227	-157	-45%	457	358	28%
Operating cash flow	170	163	4%	192	127	51%	184	66	179%	-44	-18	-144%	-26	-2	--	476	336	42%
Cash flow before acquisitions and dividends	-25	-60	58%	108	57	89%	139	29	--	-45	-20	-125%	-29	-4	--	148	2	--
Total assets[1]	25,780	25,504	1%	11,533	11,430	1%	16,220	8,696	87%	1,125	1,108	2%	-240	-41	--	54,418	46,697	17%
Debt[1]	8,270	8,132	2%	5,032	5,155	-2%	6,518	1,406	--	227	176	29%	163	-89	--	20,210	14,780	37%
Other operating liabilities[1]	5,543	5,658	-2%	2,232	2,153	4%	2,178	1,387	57%	535	574	-7%	416	361	15%	10,904	10,133	8%
Capital expenditure, gross	198	227	-13%	66	47	40%	57	38	50%	3	2	50%	4	1	--	328	315	4%
Acquisitions, gross/investments	150	90	67%	1	105	-99%	5,932	9	--	–	–	--	0	0		6,083	204	--
Research and development expenses	32	34	-6%	89	80	11%	–	–	--	0	0		0	1	-100%	121	115	5%
Employees (per capita on balance sheet date)[1]	117,432	116,120	1%	35,245	34,917	1%	102,151	72,687	41%	8,175	8,198	0%	954	951	0%	263,957	232,873	13%
Key figures																		
EBITDA margin	18.5%	16.9%		23.8%	25.0%		16.6%	14.4%		3.6%	4.1%					18.7%	17.7%	
EBIT margin	14.3%	12.7%		19.5%	20.6%		12.6%	11.1%		2.7%	3.2%					14.5%	13.7%	
Depreciation and amortization in % of sales	4.2%	4.2%		4.3%	4.4%		3.9%	3.3%		0.9%	0.9%					4.1%	4.0%	
Operating cash flow in % of sales	3.7%	4.2%		12.0%	8.6%		9.1%	4.6%		-19.7%	-8.3%					5.7%	4.8%	
ROOA[1]	11.0%	10.6%		11.7%	11.7%		6.9%	8.5%		9.3%	10.5%					9.7%	10.0%	

[1] 2016: December 31

The consolidated segment reporting is an integral part of the notes.

The following notes are an integral part of the unaudited condensed interim financial statements.

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GENERAL NOTES

1. PRINCIPLES

I. GROUP STRUCTURE

Fresenius is a global health care group with products and services for dialysis, hospitals and outpatient medical care. In addition, the Fresenius Group focuses on hospital operations and also manages projects and provides services for hospitals and other health care facilities worldwide. Besides the activities of the parent company Fresenius SE & Co. KGaA, Bad Homburg v. d. H., the operating activities were split into the following legally independent business segments as of March 31, 2017:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

The reporting currency in the Fresenius Group is the euro. In order to make the presentation clearer, amounts are mostly shown in million euros. Amounts under €1 million after rounding are marked with "–".

II. BASIS OF PRESENTATION

Fresenius SE & Co. KGaA, as a stock exchange listed company with a domicile in a member state of the European Union, fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) applying Section 315a of the German Commercial Code (HGB). Beginning with the 2017 fiscal year, the Fresenius Group is solely managed in accordance with IFRS and does no longer voluntarily prepare and publish the consolidated financial statements in accordance with the United States Generally Accepted Accounting Principles (U.S. GAAP) which have been provided previously.

The accompanying condensed interim financial statements comply with the International Accounting Standard (IAS) 34. They have been prepared in accordance with the IFRS in force on the reporting date and adopted by the European Union.

The accounting policies underlying these interim financial statements are mainly the same as those applied in the consolidated financial statements as of December 31, 2016.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The condensed consolidated financial statements and management report for the first quarter ended March 31, 2017 have not been audited nor reviewed and should be read in conjunction with the notes included and published in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

Except for the reported acquisitions (see note 2, Acquisitions and investments), there have been no other major changes in the entities consolidated.

The consolidated financial statements for the first quarter ended March 31, 2017 include all adjustments that, in the opinion of the Management Board, are of a normal and recurring nature and are necessary to provide an appropriate view of the assets and liabilities, financial position and results of operations of the Fresenius Group.

The results of operations for the first quarter ended March 31, 2017 are not necessarily indicative of the results of operations for the fiscal year 2017.

Use of estimates

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

IV. RECENT PRONOUNCEMENTS, APPLIED

The Fresenius Group has prepared its consolidated financial statements at March 31, 2017 in conformity with IFRS in force for the interim periods on January 1, 2017.

In the first quarter of 2017, the Fresenius Group did not apply any new standard relevant for its business for the first time.

V. RECENT PRONOUNCEMENTS, NOT YET APPLIED

The International Accounting Standards Board (IASB) issued the following for the Fresenius Group relevant new standards:

In January 2016, the IASB issued **IFRS 16, Leases**, which supersedes the current standard on lease accounting, IAS 17, as well as the interpretations IFRIC 4, SIC-15 and SIC-27. IFRS 16 significantly improves lessee accounting. For all leases, a lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Depreciation of the right-of-use asset and interest on the lease liability must be recognized in the income statement for every lease contract. Therefore, straight-line rental expenses will no longer be shown. The lessor accounting requirements in IAS 17 are substantially carried forward. The standard is effective for fiscal years beginning on or after January 1, 2019. Earlier application is permitted for entities that have also adopted IFRS 15, Revenue from Contracts with Customers. The Fresenius Group expects a balance sheet extension due to the on balance sheet recognition of right-of-use assets and liabilities for agreed lease payment obligations, currently classified as operating leases, resulting in particular from leased clinics and buildings. Based on a first impact analysis as of December 31, 2015, using certain assumptions and simplifications, the Fresenius Group expects a financial debt increase of approximately €5 billion. Referring to the consolidated statement of income, the Fresenius Group expects an EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization) as well as an operating income improvement due to the split of rent expenses in depreciation and interest expenses, by having unchanged cash outflows. The Leverage Ratio will increase by 0.3 to 0.4. The impact on the Fresenius Group will depend on the contract portfolio at the effective date as well as on the transition method. Based on a first impact analysis, the Fresenius Group decided to apply the modified retrospective method. Currently, the Fresenius Group evaluates accounting policy options of IFRS 16.

In January 2016, the IASB issued **Amendments to IAS 7, Statement of Cash Flows**. The amendments are intended to improve the information related to the change in a company's debt by providing additional disclosures. The standard is effective for fiscal years beginning on or after January 1, 2017. Earlier application is permitted. The Fresenius Group will initially apply the amendments to IAS 7 in the consolidated financial statements as of December 31, 2017.

In May 2014, the IASB issued **IFRS 15, Revenue from Contracts with Customers**. This new standard specifies how and when companies reporting under IFRS will recognize revenue as well as providing users of financial statements with more informative and relevant disclosures. IFRS 15 supersedes IAS 18, Revenue, IAS 11, Construction Contracts and a number of revenue-related interpretations. This standard applies to nearly all contracts with customers, the main exceptions are leases, financial instruments and insurance contracts. In September 2015, the IASB issued the amendment **Effective Date of IFRS 15**, which defers the effective date of IFRS 15 by one year to fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Fresenius Group decided that IFRS 15 will not be adopted early and is currently evaluating the impact of IFRS 15, in conjunction with all amendments to the standard, on its consolidated financial statements. Based on findings the Fresenius Group obtained so far, it expects differences to the current accounting mainly in the calculation of the transaction price for health care services provided. IFRS 15 requires the consideration of implicit price concessions when determining the transaction price. This will lead to a corresponding decrease of revenues from health care services and thus the implicit price concessions will no longer be included in selling, general and administrative expenses as an allowance for doubtful accounts. The first analysis of this issue showed a decrease of revenue by approximately 1% to 2% without any effect on net income. A more detailed quantification of the impact of IFRS 15 is not yet possible. The Fresenius Group also evaluates accounting policy options and transition methods of IFRS 15.

