FRESENIUS

Quarterly Financial Report of Fresenius Group

applying International Financial Reporting Standards (IFRS)

1st – 3rd Quarter and 3rd Quarter 2018

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This Quarterly Financial Report was published on October 31, 2018

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 2017, Group sales were €33.9 billion. As of September 30, 2018, more than 277,000 employees have dedicated themselves to the service of health in about 100 countries worldwide.

SALES, EARNINGS, AND CASH FLOW

€ in millions	Q3/2018	Q3/2017	Change	Change in constant currency	Q1–3/2018	Q1–3/2017	Change	Change in constant currency
Sales	**8,192**	8,297	3% [7]	4% [7]	**24,695**	25,191	1% [7]	5% [7]
EBIT [1]	**1,112**	1,129	0%	0%	**3,311**	3,522	-5%	-1%
Net income [1,2]	**445**	413	8%	8%	**1,367**	1,329	3%	7%
Net income [1,2,3] excluding biosimilars	**474**	423	13%	13%	**1,449**	1,339	8%	12%
Earnings per share in € [1,2]	**0.80**	0.75	7%	7%	**2.46**	2.40	3%	7%
Earnings per share in € [1,2,3] excluding biosimilars	**0.85**	0.77	12%	12%	**2.61**	2.42	8%	12%
Operating cash flow	**1,149**	1,138	1%		**2,405**	2,821	-15%	

BALANCE SHEET AND INVESTMENTS

€ in millions	Sept. 30, 2018	Dec. 31, 2017	Change
Total assets	**55,723**	53,133	5%
Non-current assets	**41,130**	40,529	1%
Equity [4]	**23,998**	21,720	10%
Net debt	**16,505**	17,406	-5%
Investments [5]	**2,246**	7,799	-71%

RATIOS

	Q3/2018	Q3/2017	Q1–3/2018	Q1–3/2017
EBITDA margin [8]	**17.9%**	17.8%	**17.7%**	18.2%
EBIT margin [8]	**13.6%**	13.6%	**13.4%**	14.0%
Depreciation and amortization in % of sales	**4.3%**	4.2%	**4.3%**	4.2%
Operating cash flow in % of sales	**14.0%**	13.7%	**9.7%**	11.2%
Equity ratio (September 30/December 31)			**43.1%**	40.9%
Net debt/EBITDA (September 30/December 31) [6,8]			**2.75**	2.84

[1] Before special items; growth rates: 2017 base adjusted for divestitures of Care Coordination activities
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[3] Before expenditures for further development of biosimilars business
[4] Equity including noncontrolling interest
[5] Investments in property, plant and equipment, and intangible assets, acquisitions (nine months)
[6] At LTM average exchange rates for both net debt and EBITDA; pro forma closed acquisitions/divestitures, excluding Akorn and NxStage transactions
[7] Growth rates adjusted for IFRS 15 adoption and divestitures of Care Coordination activities (Q3/17 base: €7,927 million; Q1–3/17 base: €24,551 million)
[8] Before special items

INFORMATION BY BUSINESS SEGMENT

FRESENIUS MEDICAL CARE – Dialysis products, Dialysis services

€ in millions	Q3/2018	Q3/2017	Change	Change in constant currency	Q1–3/2018	Q1–3/2017	Change	Change in constant currency
Sales	4,058	4,336	-6%	-6% [1,2]	12,247	13,355	-8%	-2% [1,2]
EBIT	527	609	-13%	-20% [3]	2,425	1,843	32%	39% [3]
Net income [4]	285	309	-8%	-17% [5]	1,557	886	76%	86% [5]
Operating cash flow	609	612	0%		1,220	1,664	-27%	
Investments/Acquisitions	734	308	138%		1,552	1,180	31%	
R & D expenses	26	28	7%		95	95	0%	
Employees (Sept. 30/Dec. 31)					119,709	121,245	-1%	

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

€ in millions	Q3/2018	Q3/2017	Change	Change in constant currency	Q1–3/2018	Q1–3/2017	Change	Change in constant currency
Sales	1,650	1,562	6%	8%	4,857	4,764	2%	7%
EBIT [6]	297	283	5%	5% [7]	854	905	-6%	1% [7]
Net income [6, 8]	199	165	21%	21% [9]	554	544	2%	9% [9]
Operating cash flow	366	245	49%		820	640	28%	
Investments/Acquisitions	164	258	-36%		338	410	-18%	
R & D expenses	133	104	28%		389	280	39%	
Employees (Sept. 30/Dec. 31)					37,672	36,380	4%	

FRESENIUS HELIOS – Hospital operations

€ in millions	Q3/2018	Q3/2017	Change	adjusted	Q1–3/2018	Q1–3/2017	Change	adjusted
Sales	2,088	2,166	-4%	2% [10]	6,762	6,422	5%	7% [10]
EBIT	204	232	-12%	-6% [10]	775	769	1%	3% [10]
Net income [8]	128	153	-16%		516	526	-2%	
Operating cash flow	128	256	-50%		387	560	-31%	
Investments/Acquisitions	105	96	9%		286	6,186	-95%	
Employees (Sept. 30/Dec. 31)					101,688	105,927	-4%	

FRESENIUS VAMED – Projects and services for hospitals and other health care facilities, post-acute care provider

€ in millions	Q3/2018	Q3/2017	Change	adjusted	Q1–3/2018	Q1–3/2017	Change	adjusted
Sales	476	267	78%	34% [11]	991	748	32%	17% [11]
EBIT	31	15	107%	7% [11]	49	32	53%	6% [11]
Net income [12]	22	10	120%		33	21	57%	
Operating cash flow	54	35	54%		-2	7	-129%	
Investments/Acquisitions	476	3	--		513	10	--	
Order intake	112	285	-61%		567	697	-19%	
Employees (Sept. 30/Dec. 31)					17,127	8,667	98%	

[1] Growth rate adjusted for IFRS 15 implementation and divestitures of Care Coordination activities (Q3/17 base: €3,966 million; Q1–3/17 base: €12,715 million), Q3/2018: 3%; Q1–3/2018: 3%
[2] Excluding VA agreement: Q3/2018: 3%; Q1–3/2018: 4%
[3] Excluding gains from divestitures of Care Coordination activities, increase of FCPA provision, ballot initiatives, divested Care Coordination activities in Q3/2017; including Natural disaster costs and VA agreement: Q3/2018: 4%; Q1–3/2018: -2%
[4] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[5] Consistent with guidance, i.e. excluding gains from divestitures of Care Coordination activities, increase of FCPA provision, ballot initiatives, , divested Care Coordination activities; including Natural disaster costs, the effect of the U.S. Tax Reform and including VA agreement: Q2/2018: 19%; Q1–3/2018: 16%
[6] Before special items
[7] Before expenditures for further development of biosimilars business: Q3/18: 14%; Q1–3/18: 11%
[8] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[9] Before expenditures for further development of biosimilars business: Q3/18: 31%; Q1–3/18: 22%
[10] Adjusted for German post-acute care business transferred to Fresenius Vamed
[11] Without German post-acute care business transferred from Fresenius Helios
[12] Net income attributable to shareholders of VAMED AG

FRESENIUS SHARE

The DAX index declined by 5% in the first nine months of 2018, while the Fresenius share decreased by 3% over the same period.

FIRST TO THIRD QUARTER 2018

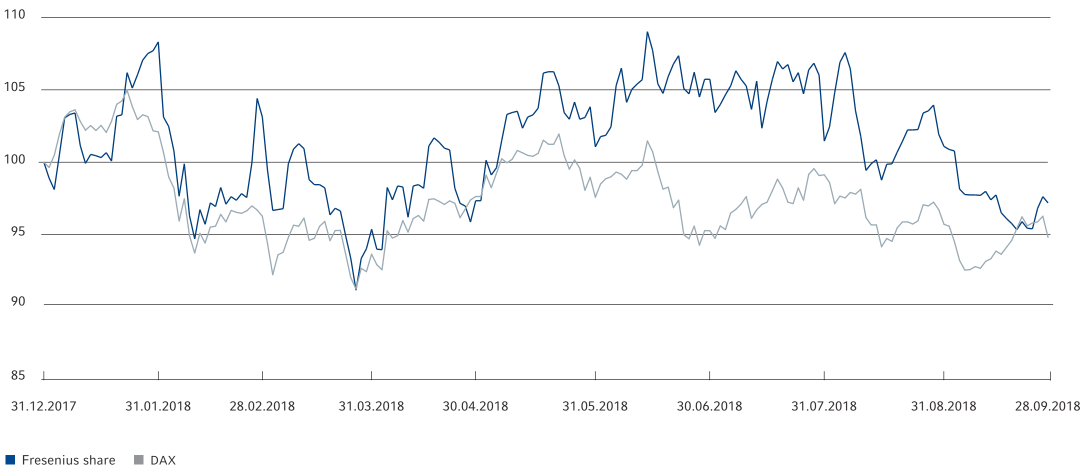
The global economy continued to show robust growth in the first nine months of 2018. The economic upswing in the Euro-Zone continues to be broad-based, according to analysts, and has only slowed somewhat. The economy in the euro zone is expected to grow by 2.0% this year, according to the latest ECB forecast. The ECB left its monetary policy unchanged during its October meeting.

The Federal Reserve's latest forecast projects the U.S. economy to grow by 3.1% in 2018. The U.S. Federal Reserve, raised the existing interest rates corridor by 25bps to 2.00% to 2.25% at its September meeting.

Within this economic environment, the DAX decreased by 5% in the first nine months of 2018 to 12,247 points. The Fresenius share closed at €63.24 on September 30, 2018. This represents an decrease of 3% over the closing price of 2017.

RELATIVE SHARE PRICE PERFORMANCE VS. DAX

31.12.2017 = 100



KEY DATA OF THE FRESENIUS SHARE

	Q1–3/2018	2017	Change
Number of shares (September 30/December 31)	**556,084,243**	554,710,473	0%
Quarter-end quotation in €	**63.24**	65.07	-3%
High in €	**70.94**	79.65	-11%
Low in €	**59.32**	60.58	-3%
Ø Trading volume (number of shares per trading day)	**1,462,829**	1,164,824	33%
Market capitalization, € in millions (September 30/December 31)	**35,167**	36,095	-3%

MANAGEMENT REPORT

FRESENIUS IN Q3/18 WITH CONTINUED STRONG GROUP EARNINGS GROWTH IN CONSTANT CURRENCY

- **Excellent performance of Fresenius Kabi across all regions and product categories**
- **Fresenius Medical Care's sales and earnings growth below the Company's expectations**
- **Preparatory initiatives for expected regulatory requirements and decline in admissions impact Helios Germany; Helios Spain with steady yet dynamic growth**
- **Strong momentum in both Vamed's project and service businesses**

	Q1 – 3/2018	at actual rates	in constant currency
Sales	**€24.7 bn**	1% [1]	5% [1]
EBIT [2]	**€3,311 m**	-5%	-1%
EBIT [2] (excluding Biosimilars)	**€3,424 m**	-3%	2%
Net income [2,3]	**€1,367 m**	3%	7%
Net income [2,3] (excluding Biosimilars)	**€1,449 m**	8%	12%

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 1% [1] (5% [1] in constant currency) to €24,695 million (Q1 – 3/17: €25,191 million). Organic sales growth was 4%. Acquisitions/divestitures contributed net 1% to growth. Negative currency translation effects of 4% were mainly driven by the devaluation of the U.S. dollar and the Chinese yuan against the euro. In Q3/18, Group sales increased by 3% [1] (4% [1] in constant currency) to €8,192 million (Q3/17: €8,297 million). Organic sales growth was 4%. Acquisitions/divestitures had no net contribution to growth. Currency translation effects reduced sales by 1%.

[1] Growth rates adjusted for IFRS 15 adoption and divestitures of Care Coordination activities (Q3/17 base: €7,927 million; Q1 – 3/17 base: €24,551 million)
[2] Before special items (before expenses related to the Akorn transaction, gains from divestitures of Care Coordination activities and increase of FCPA provision); growth rates: 2017 base adjusted for divestitures of Care Coordination activities
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA

EARNINGS

€ in millions	Q3/2018	Q3/2017	Q1–3/2018	Q1–3/2017
EBIT [1]	**1,112**	1,129	**3,311**	3,522
Net income [2]	**419**	396	**1,511**	1,303
Net income (before special items) [2]	**445**	413	**1,367**	1,329
Earnings per share [2]	**0.75**	0.71	**2.72**	2.35
Earnings per share (before special items) [2]	**0.80**	0.75	**2.46**	2.40

EARNINGS

Group EBITDA [1] decreased by 4% [3] (0% [3] in constant currency) to €4,375 million (Q1–3/17: €4,579 million). Group EBIT [1] decreased by 5% [3] (-1% [3] in constant currency) to €3,311 million (Q1–3/17: €3,522 million). The EBIT margin [1] was 13.4% (Q1–3/17: 14.0%). Group EBIT [1] before expenses for the further development of the biosimilars business decreased by 3% [3] (increased 2% [3] in constant currency) to €3,424 million. In the prior-year period the compensation for treatments of U.S. war veterans ("VA agreement") contributed €88 million as a one-time effect. Group EBIT [1] excluding the VA agreement and expenses for the further development of the biosimilars business increased by 4% in constant currency.

In Q3/18, Group EBIT [1] was broadly stable year-over-year [3] (broadly stable [3] in constant currency) at €1,112 million (Q3/17: €1,129 million), with an EBIT margin [1] of 13.6% (Q3/17: 13.6%). Group EBIT [1] excluding the prior-year VA agreement and expenses for the further development of the biosimilars business increased by 2% [3] in constant currency.

Group net interest [1] was -€436 million (Q1–3/17: -€484 million). The decrease is mainly driven by currency effects as well as refinancing activities and the divestitures of Care Coordination activities.

SALES BY REGION

€ in millions	Q1–3/2018	Q1–3/2017	Change at actual rates	Currency translations effects	Change at constant rates	Organic growth	Acquisitions/ divestitures	% of total sales
North America	**10,296**	10,754 [4]	-4%	-7%	3%	3%	0%	42%
Europe	**10,692**	10,148	5%	-1%	6%	3%	3%	43%
Asia-Pacific	**2,394**	2,306	4%	-4%	8%	7%	1%	10%
Latin America	**1,004**	1,057	-5%	-19%	14%	13%	1%	4%
Africa	**309**	286	8%	-3%	11%	11%	0%	1%
Total	**24,695**	24,551 [4]	1%	-4%	5%	4%	1%	100%

SALES BY BUSINESS SEGMENT

€ in millions	Q1–3/2018	Q1–3/2017	Change at actual rates	Currency translations effects	Change at constant rates	Organic growth	Acquisitions/ divestitures	% of total sales
Fresenius Medical Care	**12,247**	12,715 [4]	-4%	-7%	3%	3%	0%	49%
Fresenius Kabi	**4,857**	4,764	2%	-5%	7%	7%	0%	20%
Fresenius Helios	**6,762**	6,422	5%	0%	5%	3%	2%	27%
Fresenius Vamed	**991**	748	32%	-1%	33%	14%	19%	4%
Total	**24,695**	24,551 [4]	1%	-4%	5%	4%	1%	100%

[1] Before special items
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[3] 2017 base adjusted for divestitures of Care Coordination activities
[4] Q1–3/17 adjusted for IFRS 15 adoption (-€387 million) and divestitures of Care Coordination activities (-€253 million)

The decrease of the Group tax rate before special items to 22.0% (Q1–3/17: 28.1%) was mainly due to the U.S. tax reform and some one time effects in Q3 at Fresenius Medical Care and Fresenius Kabi. In Q3/18, the Group tax rate [1] was 21.4% (Q3/17: 27.4%).

Noncontrolling interest [1] was €876 million (Q1–3/17: €854 million), of which 95% was attributable to the non-controlling interest in Fresenius Medical Care.

Group net income [1,2] increased by 3% [3] (7% [3] in constant currency) to €1,367 million (Q1–3/17: €1,329 million). Earnings per share [1,2] increased by 3% [3] (7% [3] in constant currency) to €2.46 (Q1–3/17: €2.40). In Q3/18, Group net income [1,2] increased by 8% [3] (8% [3] in constant currency) to €445 million (Q3/17: €413 million). Earnings per share [1,2] increased by 7% [3] (7% [3] in constant currency) to €0.80 (Q3/17: €0.75).

Group net income [1,2,4] before expenses for the further development of the biosimilars business increased by 8% [3] (12% [3] in constant currency) to €1,449 million (Q1–3/17: €1,339 million). Earnings per share [1,2,4] increased by 8% [3] (12% [3] in constant currency) to €2.61 (Q1–3/17: €2.42). In Q3/18, Group net income [1,2,4] increased by 13% [3] (13% [3] in constant currency) to €474 million (Q3/17: €423 million). Earnings per share [1,2,4] increased by 12% [3] (12% [3] in constant currency) to €0.85 (Q3/17: €0.77).

Group net income [2,5] after special items increased by 16% (by 21% in constant currency) to €1,511 million (Q1–3/17: €1,303 million), mainly due to gains related to divestitures in Care Cordination activities at Fresenius Medical Care. Earnings per share [2,5] increased by 16% (21% in constant currency) to €2.72 (Q1–3/17: €2.35). In Q3/18, Group net income [2,5] increased by 6% (4% in constant currency) to €419 million (Q3/17: €396 million). Earnings per share [2,5] increased by 6% (4% in constant currency) to €0.75 (Q3/17: €0.71).

RECONCILIATION

Consolidated results for Q3/18 and Q1–3/18 include special items related to the Akorn transaction. These are mainly transaction costs in the form of legal and consulting fees as well as costs of the financing commitment for the Akorn transaction. Moreover special items arose from gains/losses of divestitures in Care Coordination and the impact of the FCPA related charge at Fresenius Medical Care.

INVESTMENTS

Spending on property, plant and equipment was €1,370 million (Q1–3/17: €1,137 million), primarily for the modernization and expansion of dialysis clinics, production facilities as well as hospitals and day clinics. This corresponds to 5.5% of sales.

Total acquisition spending was €876 million (Q1–3/17: €6,662 million). The prior-year period included the acquisition of Quirónsalud.

