

## Press Release

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### **Fresenius Medical Care reports strong third quarter and confirms full year guidance**

- **Group revenue +9% (+9% at constant currency), driven by a strong performance in Health Care services**
- **EBIT growth in line with revenue growth, supported by very good development in Latin America and Asia-Pacific**
- **Significant net income growth of 27% (+17% excluding special items<sup>1</sup>)**
- **Care Coordination with positive growth momentum (revenue +29%) and improved sequential margin of 5% (+60 basis points) in line with expectations**
- **Full year 2016 guidance confirmed**

#### **Key figures - third quarter 2016**

\$ million	Q3 2016	Q3 2015	
Net revenue	4,598	4,231	+9%
Operating income (EBIT)	670	614	+9%
Net income <sup>2</sup>	333	262	+27%
Net income (excl. special items) <sup>1,2</sup>	333	284	+17%
Basic earnings per share (in \$)	1.09	0.86	+26%

<sup>1</sup> 2015 basis adjusted for special items (net income effect): divestiture of dialysis service business in Venezuela (-\$27m), sale of European marketing rights for certain renal pharmaceuticals (+\$5m)

<sup>2</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

## **Key figures – first nine months 2016**

\$ million	9m 2016	9m 2015	
Net revenue	13,224	12,390	+7%
Operating income (EBIT)	1,851	1,665	+11%
Net income <sup>2</sup>	855	713	+20%
Net income (excl. special items) <sup>1,2</sup>	855	735	+16%
Basic earnings per share (in \$)	2.80	2.34	+19%

“We are very pleased with our performance in the third quarter of 2016, which is the result of a strong execution in all regions, the success of our Global Efficiency Program as well as further expansion of our global footprint,” said Rice Powell, Chief Executive Officer of Fresenius Medical Care. “Care Coordination services maintain excellent growth momentum which will help us to extend our range of health care services even further. Based on our strong result for the third quarter, we hereby confirm our guidance for the full-year 2016.”

### **Revenue & earnings**

**Net revenue** for the third quarter improved by 9% and reached \$4,598 million (+9% at constant currency), mainly driven by a strong performance in Health Care services. Contributing revenues of \$3,734 (+10%), Health Care services was largely supported by an improvement in US revenue per treatment (+\$3) as well as a strong organic growth. Dialysis products revenue increased by 4% to \$864 million in the third quarter, mainly driven by higher sales of machines, dialyzers and products for acute care.

Net revenue in the first nine months of 2016 increased by 7% (Health Care services revenue +8%/+9% at constant currency; dialysis products revenue +2%/+4% at constant currency).

In the third quarter, **operating income (EBIT)** increased by 9% to \$670 million, in line with revenue growth. The operating income margin increased by 10 basis points to 14.6%, underlining a stable earnings quality. The increase in EBIT margin was mainly driven by the positive development in Latin America after the divestiture of our dialysis service business in Venezuela in the previous year’s third quarter as well as a strong

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<sup>1</sup> 2015 basis adjusted for special items (net income effect): divestiture of dialysis service business in Venezuela (-\$27m), sale of European marketing rights for certain renal pharmaceuticals (+\$5m)

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performance in Asia-Pacific. The EBIT margin in North America was impacted by higher personnel expenses for dialysis services, partially offset by lower costs for health care supplies and a higher volume with commercial payers.

For the first nine months of 2016, operating income (EBIT) increased by 11% to \$1,851 million.

**Net interest expense** in the third quarter remained at the previous year's level (\$100 million). For the first nine months of 2016, net interest expense increased by 1% to \$308 million, mainly due to lower interest income as a result of the repayment of interest bearing notes receivables in the fourth quarter of 2015, partially offset by a lower debt level.

**Income tax expense** decreased by 2% to \$164 million in the third quarter. This translates into an effective tax rate of 28.8%, a decrease of 400 basis points compared to the third quarter of 2015 (32.8%). This decrease was mainly driven by a lower tax expense as a result of released tax liabilities in the third quarter of 2016 due to tax audit settlements with tax authorities, as well as a favorable impact from the prior-year non-tax deductible loss from the divestiture of our dialysis service business in Venezuela.