In July 2014, the IASB issued a new version of **IFRS 9, Financial Instruments**. This IFRS 9 version is considered the final and complete version, thus, mainly replacing IAS 39 as soon as IFRS 9 is applied. It includes all prior guidance on the classification and measurement of financial assets and financial liabilities as well as hedge accounting and introduces requirements for impairment of financial instruments as well as modified requirements for the measurement categories of financial assets. The impairment provisions reflect a model that relies on expected losses (expected loss model). This model comprises a two stage approach: Upon recognition an entity shall recognize losses that are expected within the next 12 months. If credit risk deteriorates significantly, from that point in time impairment losses shall amount to lifetime expected losses. The provisions for classification and measurement are amended by introducing an additional third measurement category for certain debt instruments. Such instruments shall be measured at fair value with changes recognized in other comprehensive income (fair value through other comprehensive income). The standard is accompanied by additional disclosure requirements and is effective for fiscal years beginning on or after January 1, 2018. Earlier adoption is permitted. The Fresenius Group decided that IFRS 9 will not be adopted early and is currently evaluating the impact on its consolidated financial statements. In accordance with IAS 39, the majority of the non-derivative financial assets are measured at amortized costs. The analysis on the business model and the contractual cash flow characteristics of each instrument is still ongoing. The requirements on the classification and measurement of non-derivative financial liabilities have not changed significantly. Thus, the Fresenius Group expects a limited impact on its consolidated financial statements. Derivatives not designated as hedging instruments will continue to be classified and measured at fair value through profit and loss.

The Fresenius Group intends to implement the simplified method to determine the provisions for risks from trade accounts receivable, receivables from lease contracts and capitalized contract costs according to IFRS 15. A quantification of the impact is not yet possible.

Based on currently available information, derivative financial instruments presently designated as hedging instruments are also qualified for hedge accounting according to the requirements of IFRS 9.

The Fresenius Group also evaluates accounting policy options and transition methods of IFRS 9.

The EU Commission's endorsement of IFRS 16 and of the amendments to IAS 7 is still outstanding.

In the Fresenius Group's view, all other pronouncements issued by the IASB do not have a material impact on the consolidated financial statements, as expected.

2. ACQUISITIONS AND INVESTMENTS

The Fresenius Group made acquisitions, investments and purchases of intangible assets of €6,083 million and €204 million in the first quarter of 2017 and 2016, respectively. Of this amount, €5,473 million was paid in cash and €610 million was assumed obligations in the first quarter of 2017.

FRESENIUS MEDICAL CARE

In the first quarter of 2017, Fresenius Medical Care spent €150 million on acquisitions, mainly on the purchase of dialysis clinics.

FRESENIUS KABI

In the first quarter of 2017, Fresenius Kabi spent €1 million on acquisitions, mainly on subsequent purchase price payments for acquisitions of the past year.

FRESENIUS HELIOS

In the first quarter of 2017, Fresenius Helios spent €5,932 million on acquisitions, mainly for the acquisition of 100% of the share capital in IDCSalud Holding S.L.U. (Quirónsalud), Spain.

Acquisition of IDCSalud Holding S.L.U. (Quirónsalud)

On January 31, 2017, Fresenius Helios closed the acquisition of 100% of the share capital in IDCSalud Holding S.L.U. (Quirónsalud), Spain's largest private hospital operator. Quirónsalud has been consolidated as of February 1, 2017.

Quirónsalud's network is comprised of 44 hospitals, 43 outpatient centers and about 300 Occupational Risk Prevention centers located in all economically important areas of Spain. The company offers the full spectrum of inpatient and outpatient care. With the acquisition, Fresenius Helios strengthens its position as Europe's largest private hospital operator.

€5.36 billion of the total purchase price in the amount of €5.76 billion had already been financed by means of different debt instruments and paid in cash on January 31, 2017. The balance of €400 million was paid in the form of 6,108,176 new shares of Fresenius SE & Co. KGaA issued on January 31, 2017 from Authorized Capital excluding subscription rights. In April 2017, a compensation payment in the amount of €174 million was made for working capital taken over.

The transaction was accounted for as a business combination. The following table summarizes the current estimated fair values of assets acquired and liabilities assumed at the date of the acquisition. This allocation of the purchase price is based upon the best information available to management at present. Due to the relatively short interval between the closing date of the acquisition and the date of the statement of financial position, this information may be incomplete. Any adjustments to acquisition accounting, net of related income tax effects, will be recorded with a corresponding adjustment to goodwill.

€ in millions	
Trade accounts receivable	805
Working capital and other assets	69
Property, plant and equipment and other non-current assets	1,794
Intangible assets	1,234
Liabilities	-1,297
Goodwill	3,352
Noncontrolling interest	-26
Consideration transferred	**5,931**

The goodwill in the amount of €3,352 million that was acquired as part of the acquisition is not deductible for tax purposes.

Goodwill mainly represents the market position of the acquired hospitals, health centres and health care facilities, the economies of scale of the significantly grown largest private European hospital operator and the know-how of the employees.

The noncontrolling interests acquired as part of the acquisition are stated at fair value.

In February and March 2017, the acquired hospitals and outpatient facilities have contributed €490 million to sales and €74 million to the operating income (EBIT) of the first quarter of 2017 of the Fresenius Group.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SALES

Sales by activity were as follows:

€ in millions	Q1/2017	Q1/2016
Sales of services	5,932	4,769
Sales of products and related goods	2,350	2,159
Sales from long-term production contracts	78	86
Other sales	2	1
Sales	**8,362**	**7,015**

4. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €121 million (Q1/2016: €115 million) included expenditures for research and non-capitalizable development costs as well as depreciation and amortization expenses relating to capitalized development costs of €4 million (Q1/2016: €4 million).

5. TAXES

During the first quarter of 2017, there were no material changes relating to tax audits, accruals for income taxes as well as recognized and accrued payments for interest and penalties. Explanations regarding the tax audits and further information can be found in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

6. EARNINGS PER SHARE

The following table shows the earnings per share including and excluding the dilutive effect from stock options issued:

	Q1/2017	Q1/2016
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	457	358
less effect from dilution due to Fresenius Medical Care shares	–	–
Income available to all ordinary shares	457	358
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	553,465,548	545,768,284
Potentially dilutive ordinary shares	4,407,980	4,263,236
Weighted-average number of ordinary shares outstanding assuming dilution	557,873,528	550,031,520
Basic earnings per share in €	0.83	0.65
Fully diluted earnings per share in €	0.82	0.65

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

7. CASH AND CASH EQUIVALENTS

As of March 31, 2017 and December 31, 2016, cash and cash equivalents were as follows:

€ in millions	March 31, 2017	Dec. 31, 2016
Cash	1,433	1,492
Time deposits and securities (with a maturity of up to 90 days)	47	87
Total cash and cash equivalents	**1,480**	1,579

As of March 31, 2017 and December 31, 2016, earmarked funds of €66 million and €61 million, respectively, were included in cash and cash equivalents.