INVESTMENTS BY BUSINESS SEGMENT

€ in millions	**Q1–3/2018**	Q1–3/2017	thereof property, plant and equipment	thereof acquisitions	Change	% of total
Fresenius Medical Care	**1,552**	1,180	732	820	32%	69%
Fresenius Kabi	**338**	410	328	10	-18%	15%
Fresenius Helios	**286**	6,186	265	21	-95%	13%
Fresenius Vamed	**513**	10	24	489	--	23%
Corporate/Other	**-443**	13	21	-464	--	-20%
Total	**2,246**	7,799	1,370	876	-71%	100%

[1] Before special items
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[3] 2017 base adjusted for divestitures of Care Coordination activities
[4] Before expenses for the further development of the biosimilars business
[5] After special items

RECONCILIATION

€ in millions	Q3/2018: Before special items and before expenditures for further development of biosimilars business	Expenditures for further development of biosimilars business	Before special items	Transaction-related effects (Akorn)	Provision for FCPA related charge at FMC	Gains related to divestitures of Care Coordination activities	According to IFRS
Sales	**8,192**		**8,192**				**8,192**
EBIT	**1,153**	**-41**	**1,112**	**-6**	**-75**	**10**	**1,041**
Net interest	-137	-2	-139	-5			-144
Net income before taxes	**1,016**	**-43**	**973**	**-11**	**-75**	**10**	**897**
Income taxes	-222	14	-208	3		7	-198
Net income	**794**	**-29**	**765**	**-8**	**-75**	**17**	**699**
Less noncontrolling interest	-320		-320		52	-12	-280
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**474**	**-29**	**445**	**-8**	**-23**	**5**	**419**

€ in millions	Q1–3/2018: Before special items and before expenditures for further development of biosimilars business	Expenditures for further development of biosimilars business	Before special items	Transaction-related effects (Akorn)	Provision for FCPA related charge at FMC	Gains related to divestitures of Care Coordination activities	According to IFRS
Sales	**24,695**		**24,695**				**24,695**
EBIT	**3,424**	**-113**	**3,311**	**-46**	**-75**	**830**	**4,020**
Net interest	-430	-6	-436	-12			-448
Net income before taxes	**2,994**	**-119**	**2,875**	**-58**	**-75**	**830**	**3,572**
Income taxes	-669	37	-632	13		-140	-759
Net income	**2,325**	**-82**	**2,243**	**-45**	**-75**	**690**	**2,813**
Less noncontrolling interest	-876		-876		52	-478	-1,302
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**1,449**	**-82**	**1,367**	**-45**	**-23**	**212**	**1,511**

€ in millions	Q3/2017			Q1–3/2017		
	Before special items	Transaction-related effects (Akorn)	**After special items**	**Before special items**	Transaction-related effects (Akorn)	**After special items**
Sales	**8,297**		**8,297**	**25,191**		**25,191**
EBIT	**1,129**	**-15**	**1,114**	**3,522**	**-25**	**3,497**
Net interest	-158	-5	-163	-484	-8	-492
Net income before taxes	**971**	**-20**	**951**	**3,038**	**-33**	**3,005**
Income taxes	-266	3	-263	-855	7	-848
Net income	**705**	**-17**	**688**	**2,183**	**-26**	**2,157**
Less noncontrolling interest	-292		-292	-854		-854
Net income attributable to shareholders of Fresenius SE & Co, KGaA	**413**	**-17**	**396**	**1,329**	**-26**	**1,303**

Special items are reported in the Group Corporate/Other segment.

BASIS FÜR WACHSTUMSRATEN

€ in millions	Q3/2017	Q1–3/2017
Sales reported	**8,297**	**25,191**
adjustments from IFRS 15	-117	-387
divestitures of Care Coordination activities at FME	-253	-253
Basis for growth rates	**7,927**	**24,551**
EBIT reported (after special items)	**1,114**	**3,497**
Transaction Costs Akorn	15	25
EBIT reported (before special items)	**1,129**	**3,522**
divestitures of Care Coordination activities at FME	-20	-20
Basis for growth rates (before special items)	**1,109**	**3,502**
Expenditure for further development of biosimilars business	14	14
Basis for growth rates excluding biosimilars	**1,123**	**3,516**
Net income reported (after special items)	**396**	**1,303**
Bridge Financing Costs Akorn	4	6
Transaction Costs Akorn	13	20
Net income reported (before special items)	**413**	**1,329**
divestitures of Care Coordination activities at FME	-2	-2
Basis for growth rates (before special items)	**411**	**1,327**
Expenditure for further development of biosimilars business	10	10
Basis for growth rates excluding biosimilars	**421**	**1,337**

CASH FLOW

Group operating cash flow decreased by 15% to €2,405 million (Q1–3/17: €2,821 million) with a margin of 9.7% (Q1–3/2017: 11.2%). The decrease is mainly due to two effects at Fresenius Medical Care in North America: Receipt of a ~€200 million payment under the VA agreement in the prior-year period as well as increased accounts receivable related to the addition of calcimimetics into the Medicare ESRD payment bundle. In addition, negative currency translation effects weighed on the cash flow development in Q1–3/18. Operating cash flow in Q3/18 increased by 1% to €1,149 million (Q3/17: €1,138 million), with a margin of 14.0% (Q3/17: 13.7%).

Given the effects described above and growing investments, free cash flow before acquisitions and dividends decreased to €1,049 million (Q1–3/17: €1,705 million). Free cash flow after acquisitions and dividends was €1,172 million (Q1–3/17: -€5,233 million).

ASSET AND LIABILITY STRUCTURE

The Group's total assets increased by 5% (4% in constant currency) to €55,723 million (Dec. 31, 2017: €53,133 million). Current assets grew by 16% (16% in constant currency) to €14,593 million (Dec. 31, 2017: €12,604 million). Non-current assets increased by 1% (broadly stable in constant currency) to €41,130 million (Dec. 31, 2017: €40,529 million).

CASH FLOW STATEMENT (SUMMARY)

€ in millions	Q1–3/2018	Q1–3/2017	Change
Net income	**2,813**	2,157	30%
Depreciation and amortization	**1,064**	1,057	1%
Change Working Capital	**-1,472**	-393	--
Operating cash flow	**2,405**	2,821	-15%
Capital expenditure, net	**-1,356**	-1,116	-22%
Cash flow before acquisitions and dividends	**1,049**	1,705	-38%
Cash used for acquisitions, net	**955**	-6,075	116%
Dividends paid	**-832**	-863	4%
Free cash flow after acquisitions and dividends	**1,172**	-5,233	122%
Cash provided by/used for financing activities	**-378**	5,230	-107%
Effect of exchange rates on change in cash and cash equivalents	**26**	-104	125%
Net change in cash and cash equivalents	**820**	-107	--
Cash flow (bankers' cashflow)	**3,884**	3,267	19%

Total shareholders' equity increased by 10% (9% in constant currency) to €23,998 million (Dec. 31, 2017: €21,720 million). The equity ratio increased to 43.1% (Dec. 31, 2017: 40.9%).

Group debt was broadly stable unchanged (decreased by 1% in constant currency) at €18,961 million (Dec. 31, 2017: €19,042 million). Group net debt decreased by 5% (-6% in constant currency) to €16,505 million (Dec. 31, 2017: €17,406 million) mainly due to the proceeds from divestitures of Care Coordination activities.

As of September 30, 2018, the net debt/EBITDA ratio was 2.75[1,2] (December 31, 2017: 2.84[1,2]). Excluding the proceeds from divestitures of Care Coordination activities the net debt/EBITDA ratio was 2.96[1,2]. At year-end 2018, Fresenius now expects the FY/18 net debt/EBITDA[1,2] ratio to be on a comparable level to year-end 2017.

[1] At LTM average exchange rates for both net debt and EBITDA; pro forma closed acquisitions/divestitures, excluding Akorn and NxStage transactions
[2] Before special items

BUSINESS SEGMENTS

FRESENIUS MEDICAL CARE

Fresenius Medical Care is the world's largest provider of products and services for individuals with renal diseases. As of September 30, 2018, Fresenius Medical Care was treating 329,085 patients in 3,872 dialysis clinics. Along with its core business, the company provides related medical services in the field of Care Coordination.

€ in millions	Q3/2018	Q3/2017	Change	Change in constant currency	Q1–3/2018	Q1–3/2017	Change	Change in constant currency
Sales	**4,058**	4,336	-6%	-6%,	**12,247**	13,355	-8%	-2%
Sales comparable [1]	**4,058**	3,966	2%	3% [2]	**12,247**	12,715	-4%	3% [2]
EBIT	**527**	609	-13%	-20%	**2,425**	1,843	32%	39%
EBIT comparable [3]	**615**	589	5%	4%	**1,698**	1,823	-7%	-2%
Net income [4]	**285**	309	-8%	-17%	**1,557**	886	76%	86%
Net income comparable [4,5]	**364**	304	20%	19%	**969**	881	10%	16%
Net income adjusted [4,6]	**310**	314	-1%	-2%	**832**	837	-1%	4%
Employees (Sept. 30/Dec. 31)					**119,709**	121,245	-1%	

- **3% comparable [1] sales growth in constant currency in Q3**
- **-2% adjusted [4,6] net income decrease in constant currency in Q3**
- **Outlook for FY/18 adjusted**

Sales decreased by 8% (-2% in constant currency) to €12,247 million (Q1–3/17: €13,355 million). Organic sales growth was 3%. Currency translation effects reduced sales by 7%. The adoption of IFRS 15 reduced sales by 3%. Q1–3/17 base additionally adjusted for divestitures of Care Coordination activities, sales decreased by 4% (increased by 3% in constant currency).

In Q3/18, sales decreased by 6% (-6% in constant currency) to €4,058 million (Q3/17: €4,336 million). Organic sales growth was 3%. The adoption of IFRS 15 reduced sales by 3%. Q3/17 base additionally adjusted for divestitures of Care Coordination activities, sales in Q3/18 increased by 2% (increased by 3% in constant currency).

Health Care services sales (dialysis services and care coordination) decreased by 4% [1] (increased by 3% [1] in constant currency) to €9,852 million (Q1–3/17: €10,950 million). With €2,395 million (Q1–3/17: €2,405 million), Health Care product sales were on prior-year's level (increased by 5% in constant currency).

In North America, sales decreased by 5% [1] (increased by 1% [1] in constant currency) to €8,589 million (Q1–3/17: €9,715 million). Health Care services sales decreased by 6% [1] (increased by 1% [1] in constant currency) to €7,978 million (Q1–3/17: €9,086 million). Excluding the 2017 effect from the VA Agreement (€96 million), Health Care services sales increased by 2% [1] in constant currency. Health Care product sales decreased by 3% (increased by 4% in constant currency) to €610 million (Q1–3/17: €629 million).

Sales outside North America increased by 1% (7% in constant currency) to €3,648 million (Q1–3/17: €3,628 million).

Health Care services sales increased by 1% (9% in constant currency) to €1,873 million (Q1–3/17: €1,864 million). Health Care product sales increased by 1% (5% in constant currency) to €1,774 million (Q1–3/17: €1,764 million).

[1] Adjusted for IFRS15 implementation; base adjusted for divested Care Coordination activities
[2] Excluding VA agreement Q3: 3%; Q1–3: 4%
[3] Excluding gains from divestitures of Care Coordination activities, increase of FCPA provision, ballot initiatives, divested Care Coordination activities in Q3/2017; including Natural disaster costs and VA agreement
[4] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[5] Consistent with guidance, i.e. excluding gains from divestitures of Care Coordination activities, increase of FCPA provision, ballot initiatives, divested Care Coordination activities; including Natural disaster costs, the effect of the U.S. Tax Reform and including VA agreement
[6] Consistent with guidance, i.e. excluding gains from divestitures of Care Coordination activities, the effect of the U.S. Tax Reform, VA agreement, FCPA provision, ballot initiatives, divested Care Coordination activities, Natural disaster costs

Fresenius Medical Care's EBIT increased by 32% (39% in constant currency) to €2,425 million (Q1–3/17: €1,843 million), driven by the divestitures of Care Coordination activities. The EBIT margin increased to 19.8% (Q1–3/17: 13.8%). EBIT on a comparable basis decreased by 2% in constant currency and EBIT margin was 13.9% (Q1–3/17: 14.3%).

In Q3/18, EBIT decreased by 13% (-20% in constant currency) to €527 million (Q3/17: €609 million). The EBIT margin decreased to 13.0% (Q3/17: 14.0%). EBIT on a comparable basis increased by 5% (increased by 4% in constant currency) and EBIT margin increased to 15.1% (Q3/17: 14.8%).

Net income[1] increased by 76% (86% in constant currency) to €1,557 million (Q1–3/17: €886 million). Adjusted net income[1] growth was 4% in constant currency. Net income[1] growth on a comparable basis was 16% in constant currency.

In Q3/18, net income[1] decreased by 8% (-17% in constant currency) to €285 million (Q3/17: €309 million). Adjusted net income[1] growth was -2% in constant currency. Net income[1] growth on a comparable basis was 19% in constant currency.

Operating cash flow was €1,220 million (Q1–3/17: €1,664 million). The cash flow margin was 10.0% (Q1–3/17: 12.5%). The decrease is mainly due to two effects in North America: Receipt of a ~€200 million payment under the VA agreement in the prior-year period as well as increased accounts receivable related to the addition of calcimimetics into the Medicare ESRD payment bundle. In Q3/18, operating cash flow was €609 million (Q3/17: €612 million), mainly driven by higher tax payments and discretionary contributions to pension plan assets in the U.S., almost fully offset by decreases in accounts receivable. The cash flow margin was 15.0% (Q3/17: 14.1%).

Fresenius Medical Care revised its outlook for FY/18 as the business development in Q3/18 was below the company's expectations. Fresenius Medical Care now expects sales growth of 2% to 3%[2] in constant currency (previously: 5% to 7%[2]). On a comparable basis[3], Fresenius Medical Care now expects FY/18 net income[1] to increase by 11% to 12%[3] in constant currency (previously: 13% to 15%[3]). On an adjusted basis[4], Fresenius Medical Care now expects FY/18 net income[1] to increase by 2% to 3%[4] in constant currency (previously: 7% to 9%[4]).

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] 2017 base: €16,739 million (adjusted for IFRS 15 adoption (-€486 million) and divestitures of Care Coordination activities (-€558 million))
[3] 2017 base: €1,242 million, excluding H2/17 net income of divestited Care Coordination activities (-€38 million); 2018 including benefits of the U.S. tax reform but excluding gains from divestitures of Care Coordination activities, contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care and FCPA provision
[4] 2017 base: €1,162 million, excluding H2/17 net income of divested Care Coordination activities (-€38 million), the effect of the U.S. tax reform, natural disaster costs, FCPA provision and effects of the agreement with the U.S. Departments of Veterans Affairs and Justice (VA agreement); 2018 excluding benefits of the U.S. tax reform, gains from divestitures of Care Coordination activities, contributions to the campaigns in the U.S. opposing state ballot initiatives and FCPA provision

FRESENIUS KABI

Fresenius Kabi offers intravenously administered generic drugs, clinical nutrition and infusion therapies 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 the biosimilars business, we are developing products with a focus on oncology and autoimmune diseases.

€ in millions	Q3/2018	Q3/2017	Change	Change in constant currency	Q1–3/2018	Q1–3/2017	Change	Change in constant currency
Sales	**1,650**	1,562	6%	8%	**4,857**	4,764	2%	7%
EBITDA [1]	**377**	352	7%	7%	**1,076**	1,119	-4%	2%
EBIT [1]	**297**	283	5%	5% [2]	**854**	905	-6%	1% [2]
Net income [1,3]	**199**	165	21%	21% [4]	**554**	544	2%	9% [4]
Employees (Sept. 30/Dec. 31)					**37,672**	36,380	4%	

- **8% organic sales growth and 14% EBIT [1] growth in constant currency (excl. biosimilars expenses) in Q3**
- **Sales outlook confirmed and strengthened: top end of 4% to 7% organic sales growth expected**
- **EBIT outlook raised: 1% to 3% [5] EBIT growth in constant currency expected (~9% to 11% [6] excl. biosimilars expenses)**

Sales increased by 2% (increased by 7% in constant currency) to €4,857 million (Q1–3/17: €4,764 million). Organic sales growth was 7%. Strong negative currency translation effects (-5%) were mainly related to the devaluation of the U.S. dollar, the Brazilian real and the Argentinian peso against the euro. In Q3/18, sales increased by 6% (8% in constant currency) to €1,650 million (Q3/17: €1,562 million). Organic sales growth was 8%.

Sales in Europe grew by 1% (organic growth: 3%) to €1,658 million (Q1–3/17: €1,635 million). In Q3/18, sales were unchanged (organic growth: 1%) at €538 million.

Sales in North America increased by 1% (organic growth: 8%) to €1,760 million (Q1–3/17: €1,736 million). In Q3/18, sales increased by 13% (organic growth: 12%) to €620 million (Q3/17: €549 million).

Sales in Asia-Pacific increased by 8% (organic growth: 12%) to €964 million (Q1–3/17: €894 million). In Q3/18, sales increased by 8% (organic growth: 9%) to €337 million (Q3/17: €312 million). Sales in Latin America/Africa decreased by 5% (organic growth: 11%) to €475 million (Q1–3/17: €499 million). In Q3/18, sales decreased by 5% (organic growth increased by 13%) to €155 million (Q3/17: €163 million).

EBIT [1] decreased by 6% (increased by 1% in constant currency) to €854 million (Q1–3/17: €905 million) with an EBIT margin [1] of 17.6% (Q1–3/17: 19.0%). In Q3/18, EBIT [1] increased by 5% (5% in constant currency) to €297 million (Q3/17: €283 million) with an EBIT margin [1] of 18.0% (Q3/17: 18.1%).

EBIT [1] before expenses for the further development of the biosimilars business increased by 5% (11% in constant currency) to €967 million (Q1–3/17: €919 million) with an EBIT margin [1] of 19.9% (Q1–3/17: 19.3%). In Q3/18, EBIT [1] before expenses for the further development of the biosimilars business increased by 14% (14% in constant currency) to €338 million (Q3/17: €297 million) with an EBIT margin [1] of 20.5% (Q3/17: 19.0%).

[1] Before special items
[2] Before expenses for the further development of the biosimilars business: Q3/18: 14%; Q1–3/18: 11%
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] Before expenses for the further development of the biosimilars business: Q3/18: 31%; Q1–3/18: 22%
[5] FY/17 base: €1,177 million; before special items, including expenditures for the further development of the biosimilars business (€60 million in FY/17 and ~€160 million in FY/18)
[6] FY/17 base: €1,237 million; before special items, excluding expenditures for the further development of the biosimilars business (€60 million in FY/17 and ~€160 million in FY/18)

Net income [1,2] increased by 2% (9% in constant currency) to €554 million (Q1–3/17: €544 million). In Q3/18, net income [1,2] increased by 21% (21% in constant currency) to €199 million (Q3/17: €165 million).

Operating cash flow increased by 28% to €820 million (Q1–3/17: €640 million). The cash flow margin grew to 16.9% (Q1–3/17: 13.4%). In Q3/18, operating cash flow increased by 49% to €366 million (Q3/17: €245 million) with a cash flow margin of 22.2% (Q3/2017: 15.7%) mainly driven by a strong operational performance and working capital improvements.

