

General Partner's Written Report to the Annual General Meeting of Fresenius SE & Co. KGaA Regarding Items 9 and 10 of the Agenda

In the following, the General Partner reports on the reasons for authorizing it in certain cases to exclude the shareholders' subscription rights in the event of the utilization of own shares (sec. 186 para. 4 sent. 2 in connection with sec. 71 para. 1 no. 8 sent. 5 of the German Stock Corporation Act). As of the date of convening the Annual General Meeting, this report is available on the Company's website, www.fresenius.com, under Investors / Annual General Meeting, and is available for inspection in the offices of the Company. Additionally, it is available for inspection in the meeting room during the Annual General Meeting.

Under agenda item 9, it will be proposed to the Annual General Meeting that the General Partner be authorized to purchase and use own shares. Through this measure, it is intended to once again authorize the Company – in accordance with the prevailing practice of large publicly listed companies in Germany – to exploit the benefits associated with the instrument of own shares in the best interests of the Company and all its shareholders. Therefore, the previous authorization granted by the Annual General Meeting on May 16, 2014, is to be renewed. As in the past, the Company will continue to be given the opportunity to acquire own shares in accordance with sec. 71 para. 1 no. 8 of the German Stock Corporation Act and to use them in the interest of the Company. This authorization shall also in the future enable the Company to repurchase shares in the Company in order to use the same as liquid consideration in connection with corporate transactions. Furthermore, in this manner, it will create the possibility for the Company, where necessary, to also reacquire and subsequently cancel own shares through classic share repurchase programs in order to appropriately take into account the interests of all shareholders of the Company in generating an adequate profit per share. In addition, the possibility is to be created, for example, to use own shares of the Company for the purpose of servicing long-term compensation components, e.g. in the context of stock option programs. In order to maximize flexibility in the handling of own shares, it is intended to grant the authorization for the maximum period of five years permitted under stock corporation law, i.e. until May 17, 2023.

The acquisition of own shares can be effected by way of a purchase via the stock exchange, by means of a public tender offer to all shareholders by the Company itself or an invitation to all shareholders to submit offers for sale. In the event of the last two acquisition scenarios, the shareholders can decide themselves how many shares and – if a price range is also fixed – at what price they want to tender those shares to the Company. In any case, the General Partner will observe the principle of equal treatment provided for under German stock corporation law in accordance with sec. 53a of the German Stock Corporation Act when acquiring own shares. The proposed acquisition scenarios via the stock exchange, by way of a public tender offer made to all shareholders or by means of an invitation to submit offers for sale all take account of that principle.

If, in the case of a public tender offer or in case of an invitation to submit sales offers, the total volume of shares offered or tendered exceeds the volume of shares intended to be repurchased, the Company will accept those shares on a pro-rata basis. However, it is possible to provide for a preferential acceptance of smaller numbers of shares of up to 100 shares per tendering shareholder in order to prevent arithmetical fractions of shares when

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the quotas to be acquired are determined and to avoid small numbers of residual shares, thereby facilitating the technical execution as a whole.

In the event of an acquisition by way of a public tender offer or a public invitation to submit offers for sale, the purchase price offered or the limit values of the purchase price range per share (exclusive of incidental acquisition expenses - *Erwerbsnebenkosten*) must not exceed or fall below the average trading price of shares of the Company in the Xetra trading system (or a comparable successor system) by more than 10% on the three exchange trading days preceding the date of the publication of the offer or the public invitation to submit an offer for sale. If significant deviations from the relevant price occur after the publication of a tender offer or public invitation to submit an offer for sale, it will be possible to adjust the offer or invitation to submit such an offer, with such adjustment being based on the relevant average price on the three exchange trading days prior to the publication of any such adjustment, if any. The tender offer or invitation to submit such an offer may be subject to further conditions.

The General Partner is authorized to use own shares purchased on the basis of this authorization for any purpose legally permissible and in particular for the following purposes:

The proposed authorization entitles the General Partner to partially or entirely collect repurchased own shares (*einziehen*), in accordance with common practice among large German listed companies, without further resolution of the Annual General Meeting being required. In this respect, it shall also be possible to cancel the shares without a capital reduction pursuant to sec. 237 para. 3 no. 3 of the German Stock Corporation Act (called a simplified procedure). By cancelling the shares without capital reduction, the proportional amount of the residual shares in the share capital of the Company increases. Therefore, the Supervisory Board and also the General Partner shall be authorized in this case to modify the Articles of Association with respect to the changing number of no-par value shares.