8. TRADE ACCOUNTS RECEIVABLE

As of March 31, 2017 and December 31, 2016, trade accounts receivable were as follows:

€ in millions	March 31, 2017	Dec. 31, 2016
Trade accounts receivable	7,103	5,752
less allowance for doubtful accounts	823	700
Trade accounts receivable, net	**6,280**	5,052

The increase is mainly attributable to the acquisition of Quirónsalud.

9. INVENTORIES

As of March 31, 2017 and December 31, 2016, inventories consisted of the following:

€ in millions	March 31, 2017	Dec. 31, 2016
Raw materials and purchased components	686	667
Work in process	612	620
Finished goods	2,104	2,044
less reserves	130	142
Inventories, net	**3,272**	3,189

10. OTHER CURRENT AND NON-CURRENT ASSETS

At equity investments as of March 31, 2017 in the amount of €613 million (December 31, 2016: €598 million) mainly related to the joint venture named Vifor Fresenius Medical Care Renal Pharma Ltd. between Fresenius Medical Care and Galenica Ltd. In the first quarter of 2017, income of €15 million (Q1/2016: €17 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income. Securities and long-term loans included €323 million financial assets available for sale as of March 31, 2017 (December 31, 2016: €258 million) mainly relating to shares in funds.

11. GOODWILL AND OTHER INTANGIBLE ASSETS

As of March 31, 2017 and December 31, 2016, intangible assets, split into amortizable and non-amortizable intangible assets, consisted of the following:

AMORTIZABLE INTANGIBLE ASSETS

	March 31, 2017			December 31, 2016		
€ in millions	Acquisition cost	Accumulated amortization	Carrying amount	Acquisition cost	Accumulated amortization	Carrying amount
Patents, product and distribution rights	740	397	343	748	392	356
Tradenames	707	8	699	0	0	0
Capitalized development costs	426	226	200	425	232	193
Technology	461	147	314	462	141	321
Customer relationships	861	107	754	332	98	234
Software	511	303	208	474	290	184
Non-compete agreements	343	279	64	347	278	69
Other	499	298	201	469	293	176
Total	**4,548**	**1,765**	**2,783**	3,257	1,724	1,533

The increase of tradenames and customer relationships mainly results from the acquisition of Quirónsalud.

Estimated regular amortization expenses of intangible assets for the next five years are shown in the following table:

€ in millions	Q2–4/2017	2018	2019	2020	2021	Q1/2022
Estimated amortization expenses	226	293	290	281	272	69

NON-AMORTIZABLE INTANGIBLE ASSETS

	March 31, 2017			December 31, 2016		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**224**	**0**	**224**	227	0	227
Management contracts	**3**	**0**	**3**	3	0	3
Goodwill	**26,169**	**0**	**26,169**	22,901	0	22,901
Total	**26,396**	**0**	**26,396**	23,131	0	23,131

The carrying amount of goodwill has developed as follows:

€ in millions	Fresenius Medical Care	Fresenius Kabi	Fresenius Helios	Fresenius Vamed	Corporate/ Other	**Fresenius Group**
Carrying amount as of January 1, 2016	**11,962**	**5,142**	**4,437**	**99**	**6**	**21,646**
Additions	586	5	101	0	–	692
Disposals	0	0	–	0	–	–
Reclassifications	3	0	0	0	0	3
Foreign currency translation	405	155	0	0	0	560
Carrying amount as of December 31, 2016	**12,956**	**5,302**	**4,538**	**99**	**6**	**22,901**
Additions	101	0	3,355	0	0	3,456
Disposals	0	-1	0	0	0	-1
Foreign currency translation	-136	-51	0	0	0	-187
Carrying amount as of March 31, 2017	**12,921**	**5,250**	**7,893**	**99**	**6**	**26,169**

The increase of goodwil mainly results from the acquisition of Quirónsalud.

As of March 31, 2017 and December 31, 2016, the carrying amounts of the other non-amortizable intangible assets were €199 million and €202 million, respectively, for Fresenius Medical Care as well as €28 million for Fresenius Kabi.

12. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

As of March 31, 2017 and December 31, 2016, short-term debt consisted of the following:

	Book value	
€ in millions	**March 31, 2017**	December 31, 2016
Fresenius SE & Co. KGaA Commercial Paper	**128**	178
Fresenius Medical Care AG & Co. KGaA Commercial Paper	**607**	476
Other short-term debt	**192**	193
Short-term debt	**927**	847

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of March 31, 2017 and December 31, 2016, long-term debt and capital lease obligations net of debt issuance costs consisted of the following:

€ in millions	Book value March 31, 2017	Book value December 31, 2016
Fresenius Medical Care 2012 Credit Agreement	**2,195**	2,244
2013 Senior Credit Agreement	**2,709**	1,574
Schuldschein Loans	**2,178**	1,186
Accounts Receivable Facility of Fresenius Medical Care	**158**	165
Capital lease obligations	**247**	146
Other	**574**	344
Subtotal	**8,061**	5,659
less current portion	**1,049**	611
Long-term debt and capital lease obligations, less current portion	**7,012**	5,048

Fresenius Medical Care 2012 Credit Agreement

Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) originally entered into a syndicated credit facility (Fresenius Medical Care 2012 Credit Agreement) of US$3,850 million and a 5-year period with a large group of banks and institutional investors on October 30, 2012.

On November 26, 2014, the Fresenius Medical Care 2012 Credit Agreement was amended to increase the total credit facility to approximately US$4,400 million and extend the term for an additional two years until October 30, 2019.

The following tables show the available and outstanding amounts under the Fresenius Medical Care 2012 Credit Agreement at March 31, 2017 and at December 31, 2016:

	March 31, 2017			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit (in US$)	US$1,000 million	935	**US$43 million**	**40**
Revolving Credit (in €)	€400 million	400	**€0 million**	**0**
US$ Term Loan	US$2,050 million	1,918	**US$2,050 million**	**1,918**
€ Term Loan	€246 million	246	**€246 million**	**246**
Total		3,499		**2,204**
less financing cost				**9**
Total				**2,195**

	December 31, 2016			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit (in US$)	US$1,000 million	949	**US$10 million**	**10**
Revolving Credit (in €)	€400 million	400	**€0 million**	**0**
US$ Term Loan	US$2,100 million	1,992	**US$2,100 million**	**1,992**
€ Term Loan	€252 million	252	**€252 million**	**252**
Total		3,593		**2,254**
less financing cost				**10**
Total				**2,244**

At March 31, 2017 and December 31, 2016, Fresenius Medical Care had letters of credit outstanding in the amount of US$2 million and US$4 million, respectively under the U.S. dollar revolving credit facility. The letters of credit were not included in the above mentioned outstanding balances at those dates but reduce available borrowings under the applicable revolving credit facility.

As of March 31, 2017, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care 2012 Credit Agreement.

2013 Senior Credit Agreement

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Senior Credit Agreement) in the original amount of US$1,300 million and €1,250 million. Since the initial funding of the 2013 Senior Credit Agreement in June 2013, additional tranches were added. Furthermore, scheduled amortization payments as well as voluntary repayments have been made.

On October 14, 2016, the Senior Credit Agreement 2013 has been increased by an incremental term loan of €900 million and an incremental revolving facility of € 300 million. The incremental facilities were used to fund the acquisition of IDCSalud Holding S.L.U. (Quirónsalud) by Fresenius Helios. The incremental facilities were funded on January 31, 2017.