Based on the strong development in Q3/18 Fresenius Kabi confirms and strengthens its organic sales growth guidance of 4% to 7% and now expects to reach the top end of this range.

Fresenius Kabi has increased its FY/18 EBIT outlook and now expects 1% to 3% [3] growth in constant currency (previously: -2% to +1% [3]). The increase is driven by a strong development across all product lines and regions with North America standing out. FY/18 EBIT excluding expenditures for the further development of the biosimilars business is now expected to grow by ~9% to 11% [4] in constant currency (previously: ~6% to 9% [4]).

[1] Before special items
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[3] 2017 base: €1,177 million; before special items, including expenditures for the further development of the biosimilars business (€60 million in FY/17 and ~€160 million in FY/18)
[4] 2017 base: €1,237 million; before special items, excluding expenditures for the further development of the biosimilars business (€60 million in FY/17 and ~€160 million in FY/18)

FRESENIUS HELIOS

Fresenius Helios is Europe's leading private hospital operator. The company comprises Helios Germany and Helios Spain (Quirónsalud). Helios Germany operates 87 hospitals, 89 outpatient centers and treats approximately 5.2 million patients annually. Quirónsalud operates 46 hospitals, 56 outpatient centers and around 300 occupational risk prevention centers, and treats approximately 11.6 million patients annually.

€ in millions	**Q3/2018**	Q3/2017	Change	Adjusted	**Q1–3/2018**	Q1–3/2017	Change	Adjusted
Sales	**2,088**	2,166	-4%	2% [1]	**6,762**	6,422	5%	7% [1]
EBITDA	**285**	331	-14%		**1.061**	1,042	2%	
EBIT	**204**	232	-12%	-6% [1]	**775**	769	1%	3% [1]
Net income [2]	**128**	153	-16%		**516**	526	-2%	
Employees (Sept. 30/Dec. 31)					**101,688**	105,927	-4%	

- **2% organic sales growth in Q3**
- **Preparatory initiatives for expected regulatory requirements and decline in admissions impact financial performance of Helios Germany**
- **Helios Spain with steady yet dynamic growth**
- **2018 sales outlook confirmed and narrowed, EBIT outlook adjusted: 0% to 2% (previously: 5% to 8%)**

As of July 1, 2018 Fresenius Helios transferred its German post-acute care business to Fresenius Vamed and adjusted its outlook accordingly. For a like-for-like comparison, we also provide sales and EBIT growth rates adjusted for the effects of this transaction.

Fresenius Helios increased sales by 5% (7% [1]) to €6,762 million (Q1–3/17: €6,422 million). Organic sales growth was 3%. In Q3/18, sales decreased by 4% (increased by 2% [1]; organic growth: 2%) to €2,088 million (Q3/17: €2,166 million).

Sales of Helios Germany decreased by 1% (grew 2% [1]; organic growth: 2%) to €4,531 million (Q1–3/17: €4,562 million). In Q3/18, sales decreased by 7% (0% [1]; organic growth: 0%) to €1,410 million (Q3/17: €1,524 million). Sales are impacted by a decline in admissions, inter alia due to a trend towards outpatient treatments. To counter this trend, Helios Germany is expanding outpatient services offerings in a separate division. Helios Spain increased sales by 20% (organic growth: 5%) to €2,231 million (Q1–3/17: €1,860 million), mainly due to the additional month of consolidation compared to the prior-year period (Quirónsalud is consolidated since February 1, 2017). In Q3/18 Helios Spain increased sales by 6% (organic growth: 5%) to €678 million (Q3/17: €642 million).

Fresenius Helios grew EBIT by 1% (3% [1]) to €775 million (Q1–3/17: €769 million) with a margin of 11.5% (Q1–3/17: 12.0%). In Q3/18, EBIT decreased by 12% (-6% [1]) to €204 million (Q3/17: €232 million) with a margin of 9.8% (Q3/17: 10.7%).

EBIT of Helios Germany decreased by 11% (-8% [1]) to €488 million (Q1–3/17: €549 million) with a margin of 10.8% (Q1–3/17: 12.0%). In Q3/18, EBIT decreased by 25% (-17% [1]) to €143 million (Q3/17: €190 million) with a margin of 10.1% (Q3/17: 12.5%). Given a significant fixed cost base, top line performance impacts EBIT over-proportionately. Additionally, EBIT development of Helios Germany is negatively affected by catalogue effects, preparatory initiatives for expected regulatory requirements (i.e. clustering) as well as a lack of privatization opportunities in the German market.

[1] Adjusted for German post-acute care business transferred to Fresenius Vamed
[2] Net income attributable to shareholders of Fresenius SE & Co. KGaA

EBIT of Helios Spain increased by 30% to €286 million (Q1–3/17: €220 million), mainly due to the strong operating performance and the additional month of consolidation compared to the prior-year period, with a margin of 12.8% (Q1–3/17: 11.8%). In Q3/18, from a moderate base, EBIT increased by 40% to €59 million (Q3/17: €42 million) with a margin of 8.7% (Q3/17: 6.5%).

Net income[1] of Fresenius Helios decreased by 2% to €516 million (Q1–3/17: €526 million). In Q3/18, net income[1] decreased by 16% to €128 million (Q3/17: €153 million).

Operating cash flow was €387 million (Q1–3/17: €560 million) with a margin of 5.7% (Q1–3/17: 8.7%).

Fresenius Helios confirmed and narrowed its FY/18 organic sales growth outlook, and now projects growth at the low end of the original 3% to 6% range. Based on the Q3/18 business development in Germany, Fresenius Helios adjusts its FY/18 EBIT outlook and now expects 0% to 2% growth (previously: 5% to 8%).

[1] Net income attributable to shareholders of Fresenius SE & Co. KGaA

FRESENIUS VAMED

Fresenius Vamed manages projects and provides services for hospitals and other health care facilities worldwide and is a post-acute care provider in Central Europe. 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	**Q3/2018**	Q3/2017	Change	Adjusted	**Q1–3/2018**	Q1–3/2017	Change	Adjusted
Sales	**476**	267	78%	34% [1]	**991**	748	32%	17% [1]
EBITDA	**40**	18	122%		**64**	40	60%	
EBIT	**31**	15	107%	7% [1]	**49**	32	53%	6% [1]
Net income [2]	**22**	10	120%		**33**	21	57%	
Employees (Sept. 30/Dec. 31)					**17,127**	8,667	98%	

- **Excellent organic sales growth of 30% in Q3**
- **Both service and project businesses contributed to strong growth in Q3**
- **FY/18 outlook confirmed**

As of July 1, 2018 Fresenius Helios transferred the post-acute care business to Fresenius Vamed. Fresenius Vamed adjusted its outlook accordingly. For a like-for-like comparison, we also provide sales and EBIT growth rates adjusted for the effects of this transaction.

Sales increased by 32% (17% [1]; 33% in constant currency) to €991 million (Q1–3/17: €748 million). Organic sales growth was 14% with a strong momentum in both the project and service businesses as well as increased sales from services for Fresenius Helios. Sales of the project business increased by 17% to €352 million (Q1–3/17: €301 million). Sales in the service business grew by 43% (17% [1]) to €639 million (Q1–3/17: €447 million). In Q3/18, sales increased by 110% (32% [1]; organic growth: 24%) to €315 million (Q3/17: €150 million).

EBIT increased by 53% (6% [1]) to €49 million (Q1–3/17: €32 million) with a margin of 4.9% (Q1–3/17: 4.3%). In Q3/18, EBIT increased by 107% (7% [1]) to €31 million (Q3/17: €15 million) with a margin of 6.5% (Q3/17: 5.6%).

Net income [2] increased by 57% to €33 million (Q1–3/17: €21 million). In Q3/18, net income [2] increased by 120% to €22 million (Q1–3/17: €10 million).

Order intake decreased by 19% to €567 million (Q1–3/17: €697 million). As of September 30, 2018, order backlog was €2,315 million (December 31, 2017: €2,147 million).

Fresenius Vamed has confirmed its outlook for 2018 and expects organic sales growth in the range of 5% to 10% and EBIT growth of 32% to 37%.

[1] Without German post-acute care business transferred from Fresenius Helios
[2] Net income attributable to shareholders of VAMED AG

EMPLOYEES

As of September 30, 2018, the number of employees was 277,318 (Dec. 31, 2017: 273,249).

EMPLOYEES BY BUSINESS SEGMENT

Number of employees	**Sept. 30, 2018**	Dec. 31, 2017	Change
Fresenius Medical Care	**119,709**	121,245	-1%
Fresenius Kabi	**37,672**	36,380	4%
Fresenius Helios	**101,688**	105,927	-4%
Fresenius Vamed	**17,127**	8,667	98%
Corporate/Other	**1,122**	1,030	9%
Total	**277,318**	273,249	1%

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.

Since September 1, 2017 research and development activities include the biosimilars business of Fresenius Kabi.

RESEARCH AND DEVELOPMENT EXPENSES BY BUSINESS SEGMENT

€ in millions	**Q1–3/2018**	Q1–3/2017	Change
Fresenius Medical Care	**95**	95	0%
Fresenius Kabi	**389**	280	39%
Fresenius Helios	–	–	--
Fresenius Vamed	**0**	0	
Corporate/Other	**0**	0	
Total	**484**	375	29%

OPPORTUNITIES AND RISK REPORT

Compared to the presentation in the consolidated financial statements and the management report as of December 31, 2017 applying Section 315e HGB in accordance with IFRS, there have been the following important developments in Fresenius' overall opportunities and risk situation until October 31, 2018.

On April 24, 2017, Fresenius announced that Fresenius Kabi has agreed to acquire Akorn, Inc. (Akorn), 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 the prevailing net debt at closing of the transaction.

Fresenius conducted an independent investigation, using external experts, into alleged breaches of FDA data integrity requirements relating to product development at Akorn.

Fresenius decided on April 22, 2018 to terminate the company's merger agreement with Akorn, due to Akorn's failure to fulfill several closing conditions.

Fresenius' decision is based on, among other factors, material breaches of FDA data integrity requirements relating to Akorn's operations found during Fresenius' independent investigation. Fresenius offered to delay its decision in order to allow Akorn additional opportunity to complete its own investigation and present any information it wished Fresenius to consider, but Akorn has declined that offer.

Akorn disagreed with Fresenius's position and filed a lawsuit on April 23, 2018 purporting to enforce the merger agreement.

Fresenius filed a counterclaim on April 30, 2018. The trial of the law suit took place in the Delaware Court of Chancery from July 9 to 13 and on August 23, 2018.

On October 1, 2018 the Court of Chancery in the U.S. state of Delaware ruled in favor of Fresenius in the lawsuit by Akorn, Inc. against Fresenius for the consummation of the April 2017 merger agreement. The judgment is not yet final.

Akorn appealed on October 18 against this ruling to the Delaware Supreme Court, the highest court in Delaware. The Court has scheduled a hearing on Akorn's appeal for Wednesday, December 5, 2018. Fresenius expects the ruling in the first quarter of 2019. Against this ruling there can be no further appeals.

If Akorn were able to prevail in court, Fresenius could be forced to purchase Akorn at the original price. This could result in significant reputational and financial costs.

In April 2018 the Standing Committee of the European Commission did not decide according to the European Medicines Agency's (EMA) proposal to suspend the marketing authorizations (MAs) for products containing hydroxyethylstarch (HES) and referred the matter back to the Pharmacovigilance Risk Assessment Advisory Committee (PRAC) at the EMA.

The PRAC upheld its recommendation to suspend the MAs. Subsequently in July 2018 EMA's Coordination Group for Mutual and Decentralized Procedures – Human (CMDh) took the position to maintain the MAs, subject to the implementation of risk minimization measures. These include controlled access, trainings and direct communication to healthcare practitioners as well as warnings on the packages. In July, 2018 the European Commission adopted this decision.

Fresenius Medical Care's sales and result were negatively impacted by lower revenue per treatment from commercial payors. The result was further negatively impacted by extraordinary costs related to campaigns in the United States ("U.S.") opposing state ballot initiatives in Q3/2018. Any changes in the payor mix regarding governmental and commercial insurer reimbursement for our complete products and services portfolio in the U.S. could have a material adverse impact on our business, financial condition and results of operations. Ballot initiatives introduced at the state level, e.g. the one in California scheduled for November 2018, could further regulate clinic staffing requirements, state inspection requirements and margins on commercial business. State regulation at this level would introduce an unprecedented level of oversight and additional expense at the clinic level which could have a material adverse effect on our business in the impacted states.

Sales and earnings of Fresenius Helios Germany were impacted by a decline in admissions in Q3 2018, inter alia due to a trend towards outpatient treatments. To counter this trend, Helios Germany is expanding outpatient services offerings in a separate division. If Helios is not able to take measures to counter the reduction in admissions, it could have a material adverse effect on our business, financial condition, and results of operations.

In addition, we report on legal proceedings, currency and interest risks on pages 49 to 56 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	positive	stable	stable

OUTLOOK [1] 2018

FRESENIUS GROUP

Fresenius confirms and narrows its Group guidance [1] for FY/18. This is mainly driven by an excellent development of Fresenius Kabi, which partially offset the lower than expected sales and earnings contributions of Fresenius Medical Care and Helios Germany. Group sales are expected to increase at the low end of the original 5% to 8% [2] guidance range (in constant currency). Fresenius expects net income [1,3,4] growth at the low end of the original 6% to 9% guidance range (in constant currency). Excluding expenditures for the further development of the biosimilars business, net income [1,3,5] growth is projected at the low end of the original ~10% to 13% guidance range (in constant currency).

As of September 30, 2018, the net debt/EBITDA ratio was 2.75 [6,7] (December 31, 2017: 2.84 [6,7]). Excluding the proceeds from divestitures of Care Coordination activities the net debt/EBITDA ratio was 2.96 [6,7]. At year-end 2018, Fresenius now expects the FY/18 net debt/EBITDA [7,14] ratio to be on a comparable level to year-end 2017.

FRESENIUS MEDICAL CARE

Fresenius Medical Care revised its outlook for FY/18 as the business development in Q3/18 was below the company's expectations. Fresenius Medical Care now expects sales growth of 2% to 3% [8] in constant currency (previously: 5% to 7% [8]). On a comparable basis [9], Fresenius Medical Care now expects FY/18 net income [10] to increase by 11% to 12% [9] in constant currency (previously: 13% to 15% [9]). On an adjusted basis, Fresenius Medical Care now expects FY/18 net income [10] to increase by 2% to 3% [11] in constant currency (previously: 7% to 9% [11]).

FRESENIUS KABI

Based on the strong development in Q3/18 Fresenius Kabi confirms and strengthens its organic sales growth guidance of 4% to 7% and now expects to reach the top end of this range.

Fresenius Kabi has increased its FY/18 EBIT outlook and now expects 1% to 3% [12] growth in constant currency (previously: -2% to +1% [12]). The increase is driven by a strong development across all product lines and regions with North America standing out. FY/18 EBIT excluding expenditures for the further development of the biosimilars business is now expected to grow by ~9% to 11% [13] in constant currency (previously: ~6% to 9% [13]).

FRESENIUS HELIOS

Fresenius Helios confirmed and narrowed its FY/18 organic sales growth outlook, and now projects growth at the low end of the original 3% to 6% range. Based on the Q3/18 business development in Germany, Fresenius Helios adjusts its FY/18 EBIT outlook and now expects 0% to 2% growth (previously: 5% to 8%).

FRESENIUS VAMED

Fresenius Vamed has confirmed its outlook for 2018 and expects organic sales growth in the range of 5% to 10% and EBIT growth of 32% to 37%.

INVESTMENTS

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

[1] Before special items (excluding effects related to the Akorn and NxStage transactions, gains from divestitures of Care Coordination activities and increase of FCPA provision)
[2] FY/17 base adjusted for IFRS 15 adoption (-€486 million) and divestitures of Care Coordination activities (-€558 million) at Fresenius Medical Care
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] FY/17 base: €1,804 million; FY/18 before special items; including contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care; including expenditures for further development of the biosimilars business at Fresenius Kabi (€43 million after tax in FY/17 and ~€120 million after tax in FY/18)
[5] FY/17 base: €1,847 million; FY/18 before special items; including contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care; excluding expenditures for further development of the biosimilars business at Fresenius Kabi (€43 million after tax in FY/17 and ~€120 million after tax in FY/18)
[6] At LTM average exchange rates for both net debt and EBITDA; pro forma closed acquisitions/divestitures, excluding Akorn and NxStage transactions
[7] Before special items
[8] 2017 base: €16,739 million (adjusted for IFRS 15 adoption (-€486 million) and divestitures of Care Coordination activities (-€558 million))
[9] 2017 base: €1,242 million, excluding H2/17 net income of divestited Care Coordination activities (-€38 million); 2018 including benefits of the U.S. tax reform but excluding gains from divestitures of Care Coordination activities, contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care and FCPA provision
[10] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[11] 2017 base: €1,162 million, excluding H2/17 net income of divested Care Coordination activities (-€38 million), the effect of the U.S. tax reform, natural disaster costs, FCPA provision and effects of the agreement with the U.S. Departments of Veterans Affairs and Justice (VA agreement); 2018 excluding benefits of the U.S. tax reform, gains from divestitures of Care Coordination activities, contributions to the campaigns in the U.S. opposing state ballot initiatives and FCPA provision
[12] 2017 base: €1,177 million; before special items, including expenditures for the further development of the biosimilars business (€60 million in FY/17 and expected expenditures of ~€160 million in FY/18)
[13] 2017 base: €1,237 million; before special items, excluding expenditures for the further development of the biosimilars business (€60 million in FY/17 and expected expenditures of ~€160 million in FY/18)
[14] Calculated at expected annual average exchange rates, for both net debt and EBITDA; excluding expenses related to (i) the Akorn transaction, (ii) NxStage acquisition; excluding gains from divestitures of Care Coordination activities; excluding further potential acquisitions; at current IFRS rules

GROUP FINANCIAL OUTLOOK 2018

	Targets 2018[1]	Fiscal year 2017	New guidance[1]
Sales, growth (in constant currency)	5% – 8%	€32,842 m[2]	(low end) confirmed
Net income[3], growth (in constant currency)	6% – 9%[4]	€1,804 m[5]	(low end) confirmed
Net income[3], growth (in constant currency) excluding Biosimilars	~10% – 13%[6]	€1,847 m[7]	(low end) confirmed