Exclusion of the Subscription Right in the Event of a Sale against Payment in Cash

Own shares may also be sold in ways other than via the stock exchange or by means of an offer made to all shareholders, against payment in cash and to the exclusion of the subscription right. Thus, the Company will be placed in a position where it is able to react swiftly and flexibly to favorable market conditions. Moreover, it will be possible to gain additional domestic and foreign investors by selling shares, for example, to institutional investors. In order to take appropriate account of the concept of anti-dilution protection in favor of shareholders, the aforementioned use is subject, pursuant to sec. 186 para. 3 sent. 4 of the German Stock Corporation Act, to the condition that own shares may only be sold at a price which is not significantly lower than the relevant stock exchange price at the time when the shares are sold; in this respect, the sales price will be determined with final effect immediately prior to the disposal itself. Additionally, the permitted sales volume is limited in such cases to 10% of the Company's existing respective share capital. It is not permitted to exceed this 10% limit either at the time of resolution on this authorization or at the time of its utilization. If any other authorization to issue or sell any shares of the Company or to issue any rights permitting or requiring the subscription of shares of the Company is used, excluding the right of subscription in direct or analogous application of sec. 186 para. 3 sent. 4 of the German Stock Corporation Act during the term of this authorization until its utilization, this is to be credited against the aforementioned 10% limit. The shareholders are thereby given the general opportunity to maintain their shareholding quota by way of a parallel acquisition of shares in the Company via the stock exchange at comparable conditions.

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Exclusion of Subscription Rights in the Event of the Use of Own Shares against Contributions in Kind

Furthermore, it will also be possible to use own shares against contributions in kind in the course of mergers and upon acquisition of companies and other assets, excluding the shareholders' subscription right. In particular, in the international globalized market of corporate transactions, it is not infrequent that a delivery of liquid shares is requested as a consideration. In this context, interesting opportunities can arise for using the Company's shares as a liquid consideration. The Company continuously monitors the market regarding potential opportunities to further strengthen the Company's position on the market in the best interests of the Company and its shareholders by way of such acquisition opportunities. By using the Company's own shares, such transactions can be executed flexibly and quickly, without having to consult the Annual General Meeting, which is often not possible due to time constraints. Additionally, such transactions can materially contribute to conserving the Company's liquidity. Therefore, such opportunity of using own shares lies in the overall interests of the Company and its shareholders. In determining the valuation ratios, the General Partner will additionally take care that the interests of shareholders are reasonably safeguarded.

Exclusion of Subscription Rights in the Event of the Use of Own Shares in lieu of the Utilization of any Conditional Capital

The authorization further provides that own shares in lieu of the utilization of conditional capital of the Company can also be issued, excluding the subscription right of shareholders, to employees of the Company and its affiliated companies, including members of the management of affiliated companies, and used to fulfill options or obligations to purchase shares of the Company granted, or to be granted, to employees of the Company or its affiliated companies as well as members of the management of affiliated companies. In this way, it is, for example, also intended to make it possible to offer the respective beneficiaries shares in the Company within the scope of stock option programs or employees benefit schemes – without having to resort to conditional capital. The issue of own shares to employees and officers of the Company, in particular in view of long-term compensation components having the purpose of securing the Company's sustainable success, is in the best interests of the Company and its shareholders, since it materially promotes the identification of employees and officers with their Company as well as the Company's value as such. Furthermore, the use of existing own shares instead of having to draw on conditional capital can make commercial sense for the Company.

The aforementioned opportunity to use own shares in order to discharge long-term share-based compensation components, excluding the subscription right of shareholders, shall also be available in favor of the members of the General Partner's Management Board. In order to take reasonable account of potential conflicts of interest resulting from the Company's legal form as well as the distribution of powers as stipulated by the German Stock Corporation law, the corresponding authorization to use own shares will, however, not be addressed to the General Partner (represented by the Management Board), but to its Supervisory Board.

Own shares may further be used to fulfill bonds carrying option or conversion rights or obligations, issued by the Company or dependent entities of the Company as defined in sec. 17 of the German Stock Corporation Act. In order to comply with the rights resulting therefrom, it may be appropriate, considering the Company's interests, to partially or entirely use

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own shares instead of shares resulting from a corresponding capital increase, which requires that the subscription right of shareholders be excluded.

Exclusion of Subscription Rights to Eliminate Fractional Amounts

Fractional amounts, if any, may be excluded in an offer made to all shareholders. This is necessary in view of the technical processing of such offer, in order to avoid the issue of fractional amounts of shares. The General Partner will dispose of the shares excluded from the shareholders' subscription right, called unassigned fractions (*freie Spitzen*), either by selling them via the stock exchange or otherwise at the best possible conditions for the Company.