The following tables show the available and outstanding amounts under the 2013 Senior Credit Agreement at March 31, 2017 and at December 31, 2016:

	March 31, 2017			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities (in €)	€1,200 million	1,200	**€300 million**	**300**
Revolving Credit Facilities (in US$)	US$300 million	281	**US$0 million**	**0**
Term Loan A (in €)	€1,802 million	1,802	**€1,802 million**	**1,802**
Term Loan A (in US$)	US$666 million	623	**US$666 million**	**623**
Total		3,906		**2,725**
less financing cost				**16**
Total				**2,709**

	December 31, 2016			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facilities (in €)	€900 million	900	**€0 million**	**0**
Revolving Credit Facilities (in US$)	US$300 million	284	**US$0 million**	**0**
Term Loan A (in €)	€933 million	933	**€933 million**	**933**
Term Loan A (in US$)	US$689 million	654	**US$689 million**	**654**
Total		2,771		**1,587**
less financing cost				**13**
Total				**1,574**

Does not include the incremental facilities in the amount of €1.2 billion which were funded in January 2017

As of March 31, 2017, the Fresenius Group was in compliance with all covenants under the 2013 Senior Credit Agreement.

Schuldschein Loans

As of March 31, 2017 and December 31, 2016, Schuldschein Loans of the Fresenius Group net of debt issuance costs consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate fixed/variable	**March 31, 2017**	Dec. 31, 2016
Fresenius SE & Co. KGaA 2013/2017	€125 million	Aug. 22, 2017	2.65%/variable	**125**	125
Fresenius SE & Co. KGaA 2014/2018	€97 million	April 2, 2018	2.09%	**97**	97
Fresenius SE & Co. KGaA 2014/2018 [1]	€141 million	April 2, 2018	variable	**141**	141
Fresenius SE & Co. KGaA 2012/2018	€72 million	April 4, 2018	4.09%	**72**	72
Fresenius SE & Co. KGaA 2015/2018	€91 million	October 8, 2018	1.07%/variable	**91**	91
Fresenius SE & Co. KGaA 2014/2020	€262 million	April 2, 2020	2.67%/variable	**262**	260
Fresenius SE & Co. KGaA 2017/2022	€372 million	Jan. 31, 2022	0.93%/variable	**371**	0
Fresenius SE & Co. KGaA 2015/2022	€21 million	April 7, 2022	1.61%	**21**	21
Fresenius SE & Co. KGaA 2017/2024	€421 million	Jan. 31, 2024	1.36%/variable	**419**	0
Fresenius SE & Co. KGaA 2017/2027	€207 million	Jan. 29, 2027	1.96%/variable	**206**	0
Fresenius US Finance II, Inc. 2016/2021	US$342 million	March 10, 2021	2.66%/variable	**319**	323
Fresenius US Finance II, Inc. 2016/2023	US$58 million	March 10, 2023	3.12%/variable	**54**	56
Schuldschein Loans				**2,178**	1,186

[1] terminated tranches repaid on April 3, 2017

On December 19, 2016, Fresenius SE & Co. KGaA issued €1,000 million of Schuldschein Loans in tranches of 5, 7 and 10 years with fixed and variable interest rates. The transaction was closed on January 31, 2017. Proceeds were used for general corporate purposes and to finance the acquisition of IDCSalud Holding S.L.U. (Quirónsalud) by Fresenius Helios.

In order to optimize the capital structure and to further reduce financing costs, two existing floating rate tranches of Schuldschein Loans due originally on April 2, 2018 in the amount of €76 million and €65 million have been terminated and prepaid as per April 3, 2017.

The Schuldschein Loans issued by Fresenius SE & Co. KGaA in the total amount of €141 million that were repaid ahead of time and the Schuldschein Loans issued by Fresenius SE & Co. KGaA in the total amount of €125 million which are due on August 22, 2017 are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position.

As of March 31, 2017, the Fresenius Group was in compliance with all of its covenants under the Schuldschein Loans.

CREDIT LINES

In addition to the financial liabilities described before, the Fresenius Group maintains additional credit facilities which have not been utilized, or have only been utilized in part, as of the reporting date. At March 31, 2017, the additional financial cushion resulting from unutilized credit facilities was approximately €3.4 billion. Thereof approximately €2.5 billion accounted for syndicated credit facilities.

Bridge Financing Facility

On April 25, 2017, Fresenius SE & Co. KGaA entered into a Bridge Financing Facility in the amount of US$4,200 million with a tenor of 18 months for the purpose of the acquisition of Akorn, Inc. It is planned to replace or refinance the facility with long-term debt instruments.

The Bridge Financing Facility in the original amount of €3,750 million, into which Fresenius SE & Co. KGaA entered in September 2016 for the purpose of the acquisition of IDCSalud Holding S.L.U. (Quirónsalud), was cancelled prematurely in January 2017 without having been utilized.

13. SENIOR NOTES

As of March 31, 2017 and December 31, 2016, Senior Notes of the Fresenius Group net of debt issuance costs consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**March 31, 2017**	Dec. 31, 2016
Fresenius Finance Ireland PLC 2017/2022	€700 million	Jan. 31, 2022	0.875%	**695**	0
Fresenius Finance Ireland PLC 2017/2024	€700 million	Jan. 30, 2024	1.50%	**690**	0
Fresenius Finance Ireland PLC 2017/2027	€700 million	Feb. 1, 2027	2.125%	**687**	0
Fresenius Finance Ireland PLC 2017/2032	€500 million	Jan. 30, 2032	3.00%	**493**	0
Fresenius SE & Co. KGaA 2014/2019	€300 million	Feb. 1, 2019	2.375%	**299**	299
Fresenius SE & Co. KGaA 2012/2019	€500 million	Apr. 15, 2019	4.25%	**498**	498
Fresenius SE & Co. KGaA 2013/2020	€500 million	July 15, 2020	2.875%	**497**	497
Fresenius SE & Co. KGaA 2014/2021	€450 million	Feb. 1, 2021	3.00%	**445**	445
Fresenius SE & Co. KGaA 2014/2024	€450 million	Feb. 1, 2024	4.00%	**449**	449
Fresenius US Finance II, Inc. 2014/2021	US$300 million	Feb. 1, 2021	4.25%	**279**	283
Fresenius US Finance II, Inc. 2015/2023	US$300 million	Jan. 15, 2023	4.50%	**278**	281
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**295**	295
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**398**	397
FMC Finance VIII S.A. 2012/2019	€250 million	July 31, 2019	5.25%	**244**	244
Fresenius Medical Care US Finance, Inc. 2007/2017	US$500 million	July 15, 2017	6.875%	**467**	473
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**602**	611
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**372**	377
Fresenius Medical Care US Finance II, Inc. 2012/2019	US$800 million	July 31, 2019	5.625%	**746**	757
Fresenius Medical Care US Finance II, Inc. 2014/2020	US$500 million	Oct. 15, 2020	4.125%	**465**	471
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**652**	661
Fresenius Medical Care US Finance II, Inc. 2014/2024	US$400 million	Oct. 15, 2024	4.75%	**371**	376
Senior Notes				**9,922**	7,414

All Senior Notes included in the table are unsecured.