[1] Excluding effects related to the Akorn and NxStage transactions, gains from divestitures of Care Coordination activities and FCPA provision
[2] 2017 base adjusted for IFRS 15 adoption (deduction of €486 million at Fresenius Medical Care) and divestitures of Care Coordination activities (deduction of €558 million at Fresenius Medical Care)
[3] Net income attributable to shareholders of Fresenius SE & Co. KGaA
[4] Before special items (i.e. expenses related to the Akorn and NxStage transactions, gains from divestitures of Care Coordination activities and FCPA provision, but including contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care including expenditures for further development of the biosimilars business at Fresenius Kabi (€43 million after tax in FY/17 and ~€120 million after tax in FY/18))
[5] Before special items, i.e. expenses related to the Akorn and NxStage transactions, gains from divestitures of Care Coordination activities, book gain from the U.S. tax reform and FCPA provision
[6] Before special items (i.e. expenses related to the Akorn and NxStage transactions, gains from divestitures of Care Coordination activities and FCPA provision, but including contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care excluding expenditures for the further developmentof the biosimilars business at Fresenius Kabi (€43 million after tax in FY/17 and ~€120 million after tax in FY/18))
[7] Adjusted net income: Before special items (i.e. expenses related to the Akorn and NxStage transactions and gains from divestiture of Care Coordination activities, book gain from the U.S. tax reform and FCPA provision), before expenditures for the further development of the biosimilars business at Fresenius Kabi

OUTLOOK 2018 BY BUSINESS SEGMENT

	Targets 2018[1]	Fiscal year 2017	New guidance[1]
Fresenius Medical Care			
Sales growth (in constant currency)	5% – 7%[2]	€16,739 m[2]	2% – 3%[2]
Net income[3] on comparable basis, growth (in constant currency)	13% – 15%[4]	€1,242 m[4]	11% – 12%[4]
Net income[3] on adjusted basis, growth (in constant currency)	7% – 9%[5]	€1,162 m[5]	2% – 3%[5]
Fresenius Kabi			
Sales growth (organic)	4% – 7%	€6,358 m	(top end) confirmed
EBIT growth (in constant currency)[6]	-2% – 1%	€1,177 m	1% – 3%
EBIT growth (in constant currency)[7] excluding Biosimilars	~6% – 9%	€1,237 m	~9% – 11%
Fresenius Helios			
Sales growth (organic)	3% – 6%[8]	€8,668 m[10]	(low end) confirmed
EBIT, growth	5% – 8%[9]	€1,052 m[10]	0% – 2%
Fresenius Vamed			
Sales growth (organic)	5% – 10%	€1,228 m	confirmed
EBIT, growth	32% – 37%[11]	€76 m	confirmed

[1] Excluding expenses related to the Akorn and NxStage transactions and gains from divestitures of Care Coordination activities and FCPA provision
[2] 2017 adjusted for IFRS 15 adoption (-€486 million) and divestitures of Care Coordination activities (-€558 million)
[3] Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA
[4] Excluding H2/17 net income of divestited Care Coordination activities (-€38 million); 2018 including benefits of the U.S. tax reform but excluding gains from divestitures of Care Coordination activities, contributions to the campaigns in the U.S. opposing state ballot initiatives at Fresenius Medical Care and FCPA provision
[5] 2017 base: €1,162 million, excluding H2/17 net income of divested Care Coordination activities (-€38 million), the effect of the U.S. tax reform, natural disaster costs, FCPA provision and effects of the agreement with the U.S. Departments of Veterans Affairs and Justice (VA agreement); 2018 excluding benefits of the U.S. tax reform, gains from divestitures of Care Coordination activities , contributions to the campaigns in the U.S. opposing state ballot initiatives and FCPA provision
[6] Before special items, including expenditures for the further development of the biosimilars business (€60 million in FY/17 and ~€160 million in FY/18)
[7] Before special items, excluding expenditures for the further development of the biosimilars business (€60 million in FY/17 and ~€160 million in FY/18)
[8] Organic growth reflects 11 months contribution of Helios Spain in 2018
[9] Before transfer of the German inpatient post-acute care business from Helios to Vamed: 7% - 10%
[10] Helios Spain consolidated for 11 months
[11] Before transfer of the German inpatient post-acute care business from Helios to Vamed: 5% - 10%

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

€ in millions	Q3/2018	Q3/2017	Q1–3/2018	Q1–3/2017
Sales	**8,192**	8,297	**24,695**	25,191
Cost of sales	**-5,798**	-5,806	**-17,481**	-17,366
Gross profit	**2,394**	2,491	**7,214**	7,825
Selling, general and administrative expenses	**-1,204**	-1,245	**-3,540**	-3,958
Gain related to divestitures of care coordination activities	**10**	0	**830**	5
Research and development expenses	**-159**	-132	**-484**	-375
Operating income (EBIT)	**1,041**	1,114	**4,020**	3,497
Net interest	**-144**	-163	**-448**	-492
Income before income taxes	**897**	951	**3,572**	3,005
Income taxes	**-198**	-263	**-759**	-848
Net income	**699**	688	**2,813**	2,157
Noncontrolling interest	**280**	292	**1,302**	854
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**419**	396	**1,511**	1,303
Earnings per share in €	**0.75**	0.71	**2.72**	2.35
Fully diluted earnings per share in €	**0.75**	0.71	**2.71**	2.34

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	Q3/2018	Q3/2017	Q1–3/2018	Q1–3/2017
Net income	**699**	688	**2,813**	2,157
Other comprehensive income (loss)				
Positions which will be reclassified into net income in subsequent years				
Foreign currency translation	**-5**	-518	**79**	-1,704
Cash flow hedges	**5**	7	**15**	37
Change of fair value of available for sale financial assets	**–**	–	**0**	–
Income taxes on positions which will be reclassified	**-1**	6	**-11**	20
Positions which will not be reclassified into net income in subsequent years				
Actuarial gains on defined benefit pension plans	**0**	13	**1**	24
Income taxes on positions which will not be reclassified	**–**	–	**–**	-9
Other comprehensive income (loss), net	**-1**	-492	**84**	-1,632
Total comprehensive income	**698**	196	**2,897**	525
Comprehensive income attributable to noncontrolling interest	**289**	56	**1,387**	114
Comprehensive income attributable to shareholders of Fresenius SE & Co. KGaA	**409**	131	**1,510**	411

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	September 30, 2018	December 31, 2017
Cash and cash equivalents	2,456	1,636
Trade accounts and other receivables, less allowance for doubtful accounts	6,569	6,260
Accounts receivable from and loans to related parties	22	17
Inventories	3,179	3,252
Other current assets	2,367	1,439
I. Total current assets	**14,593**	12,604
Property. plant and equipment	9,939	9,555
Goodwill	25,370	25,285
Other intangible assets	3,109	3,172
Other non-current assets	1,951	1,773
Deferred taxes	761	744
II. Total non-current assets	**41,130**	40,529
Total assets	**55,723**	53,133

LIABILITIES AND SHAREHOLDERS' EQUITY

€ in millions	September 30, 2018	December 31, 2017
Trade accounts payable	1,574	1,688
Short-term accounts payable to related parties	77	42
Short-term provisions and other short-term liabilities	6,448	5,854
Short-term debt	2,254	1,550
Short-term debt from related parties	1	–
Current portion of long-term debt and capital lease obligations	474	618
Current portion of bonds	1,735	731
Current portion of convertible bonds	490	0
Short-term accruals for income taxes	243	182
A. Total short-term liabilities	**13,296**	10,665
Long-term debt and capital lease obligations, less current portion	5,942	6,487
Bonds, less current portion	7,218	8,338
Convertible bonds, less current portion	847	1,318
Long-term provisions and other long-term liabilities	1,799	2,094
Pension liabilities	1,170	1,163
Long-term accruals for income taxes	232	238
Deferred taxes	1,221	1,110
B. Total long-term liabilities	**18,429**	20,748
I. Total liabilities	**31,725**	31,413
A. Noncontrolling interest	**9,182**	8,059
Subscribed capital	556	555
Capital reserve	3,920	3,848
Other reserves	10,3739	9,656
Accumulated other comprehensive loss	-399	-398
B. Total Fresenius SE & Co. KGaA shareholders' equity	**14,816**	13,661
II. Total shareholders' equity	**23,998**	21,720
Total liabilities and shareholders' equity	**55,723**	53,133

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	Q1–3/2018	Q1–3/2017
Operating activities		
Net income	**2,813**	2,157
Adjustments to reconcile net income to cash and cash equivalents provided by operating activities		
Depreciation and amortization	**1,064**	1,057
Gain/loss on sale of investments and divestitures	**-836**	4
Change in deferred taxes	**69**	-48
Loss/gain on sale of fixed assets	**2**	-9
Changes in assets and liabilities, net of amounts from businesses acquired or disposed of		
Trade accounts and other receivables, net	**-609**	-564
Inventories	**-273**	-129
Other current and non-current assets	**-198**	-127
Accounts receivable from/payable to related parties	**32**	25
Trade accounts payable, provisions and other short-term and long-term liabilities	**284**	418
Accruals for income taxes	**57**	37
Net cash provided by operating activities	**2,405**	2,821
Investing activities		
Purchase of property, plant and equipment	**-1,398**	-1,148
Proceeds from sales of property, plant and equipment	**42**	32
Acquisitions and investments, net of cash acquired and net purchases of intangible assets	**-856**	-6,107
Proceeds from sale of investments and divestitures	**1,811**	32
Net cash used in investing activities	**-401**	-7,191
Financing activities		
Proceeds from short-term debt	**994**	1,118
Repayments of short-term debt	**-347**	-67
Proceeds from long-term debt and capital lease obligations	**118**	2,688
Repayments of long-term debt and capital lease obligations	**-654**	-1,253
Proceeds from the issuance of bonds	**497**	2,600
Repayments of liabilities from bonds	**-742**	-449
Proceeds from the issuance of convertible bonds	**0**	500
Payments for the share buy-back program of Fresenius Medical Care	**-37**	0
Payments/ Proceeds of the accounts receivable securitization program	**-296**	22
Proceeds from the exercise of stock options	**84**	68
Dividends paid	**-832**	-863
Change in noncontrolling interest	**5**	1
Exchange rate effect due to corporate financing	**–**	2
Net cash used in/provided by financing activities	**-1,210**	4,367
Effect of exchange rate changes on cash and cash equivalents	**26**	-104
Net increase/decrease in cash and cash equivalents	**820**	-107
Cash and cash equivalents at the beginning of the reporting period	**1,636**	1,579
Cash and cash equivalents at the end of the reporting period	**2,456**	1,472

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

€ in millions	Q1–3/2018	Q1–3/2017
Received interest	**51**	42
Paid interest	**-422**	-469
Income taxes paid	**-688**	-834

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, 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	1,221	1,221	2	39	
Compensation expense related to stock options				22	
Dividends paid					-343
Purchase of noncontrolling interest					
Noncontrolling interest subject to put provisions					26
Comprehensive income (loss)					
Net income					1,303
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)					1,303
As of September 30, 2017	554,537	554,537	555	3,834	9,151
As of December 31, 2017	554,710	554,710	555	3,848	9,656
Adjustment due to the initial application of IFRS 9 and IFRS 15	0	0	0	0	-26
As of January 1, 2018, adjusted	554,710	554,710	555	3,848	9,630
Proceeds from the exercise of stock options	1,374	1,374	1	52	
Compensation expense related to stock options				20	
Dividends paid					-416
Purchase of noncontrolling interest					
Noncontrolling interest subject to put provisions					14
Comprehensive income (loss)					
Net income					1,511
Other comprehensive income (loss)					
Cash flow hedges					
Foreign currency translation					
Actuarial gains on defined benefit pension plans					
Comprehensive income (loss)					1,511
As of September 30, 2018	**556,084**	**556,084**	**556**	**3,920**	**10,739**

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

	Accumulated other comprehensive 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, 2016	573	12,664	8,185	20,849
Issuance of bearer ordinary shares		400	0	400
Proceeds from the exercise of stock options		41	27	68
Compensation expense related to stock options		22	9	31
Dividends paid		-343	-520	-863
Purchase of noncontrolling interest		0	74	74
Noncontrolling interest subject to put provisions		26	57	83
Comprehensive income (loss)				
Net income		1,303	854	2,157
Other comprehensive income (loss)				
Cash flow hedges	15	15	12	27
Change of fair value of available for sale financial assets	–	–	–	–
Foreign currency translation	-913	-913	-761	-1,674
Actuarial gains on defined benefit pension plans	6	6	9	15
Comprehensive income (loss)	-892	411	114	525
As of September 30, 2017	-319	13,221	7,946	21,167
As of December 31, 2017	-398	13,661	8,059	21,720
Adjustment due to the initial application of IFRS 9 and IFRS 15		-26	-1	-27
As of January 1, 2018, adjusted	-398	13,635	8,058	21,693
Proceeds from the exercise of stock options		53	31	84
Compensation expense related to stock options		20	4	24
Dividends paid		-416	-416	-832
Purchase of noncontrolling interest		0	87	87
Noncontrolling interest subject to put provisions		14	31	45
Comprehensive income (loss)				
Net income		1,511	1,302	2,813
Other comprehensive income (loss)				
Cash flow hedges	1	1	10	11
Foreign currency translation	-3	-3	75	72
Actuarial gains on defined benefit pension plans	1	1	0	1
Comprehensive income (loss)	-1	1,510	1,387	2,897
As of September 30, 2018	**-399**	**14,816**	**9,182**	**23,998**

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

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

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
by business segment, € in millions	**2018**[2]	2017	Change	**2018**[3]	2017[3]	Change	**2018**	2017	Change	**2018**	2017	Change	**2018**[4]	2017[5]	Change	**2018**	2017	Change
Sales	**12,247**	13,355	-8%	**4,857**	4,764	2%	**6,762**	6,422	5%	**991**	748	32%	**-162**	-98	-65%	**24,695**	25,191	-2 %
thereof contribution to consolidated sales	**12,222**	13,332	-8%	**4,816**	4,722	2%	**6,755**	6,422	5%	**900**	712	26%	**2**	3	-33%	**24,695**	25,191	-2 %
thereof intercompany sales	**25**	23	9%	**41**	42	-2%	**7**	0		**91**	36	153%	**-164**	-101	-62%	**0**	0	
contribution to consolidated sales	**49%**	53%		**20%**	19%		**27%**	25%		**4%**	3%		**0%**	0%		**100%**	100%	
EBITDA	**2,204**	2,397	-8%	**1,076**	1,119	-4%	**1,061**	1,042	2%	**64**	40	60%	**679**	-44	--	**5,084**	4,554	12 %
Depreciation and amortization	**534**	554	-4%	**222**	214	4%	**286**	273	5%	**15**	8	88%	**7**	8	-13%	**1,064**	1,057	1 %
EBIT	**1,670**	1,843	-9%	**854**	905	-6%	**775**	769	1%	**49**	32	53%	**672**	-52	--	**4,020**	3,497	15 %
Net interest	**-239**	-274	13%	**-87**	-88	1%	**-121**	-111	-9%	**-4**	-1	--	**3**	-18	117%	**-448**	-492	9 %
Income taxes	**-313**	-484	35%	**-182**	-244	25%	**-129**	-124	-4%	**-11**	-9	-22%	**-124**	13	--	**-759**	-848	10 %
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**942**	886	6%	**554**	544	2%	**516**	526	-2%	**33**	21	57%	**-534**	-674	21%	**1,511**	1,303	16 %
Operating cash flow	**1,220**	1,664	-27%	**820**	640	28%	**387**	560	-31%	**-2**	7	-129%	**-20**	-50	60%	**2,405**	2,821	-15 %
Cash flow before acquisitions and dividends	**518**	1,050	-51%	**468**	378	24%	**129**	334	-61%	**-16**	5	--	**-50**	-62	19%	**1,049**	1,705	-38 %
Total assets[1]	**25,587**	24,025	7%	**12,271**	11,792	4%	**16,406**	16,583	-1%	**1,988**	1,282	55%	**-529**	-549	4%	**55,723**	53,133	5 %
Debt[1]	**7,370**	7,448	-1%	**3,964**	4,806	-18%	**5,952**	6,665	-11%	**573**	245	134%	**1,102**	-122	--	**18,961**	19,042	0 %
Other operating liabilities[1]	**5,280**	5,282	0%	**3,077**	2,879	7%	**2,102**	2,027	4%	**745**	621	20%	**339**	452	-25%	**11,543**	11,261	3 %
Capital expenditure, gross	**732**	632	16%	**328**	253	30%	**265**	229	16%	**24**	10	140%	**21**	13	62%	**1,370**	1,137	20 %
Acquisitions, gross/investments	**820**	548	50%	**10**	157	-94%	**21**	5,957	-100%	**489**	–	--	**-464**	0		**876**	6,662	-87 %
Research and development expenses	**95**	95	0%	**389**	280	39%	**–**	–	--	**0**	0		**0**	0		**484**	375	29 %
Employees (per capita on balance sheet date)[1]	**119,709**	121,245	-1%	**37,672**	36,380	4%	**101,688**	105,927	-4%	**17,127**	8,667	98%	**1,122**	1,030	9%	**277,318**	273,249	1 %
Key figures																		
EBITDA margin	**18.0%**	17.9%		**22.2%**	23.5%		**15.7%**	16.2%		**6.5%**	5.3%					**17.7%**[2]	18.2%[3]	
EBIT margin	**13.6%**	13.8%		**17.6%**	19.0%		**11.5%**	12.0%		**4.9%**	4.3%					**13.4%**[2]	14.0%[3]	
Depreciation and amortization in % of sales	**4.4%**	4.1%		**4.6%**	4.5%		**4.2%**	4.3%		**1.5%**	1.1%					**4.3%**	4.2%	
Operating cash flow in % of sales	**10.0%**	12.5%		**16.9%**	13.4%		**5.7%**	8.7%		**-0.2%**	0.9%					**9.7%**	11.2%	
ROOA[1]	**10.1%**	10.9%		**11.0%**	10.8%		**6.8%**	6.9%		**8.1%**	9.8%					**9.0%**[6]	9.4%[6]	

[1] 2017: December 31
[2] Before transaction-related effects and FCPA provision
[3] Before transaction-related effects
[4] After transaction-related effects and FCPA provision
[5] After transaction-related effects
[6] The underlying pro forma EBIT does not include transaction-related effects and FCPA provision.

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.