The possible uses mentioned above are not limited to the Company's own shares acquired on the basis of this authorizing resolution; they also include shares of the Company acquired pursuant to sec. 71 d sent. 5 of the German Stock Corporation Act. In this way, additional flexibility is also created, in the best interests of the Company, also with a view to using such own shares in accordance with this authorizing resolution.

Limitation of the Total Volume of the Subscription Right Exclusion

The total number of shares used excluding subscription rights shall not exceed a total volume of 10% of the share capital neither at the time of resolution on such authorization nor at the time of its utilization. This limits the total volume of the issue of shares used without subscription rights. The shareholders are thus additionally protected against any potential dilution of their existing equity interests. Crediting clauses ensure that the General Partner will not exceed the 10% limit either by additionally exercising other authorizations – such as any Authorized Capital – and in doing so excluding the shareholders' subscription rights.

Currently, there are no specific plans for exercising the authorization to issue own shares. In any case, the General Partner will carefully examine whether the exercise of the authorization is in the interest of the Company and its shareholders. It will report to the Annual General Meeting on any exercise of the authorization.

Use of Equity Derivatives

Furthermore, agenda item 10 contains the proposal to authorize the Company to use Equity Derivatives when acquiring own shares pursuant to the authorization proposed under agenda item 9. To this end, the General Partner shall be authorized (1) to sell options which require the Company to acquire shares of the Company upon exercise (hereinafter referred to as "put options"), (2) to acquire options which entitle the Company to acquire shares of the Company upon exercise (hereinafter referred to as "call options"), and (3) to transact forward purchases which entitle the Company to acquire shares of the Company on a specific future date. According to the authorization proposed under agenda item 10, the acquisition may also be made using any combination of put options, call options and forward purchases (hereinafter collectively referred to as "Equity Derivatives" or "Derivatives"). In this regard, the proposed authorization sets forth the principle that any Equity Derivative used pursuant to such authorization may in total cover a maximum number of shares that does not exceed a proportional amount of 5% of the share capital of Fresenius SE & Co. KGaA, neither at the time of the resolution on such authorization nor at the time of utilization.

Usable Equity Derivatives and their Benefits

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The proposed authorization permits the use of put options, call options and forward purchases as well as any combination of such Equity Derivatives.

In the event of a sale of put options, the Company grants the buyer the right to sell shares of Fresenius SE & Co. KGaA to the Company at a price that has been fixed in the put option (exercise price). By way of consideration, the Company receives an option premium. If the put option is exercised, the option premium paid by the buyer of the put option reduces the total consideration paid by the Company for the acquisition of the share. The exercise of a put option is economically viable for the holder of the option if the price of the share of Fresenius SE & Co. KGaA is below the exercise price at the time of exercise, because then the holder of the option can sell the shares at the higher exercise price. From the Company's point of view, the redemption of shares by means of concluding an option contract provides the benefit that the exercise price is fixed upon conclusion of the option contract while there will be no outflow of liquidity until the exercise thereof. The use of put options for redeeming shares may for example be reasonable if the Company intends to redeem own shares when low prices prevail but is unsure with respect to the optimum redemption time, i.e. the time at which the most favorable price for the share of Fresenius SE & Co. KGaA prevails. Under such circumstances, it may be beneficial for the Company to sell put options, the exercise price of which is lower than the price of the share of Fresenius SE & Co. KGaA upon conclusion of the put option contract. The use of put options in particular offers the advantage that the redemption will take place at a lower price level in comparison with an immediate redemption. If the holder of the option does not exercise the option because the share price prevailing on the exercise date exceeds the exercise price, the Company is unable to acquire own shares in this manner; however, the received option premium remains with the Company.

In the event of an acquisition of a call option, the Company, receives the right against payment of an option premium to purchase a pre-determined number of shares at a pre-determined price (exercise price) from the seller of the option, the option writer. The exercise of a call option is economically viable for the Company if the price of the share of Fresenius SE & Co. KGaA exceeds the exercise price, because then the Company can buy the shares at the lower exercise price from the option writer. In this manner, the Company can protect itself against rising share prices. Additionally, the liquidity of the Company is conserved because the fixed purchase price for the shares must only be paid upon exercise of the call options.

In the event of a forward purchase, the Company, upon agreement with the forward seller, acquires the shares on a specific future date at a purchase price determined upon conclusion of the forward purchase. Conclusion of forward purchases may be reasonable for the Company if it wants to ensure its need for own shares on the purchase date at a specific price level.