On January 30, 2017, Fresenius Finance Ireland PLC, a wholly owned subsidiary of Fresenius SE & Co. KGaA, issued Senior Notes with an aggregate volume of €2.6 billion. The Senior Notes consist of four tranches with maturities of five, seven, ten and fifteen years. The proceeds were used to fund the acquisition of IDCSalud Holding S.L.U. (Quirónsalud) and for general corporate purposes.

The Senior Notes issued by Fresenius Medical Care US Finance, Inc. which are due on July 15, 2017 have been reclassified as short-term debt and are shown as current portion of Senior Notes in the consolidated statement of financial position.

As of March 31, 2017, the Fresenius Group was in compliance with all of its covenants under the Senior Notes.

14. CONVERTIBLE BONDS

As of March 31, 2017 and December 31, 2016, the convertible bonds of the Fresenius Group net of debt issuance costs consisted of the following:

					Book value € in millions	
	Notional amount	Maturity	Coupon	Current conversion price	**March 31, 2017**	Dec. 31, 2016
Fresenius SE & Co. KGaA 2014/2019	€500 million	Sept. 24, 2019	0.000%	€49.5184	**476**	474
Fresenius SE & Co. KGaA 2017/2024	€500 million	Jan. 31, 2024	0.000%	€107.0979	**442**	0
Fresenius Medical Care AG & Co. KGaA 2014/2020	€400 million	Jan. 31, 2020	1.125%	€73.6054	**382**	380
Convertible bonds					**1,300**	854

The fair value of the derivatives embedded in the convertible bonds of Fresenius SE & Co. KGaA was €313 million at March 31, 2017. The derivative embedded in the convertible bonds of Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) was recognized with a fair value of €79 million at March 31, 2017. Fresenius SE & Co. KGaA and FMC-AG & Co. KGaA have purchased stock options (call options) to secure against future fair value fluctuations of these derivatives. The call options also had an aggregate fair value of €313 million and €79 million, respectively, at March 31, 2017.

The conversions will be cash-settled. Any increase of Fresenius' share price and of Fresenius Medical Care's share price above the conversion price would be offset by a corresponding value increase of the call options.

The derivatives embedded in the convertible bonds and the call options are recognized in other non-current liabilities/assets in the consolidated statement of financial position.

On January 31, 2017, Fresenius SE & Co. KGaA issued €500 million of equity-neutral convertible bonds due 2024. The convertible bonds will not bear any interest. The issue price was fixed at 101% of the nominal value, corresponding to an annual yield to maturity of -0.142%. The initial conversion price is €107.0979. This represents a 45% premium over the reference share price of the Fresenius share of €73.8606. The proceeds were used to fund the acquisition of IDCSalud Holding S.L.U. (Quirónsalud) and for general corporate purposes.

15. PENSIONS AND SIMILAR OBLIGATIONS

DEFINED BENEFIT PENSION PLANS

At March 31, 2017, the pension liability of the Fresenius Group was €1,193 million. The current portion of the pension liability of €19 million is recognized in the consolidated statement of financial position within short-term accrued expenses and other short-term liabilities. The non-current portion of €1,174 million is recorded as pension liability.

Contributions to Fresenius Group's pension fund were €3 million in the first quarter of 2017. The Fresenius Group expects approximately €11 million contributions to the pension fund during 2017.

Defined benefit pension plans' net periodic benefit costs of €21 million (Q1/2016: €22 million) were comprised of the following components:

€ in millions	Q1/2017	Q1/2016
Service cost	15	14
Net interest cost	6	8
Net periodic benefit cost	**21**	22

16. NONCONTROLLING INTEREST

As of March 31, 2017 and December 31, 2016, noncontrolling interest in the Fresenius Group was as follows:

€ in millions	March 31, 2017	Dec. 31, 2016
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	7,059	6,903
Noncontrolling interest in VAMED AG	56	55
Noncontrolling interest in the business segments		
Fresenius Medical Care	1,096	1,073
Fresenius Kabi	96	90
Fresenius Helios	81	57
Fresenius Vamed	8	7
Total noncontrolling interest	**8,396**	8,185

Noncontrolling interest changed as follows:

€ in millions	Q1/2017
Noncontrolling interest as of January 1, 2017	**8,185**
Noncontrolling interest in profit	294
Stock options	5
Purchase of noncontrolling interest	46
Dividend payments	-73
Currency effects and other changes	-61
Noncontrolling interest as of March 31, 2017	**8,396**

17. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

As of January 1, 2017, the subscribed capital of Fresenius SE & Co. KGaA consisted of 547,208,371 bearer ordinary shares.

In the course of the acquisition of Quirónsalud, on January 31, 2017, 6,108,176 new shares of Fresenius SE & Co. KGaA were issued from Authorized Capital excluding subscription rights. These new shares have full dividend entitlement for the fiscal year 2016.

During the first quarter of 2017, 180,846 stock options were exercised. Consequently, as of March 31, 2017, the subscribed capital of Fresenius SE & Co. KGaA consisted of 553,497,393 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

AUTHORIZED CAPITAL

As of December 31, 2016, the general partner, Fresenius Management SE, was authorized, with the approval of the Supervisory Board, until May 15, 2019, to increase Fresenius SE & Co. KGaA's subscribed capital by a total amount of up to €120,960,000 through a single or multiple issues of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I). Thereof, on January 31, 2017, €6,108,176 was utilized through the issuance of 6,108,176 shares, thereby reducing the Authorized Capital I to €114,851,824.

CONDITIONAL CAPITAL

The following Conditional Capitals exist in order to fulfill the subscription rights under the stock option plans of Fresenius SE & Co. KGaA: Conditional Capital I (Stock Option Plan 2003), Conditional Capital II (Stock Option Plan 2008) and Conditional Capital IV (Stock Option Plan 2013) (see note 23, Share-based compensation plans). Another Conditional Capital III exists for the authorization to issue option bearer bonds and / or convertible bonds.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	5,017,585
Conditional Capital II Fresenius SE Stock Option Plan 2008	5,980,888
Conditional Capital III option bearer bonds and / or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	25,200,000
Total Conditional Capital as of January 1, 2017	**85,169,675**
Fresenius AG Stock Option Plan 2003 – options exercised	-31,493
Fresenius SE Stock Option Plan 2008 – options exercised	-149,353
Total Conditional Capital as of March 31, 2017	**84,988,829**

As of March 31, 2017, the Conditional Capital was composed as follows:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	4,986,092
Conditional Capital II Fresenius SE Stock Option Plan 2008	5,831,535
Conditional Capital III option bearer bonds and / or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	25,200,000
Total Conditional Capital as of March 31, 2017	**84,988,829**

DIVIDENDS

Under the German Stock Corporation Act (AktG), the amount of dividends available for distribution to shareholders is based upon the unconsolidated retained earnings of Fresenius SE & Co. KGaA as reported in its statement of financial position determined in accordance with the German Commercial Code (HGB).

In May 2017, the general partner and the Supervisory Board of Fresenius SE & Co. KGaA will propose a dividend of €0.62 per bearer ordinary share to the Annual General Meeting, i. e. a total dividend payment of €343 million.