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

	Fresenius Medical Care			Fresenius Kabi			Fresenius Helios			Fresenius Vamed			Corporate/Other			Fresenius Group		
by business segment, € in millions	**2018**[1]	2017	Change	**2018**[2]	2017[2]	Change	**2018**	2017	Change	**2018**	2017	Change	**2018**[3]	2017[4]	Change	**2018**	2017	Change
Sales	**4,058**	4,336	-6%	**1,650**	1,562	6%	**2,088**	2,166	-4%	**476**	267	78%	-80	-34	-135%	**8,192**	8,297	-1%
thereof contribution to consolidated sales	**4,049**	4,328	-6%	**1,637**	1,547	6%	**2,088**	2,166	-4%	**416**	255	63%	**2**	1	100%	**8,192**	8,297	-1%
thereof intercompany sales	**9**	8	13%	**13**	15	-13%	**0**	0		**60**	12	--	-82	-35	-134%	**0**	0	
contribution to consolidated sales	**49%**	52%		**20%**	19%		**26%**	26%		**5%**	3%		**0%**	0%		**100%**	100%	
EBITDA	**771**	786	-2%	**377**	352	7%	**285**	331	-14%	**40**	18	122%	-81	-21	--	**1,392**	1,466	-5%
Depreciation and amortization	**179**	178	1%	**80**	69	16%	**81**	99	-18%	**9**	3	200%	**2**	3	-33%	**351**	352	0%
EBIT	**592**	608	-3%	**297**	283	5%	**204**	232	-12%	**31**	15	107%	-83	-24	--	**1,041**	1,114	-7%
Net interest	**-75**	-86	13%	**-27**	-31	13%	**-41**	-40	-3%	**-3**	0		**2**	-6	133%	**-144**	-163	12%
Income taxes	**-110**	-152	28%	**-58**	-75	23%	**-32**	-35	9%	**-6**	-4	-50%	**8**	3	167%	**-198**	-263	25%
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**343**	309	11%	**199**	165	21%	**128**	153	-16%	**22**	10	120%	-273	-241	-13%	**419**	396	6%
Operating cash flow	**609**	612	0%	**366**	245	49%	**128**	256	-50%	**54**	35	54%	**-8**	-10	20%	**1,149**	1,138	1%
Cash flow before acquisitions and dividends	**353**	386	-9%	**214**	149	44%	**34**	154	-78%	**45**	32	41%	**-22**	-14	-57%	**624**	707	-12%
Capital expenditure, gross	**266**	228	17%	**155**	102	52%	**95**	91	4%	**9**	3	200%	**14**	4	--	**539**	428	26%
Acquisitions, gross/investments	**468**	80	--	**9**	156	-94%	**10**	5	100%	**467**	–	--	**-464**	0		**490**	241	103%
Research and development expenses	**25**	28	-11%	**133**	104	28%	**–**	–	--	**0**	0		**1**	0		**159**	132	20%
Key figures																		
EBITDA margin	**19.0%**	18.1%		**22.8%**	22.5%		**13.6%**	15.3%		**8.4%**	6.7%					**17.9%**[1]	17.8%[2]	
EBIT margin	**14.6%**	14.0%		**18.0%**	18.1%		**9.8%**	10.7%		**6.5%**	5.6%					**13.6%**[1]	13.6%[2]	
Depreciation and amortization in % of sales	**4.4%**	4.1%		**4.8%**	4.4%		**3.9%**	4.6%		**1.9%**	1.1%					**4.3%**	4.2%	
Operating cash flow in % of sales	**15.0%**	14.1%		**22.2%**	15.7%		**6.1%**	11.8%		**11.3%**	13.1%					**14.0%**	13.7%	

[1] Before transaction-related effects and FCPA provision
[2] Before transaction-related effects
[3] After transaction-related effects and FCPA provision
[4] After transaction-related effects

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 September 30, 2018:

- 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 315e of the German Commercial Code (HGB).

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 Fresenius Group has applied IFRS 15, Revenue from Contracts with Customers, and IFRS 9, Financial Instruments, since January 1, 2018. As a result of the implementation, the Fresenius Group has updated its accounting policies accordingly. Changes in the accounting policies due to the implementation of IFRS 15 and IFRS 9 are described in note 1.IV, Recent pronouncements, applied. For all other issues, the accounting policies applied in the accompanying consolidated financial statements are the same as those applied in the consolidated financial statements as of December 31, 2017.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The condensed consolidated financial statements and management report for the first three quarters and the third quarter ended September 30, 2018 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, 2017 applying Section 315e HGB in accordance with IFRS.

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

The consolidated financial statements for the first three quarters and the third quarter ended September 30, 2018 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 three quarters ended September 30, 2018 are not necessarily indicative of the results of operations for the fiscal year 2018.

Classifications

In the prior year's comparative consolidated financial statements, finance lease receivables in the amount of €58 million have been reclassified from other currents assets to trade accounts and other receivables to conform to the current year's presentation.

Valuation

Starting on July 1, 2018, the Fresenius Group's subsidiaries operating in Argentina applied IAS 29, Financial Reporting in Hyperinflationary Economies, due to the inflationary development in Argentina. For the first three quarters ended September 30, 2018, the adoption of IAS 29 resulted in an effect on net income attributable to shareholders of Fresenius SE & Co. KGaA of -€4 million.

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 September 30, 2018 in conformity with IFRS in force for the interim periods on January 1, 2018.

In the first three quarters of 2018, the Fresenius Group applied the following new standards relevant for its business for the first time:

IFRS 15

In May 2014, the International Accounting Standards Board (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. The Fresenius Group adopted this standard as of January 1, 2018. In accordance with the transition provisions in IFRS 15, the new rules have been adopted only to those contracts that were not completed contracts as of January 1, 2018 following the cumulative effect method with no restatement of the comparative periods presented.

IFRS 15 requires the consideration of implicit price concessions when determining the transaction price which, upon adoption, resulted in the implicit price concessions in the business segment Fresenius Medical Care directly reducing revenue in the amount of €392 million for the first three quarters of 2018. Prior to the adoption of IFRS 15, these price concessions were included in the general and administrative expenses as an allowance for doubtful accounts in the amount of €387 million for the first three quarters of 2017. Consequently, there is no effect on net income as the implicit price concessions are merely presented in different lines within the consolidated statement of income.

In the business segment Fresenius Vamed, sales from long-term production contracts are no longer recognized using the percentage of completion method (PoC method) but according to the IFRS 15 guidance for performance obligations satisfied over time, which did not result in any changes to the consolidated statement of income. In the consolidated statement of financial position the amounts that were included in inventory under the PoC method will generally be recognized as contract assets according to IFRS 15. Contract assets are included in other current and other non-current assets in the consolidated statement of financial position. At the end of the reporting period, €311 million were included in other current assets that would have been included in inventories according to the former rule.

Other contract assets relate to medical treatments that have been started but not completed at the respective reporting date. They were previously recognized as trade accounts receivable.

The Fresenius Group applies the following policies for recognizing revenue:

Revenues from services and products are billed according to the usual contract arrangements with customers, patients and related third parties. For services performed for patients, the transaction price is estimated based on either Fresenius Group's standard rates, rates determined under reimbursement arrangements or by government regulations. These arrangements are generally with third party payors, such as U.S. Medicare, U.S. Medicaid, German health insurance funds or commercial insurers. Deductions from rebates and discounts that are contractually agreed are taken into account to determine the expected recoverable amount which is calculated on the basis of historical data.

If the collection of the billed amount or a portion of the billed amount for services performed for patients is considered to be uncertain at the time services are performed, the Fresenius Group concludes that the consideration is variable (implicit price concession) and records the difference between the billed amount and the amount estimated to be collectible as a reduction to health care services revenue. Prior to the adoption of IFRS 15, it was recorded as an allowance for accounts receivable. Implicit price concessions include such items as amounts due from patients without adequate insurance coverage and patient co-payment and deductible amounts due from patients with health care coverage. The Fresenius Group determines implicit price concessions primarily upon past collection history.

Revenue from services is generally recognized on the date the service is performed. At this point of time the payor is obliged to pay for the performed services.

Revenue from product sales is recognized when the customer obtains control of the product, either after possession is transferred or upon installation and provision of the necessary technical instructions or at another point in time that better defines transfer of control.

A portion of revenues is generated from contracts which on the one hand give the customer the right to use dialysis machines and on the other hand provide the customer with disposables and services. In this case, the transaction price is allocated in accordance with IFRS 15, and revenue is recognized separately for the lease and the non-lease components of the contract in accordance with IAS 17 and IFRS 15, respectively.

Fresenius Vamed has performance obligations from long-term production contracts that are satisfied over time. Revenue is recognized according to progress towards completion. This progress towards completion of the performance obligation is measured based on the costs incurred in relation to expected total costs of fulfilling the contract, contractually defined milestones or performance completed to date whichever better reflects the progress towards completion of the performance obligation.

IFRS 15 does not apply to lease and insurance contracts. Revenue from leasing components and insurance contracts is determined according to IAS 17 and IFRS 4, respectively.

IFRS 9

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 three 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. In case of objective evidence of impairment, there is an assignment to stage 3. 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 (loss) (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.

In accordance with IAS 39 and IFRS 9, the majority of the non-derivative financial assets are measured at amortized costs. The impact on the measurement of non-derivative financial assets under IFRS 9 has not been significant. For individual equity instruments, the Fresenius Group has opted to present changes in fair value in other comprehensive income (loss). The requirements for the classification and measurement of non-derivative financial liabilities have not changed significantly. Thus, IFRS 9 has a limited impact on the 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 follows the modified retrospective method without restatement of previous periods for adopting IFRS 9.

Differences in the carrying amounts of financial assets and financial liabilities as of December 31, 2017, according to IAS 39 and as of January 1, 2018, according to IFRS 9 are recognized in other reserves in the amount of -€17 million.

IFRS 9 has an impact on the accounting policies for classifying financial instruments, on the methodology to assess the impairment of financial instruments and on the hedge accounting requirements. The Fresenius Group applies the following policies after implementing IFRS 9:

Classification of financial instruments

Financial instruments are allocated to categories following the analysis of the business model and cash flow characteristics as required by IFRS 9. The following categories are relevant for the Fresenius Group: financial assets and liabilities measured at amortized cost, financial assets and liabilities measured at fair value through profit and loss and financial assets measured at fair value through other comprehensive income. In the first three quarters of 2018, no reclassifications between categories were necessary.

Impairment of financial assets

According to IFRS 9, impairments are recognized on the basis of expected credit losses (expected credit loss model).

The Fresenius Group recognizes a loss allowance for expected credit losses on financial assets measured at amortized cost, contract assets and lease receivables as well as in investments in debt instruments measured at fair value through other comprehensive income. The financial assets mainly comprise trade accounts receivable and cash and cash equivalents. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective instrument.

For trade accounts receivable, the Fresenius Group uses the simplified method which requires recognizing lifetime expected credit losses.

Expected credit losses on cash and cash equivalents are measured according to the general method which is based on 12-month expected credit losses. Due to the short maturity term of the financial instruments, this corresponds with the lifetime expected loss. A significant increase in credit risk is calculated on the basis of available quantitative and qualitative information. Based on external credit ratings of the counterparties, the Fresenius Group considers that its cash and cash equivalents have a low credit risk.

The allowances are estimates comprised of customer and financial asset specific evaluations regarding payment history, current financial stability, and applicable future economic conditions.

Financial assets whose expected credit loss is not assessed individually are allocated to geographical regions. The impairment is generally assessed on the basis of macroeconomic indicators such as credit default swaps or scoring models.

In case of objective evidence of a detrimental impact on the estimated future cash flows of a financial asset, the asset is considered to be credit impaired.

When a counterpart defaults, all financial assets against this counterpart are considered impaired. The definition of default is mainly based on payment practices specific to individual regions and businesses.

Hedge accounting

The Fresenius Group applies the new IFRS 9 hedge accounting requirements. Therefor, the Fresenius Group makes sure that hedge accounting relationships are aligned with its risk management objectives and strategy and that a qualitative and forward-looking approach is used for assessing hedge effectiveness.

The Fresenius Group uses foreign exchange forward contracts to hedge the variability in cash flows arising from changes in foreign exchange rates relating to foreign currency sales, purchases, projects and services as well as inventory purchases and borrowings in foreign currency. The Fresenius Group solely designates the spot element of the foreign exchange forward contract as hedging instrument in cash flow hedges. The effective portion of changes in fair value of the spot element of the hedging instruments is accumulated in a cash flow hedge reserve as a separate component within other comprehensive income (loss). The forward element of the foreign exchange forward contract is separately accounted for as cost of hedging reserve within other comprehensive income (loss).

For all cash flow hedges, except for foreign currency risk associated with forecast purchases of non-financial assets, the amounts accumulated in the cash flow hedge reserve are reclassified to profit or loss as a reclassification adjustment in the same period as the hedged forecasted cash flows affect profit or loss. For cash flow hedges of foreign currency risk associated with forecast purchases of non-financial assets, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the asset when it is recognized. The same approach applies to the amounts accumulated in the costs of hedging reserve.

V. RECENT PRONOUNCEMENTS, NOT YET APPLIED

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

In May 2017, the IASB issued **IFRS 17, Insurance Contracts**. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure related to the issuance of insurance contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was brought in as an interim standard in 2004. IFRS 4 permitted the use of national accounting standards for the accounting of insurance contracts under IFRS. As a result of the varied application for insurance contracts, there was a lack of comparability among peer groups. IFRS 17 eliminates this diversity in practice by requiring all insurance contracts to be accounted for using current values. The frequent updates to the insurance values are expected to provide more useful information to users of financial statements. IFRS 17 is effective for fiscal years beginning on or after January 1, 2021. Earlier adoption is permitted for entities that have also adopted IFRS 9, Financial Instruments, and IFRS 15, Revenue from Contracts with Customers. The Fresenius Group is currently evaluating the impact of IFRS 17 on the consolidated financial statements.

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 changes 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 decided that IFRS 16 will not be adopted early. 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 an impact analysis, 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 Fresenius Group also expects that its Leverage Ratio will increase by about 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 previous impact analysis, the Fresenius Group will apply the modified retrospective method. Except for the transition method, the Fresenius Group is currently evaluating the accounting policy options of IFRS 16.

The EU Commission's endorsement of IFRS 17 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, DIVESTITURES AND INVESTMENTS

The Fresenius Group made acquisitions, investments and purchases of intangible assets of €876 million (after consolidation of internal group transactions) and €6,662 million in the first three quarters of 2018 and 2017, respectively. Of this amount, €856 million was paid in cash and €20 million was assumed obligations in the first three quarters of 2018.

FRESENIUS MEDICAL CARE

In the first three quarters of 2018, Fresenius Medical Care spent €820 million on acquisitions, mainly on investments in financial assets, the purchase of dialysis clinics as well as an equity investment in Humacyte, Inc., a medical research, discovery and development company, to gain a 19% ownership stake as well as a related exclusive global distribution right to Humacyte's bioengineered human acellular vessels.

Divestment of Sound Inpatient Physicians Holdings, LLC, USA

On June 28, 2018, Fresenius Medical Care completed the divestment of its controlling interest in Sound Inpatient Physicians Holdings, LLC to an investment consortium led by Summit Partners, L.P. The total transaction proceeds were US$1,925 million (€1,662 million). The pre-tax gain related to divestitures for care coordination activities was €830 million, which primarily related to this divestiture, the effect of the six month impact from the increase in valuation of Sound's share based payment program, incentive compensation expense and other costs caused by the divestment of Sound.

Acquisition of NxStage Medical, Inc.

On August 7, 2017, Fresenius Medical Care announced the acquisition of NxStage Medical, Inc. (NxStage), a U.S.-based medical technology and services company, for a total transaction value of approximately US$2.0 billion (€1.7 billion). On October 27, 2017, the shareholders of NxStage approved the acquisition. The transaction remains subject to regulatory approvals and other customary closing conditions. Fresenius Medical Care expects the closing of the transaction to occur in 2018.

FRESENIUS KABI

In the first three quarters of 2018, Fresenius Kabi spent €10 million on acquisitions, mainly for already planned acquisition related milestone payments relating to the acquisition of the biosimilars business.

Termination of the merger agreement with Akorn, Inc.

On April 24, 2017, Fresenius announced that Fresenius Kabi has agreed to acquire Akorn, Inc. (Akorn), 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 the prevailing net debt at closing of the transaction.

Fresenius conducted an independent investigation, using external experts, into alleged breaches of FDA data integrity requirements relating to product development at Akorn.

Fresenius decided on April 22, 2018 to terminate the merger agreement with Akorn, due to Akorn's failure to fulfill several closing conditions.

Fresenius' decision is based on, among other factors, material breaches of FDA data integrity requirements relating to Akorn's operations found during Fresenius' independent investigation. Fresenius offered to delay its decision in order to allow Akorn additional opportunity to complete its own investigation and present any information it wished Fresenius to consider, but Akorn declined that offer.

Akorn disagreed with Fresenius' position and filed a lawsuit on April 23, 2018 purporting to enforce the merger agreement.

Fresenius filed a counterclaim on April 30, 2018. The trial of the lawsuit took place in the Delaware Court of Chancery from July 9 to 13 and on August 23, 2018.

On October 1, 2018, the Court of Chancery in the U.S. state of Delaware ruled in favor of Fresenius in the lawsuit by Akorn, Inc. against Fresenius for the consummation of the April 2017 merger agreement. The judgment is not yet final.

Akorn appealed on October 18, 2018 against this ruling to the Delaware Supreme Court, the highest court in Delaware. The Court has scheduled a hearing on Akorn's appeal for December 5, 2018. Fresenius expects the ruling in the first quarter of 2019. Against this ruling there can be no further appeals.

Acquisition of the biosimilars business of Merck KGaA

On August 31, 2017, Fresenius Kabi has successfully closed the acquisition of Merck KGaA's biosimilars business. The transaction comprises a development pipeline and about 70 employees located in Aubonne and Vevey, Switzerland. The product pipeline has a focus on oncology and autoimmune diseases. The biosimilars business has been consolidated as of September 1, 2017.

The consideration transferred of €748 million is composed of €156 million, which were paid in cash upon closing, and risk-adjusted discounted success-related payments expected for the coming years with a fair value of €592 million, which are strictly tied to achievements of agreed development and sales targets.

The transaction was accounted for as a business combination. The following table comprises the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting until finalization on August 31, 2018 was recorded with a corresponding adjustment to goodwill, net of related income tax effects.

€ in millions	
Working capital and other assets	2
Property, plant and equipment and other non-current assets	2
Intangible assets	343
Liabilities	-7
Goodwill	408
Consideration transferred	**748**

The goodwill in the amount of €408 million that was acquired as part of the acquisition will be deductible for tax purposes.

Goodwill mainly represents the value of future opportunities due to the acquisition of biosimilars products and their platform. The platform with highly qualified biosimilars experts will enable Fresenius to develop further products in this market segment and bring them on the market in the future. Furthermore, Fresenius acquired the opportunity to sell biosimilars products in other markets.

FRESENIUS HELIOS

In the first three quarters of 2018, Fresenius Helios spent €21 million on acquisitions, mainly for the purchase of outpatient clinics in Germany.

On July 1, 2018, Fresenius Helios transferred 38 health care facilities and 13 service companies in Germany specializing in inpatient post-acute and nursing care to Fresenius Vamed.