Term of the Usable Equity Derivatives

The longer the term of an Equity Derivative, the higher the likelihood that the price of the share of Fresenius SE & Co. KGaA will diverge in an unpredictable way from the share price prevailing upon conclusion of the Derivative contract. Therefore, the proposed authorization provides that the individual Derivatives may each have a maximum term of 18 months. Furthermore, it provides that the terms of the individual Derivatives must end at the latest on May 17, 2023, and must be selected in such a manner that the acquisition of own shares upon exercise of the Derivatives may not occur after May 17, 2023, the reason for this be-

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ing that the authorization for redemption proposed under agenda item 9 also ends upon the expiry of May 17, 2023, and thereafter no shares can be redeemed on the basis of such authorization. Since the authorization proposed under agenda item 10 complements such authorization for redemption, concurrence of the two processes shall be ensured.

Further Details of the Usable Equity Derivatives Concept

According to the proposed authorization, the Derivative contracts must be concluded with a credit institution or any other business fulfilling the requirements set forth in sec. 186 para. 5 sent. 1 of the German Stock Corporation Act (hereinafter collectively referred to as "Issuing Companies").

The exercise/purchase price excluding the incidental acquisition costs may be higher or lower than the market price of the share of Fresenius SE & Co. KGaA on the date of the conclusion of the Derivative contract, provided, however, that, whether any paid or received option premium is taken into account or not, it must not exceed by more than 10%, and not fall below more than 20% of the market price of the share in the Xetra trading system (or any comparable successor system) as determined by the opening auction on the trading date on which the Derivative contract was concluded. The possibility to fall below the market price by up to 20% is necessary to enable the Company even in a volatile market environment to use medium-term or long-term options for the purpose of redeeming own shares or to transact corresponding forward purchases, as the case may be.

The call option premium paid by the Company must not significantly exceed, and the put option premium received by the Company must not significantly fall below, the theoretical market value of the respective options as determined on the basis of recognized actuarial methods, such determination taking into account, *inter alia*, the agreed exercise price. This, as well as the limited volume of own shares that may be acquired using Equity Derivatives, corresponds to the basic principle of sec. 186 para. 3 sent. 4 of the German Stock Corporation Act which applies to the exclusion of subscription rights and which is applied analogously to any potential tender right. The same applies to the purchase price in the event of a forward purchase. By fixing the option premium and the exercise/purchase price as described, and through the requirement to serve options and forward purchases only with shares that have been acquired on the stock exchange at the market price of the share in the Xetra trading system (or any comparable successor system) prevailing at the date of the acquisition on the stock exchange, such requirement to be included in the terms and conditions of the Derivatives, any economic disadvantage of the shareholders due to such acquisition of own shares is excluded. In this manner, the obligation of equal treatment of shareholders according to the provision in sec. 71 para. 1 no. 8 of the German Stock Corporation Act shall be fulfilled.

Exclusion of any Potential Tender Right

If own shares are acquired using Equity Derivatives in compliance with the provisions set forth above, the right of the shareholders to conclude such Derivative contracts with the Company is excluded in accordance with the proposed authorization. By being able to conclude the Derivative contracts with an Issuing Company, the Company – unlike in the event of an offer to conclude equity transactions made to all shareholders – is enabled to conclude such Derivative contracts on a short-term basis. This provides the Company with the necessary flexibility to react quickly to market conditions.

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In the event of an acquisition of own shares using such Equity Derivatives, the shareholders shall have the right to tender their shares only to the extent that the Company is obliged to take the shares under the Derivative contracts. Any further tender right is excluded in the proposed authorization. Otherwise, it would not be possible to use the Equity Derivatives envisioned in the proposed authorization for the acquisition of own shares and thus the related benefits for the Company could not be achieved.

The provisions described above prevent the shareholders from incurring any significant economic disadvantage in the event of an acquisition of own shares using Equity Derivatives. Since the Company receives or pays, as the case may be, a fair market price, the shareholders not involved in the Derivative contracts in particular do not incur any significant value-related disadvantage. The position of the shareholders basically equals their position in the event of the redemption of shares on the stock market, where not every shareholder is actually able to sell shares to the Company. The provisions for the design of the Equity Derivatives and the requirements for the shares to be delivered ensure that this form of acquisition also observes the principle of equal treatment of the shareholders. Therefore, it is justified to exclude any right of the shareholders to conclude the above-mentioned Derivative contracts with the Company.

Taking into consideration all of the circumstances stated above, the General Partner and the Supervisory Board consider the exclusion of any tender right to be objectively justified and appropriate vis-à-vis the shareholders. The General Partner will report to the Annual General Meeting on the details of any exercise of the authorization to redeem own shares using Equity Derivatives.

Use of Shares Acquired using Equity Derivatives

The provisions governing own shares acquired on the basis of the authorization proposed under agenda item 9 lit. b shall apply accordingly to the use of own shares acquired using Equity Derivatives.

Bad Homburg v.d.H., March 2018

Fresenius SE & Co. KGaA

**The General Partner
Fresenius Management SE
The Management Board**