OTHER NOTES

18. LEGAL AND REGULATORY MATTERS

The Fresenius Group is routinely involved in claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Fresenius Group currently deems to be material or noteworthy are described below. For the matters described below in which the Fresenius Group believes a loss is both reasonably possible and estimable, an estimate of the loss or range of loss exposure is provided. For the other matters described below, the Fresenius Group believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with Fresenius Group's view of the merits can occur. The Fresenius Group believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Further information regarding legal disputes, court proceedings and investigations can be found in detail in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS. In the following, only the changes during the first quarter ended March 31, 2017 compared to the information provided in the consolidated financial statements are described. These changes should be read in conjunction with the overall information in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS; defined terms or abbreviations having the same meaning as in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

PRODUCT LIABILITY LITIGATION

Fresenius Medical Care Holdings (FMCH) may elect to void the settlement if the 97% threshold is not achieved or if plaintiffs' non-participation falls into suspect patterns. For cases not participating in the settlement and not dismissed under Lone Pine orders, active litigation may resume in the discretion of their respective courts.

The deadline for plaintiffs to elect participation in the settlement has passed, although the plaintiff committee and FMCH continue to entertain late requests for good cause by individual participants. Based on participation elections already received and Lone Pine orders already issued, the plaintiff committee and FMCH expect, and have advised the courts that they expect, the settlement to be consummated. However, because of difficulties and delays in assembling and verifying individual participation elections and in the courts' processing of individual Lone Pine dismissals for the required number of cases, the committee and FMCH have agreed that consummation will occur promptly upon sufficient verification of fulfillment of the participation threshold, providing only that consummation will not be required before June 1, 2017 and must occur by February 28, 2018. Court approval of the schedule revision is expected.

FMCH believes that a significant number of cases, in various jurisdictions, will not participate in the settlement and will require some level of additional litigation activity in their respective trial courts to resolve. Appeals by plaintiffs are pending in the two bellwether cases (Ogburn and Dial) that have been tried, in both of which jury verdicts were entered in FMCH's favor.

FMCH's affected insurers have agreed to fund US$220 million of the settlement fund if the settlement is not voided, with a reservation of rights regarding certain coverage issues between and among FMCH and its insurers. FMCH has accrued a net expense of US$60 million for consummation of the settlement, including legal fees and other anticipated costs.

Following entry of the agreement in principle, FMCH's insurers in the AIG group and FMCH each initiated litigation against the other, in New York and Massachusetts state courts respectively, relating to the AIG group's coverage obligations under applicable policies. The affected carriers have confirmed that the coverage litigation does not impact their commitment to fund US$220 million of the settlement with plaintiffs. In the coverage litigation, the AIG group seeks to reduce its obligation to less than US$220 million and to be indemnified by FMCH for a portion of its US$220 million outlay; FMCH seeks to confirm the AIG group's US$220 million funding obligation, to recover defense costs already incurred by FMCH, and to compel the AIG group to honor defense and indemnification obligations, if any, required for resolution of cases not participating in the settlement.

FRESENIUS MEDICAL CARE HOLDINGS – QUI TAM COMPLAINT (MASSACHUSETTS)

Although the United States initially declined to intervene in the case, the government subsequently changed position. On April 3, 2017, the court allowed the government to intervene with respect only to certain Hepatitis B surface antigen tests performed prior to 2011, when Medicare reimbursement rules for such tests changed. The court rejected the government's request to conduct new discovery, but allowed Fresenius Medical Care Holdings, Inc. to take discovery against the government as if the government had been intervened at the outset.

INTERNAL REVIEW

Fresenius Medical Care has identified and reported to the government, and has taken remedial actions including employee disciplinary actions with respect to, conduct that may result in monetary penalties or other sanctions under the U.S. Foreign Corrupt Practices Act (FCPA) or other anti-bribery laws. In addition, Fresenius Medical Care's ability to conduct business in certain jurisdictions could be negatively impacted. Fresenius Medical Care has recorded in prior periods a non-material accrual for an identified matter. Given the current status of the investigations and remediation activities, Fresenius Medical Care cannot reasonably estimate the range of possible loss that may result from identified matters or from the final outcome of the investigations or remediation activities.

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

SUBPOENAS "COLORADO, NEW YORK AND TENNESSEE"

On August 31 and November 25, 2015, respectively, Fresenius Medical Care Holdings, Inc. (FMCH) received subpoenas from the United States Attorneys for the District of Colorado and the Eastern District of New York inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. On March 20, 2017, FMCH received a subpoena in the Western District of Tennessee inquiring into certain of the operations of dialysis facility joint ventures with the University of Tennessee Medical Group, including joint ventures in which FMCH's interests were divested to Satellite Dialysis in connection with FMCH's acquisition of Liberty Dialysis in 2012. FMCH is cooperating in these investigations.

SUBPOENA "NEW YORK"

The terminated employee's conduct may subject Fresenius Medical Care Holdings, Inc. (FMCH) to liability for overpayments and penalties under applicable laws. FMCH continues to cooperate in the government's ongoing investigation.

SUBPOENA "AMERICAN KIDNEY FUND" / CMS LITIGATION

The Centers for Medicare and Medicaid Services (CMS) have requested, and been granted by the court, until June 23, 2017 to determine their position with respect to the subject matter of the litigation. The operation of charitable assistance programs is also receiving increased attention by state regulators, including State Departments of Insurance. The result may be a regulatory framework that differs from state to state. Even in the absence of the Interim Final Rule or similar administrative actions, insurers are expected to continue to take steps to thwart the premium assistance provided to the patients of Fresenius Medical Care for individual market plans as well as other insurance coverages. This would have a material adverse impact on the operating results of Fresenius Medical Care Holdings, Inc.

Management regularly analyzes current information including, as applicable, the Fresenius Group's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Fresenius Group, like other health care providers, insurance plans and suppliers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories, clinics and other health care facilities, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Fresenius Group could be subject to significant adverse regulatory actions by the U.S. Food and Drug Administration (FDA) and comparable regulatory authorities outside the United States. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority, which may require the Fresenius Group to expend significant time and resources in order to implement appropriate corrective actions. If the Fresenius Group does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the United States, these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of Fresenius Group's products and/or criminal prosecution. Fresenius Medical Care Holdings, Inc. is currently engaged in remediation efforts with respect to one pending FDA warning letter, Fresenius Kabi with respect to two pending FDA warning letters. The Fresenius Group must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, the federal Civil Monetary Penalties Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from Fresenius Group's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, Fresenius Group's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to Fresenius Group's compliance with applicable laws and regulations. The Fresenius Group may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

As of March 31, 2017, contingent liabilities from future operating leases and rental payments increased by approximately €0.5 billion due to the acquisition of Quirónsalud. In addition to that and other than those individual contingent liabilities mentioned in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS, the current estimated amount of Fresenius Group's other known individual contingent liabilities is immaterial.

For information regarding the acquisition of Akorn, Inc. and the biosimilars business of Merck KGaA announced on April 24, 2017, see note 24, Subsequent events.