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 46 hospitals, 56 outpatient centers and about 300 Occupational Risk Prevention centers located in every metropolitan region 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 comprises the final fair values of assets acquired and liabilities assumed at the date of the acquisition. Any adjustments to acquisition accounting until finalization on January 31, 2018 was recorded with a corresponding adjustment to goodwill, net of related income tax effects.

€ in millions	
Trade accounts receivable	776
Working capital and other assets	74
Property, plant and equipment and other non-current assets	1,775
Intangible assets	1,306
Liabilities	-1,315
Goodwill	3,336
Noncontrolling interest	-21
Consideration transferred	**5,931**

The goodwill in the amount of €3,336 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 centers 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.

FRESENIUS VAMED

In the first three quarters of 2018, Fresenius Vamed spent €489 million on acquisitions, mainly for 38 health care facilities and 13 service companies in Germany specializing in inpatient post-acute and nursing care which Fresenius Helios transferred to Fresenius Vamed on July 1, 2018. The transaction has a total volume of €463 million. It is financed within the Group.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

3. SPECIAL ITEMS

Net income attributable to shareholders of Fresenius SE & Co. KGaA for the first three quarters of 2018 in the amount of €1,511 million includes special items relating to the terminated merger agreement with Akorn, Inc. These mainly comprise transaction costs in the form of legal and consulting expenses as well as financing commitment expenses for the Akorn transaction. Furthermore, the impact of FCPA (Foreign Corrupt Practices Act) related expenses and a gain related to divestitures of care coordination activities (mainly Sound Inpatient Physicians) are included in net income attributable to shareholders of Fresenius SE & Co. KGaA.

The special items had the following impact on the consolidated statement of income:

€ in millions	EBIT	Interest expenses	Net income attributable to shareholders of Fresenius SE & Co. KGaA
Earnings Q1–3/2018, adjusted	3,311	-436	1,367
Transaction-related effects of Akorn	-46	-12	-45
FCPA related expenses	-75	0	-23
Gain related to divestitures of care coordination activities	830	0	212
Earnings Q1–3/2018 according to IFRS	**4,020**	**-448**	**1,511**

4. SALES

In the first three quarters of 2018, sales by activity according to the IFRS 15 categorization were as follows:

€ in millions	Q1–3/2018
Sales from contracts with customers	**24,456**
thereof sales of services	**17,026**
thereof sales of products and related services	**7,082**
thereof sales from long-term production contracts	**342**
thereof further sales from contracts with customers	**6**
Other sales	**239**
Sales	**24,695**

Other sales include sales from insurance and lease contracts.

In the first three quarters of 2017, sales by activity according to the categorization used until year end 2017 were as follows:

€ in millions	Q1–3/2017
Sales of services	17,814
Sales of products and related goods	7,067
Sales from long-term production contracts	303
Other sales	7
Sales	25,191

The changes in activity classification are due to the first time use of the new IFRS 15 classification in the first quarter of 2018.

5. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses of €484 million (Q1–3/2017: €375 million) included expenditures for research and non-capitalizable development costs as well as regular depreciation and amortization expenses relating to capitalized development costs of €11 million (Q1–3/2017: €11 million). Furthermore, in the first three quarters of 2018, research and development expenses included impairments on capitalized development expenses of €7 million. These related to in-process R & D of product approval projects, which were acquired through the acquisition of Fresenius Kabi USA, Inc.

6. TAXES

During the first three quarters of 2018, there were no material changes relating to accruals for income taxes as well as recognized and accrued payments for interest and penalties. Further information can be found in the consolidated financial statements as of December 31, 2017 applying Section 315e HGB in accordance with IFRS.

The decrease of the group tax rate before special items to 22.0% (Q1–3/2017: 28.1%) was mainly due to the U.S. tax reform.

7. EARNINGS PER SHARE

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

	Q1–3/2018	Q1–3/2017
Numerators, € in millions		
Net income attributable to shareholders of Fresenius SE & Co. KGaA	**1,511**	1,303
less effect from dilution due to Fresenius Medical Care shares	**1**	1
Income available to all ordinary shares	**1,510**	1,302
Denominators in number of shares		
Weighted-average number of ordinary shares outstanding	**555,320,288**	553,946,023
Potentially dilutive ordinary shares	**1,997,961**	3,555,287
Weighted-average number of ordinary shares outstanding assuming dilution	**557,318,249**	557,501,310
Basic earnings per share in €	**2.72**	2.35
Fully diluted earnings per share in €	**2.71**	2.34

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

8. CASH AND CASH EQUIVALENTS

As of September 30, 2018 and December 31, 2017, cash and cash equivalents were as follows:

€ in millions	Sept. 30, 2018	Dec. 31, 2017
Cash	**1,187**	1,139
Time deposits and securities (with a maturity of up to 90 days)	**1,269**	497
Total cash and cash equivalents	**2,456**	1,636

The increase of time deposits relates to short-term investments of proceeds from the divestment of the controlling interest in Sound Inpatient Physicians Holdings, LLC.

As of September 30, 2018 and December 31, 2017, earmarked funds of €143 million and €183 million, respectively, were included in cash and cash equivalents.

9. TRADE ACCOUNTS AND OTHER RECEIVABLES

As of September 30, 2018, January 1, 2018 and December 31, 2017, trade accounts and other receivables were as follows:

	September 30, 2018		January 1, 2018			Dec. 31, 2017
€ in millions		thereof credit impaired	Book value according to IFRS 9 and IFRS 15	Adjustment on initial application of IFRS 9	Adjustment on initial application of IFRS 15	
Trade accounts and other receivables	6,882	807	6,547	-7	-447	7,001
less allowance for doubtful accounts	313	206	312	35	-464	741
Trade accounts and other receivables, net	**6,569**	**601**	**6,235**	**-42**	**17**	**6,260**

Within trade accounts and other receivables, net, as of September 30, 2018, €6,491 million relate to revenue from contracts with customers as defined by IFRS 15. This amount includes €311 million of allowance for doubtful accounts.

Further trade accounts and other receivables, net relate to lease contracts.

10. INVENTORIES

As of September 30, 2018 and December 31, 2017, inventories consisted of the following:

€ in millions	Sept. 30, 2018	Dec. 31, 2017
Raw materials and purchased components	**748**	653
Work in process	**405**	715
Finished goods	**2,137**	2,024
less reserves	**111**	140
Inventories, net	**3,179**	3,252

Upon implementation of IFRS 15, €311 million relating to long-term production contracts from Fresenius Vamed have been reclassified from work in process within inventory to contract assets within other current and non-current assets.

11. OTHER CURRENT AND NON-CURRENT ASSETS

At equity investments as of September 30, 2018 in the amount of €630 million (December 31, 2017: €647 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 three quarters of 2018, income of €52 million (Q1–3/2017: €51 million) resulting from this valuation was included in selling, general and administrative expenses in the consolidated statement of income.

CONTRACT ASSETS

Since the implementation of IFRS 15 on January 1, 2018, other current and non-current assets include contract assets within non-financial assets. As of September 30, 2018, they amount to €434 million. Thereof, €311 million relating to long-term production contracts from Fresenius Vamed have been reclassified from inventory (work in process) upon the initial application of IFRS 15.

Contract assets mainly relate to long-term production contracts for which revenue is recognized over time.

As of September 30, 2018, contract assets from revenue from contracts with customers as defined by IFRS 15 include €0.3 million of allowance for doubtful accounts.

12. GOODWILL AND OTHER INTANGIBLE ASSETS

As of September 30, 2018 and December 31, 2017, intangible assets, split into amortizable and non-amortizable intangible assets, consisted of the following:

AMORTIZABLE INTANGIBLE ASSETS

	September 30, 2018			December 31, 2017		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Tradenames	**699**	**77**	**622**	699	48	651
Customer relationships	**716**	**111**	**605**	840	123	717
Capitalized development costs	**754**	**183**	**571**	828	229	599
Software	**733**	**401**	**332**	599	337	262
Patents, product and distribution rights	**721**	**421**	**300**	674	386	288
Technology	**425**	**180**	**245**	415	154	261
Non-compete agreements	**326**	**279**	**47**	314	262	52
Other	**542**	**355**	**187**	418	271	147
Total	**4,916**	**2,007**	**2,909**	4,787	1,810	2,977

NON-AMORTIZABLE INTANGIBLE ASSETS

	September 30, 2018			December 31, 2017		
€ in millions	**Acquisition cost**	**Accumulated amortization**	**Carrying amount**	Acquisition cost	Accumulated amortization	Carrying amount
Goodwill	**25,370**	**0**	**25,370**	25,285	0	25,285
Tradenames	**197**	**0**	**197**	192	0	192
Management contracts	**3**	**0**	**3**	3	0	3
Total	**25,570**	**0**	**25,570**	25,480	0	25,480

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, 2017	**12,956**	**5,302**	**4,538**	**99**	**6**	**22,901**
Additions	596	394	3,365	19	0	4,374
Disposals	0	-1	-1	0	0	-2
Foreign currency translation	-1,448	-540	0	0	0	-1,988
Carrying amount as of December 31, 2017	**12,104**	**5,155**	**7,902**	**118**	**6**	**25,285**
Additions	223	12	76	16	0	327
Disposals	-662	0	0	0	0	-662
Reclassifications	0	2	-150	150	0	2
Foreign currency translation	318	100	0	0	0	418
Carrying amount as of September 30, 2018	**11,983**	**5,269**	**7,828**	**284**	**6**	**25,370**

As of September 30, 2018 and December 31, 2017, the carrying amounts of the other non-amortizable intangible assets were €184 million and €178 million, for Fresenius Medical Care as well as €16 million and €17 million for Fresenius Kabi.

13. DEBT AND CAPITAL LEASE OBLIGATIONS

SHORT-TERM DEBT

As of September 30, 2018 and December 31, 2017, short-term debt consisted of the following:

	Book value	
€ in millions	**September 30, 2018**	December 31, 2017
Fresenius SE & Co. KGaA Commercial Paper	**919**	715
Fresenius Medical Care AG & Co. KGaA Commercial Paper	**1,000**	680
Other short-term debt	**335**	155
Short-term debt	**2,254**	1,550

LONG-TERM DEBT AND CAPITAL LEASE OBLIGATIONS

As of September 30, 2018 and December 31, 2017, long-term debt and capital lease obligations net of debt issuance costs consisted of the following:

	Book value	
€ in millions	**September 30, 2018**	December 31, 2017
Fresenius Medical Care Credit Agreement	**1,907**	2,018
Fresenius Credit Agreement	**2,147**	2,238
Schuldschein Loans	**1,716**	1,873
Accounts Receivable Facility of Fresenius Medical Care	**0**	294
Capital lease obligations	**225**	234
Other	**421**	448
Subtotal	**6,416**	7,105
less current portion	**474**	618
Long-term debt and capital lease obligations, less current portion	**5,942**	6,487

Fresenius Medical Care 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 tenor on October 30, 2012.

In the years 2014 and 2017, various amendments of the Fresenius Medical Care Credit Agreement were made. These related to the amount and structure of the available tranches, among other items. In addition, the terms have been extended.

The following tables show the available and outstanding amounts under the Fresenius Medical Care Credit Agreement at September 30, 2018 and at December 31, 2017:

	September 30, 2018			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facility (in US$)	US$900 million	777	**US$0 million**	**0**
Revolving Credit Facility (in €)	€600 million	600	**€0 million**	**0**
Term Loan 5 years (in US$)	US$1,380million	1,192	**US$1,380 million**	**1,192**
Term Loan 3 years (in €)	€400 million	400	**€400 million**	**400**
Term Loan 5 years (in €)	€322 million	322	**€322 million**	**322**
Total		3,292		**1,914**
less financing cost				**7**
Total				**1,907**

	December 31, 2017			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facility (in US$)	US$900 million	750	**US$70 million**	**58**
Revolving Credit Facility (in €)	€600 million	600	**€0 million**	**0**
Term Loan 5 years (in US$)	US$1,470 million	1,226	**US$1,470 million**	**1,226**
Term Loan 3 years (in €)	€400 million	400	**€400 million**	**400**
Term Loan 5 years (in €)	€343 million	343	**€343 million**	**343**
Total		3,319		**2,027**
less financing cost				**9**
Total				**2,018**

In addition, at September 30, 2018 and December 31, 2017, Fresenius Medical Care had letters of credit outstanding in the amount of approximately US$2 million (€1 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 September 30, 2018, FMC-AG & Co. KGaA and its subsidiaries were in compliance with all covenants under the Fresenius Medical Care Credit Agreement.

Fresenius Credit Agreement

On December 20, 2012, Fresenius SE & Co. KGaA and various subsidiaries entered into a delayed draw syndicated credit agreement (2013 Credit Agreement) in the original amount of US$1,300 million and €1,250 million. Since the initial funding of the Credit Agreement in June 2013, additional tranches were added. Furthermore, scheduled amortization payments as well as voluntary repayments have been made. In August 2017, the Credit Agreement was refinanced and replaced by new tranches with a total amount of approximately €3,800 million.

The following tables show the available and outstanding amounts under the Fresenius Credit Agreement at September 30, 2018 and at December 31, 2017:

	September 30, 2018			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facility (in €)	€1,000 million	1,000	**€0 million**	**0**
Revolving Credit Facility (in US$)	US$500 million	432	**US$0 million**	**0**
Term Loan 4 years (in €)	€750 million	750	**€750 million**	**750**
Term Loan 5 years (in €)	€900 million	900	**€900 million**	**900**
Term Loan 5 years (in US$)	US$590 million	510	**US$590 million**	**510**
Total		3,592		**2,160**
less financing cost				**13**
Total				**2,147**

	December 31, 2017			
	Maximum amount available		**Balance outstanding**	
		€ in millions		**€ in millions**
Revolving Credit Facility (in €)	€1,000 million	1,000	**€0 million**	**0**
Revolving Credit Facility (in US$)	US$500 million	417	**US$0 million**	**0**
Term Loan 4 years (in €)	€750 million	750	**€750 million**	**750**
Term Loan 5 years (in €)	€975 million	975	**€975 million**	**975**
Term Loan 5 years (in US$)	US$635 million	529	**US$635 million**	**529**
Total		3,671		**2,254**
less financing cost				**16**
Total				**2,238**

As of September 30, 2018, the Fresenius Group was in compliance with all covenants under the Fresenius Credit Agreement.

Schuldschein Loans

As of September 30, 2018 and December 31, 2017, 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	**Sept. 30, 2018**	Dec 31, 2017
Fresenius SE & Co. KGaA 2014/2018	€97 million	April 2, 2018	2.09%	**0**	97
Fresenius SE & Co. KGaA 2012/2018	€72 million	April 4, 2018	4.09%	**0**	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**	262
Fresenius SE & Co. KGaA 2017/2022	€372 million	Jan. 31, 2022	0.93%/variable	**371**	371
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	1.40%/variable	**420**	420
Fresenius SE & Co. KGaA 2017/2027	€207 million	Jan. 29, 2027	1.96%/variable	**207**	206
Fresenius US Finance II, Inc. 2016/2021	US$342 million	March 10, 2021	2.66%/variable	**294**	284
Fresenius US Finance II, Inc. 2016/2023	US$58 million	March 10, 2023	3.12%/variable	**50**	49
Schuldschein Loans				**1,716**	1,873

The Schuldschein Loans issued by Fresenius SE & Co. KGaA in the amount of €97 million and €72 million which were due on April 2, 2018 and April 4, 2018 were redeemed at maturity. The Schuldschein Loans issued by Fresenius SE & Co. KGaA in the amount of €91 million which were due on October 8, 2018 were also redeemed at maturity. They are shown as current portion of long-term debt and capital lease obligations in the consolidated statement of financial position.

As of September 30, 2018, the Fresenius Group was in compliance with all of its covenants under the Schuldschein Loans.

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. In October 2018, the Bridge Financing Facility was amended and extended until April 2019. Fresenius SE & Co. KGaA has the right to extend the facility by additional six months until October 2019. As of September 30, 2018, the facility has not been utilized.

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 September 30, 2018, the additional financial cushion resulting from unutilized credit facilities was approximately €3.9 billion. Thereof approximately €2.8 billion accounted for syndicated credit facilities.

14. BONDS

As of September 30, 2018 and December 31, 2017, bonds of the Fresenius Group net of debt issuance costs consisted of the following:

				Book value € in millions	
	Notional amount	Maturity	Interest rate	**Sept. 30, 2018**	Dec. 31, 2017
Fresenius Finance Ireland PLC 2017/2022	€700 million	Jan. 31, 2022	0.875%	**696**	695
Fresenius Finance Ireland PLC 2017/2024	€700 million	Jan. 30, 2024	1.50%	**696**	696
Fresenius Finance Ireland PLC 2017/2027	€700 million	Feb. 1, 2027	2.125%	**692**	692
Fresenius Finance Ireland PLC 2017/2032	€500 million	Jan. 30, 2032	3.00%	**494**	494
Fresenius SE & Co. KGaA 2014/2019	€300 million	Feb. 1, 2019	2.375%	**300**	299
Fresenius SE & Co. KGaA 2012/2019	€500 million	Apr. 15, 2019	4.25%	**499**	499
Fresenius SE & Co. KGaA 2013/2020	€500 million	July 15, 2020	2.875%	**499**	498
Fresenius SE & Co. KGaA 2014/2021	€450 million	Feb. 1, 2021	3.00%	**447**	446
Fresenius SE & Co. KGaA 2014/2024	€450 million	Feb. 1, 2024	4.00%	**450**	449
Fresenius US Finance II, Inc. 2014/2021	US$300 million	Feb. 1, 2021	4.25%	**258**	249
Fresenius US Finance II, Inc. 2015/2023	US$300 million	Jan. 15, 2023	4.50%	**257**	248
FMC Finance VII S.A. 2011/2021	€300 million	Feb. 15, 2021	5.25%	**297**	297
FMC Finance VIII S.A. 2011/2018	€400 million	Sept. 15, 2018	6.50%	**0**	399
FMC Finance VIII S.A. 2012/2019	€250 million	July 31, 2019	5.25%	**246**	245
Fresenius Medical Care AG & Co. KGaA 2018/2025	€500 million	July 11, 2025	1.50%	**498**	0
Fresenius Medical Care US Finance, Inc. 2011/2021	US$650 million	Feb. 15, 2021	5.75%	**558**	538
Fresenius Medical Care US Finance II, Inc. 2011/2018	US$400 million	Sept. 15, 2018	6.50%	**0**	332
Fresenius Medical Care US Finance II, Inc. 2012/2019	US$800 million	July 31, 2019	5.625%	**690**	666
Fresenius Medical Care US Finance II, Inc. 2014/2020	US$500 million	Oct. 15, 2020	4.125%	**430**	415
Fresenius Medical Care US Finance II, Inc. 2012/2022	US$700 million	Jan. 31, 2022	5.875%	**603**	581
Fresenius Medical Care US Finance II, Inc. 2014/2024	US$400 million	Oct. 15, 2024	4.75%	**343**	331
Bonds				**8,953**	9,069

On July 11, 2018, Fresenius Medical Care AG & Co. KGaA issued bonds with an aggregate principal amount of €500 million. The bonds have a maturity of seven years and an annual coupon of 1.5%. The issue price was 99.704%. The proceeds were used for general corporate purposes, including the refinancing of maturities.

The bonds issued by FMC Finance VIII S.A. in the amount of €400 million and by Fresenius Medical Care US Finance II, Inc. in the amount of US$400 million which were due on September 15, 2018 were redeemed at maturity. As of September 30, 2018, the bonds issued by Fresenius SE & Co. KGaA in the amount of €300 million due on February 1, 2019 and €500 million due on April 15, 2019 as well as the bonds issued by FMC Finance VIII S.A. in the amount of €250 million and the bonds issued by Fresenius Medical Care US Finance II in the amount of of US$800, due on July 31, 2019 are shown as current portion of bonds in the consolidated statement of financial position.

As of September 30, 2018, the Fresenius Group was in compliance with all of its covenants under the bonds.

15. CONVERTIBLE BONDS

As of September 30, 2018 and December 31, 2017, 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	**Sept. 30, 2018**	Dec. 31, 2017
Fresenius SE & Co. KGaA 2014/2019	€500 million	Sept. 24, 2019	0.000%	€49.0848	**490**	483
Fresenius SE & Co. KGaA 2017/2024	€500 million	Jan. 31, 2024	0.000%	€106.8947	**455**	448
Fresenius Medical Care AG & Co. KGaA 2014/2020	€400 million	Jan. 31, 2020	1.125%	€73.1980	**392**	387
Convertible bonds					**1,337**	1,318

The fair value of the derivatives embedded in the convertible bonds of Fresenius SE & Co. KGaA was €185 million at September 30, 2018. 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 €102 million at September 30, 2018. Fresenius SE & Co. KGaA and FMC-AG & Co. KGaA have purchased stock options (call options) to hedge future fair value fluctuations of these derivatives. As of September 30, 2018, the call options had a corresponding aggregate fair value of €185 million and €102 million, respectively.

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 current and other non-current liabilities/assets in the consolidated statement of financial position.

The convertible bonds issued by Fresenius SE & Co. KGaA in the amount of € 500 million due on September 24, 2019 are shown as current portion of convertible bonds in the consolidated statement of financial position.

16. PENSIONS AND SIMILAR OBLIGATIONS

DEFINED BENEFIT PENSION PLANS

At September 30, 2018, the pension liability of the Fresenius Group was €1,192 million. The current portion of the pension liability of €22 million is recognized in the consolidated statement of financial position within short-term provisions and other short-term liabilities. The non-current portion of €1,170 million is recorded as pension liability.

Contributions to Fresenius Group's pension fund were €52 million in the first three quarters of 2018. The Fresenius Group expects approximately €56 million contributions to the pension fund during 2018.

Defined benefit pension plans' net periodic benefit costs of €61 million (Q1–3/2017: €63 million) were comprised of the following components:

€ in millions	**Q1–3/2018**	Q1–3/2017
Service cost	**44**	45
Net interest cost	**19**	18
Net periodic benefit cost	**63**	63

17. NONCONTROLLING INTEREST

As of September 30, 2018 and December 31, 2017, noncontrolling interest in the Fresenius Group was as follows:

€ in millions	**Sept. 30, 2018**	Dec. 31, 2017
Noncontrolling interest in Fresenius Medical Care AG & Co. KGaA	**7,766**	6,796
Noncontrolling interest in VAMED AG	**74**	66
Noncontrolling interest in the business segments		
Fresenius Medical Care	**1,130**	1,008
Fresenius Kabi	**95**	89
Fresenius Helios	**110**	92
Fresenius Vamed	**7**	8
Total noncontrolling interest	**9,182**	8,059

Noncontrolling interest changed as follows:

€ in millions	Q1–3/2018
Noncontrolling interest as of January 1, 2018	**8,059**
Noncontrolling interest in profit	1,302
Purchase of noncontrolling interest	87
Stock options	35
Dividend payments	-416
Currency effects and other changes	115
Noncontrolling interest as of September 30, 2018	**9,182**

18. FRESENIUS SE & CO. KGAA SHAREHOLDERS' EQUITY

SUBSCRIBED CAPITAL

As of January 1, 2018, the subscribed capital of Fresenius SE & Co. KGaA consisted of 554,710,473 bearer ordinary shares.

During the first three quarters of 2018, 1,373,770 stock options were exercised. Consequently, as of September 30, 2018, the subscribed capital of Fresenius SE & Co. KGaA consisted of 556,084,243 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

By resolution of the Annual General Meeting on May 18, 2018, the previous Authorized Capital I was revoked and a new Authorized Capital I was created.

Accordingly, the general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 17, 2023, to increase Fresenius SE & Co. KGaA's share capital (subscribed capital) by a total amount of up to €125,000,000 through a single or multiple issues of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I).

The number of shares must increase in the same proportion as the subscribed capital. A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (e. g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, in case of a capital increase against cash contributions, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization. In the case of a subscription in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company.

The authorizations granted concerning the exclusion of subscription rights can be used by Fresenius Management SE only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 10% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization.

The changes to the Authorized Capital I became effective upon registration with the commercial register on June 18, 2018.

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 II (Stock Option Plan 2008) and Conditional Capital IV (Stock Option Plan 2013) (see note 24, Share-based compensation plans).

The previous authorization to issue option bearer bonds and / or convertible bonds (Conditional Capital III) dated May 16, 2014 was revoked by resolution of the Annual General Meeting of Fresenius SE & Co. KGaA on May 18, 2018. Simultaneously, a new Conditional Capital III with a five-year term was approved.

Accordingly, the general partner is authorized, with the approval of the Supervisory Board, until May 17, 2023, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA is increased conditionally by up to €48,971,202 through issuing of up to 48,971,202 new bearer ordinary shares. The conditional capital increase shall only be implemented to the extent that the holders of cash issued convertible bonds or of cash issued warrants from option bonds exercise their conversion or option rights and as long as no other forms of settlement are used. The new bearer ordinary shares shall participate in the profits from the start of the fiscal year in which they are issued.

The new Conditional Capital III became effective upon registration with the commercial register on June 18, 2018.

The following table shows the development of the Conditional Capital:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	4,735,083
Conditional Capital II Fresenius SE Stock Option Plan 2008	5,141,264
Conditional Capital III option bearer bonds and/or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	24,928,200
Total Conditional Capital as of January 1, 2018	**83,775,749**
Fresenius SE Stock Option Plan 2008 – options exercised	-793,300
Fresenius SE & Co. KGaA Stock Option Plan 2013 – options exercised	-580,470
Total Conditional Capital as of September 30, 2018	**82,401,979**

As of September 30, 2018, the Conditional Capital was composed as follows:

in €	Ordinary shares
Conditional Capital I Fresenius AG Stock Option Plan 2003	4,735,083
Conditional Capital II Fresenius SE Stock Option Plan 2008	4,347,964
Conditional Capital III option bearer bonds and/or convertible bonds	48,971,202
Conditional Capital IV Fresenius SE & Co. KGaA Stock Option Plan 2013	24,347,730
Total Conditional Capital as of September 30, 2018	**82,401,979**

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 2018, a dividend of €0.75 per bearer ordinary share was approved by Fresenius SE & Co. KGaA's shareholders at the Annual General Meeting and paid afterwards. The total dividend payment was €416 million.

TREASURY STOCK OF FRESENIUS MEDICAL CARE

In May and June 2018, Fresenius Medical Care repurchased 431,000 ordinary shares for an amount of €37 million.

OTHER NOTES

19. 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, 2017 applying Section 315e HGB in accordance with IFRS. In the following, only changes as far as content or wording are concerned during the first three quarters ended September 30, 2018 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, 2017 applying Section 315e HGB in accordance with IFRS; defined terms or abbreviations having the same meaning as in the consolidated financial statements as of December 31, 2017 applying Section 315e HGB in accordance with IFRS.

TERMINATION OF THE MERGER AGREEMENT WITH AKORN, INC.

On April 24, 2017, Fresenius announced that Fresenius Kabi has agreed to acquire Akorn, Inc. (Akorn), 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 the prevailing net debt at closing of the transaction.

Fresenius has been conducting an independent investigation, using external experts, into alleged breaches of FDA data integrity requirements relating to product development at Akorn.

Fresenius decided on April 22, 2018 to terminate the merger agreement with Akorn, due to Akorn's failure to fulfill several closing conditions.

Fresenius' decision is based on, among other factors, material breaches of FDA data integrity requirements relating to Akorn's operations found during Fresenius' independent investigation. Fresenius offered to delay its decision in order to allow Akorn additional opportunity to complete its own investigation and present any information it wished Fresenius to consider, but Akorn declined that offer.

Akorn disagreed with Fresenius' position and filed a lawsuit on April 23, 2018 purporting to enforce the merger agreement.

Fresenius filed a counterclaim on April 30, 2018. The trial of the lawsuit took place in the Delaware Court of Chancery from July 9 to 13 and on August 23, 2018.

On October 1, 2018, the Court of Chancery in the U.S. state of Delaware ruled in favor of Fresenius in the lawsuit by Akorn, Inc. against Fresenius for the consummation of the April 2017 merger agreement. The judgment is not yet final.

Akorn appealed on October 18, 2018 against this ruling to the Delaware Supreme Court, the highest court in Delaware. The Court has scheduled a hearing on Akorn's appeal for December 5, 2018. Fresenius expects the ruling in the first quarter of 2019. Against this ruling there can be no further appeals.

FRESENIUS MEDICAL CARE HOLDINGS – QUI TAM COMPLAINT (MASSACHUSETTS)

The court has subsequently rejected government requests to conduct new discovery and to add counts to its complaint-in-intervention that would expand upon the relator's complaint, but has allowed Fresenius Medical Care Holdings, Inc. (FMCH) to take discovery against the government as if the government had intervened at the outset.

INTERNAL REVIEW

FMC-AG & Co. KGaA recorded a charge of €200 million in the fourth quarter of 2017. The charge encompassed an estimate of the government agencies claims for profit disgorgement, as well as accruals for fines or penalties, certain legal expenses and other related costs or asset impairments. FMC-AG & Co. KGaA increased the provision by €75 million to reflect an understanding with the government agencies on the financial aspects of a potential settlement and an update of legal costs to continue with these discussions. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totals €243 million as of September 30, 2018. However, significant non-financial matters are still under discussion with the government and must be resolved to FMC-AG & Co. KGaA's satisfaction for a settlement to occur.

PRODUCT LIABILITY LITIGATION

Personal injury litigation involving the FMC-AG & Co. KGaA's acid concentrate product, labeled as GranuFlo®/NaturaLyte®, first arose in 2012 and was substantially resolved by settlement agreed in principle in February 2016 and consummated in November 2017, as previously disclosed. Remaining individual personal injury cases do not present material risk and discussion of them is therefore discontinued.

FMC-AG & Co. KGaA's affected insurers agreed to the settlement of the acid concentrate personal injury litigation and funded US$220 million of the settlement fund under a reciprocal reservation of rights encompassing certain coverage issues raised by insurers and FMC-AG & Co. KGaA's claims for indemnification of defense costs. FMC-AG & Co. KGaA accrued a net expense of US$60 million in connection with the settlement, including legal fees and other anticipated costs.

Following entry into the settlement, FMC-AG & Co. KGaA's insurers in the AIG group and FMC-AG & Co. KGaA each initiated litigation against the other relating to the AIG group's coverage obligations under applicable policies. In the coverage litigation, the AIG group seeks to be indemnified by FMC-AG & Co. KGaA for a portion of its US$220 million outlay; FMC-AG & Co. KGaA seeks to confirm the AIG group's US$220 million funding obligation, to recover defense costs already incurred by FMC-AG & Co. KGaA, and to compel the AIG group to honor defense and indemnification obligations, if any, required for resolution of cases not participating in the settlement. As a result of decisions on issues of venue, the coverage litigation is proceeding in the New York state trial court for Manhattan. (National Union Fire Insurance v. Fresenius Medical Care, 2016 Index No. 653108 (Supreme Court of New York for New York County)).

Four institutional plaintiffs filed complaints against FMCH or its affiliates under state deceptive practices statutes resting on certain background allegations common to the GranuFlo®/NaturaLyte® personal injury litigation, but seeking as remedy the repayment of sums paid to FMCH attributable to the GranuFlo®/NaturaLyte® products. These cases implicate different legal standards, theories of liability and forms of potential recovery from those in the personal injury litigation and their claims were not extinguished by the personal injury litigation settlement described above. The four plaintiffs are the Attorneys General for the States of Kentucky, Louisiana and Mississippi and the commercial insurance company Blue Cross Blue Shield of Louisiana in its private capacity. State of Mississippi ex rel. Hood, v. Fresenius Medical Care Holdings, Inc., No. 14-cv-152 (Chancery Court, DeSoto County); State of Louisiana ex re. Caldwell and Louisiana Health Service & Indemnity Company v. Fresenius Medical Care Airline, 2016 Civ. 11035 (U.S.D.C. D. Mass.); Commonwealth of Kentucky ex rel. Beshear v. Fresenius Medical Care Holdings, Inc. et al., No. 16-CI-00946 (Circuit Court, Franklin County). A jury trial has been scheduled to begin in the Kentucky (Beshear) case on January 22, 2019.

FMC-AG & Co. KGaA is not a party to a substantial adverse jury verdict and punitive damage award entered in Denver on June 27, 2018 against DaVita, involving DaVita's own clinical management of FMC-AG & Co. KGaA's acid concentrate product. See, White v. DaVita Healthcare Partners, Inc., 2015 Civ. 02106 (U.S.D.C. Colorado).

CIVIL COMPLAINT "HAWAII"

The amount of the overpayment claimed by the State is approximately US$8 million, but the State seeks civil remedies, interest, fines, and penalties against Liberty and FMCH under the Hawaii False Claims Act substantially in excess of the overpayment. After prevailing on motions by Xerox to preclude it from doing so, FMCH is pursuing third-party claims for contribution and indemnification against Xerox.

SUBPOENAS "COLORADO, NEW YORK AND TENNESSEE"

FMCH has cooperated in these investigations.

On September 26, 2018, the United States Attorney for the Eastern District of New York declined to intervene on the qui tam complaint filed under seal in 2014 that gave rise to this investigation. CKD Project LLC v. Fresenius Medical Care, 2014 Civ. 6646 (E.D.N.Y. November 12, 2014). The court then unsealed the complaint, allowing the relator to serve and proceed on his own, but the complaint has not been served. FMCH understands that the United States Attorney for the Western District of Tennessee is no longer pursuing its investigation of FMCH. The District of Colorado investigation continues.

SUBPOENA "FRESENIUS VASCULAR CARE"

Beginning October 6, 2015, the United States Attorney for the Eastern District of New York (the Brooklyn USAO) and the Office of Inspector General of the United States Department of Health and Human Services have investigated, through subpoenas issued under the False Claims Act, utilization and invoicing by FMC-AG & Co. KGaA's subsidiary Azura Vascular Care, for a period beginning after FMC-AG & Co. KGaA's acquisition of American Access Care, LLC (AAC) in October 2011. FMC-AG & Co. KGaA has cooperated in the government's inquiry. Allegations against AAC arising in districts in Connecticut, Florida and Rhode Island relating to utilization and invoicing were settled in 2015.

On October 22, 2018, the United States Attorney for the Southern District of New York (the Manhattan USAO) announced a False Claims Act settlement for up to US$18.4 million with Vascular Access Centers LP, a competitor of AAC and Azura. Simultaneously, related documents were unsealed, including the 2012 qui tam (whistleblower) complaint that gave rise to the investigation. Levine v. Vascular Access Centers, 2012 Civ. 5103 (S.D.N.Y.). That qui tam complaint names as defendants, among others in the dialysis industry, certain affiliates of FMC-AG & Co. KGaA. At the present time, the Manhattan USAO has not intervened as against non-settling defendants and the relationship, if any, between the Brooklyn USAO investigation of Azura begun in 2015 and the Manhattan USAO's Levine settlement is unclear.

SUBPOENA "NEW YORK"

On February 21, 2017, FMCH terminated the employee and notified the United States Attorney of the termination and its circumstances. The terminated employee's conduct is expected to result in demands for FMC-AG & Co. KGaA to refund overpayments and to pay related penalties under applicable laws, but the monetary value of such payment demands cannot yet be reasonably estimated.

SUBPOENA “AMERICAN KIDNEY FUND” / CMS LITIGATION

On January 3, 2017, FMC-AG & Co. KGaA received a subpoena from the United States Attorney for the District of Massachusetts under the False Claims Act inquiring into FMC-AG & Co. KGaA’s interactions and relationships with the AKF, including FMC-AG & Co. KGaA’s charitable contributions to the Fund and the Fund’s financial assistance to patients for insurance premiums. FMCH is cooperating in the investigation, which is part of a broader investigation into charitable contributions in the medical industry. FMC-AG & Co. KGaA believes that the investigation revolves around conduct alleged to be unlawful in United Healthcare v. American Renal Associates, 2018 Civ. 10622 (D. Mass.), but believes that such unlawful conduct was not undertaken by FMCH. On July 2, 2018, American Renal Associates announced that it had reached a settlement in principle of the United Healthcare litigation. FMC-AG & Co. KGaA lacks information necessary to assess how the American Renal Associates settlement may impact the United States Attorney’s investigation.

SUBPOENA “NEW YORK (BROOKLYN)”

The matter is no longer relevant.

SUBPOENA “CALIFORNIA”

The inquiry related to allegations that certain services or materials provided by Spectra to its outpatient dialysis facility customers constitute unlawful kickbacks. FMC-AG & Co. KGaA cooperated in the investigation. On August 7, 2018, the United States Attorney declined to intervene on a qui tam complaint, which had been filed by an affiliate of industry competitor Ascend Laboratory and caused the investigation to be initiated. On September 4, the competitor / relator dismissed the complaint. Laboratory Research, LLC v. Spectra Laboratories, Inc., 2017 Civ. 1185 (E.D. Cal., June 7, 2017). No settlement discussions occurred and FMC-AG & Co. KGaA gave no consideration for the dismissal.

SUBPOENA “NEVADA”

Fresenius Kabi has entered into a Tolling Agreement with the DOJ, thereby waiving its statute of limitation defense until July 2018. The Tolling Agreement was extended by mutual agreement until February 2019.