19. FINANCIAL INSTRUMENTS

VALUATION OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and fair values as well as the fair value hierarchy levels of Fresenius Group's financial instruments as of March 31, 2017 and December 31, 2016, classified into classes:

		March 31, 2017		December 31, 2016	
€ in millions	Fair value hierarchy level	**Carrying amount**	**Fair value**	Carrying amount	Fair value
Cash and cash equivalents	1	**1,480**	**1,480**	1,579	1,579
Assets recognized at carrying amount	2	**7,499**	**7,499**	5,926	5,926
Assets recognized at fair value	1	**323**	**323**	258	258
Liabilities recognized at carrying amount	2	**24,124**	**25,519**	18,369	19,349
Liabilities recognized at fair value	3	**638**	**638**	586	586
Noncontrolling interest subject to put provisions recognized at fair value	3	**1,031**	**1,031**	1,029	1,029
Derivatives for hedging purposes	2	**338**	**338**	359	359

Explanations regarding the significant methods and assumptions used to estimate the fair values of financial instruments and classification of fair value measurements according to the three-tier fair value hierarchy as well as explanations with regard to existing and expected risks from financial instruments and hedging can be found in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

Following is a roll forward of noncontrolling interest subject to put provisions:

€ in millions	**Q1/2017**
Noncontrolling interest subject to put provisions as of January 1, 2017	**1,029**
Noncontrolling interest subject to put provisions in profit	44
Sale of noncontrolling interest subject to put provisions	-1
Dividend payments	-32
Currency effects and other changes	-9
Noncontrolling interest subject to put provisions as of March 31, 2017	**1,031**

As of March 31, 2017, there was no indication for further possible significant risks from financial instruments or that a decrease in the value of Fresenius Group's financing receivables (other current and non-current assets) was probable and the allowances on credit losses of financing receivables are immaterial.

FAIR VALUES OF DERIVATIVE FINANCIAL INSTRUMENTS

	March 31, 2017		December 31, 2016	
€ in millions	**Assets**	**Liabilities**	Assets	Liabilities
Interest rate contracts (non-current)	**5**	**1**	5	1
Foreign exchange contracts (current)	**7**	**23**	14	24
Foreign exchange contracts (non-current)	**0**	**–**	–	1
Derivatives designated as hedging instruments [1]	**12**	**24**	19	26
Interest rate contracts (current)	**–**	**0**	0	–
Interest rate contracts (non-current)	**0**	**–**	–	1
Foreign exchange contracts (current) [1]	**7**	**49**	27	23
Foreign exchange contracts (non-current) [1]	**–**	**–**	–	–
Derivatives embedded in the convertible bonds	**0**	**392**	0	362
Call options to secure the convertible bonds [1]	**392**	**0**	362	0
Derivatives not designated as hedging instruments	**399**	**441**	389	386

[1] Derivatives designated as hedging instruments, foreign exchange contracts and call options to secure the convertible bonds not designated as hedging instruments are classified as derivatives for hedging purposes.

Derivative financial instruments are marked to market each reporting period, resulting in carrying amounts equal to fair values at the reporting date.

Derivatives not designated as hedging instruments, which are derivatives that do not qualify for hedge accounting, are also solely entered into to hedge economic business transactions and not for speculative purposes.

Derivatives for hedging purposes as well as the derivatives embedded in the convertible bonds were recognized at gross value within other assets in an amount of €411 million and other liabilities in an amount of €465 million.

The current portion of derivatives indicated as assets in the preceding table is recognized within other current assets in the consolidated statement of financial position, while the current portion of those indicated as liabilities is included in short-term accrued expenses and other short-term liabilities. The non-current portions indicated as assets or liabilities are recognized in other non-current assets or in long-term accrued expenses and other long-term liabilities, respectively. The derivatives embedded in the convertible bonds and the call options to secure the convertible bonds are recognized in other long-term liabilities/non-current assets in the consolidated statement of financial position.

EFFECT OF DERIVATIVES DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q1/2017		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	–	9	0
Foreign exchange contracts	1	1	0
Derivatives in cash flow hedging relationships [1]	**1**	**10**	**0**

	Q1/2016		
€ in millions	Gain or loss recognized in other comprehensive income (loss) (effective portion)	Gain or loss reclassified from accumulated other comprehensive income (loss) (effective portion)	Gain or loss recognized in the consolidated statement of income
Interest rate contracts	–	8	0
Foreign exchange contracts	-2	1	0
Derivatives in cash flow hedging relationships [1]	**-2**	**9**	**0**

[1] The amount of gain or loss recognized in the consolidated statement of income solely relates to the ineffective portion.

EFFECT OF DERIVATIVES NOT DESIGNATED AS HEDGING INSTRUMENTS ON THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Gain or loss recognized in the consolidated statement of income	
€ in millions	**Q1/2017**	Q1/2016
Interest rate contracts	**–**	–
Foreign exchange contracts	**-24**	-19
Derivatives embedded in the convertible bonds	**32**	32
Call options to secure the convertible bonds	**-32**	-32
Derivatives not designated as hedging instruments	**-24**	-19

Losses from foreign exchange contracts not designated as hedging instruments recognized in the consolidated statement of income are faced by gains from the underlying transactions in the corresponding amount.

Gains and losses from foreign exchange contracts and the corresponding underlying transactions are accounted for as cost of sales, selling, general and administrative expenses and net interest. Gains and losses resulting from interest rate contracts are recognized as net interest in the consolidated statement of income.

In the first quarter of 2017 and 2016, losses in an immaterial amount for available for sale financial assets were recognized in other comprehensive income (loss).

MARKET RISK

Derivative financial instruments

Classification

The existing master netting agreements do not provide a basis for offsetting the fair values of derivative financial instruments in the consolidated statement of financial position as the offsetting criteria under International Financial Reporting Standards are not satisfied.

At March 31, 2017 and December 31, 2016, the Fresenius Group had €18 million and €45 million of derivative financial assets subject to netting arrangements and €69 million and €46 million of derivative financial liabilities subject to netting arrangements. Offsetting these derivative financial instruments would have resulted in net assets of €7 million and €28 million as well as net liabilities of €58 million and €29 million at March 31, 2017 and December 31, 2016, respectively.

Foreign exchange risk management

As of March 31, 2017, the notional amounts of foreign exchange contracts totaled €3,141 million. These foreign exchange contracts have been entered into to hedge risks from operational business and in connection with loans in foreign currency. Foreign exchange forward contracts to hedge risks from operational business were exclusively recognized as cash flow hedges. The fair value of cash flow hedges was -€16 million.

As of March 31, 2017, the Fresenius Group was party to foreign exchange contracts with a maximum maturity of 16 months.

Interest rate risk management

As of March 31, 2017, euro denominated interest rate swaps had a notional volume of €251 million and a fair value of -€1 million. These euro interest rate swaps expire in the years 2017 to 2022. Furthermore, the Fresenius Group had U.S. dollar denominated interest rate swaps in the amount of US$200 million (€187 million) with a fair value of US$5 million (€5 million). They expire in 2021. The interest rate options outstanding as of March 31, 2017 with a notional amount of €200 million and a fair value of €1 thousand expire in 2018.

At March 31, 2017 and December 31, 2016, the Fresenius Group had losses of €38 million and €45 million, respectively, related to settlements of pre-hedges deferred in accumulated other comprehensive income (loss), net of tax.

20. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. As of March 31, 2017, the equity ratio was 40.3% and the debt ratio (debt/total assets) was 37.1%. As of March 31, 2017, the leverage ratio on the basis of net debt/EBITDA was 3.0.

The aims of the capital management and further information can be found in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

The Fresenius Group is covered by the rating agencies Moody's, Standard & Poor's and Fitch.

The following table shows the company rating of Fresenius SE & Co. KGaA:

	March 31, 2017	Dec. 31, 2016
Standard & Poor's		
Corporate Credit Rating	BBB-	BBB-
Outlook	stable	stable
Moody's		
Corporate Credit Rating	Baa3	Baa3
Outlook	stable	stable
Fitch		
Corporate Credit Rating	BBB-	BBB-
Outlook	stable	stable

Following Fresenius' announcement on April 24, 2017 to acquire Akorn, Inc. and Merck KGaA's biosimilars business, the rating agencies Standard & Poor's, Moody's and Fitch confirm the corporate credit ratings of Fresenius to be unaffected.

21. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

Cash paid for acquisitions (without investments in licenses) consisted of the following:

€ in millions	Q1/2017	Q1/2016
Assets acquired	7,011	180
Liabilities assumed	-1,483	-1
Noncontrolling interest	-32	-5
Notes assumed in connection with acquisitions	-31	-8
Cash paid	5,465	166
Cash acquired	0	-2
Cash paid for acquisitions, net	5,465	164
Cash paid for investments, net of cash acquired	4	29
Cash paid for intangible assets, net	4	3
Total cash paid for acquisitions and investments, net of cash acquired, and net purchases of intangible assets	5,473	196

22. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting shown on page 22 of this interim report is an integral part of the notes.

The Fresenius Group has identified the business segments Fresenius Medical Care, Fresenius Kabi, Fresenius Helios and Fresenius Vamed, which corresponds to the internal organizational and reporting structures (Management Approach) at March 31, 2017.

The business segments were identified in accordance with IFRS 8, Operating Segments, which defines the segment reporting requirements in the annual financial statements and interim reports with regard to the operating business, product and service businesses and regions. Further explanations with regard to the business segments can be found in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

NOTES ON THE BUSINESS SEGMENTS

Explanations regarding the notes on the business segments can be found in the consolidated financial statements as of December 31, 2016 applying Section 315a HGB in accordance with IFRS.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	Q1/2017	Q1/2016
Total EBIT of reporting segments	1,225	966
General corporate expenses Corporate/Other (EBIT)	-9	-7
Group EBIT	**1,216**	959
Net interest	-157	-152
Income before income taxes	**1,059**	807

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	March 31, 2017	Dec. 31, 2016
Short-term debt	927	847
Short-term debt from related parties	–	6
Current portion of long-term debt and capital lease obligations	1,049	611
Current portion of Senior Notes	467	473
Long-term debt and capital lease obligations, less current portion	7,012	5,048
Senior Notes, less current portion	9,455	6,941
Convertible bonds	1,300	854
Debt	**20,210**	14,780
less cash and cash equivalents	1,480	1,579
Net debt	**18,730**	13,201

23. SHARE-BASED COMPENSATION PLANS

SHARE-BASED COMPENSATION PLANS OF FRESENIUS SE & CO. KGAA

As of March 31, 2017, Fresenius SE & Co. KGaA had three share-based compensation plans in place: the Fresenius AG Stock Option Plan 2003 (2003 Plan) which is based on convertible bonds, the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan) and the Fresenius SE & Co. KGaA Long Term Incentive Program 2013 (2013 LTIP) which is based on stock options and phantom stocks. The 2013 LTIP is the only program under which stock options and phantom stocks can be granted.

Transactions during the first quarter of 2017

During the first quarter of 2017, Fresenius SE & Co. KGaA received cash of €4 million from the exercise of 180,846 stock options.

252,569 convertible bonds were outstanding and exercisable under the 2003 Plan at March 31, 2017. The members of the Fresenius Management SE Management Board held no more convertible bonds. At March 31, 2017, out of 2,410,848 outstanding and exercisable stock options issued under the 2008 Plan, 248,280 were held by the members of the Fresenius Management SE Management Board. 8,047,388 stock options issued under the 2013 LTIP were outstanding at March 31, 2017. The members of the Fresenius Management SE Management Board held 1,046,250 stock options. 1,055,701 phantom stocks issued under the 2013 LTIP were outstanding at March 31, 2017. The members of the Fresenius Management SE Management Board held 202,055 phantom stocks. As of March 31, 2017, 2,663,417 options for ordinary shares were outstanding and exercisable.

On March 31, 2017, total unrecognized compensation cost related to non-vested options granted under the 2013 LTIP was €51 million. This cost is expected to be recognized over a weighted-average period of 2.7 years.

SHARE-BASED COMPENSATION PLANS OF FRESENIUS MEDICAL CARE AG & CO. KGAA

During the first quarter of 2017, 82,064 stock options were exercised. Fresenius Medical Care AG & Co. KGaA received cash of €4 million upon exercise of these stock options and €0.8 million from a related tax benefit.

24. SUBSEQUENT EVENTS

On April 24, 2017 Fresenius has announced, that Fresenius Kabi has agreed to acquire Akorn, Inc. a U.S.-based manufacturer and marketer of prescription and over-the-counter pharmaceutical products, for approximately US$4.3 billion, or US$34 per share, plus approximately US$450 million of net debt (Fresenius projection of as of December 31, 2017).

The transaction is subject to customary closing conditions, including regulatory review under the Hart-Scott-Rodino Antitrust Improvements Act in the United States and approval by Akorn shareholders. Closing is expected by early 2018.

The purchase price will be financed by a broad mix of Euro and US-Dollar denominated debt instruments.

Within the same announcement, Fresenius and Merck KGaA announced that Fresenius Kabi will acquire Merck's biosimilars business, which comprises the entire development pipeline and an experienced team of more than 70 employees located in Aubonne and Vevey, Switzerland. The product pipeline has a focus on oncology and autoimmune diseases.

The purchase price will be up to €670 million. Thereof, €170 million will be paid in cash upon closing. Approximately €500 million are milestone payments strictly tied to achievements of development targets. Analytical testing, clinical studies, quality requirements specific to biosimilars as well as marketing and sales activities are expected to result in increased costs for Fresenius Kabi. These costs are expected to occur in uneven tranches. The total expected cash-out and self-imposed investment ceiling is estimated to be up to €1.4 billion until 2022.

The transaction is subject to regulatory approvals and other customary closing conditions and is expected to close in the second half of 2017.

The total investment in the biosimilars business will be mainly cash flow financed.

There have been no significant changes in the Fresenius Group's operating environment following the end of the first quarter of 2017. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the first quarter of 2017.

25. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA (www.fresenius.com/corporate-governance), and of Fresenius Medical Care AG & Co. KGaA (www.freseniusmedicalcare.com).

FINANCIAL CALENDAR

Annual General Meeting, Frankfurt am Main Live webcast of the speech of the Chairman of the Management Board	May 12, 2017
Payment of dividend [1]	May 17, 2017
Report on 1st half 2017 Conference call, Live webcast	August 1, 2017
Report on 1st–3rd quarter 2017 Conference call, Live webcast	November 2, 2017

[1] Subject to prior approval by the Annual General Meeting
Subject to change

FRESENIUS SHARE / ADR

	Ordinary share
Securities identification no.	578 560
Ticker symbol	FRE
ISIN	DE0005785604
Bloomberg symbol	FRE GR
Reuters symbol	FREG.de
Main trading location	Frankfurt / Xetra

	ADR
CUSIP	35804M105
Ticker symbol	FSNUY
ISIN	US35804M1053
Structure	Sponsored Level 1 ADR
Ratio	4 ADR = 1 Share
Trading platform	OTCQX

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Chairman of the Supervisory Board: Dr. Gerd Krick

General Partner: Fresenius Management SE
Registered Office and Commercial Register: Bad Homburg v. d. H.; HRB 11673
Management Board: Stephan Sturm (President and CEO), Dr. Francesco De Meo, Dr. Jürgen Götz, Mats Henriksson, Rice Powell, Dr. Ernst Wastler
Chairman of the Supervisory Board: Dr. Gerd Krick

For additional information on the performance indicators used please refer to our website https://www.fresenius.com/alternative-performance-measures.