20. FINANCIAL INSTRUMENTS

The impact on the measurement categories and the measurement of financial assets and liabilities according to IFRS 9 has not been significant. The original measurement categories under IAS 39 as of December 31, 2017 and the new measurement categories according to IFRS 9 upon implementation on January 1, 2018 as well as their respective carrying amounts were as follows:

€ in millions	Category according to IAS 39	Category according to IFRS 9	Dec. 31, 2017 Carrying amount according to IAS 39	Jan. 1, 2018 Carrying amount according to IFRS 9
Financial assets				
Cash and cash equivalents	Relating to no category	Amortized cost	1,152	1,152
	Relating to no category	Fair value through profit and loss	484	484 [3]
Trade accounts and other receivables, less allowance for doubtful accounts	Loans and receivables	Amortized cost	6,157	6,115 [1]
	Loans and receivables	Fair value through other comprehensive income	45	45 [2]
	Relating to no category	Relating to no category	58	58
Receivables from and loans to related parties	Loans and receivables	Amortized cost	17	17
Other financial assets				
Securities	Available for sale financial assets	Fair value through other comprehensive income	19	19 [4]
Derivatives designated as cash flow hedging instruments	Relating to no category	Relating to no category	14	14
Derivatives not designated as hedging instruments	Financial assets measured at fair value though profit and loss	Fair value through profit and loss	321	321
Leasing receivables	Relating to no category	Relating to no category	79	79
Other investments	Loans and receivables	Fair value through other comprehensive income	54	89 [1,2,4]
	Loans and receivables	Fair value through profit and loss	18	18 [2]
All other financial assets	Loans and receivables	Amortized cost	622	620 [1]
Financial assets			**9,040**	**9,031**

[1] Changes in the carrying amounts from remeasurements of -€9 million are included in the items of the consolidated statement of financial position as follows: -€42 million trade accounts and other receivables, €35 million other investments, -€2 million all other financial assets.
[2] Reclassification
[3] The option to measure debt instruments at fair value through profit and loss was not used.
[4] The option to measure equity instruments at fair value through other comprehensive income upon implementation of IFRS 9 has been exercised. The option has been used for €16 million securities and €89 million other investments (included in other financial assets).

€ in millions	Category according to IAS 39	Category according to IFRS 9	Dec. 31, 2017 Carrying amount according to IAS 39	Jan. 1, 2018 Carrying amount according to IFRS 9
Financial liabilities				
Trade accounts payable	Financial liabilities measured at amortized cost	Amortized cost	1,688	1,688
Short-term accounts payable to related parties	Financial liabilities measured at amortized cost	Amortized cost	42	42
Short-term debt	Financial liabilities measured at amortized cost	Amortized cost	1,550	1,550
Short-term debt from related parties	Financial liabilities measured at amortized cost	Amortized cost	–	–
Long-term debt and capital lease obligations	Financial liabilities measured at amortized cost	Amortized cost	6,871	6,871
	Relating to no category	Relating to no category	234	234
Bonds	Financial liabilities measured at amortized cost	Amortized cost	9,069	9,069
Convertible bonds	Financial liabilities measured at amortized cost	Amortized cost	1,318	1,318
Other financial liabilities				
Noncontrolling interest subject to put provisions	Relating to no category	Relating to no category	854	854
Derivatives in cash flow hedging relationships	Relating to no category	Relating to no category	9	9
Derivatives not designated as hedging instruments	Liabilities measured at fair value through profit and loss	Fair value through profit and loss	325	325
Accrued contingent payments outstanding for acquisitions	Liabilities measured at fair value through profit and loss	Fair value through profit and loss	793	793
All other financial liabilities	Financial liabilities measured at amortized cost	Amortized cost	2,965	2,965
Financial liabilities			**25,718**	**25,718**

As of January 1, 2018, the adjustments due to the initial application of IFRS 9 on the components of shareholders' equity were as follows:

€ in millions	Other reserves	Noncontrolling interest	Total
Remeasurement of other investments due to reclassification	27	8	35
Remeasurement of the allowance for bad debt for trade accounts and other receivables and other financial assets	-39	-5	-44
Deferred tax on adjustments	-5	-2	-7
Total	**-17**	**1**	**-16**

MEASUREMENT OF FINANCIAL INSTRUMENTS AS OF SEPTEMBER 30, 2018

Carrying amounts of financial instruments

As of September 30, 2018, the carrying amounts of financial instruments by item of the statement of financial position and structured according to IFRS 9 categories were as follows:

€ in millions	Carrying amount	Amortized cost	Fair value through profit and loss [1]	Fair value through other comprehensive income [2]	Relating to no category		
					Derivatives designated as cash flow hedging instruments at fair value	Noncontrolling interest subject to put provisions measured at fair value	Valuation according to IAS 17 for leasing receivables and liabilities
Financial assets							
Cash and cash equivalents	2,456	1,202	1,254				
Trade accounts and other receivables, less allowance for doubtful accounts	6,569	6,433	6	52			78
Accounts receivable from and loans to related parties	22	22					
Other financial assets [3]	1,631	656	512	361	23		79
Financial assets	**10,678**	**8,313**	**1,772**	**413**	**23**	**0**	**157**
Financial liabilities							
Trade accounts payable	1,574	1,574					
Short-term accounts payable to related parties	77	77					
Short-term debt	2,254	2,254					
Short-term debt from related parties	1	1					
Long-term debt and capital lease obligations	6,416	6,191					225
Bonds	8,953	8,953					
Convertible bonds	1,337	1,337					
Other financial liabilities [4]	5,011	3,092	1,080		10	829	
Financial liabilities	**25,623**	**23,479**	**1,080**	**0**	**10**	**829**	**225**

[1] All included financial assets and liabilities are mandatorily measured at fair value through profit and loss according to IFRS 9.
[2] The option to measure equity instruments at fair value through other comprehensive income upon implementation of IFRS 9 has been exercised. The option has been used for €117 million other investments (included in other financial assets).
[3] Other financial assets are included in the item other current and non-current assets in the consolidated statement of financial position.
[4] Other financial liabilities are included in the items short-term provisions and other short-term liabilities and long-term provisions and other long-term liabilities in the consolidated statement of financial position.

Fair value of financial instruments

The following table shows the carrying amounts and the fair value hierarchy levels according to IFRS 13 as of September 30, 2018 and as of January 1, 2018:

	September 30, 2018				January 1, 2018			
		Fair value				Fair value		
€ in millions	**Carrying amount**	**Level 1**	**Level 2**	**Level 3**	Carrying amount	Level 1	Level 2	Level 3
Financial assets								
Cash and cash equivalents measured at fair value	1,254	1,254			484	484		
Trade accounts and other receivables, less allowance for doubtful accounts measured at fair value	58		58		45		45	
Other financial assets measured at fair value								
Securities	335	335			19	19		
Derivatives designated as cash flow hedging instruments	23		23		14		14	
Derivatives not designated as hedging instruments	298		298		321		321	
Other investments	240		240		107		107	
Financial liabilities								
Long-term debt and capital lease obligations	6,416		6,458		7,105		7,154	
Bonds	8,953		9,358		9,069		9,707	
Convertible bonds	1,337		1,689		1,318		1,716	
Other financial liabilities measured at fair value								
Noncontrolling interest subject to put provisions	829			829	854			854
Derivatives designated as cash flow hedging instruments	10		10		9		9	
Derivatives not designated as hedging instruments	300		300		325		325	
Accrued contingent payments outstanding for acquisitions	780			780	793			793

The following table shows the changes of the fair values of financial instruments classified as level 3 in the first three quarters of 2018:

€ in millions	Accrued contingent payments outstanding for acquisitions	Noncontrolling interest subject to put provisions
As of January 1, 2018	**793**	**854**
Additions	4	33
Disposals	-34	-29
Gain/loss recognized in profit or loss	6	103
Gain/loss recognized in equity	12	-65
Dividend payments	0	-89
Currency effects and other changes	-1	22
As of September 30, 2018	**780**	**829**

21. SUPPLEMENTARY INFORMATION ON CAPITAL MANAGEMENT

The Fresenius Group has a solid financial profile. As of September 30, 2018, the equity ratio was 43.1% and the debt ratio (debt/total assets) was 34.0%. As of September 30, 2018, the leverage ratio (before special items) on the basis of net debt/EBITDA was 2.8.

The aims of the capital management and further information can be found in the consolidated financial statements as of December 31, 2017 applying Section 315e 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:

	Sept. 30, 2018	Dec. 31, 2017
Standard & Poor's		
Corporate Credit Rating	BBB-	BBB-
Outlook	positive	positive
Moody's		
Corporate Credit Rating	Baa3	Baa3
Outlook	stable	stable
Fitch		
Corporate Credit Rating	BBB-	BBB-
Outlook	stable	stable

22. SUPPLEMENTARY INFORMATION ON THE CONSOLIDATED STATEMENT OF CASH FLOWS

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

€ in millions	Q1–3/2018	Q1–3/2017
Assets acquired	316	7,610
Liabilities assumed	-28	-1,271
Noncontrolling interest	-55	-94
Notes assumed in connection with acquisitions	-19	-162
Cash paid	214	6,083
Cash acquired	-4	-9
Cash paid for acquisitions, net	**210**	6,074
Cash paid for investments, net of cash acquired	574	17
Cash paid for intangible assets, net	72	16
Total cash paid for acquisitions and investments, net of cash acquired, and net purchases of intangible assets	**856**	6,107

23. NOTES ON THE CONSOLIDATED SEGMENT REPORTING

GENERAL

The consolidated segment reporting shown on pages 28 and 29 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 September 30, 2018.

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, 2017 applying Section 315e 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, 2017 applying Section 315e HGB in accordance with IFRS.

RECONCILIATION OF KEY FIGURES TO CONSOLIDATED EARNINGS

€ in millions	Q1–3/2018	Q1–3/2017
Total EBIT of reporting segments	3,348	3,549
Special items	709	-25
General corporate expenses Corporate/Other (EBIT)	-37	-27
Group EBIT	**4,020**	3,497
Net interest	-448	-492
Income before income taxes	**3,572**	3,005

RECONCILIATION OF NET DEBT WITH THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

€ in millions	Sept. 30, 2018	Dec. 31, 2017
Short-term debt	**2,254**	1,550
Short-term debt from related parties	**1**	–
Current portion of long-term debt and capital lease obligations	**474**	618
Current portion of Bonds	**1,735**	731
Current portion of convertible bonds	**490**	0
Long-term debt and capital lease obligations, less current portion	**5,942**	6,487
Bonds, less current portion	**7,218**	8,338
Convertible bonds, less current portion	**847**	1,318
Debt	**18,961**	19,042
less cash and cash equivalents	**2,456**	1,636
Net debt	**16,505**	17,406

24. SHARE-BASED COMPENSATION PLANS

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

As of September 30, 2018, Fresenius SE & Co. KGaA had three share-based compensation plans in place: the stock option based Fresenius SE Stock Option Plan 2008 (2008 Plan), the Fresenius SE & Co. KGaA Long Term Incentive Program 2013 (2013 LTIP) which is based on stock options and phantom stocks and the Long Term Incentive Plan 2018 (LTIP 2018) which is solely based on performance shares. On June 30, 2017, the term of the options granted under the Fresenius AG Stock Option Plan 2003 expired. Currently, solely LTIP 2018 can be used to grant performance shares.

LTIP 2018

On April 12, 2018 and March 15, 2018, respectively, the Management Board and Supervisory Board of the general partner, Fresenius Management SE, resolved the Long Term Incentive Plan 2018 (LTIP 2018).

The LTIP 2018 is based solely on virtual stocks (performance shares). The performance shares issued through the plan are non-equity-backed, virtual compensation instruments. When performance targets are reached and other prerequisites are met, they guarantee the entitlement to a cash payment by Fresenius SE & Co. KGaA or one of its affiliated companies.

The new plan is available both for members of the Management Board (with the exception of Mr. Rice Powell, who receives his compensation from Fresenius Medical Care Management AG) and other executives. Performance shares may be granted once annually over a period of five years. The grant to the members of the Management Board is made by the Supervisory Board of the general partner, Fresenius Management SE, the grant to the other executives is made by the Management Board of Fresenius Management SE, in each case on the basis of a grant value determined at its reasonable discretion. The grant value is determined in consideration of the personal performance and the responsibilities of the concerned plan participant. The number of performance shares granted is calculated through applying the grant value and the average stock market price of the Fresenius share over the period of 60 stock exchange trading days prior to the grant date.

The number of performance shares may change over a period of four years, depending on the level of achievement of the performance targets described in more detail below. This could entail the entire loss of all performance shares or also – at maximum – the doubling of their number. The resulting number of performance shares, which is determined after a performance period of four years and based on the respective level of target achievement, is deemed finally earned four years after the date of the respective grant. The number of vested performance shares is then multiplied by the average stock exchange price of Fresenius SE & Co. KGaA's share over a period of 60 stock exchange trading days prior to the lapse of this vesting period plus the total of the dividends per share of Fresenius SE & Co. KGaA paid by Fresenius SE & Co. KGaA between the grant date and the vesting date. The resulting amount will be paid to the respective plan participant in cash. The potential disbursement entitlement of each member of the Management Board is limited to a maximum value of 250% of the grant value, the entitlement of all other plan participants is limited to a maximum value of 400%.

The LTIP 2018 has two equally weighted performance targets: firstly, the growth rate of the adjusted net income (adjusted for currency effects) and, secondly, the relative Total Shareholder Return based on the STOXX Europe 600 Health Care index. Disbursement entitlement requires that at least one of the two performance targets must be reached or surpassed over the four-year performance period.

For the performance target "Net Income Growth Rate" a level of target achievement of 100% is reached when the same is at least 8% over the four-year performance period. If the growth rate falls below or corresponds to only 5%, the level of target achievement is 0%. If the growth rate is between 5% and 8%, the level of target achievement is between 0% and 100%, while, where the growth rate is between 8% and 20%, the level of target achievement will be between 100% and 200%. Intermediate values are calculated through linear interpolation. The net income is the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA reported in the consolidated financial statements of Fresenius SE & Co. KGaA prepared in accordance with IFRS, adjusted for extraordinary effects.

The determination of the adjusted net income (adjusted for currency effects) and the change in comparison with the adjusted net income (not adjusted for currency effects) of the previous Fresenius Group fiscal year will be verified in a binding manner by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. For the ascertainment of the currency translation effects, all line items of the income statements of the companies that are included in the consolidated financial statements and which have a functional currency other than the reporting currency (Euro) of the Fresenius Group are translated with the average exchange rates of the Fresenius Group fiscal year of the consolidated financial statements that are the basis for the comparison.

For the "Total Shareholder Return" performance target, a target achievement of 100% is met when the Total Shareholder Return of Fresenius SE & Co. KGaA in comparison with the Total Shareholder Return of the other companies of the STOXX Europe 600 Health Care index achieves an average ranking within the benchmark companies, i.e. exactly in the middle (50th percentile), over the four-year performance period. If the ranking corresponds to the 25th percentile or less, the level of target achievement is 0%. Where the ranking is between the 25th percentile and the 50th percentile, the level of target achievement is between 0% and 100%; and, for a ranking between the 50th percentile and the 75th percentile, between 100% and 200%. Intermediate values will also be calculated through linear interpolation. Total Shareholder Return denotes the percentage change in the stock market price within the performance period including re-invested dividends and all capital measures, whereby capital measures are to be calculated through rounding down to the fourth decimal place.

The ranking values are determined using the composition of STOXX Europe 600 Health Care on the grant date. For equalization purposes, the relevant market price is the average market price in the period of 60 stock exchange trading days prior to the beginning and end of a performance period; the relevant currency is that of the main stock exchange of a company, which was listed in STOXX Europe 600 Health Care on the grant date.

A level of target achievement in excess of 200% is not possible for both performance targets.

To calculate the level of overall target achievement, the level of target achievement of the two performance targets are given equal weighting. The total number of performance shares vested on each plan participant is calculated through multiplying the number of performance shares granted by the overall target achievement.

In the event of violation of compliance rules, the Supervisory Board of Fresenius Management SE, in due exercise of its discretion, is entitled to reduce the number of performance shares vested on a member of the Management Board to zero. Regarding all other plan participants, such decision is made by the Management Board of Fresenius Management SE. Furthermore, Fresenius SE & Co. KGaA is entitled to a complete or partial reimbursement in the event of violation of compliance rules in the period of three years following disbursement.

Transactions during the first three quarters of 2018

On September 10, 2018, Fresenius SE & Co. KGaA awarded 554,416 performance shares under the LTIP 2018, the total fair value at the grant date being €37 million, including 133,434 performance shares or €9 million awarded to the members of the Management Board of Fresenius Management SE. The fair value per performance share at the grant date was €67.45.

During the first three quarters of 2018, Fresenius SE & Co. KGaA received cash of €40 million from the exercise of 1,373,770 stock options.

At September 30, 2018, out of 900,277 outstanding and exercisable stock options issued under the 2008 Plan, 85,140 were held by the members of the Fresenius Management SE Management Board. Out of 9,228,852 outstanding stock options issued under the 2013 LTIP 2,775,615 were exercisable at September 30, 2018. The members of the Fresenius Management SE Management Board held 1,434,375 stock options. 937,639 phantom stocks issued under the 2013 LTIP were outstanding at September 30, 2018. The members of the Fresenius Management SE Management Board held 173,052 phantom stocks. As of September 30, 2018, 3,675,892 options for ordinary shares were outstanding and exercisable.

On September 30, 2018, total unrecognized compensation cost related to non-vested options granted under the 2013 LTIP was €40 million. This cost is expected to be recognized over a weighted-average period of 2.2 years.

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

On July 30, 2018, FMC-AG & Co. KGaA awarded 614,971 performance shares under the LTIP 2016, the total fair value at the grant date being €50 million, including 62,678 performance shares or €5 million awarded to the members of the Management Board of FMC Management AG. The fair value per performance share at the grant date was €80.55.

During the first three quarters of 2018, 825,407 stock options were exercised. Fresenius Medical Care AG & Co. KGaA received cash of €42 million upon exercise of these stock options.

25. SUBSEQUENT EVENTS

There have been no significant changes in the Fresenius Group’s operating environment following the end of the first three quarters of 2018. Other events of material importance on the assets and liabilities, financial position, and results of operations of the Group following the end of the first three quarters of 2018 are described in note 2, Acquisitions, divestitures and investments (termination of the merger agreement with Akorn, Inc.). Further events of material importance on the assets and liabilities, financial position, and results of operations of the Group have not occurred.

26. 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

Report on Fiscal Year 2018	February 20, 2019
Report on 1st quarter 2019 Conference call, Live webcas	May 2, 2019
Annual General Meeting, Frankfurt am Main Live webcast of the speech of the Chairman of the Management Board	May 17, 2019
Report on 1st half 2019 Conference call, Live webcas	July 30, 2019
Report on 1st–3rd quarter 2019 Conference call, Live webcas	October 29, 2019

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, Rachel Empey, 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.