For the first nine months of 2016, income tax expense increased to \$471 million, translating into an effective tax rate of 30.5% (-190 basis points).

**Net income** attributable to shareholders of Fresenius Medical Care AG & Co. KGaA increased by 27% to \$333 million in the third quarter. Excluding the 2015 impacts of (i) the after tax loss, \$26.9 million, from the divestment of our dialysis service business in Venezuela and (ii) the realized portion of the after tax gain, \$4.8 million, from the sale of our European marketing rights for certain renal pharmaceuticals to our joint venture, Vifor Fresenius Medical Care Renal Pharma, net income increased from \$284 million to \$333 million (+17%) in the third quarter. Based on approximately 306.0 million shares (weighted average number of shares outstanding), **basic earnings per share (EPS)** increased from \$0.86 to \$1.09 (+26%); EPS excluding special items increased from \$0.93 to \$1.09 (+17%).

For the first nine months of 2016, net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA increased by 20% to \$855 million.

## Segment development

In the third quarter, **North America** revenue increased by 10% to \$3,300 million (72% of total revenue). Health Care services revenue grew by 10% to \$3,068 million, of which Care Coordination contributed \$618 million (+29%), supported by significant organic revenue growth of 24%. Dialysis care revenue contributed \$2,450 million (+6%), driven by increased revenue per treatment and higher volumes of dialysis treatments with commercial payers. Dialysis products revenue grew by 7% to \$232 million, due to increased product sales (especially machines and dialyzers). Operating income in North America came in at \$536 million (+4%). The operating income margin of 16.2% was in line with the second quarter of 2016, but weaker than the previous year's third quarter (-90 basis points). This decline was mainly attributable to higher personnel expenses, a cost impact related to the vesting of long term incentive plan grants and growth in lower-margin Care Coordination, partially offset by lower cost for health care supplies. The operating income margin in Care Coordination came in at 5.0%, an increase of 60 basis points over the second quarter 2016, but below the previous year's third quarter margin of 6.8%.

For the first nine months of 2016, North America revenue increased by 9% to \$9,512 million. Operating income increased by 16% to \$1,486 million.

**EMEA** revenue increased by 2% to \$675 million in the third quarter of 2016 (+4% at constant currency). Health Care services revenue for the EMEA segment increased by 8% (+10% at constant currency) to \$335 million. This was mainly the result of contributions from acquisitions (8%), partially offset by the negative effect of exchange rate fluctuations (2%). Dialysis treatments increased by 9% in the third quarter. Dialysis products revenue decreased by 3% (-1% at constant currency) to \$340 million. The decrease was driven by lower sales of renal drugs (whose marketing rights were sold in 2015) and dialyzers, partially offset by higher sales of machines and bloodlines. Operating income in the EMEA segment decreased by 4% to \$125 million in the third quarter due to the prior-year impact from the gain resulting from the sale of European marketing rights for certain renal pharmaceuticals, an unfavorable impact from manufacturing costs as well as higher bad debt expense. This was partially offset by favorable foreign exchange effects. The operating income margin decreased to 18.5% (-120 basis points).

For the first nine months of 2016, EMEA revenue increased by 1% to \$1,982 million (+4% at constant currency) and operating income decreased by 3% to \$395 million.

**Asia-Pacific** revenue grew by 13% (+8% at constant currency) to \$427 million in the third quarter. The region recorded \$192 million in Health Care services revenue, based on an increase of 5% in dialysis treatments. With an 11% growth in revenue to \$235 million (+12% at constant currency), the product business showed an excellent sales performance across the entire dialysis products range. Operating income showed a significant increase (+25%) to \$85 million. The operating income margin increased substantially to 19.8% (+190 basis points). This was primarily driven by the positive impact from overall business growth and favorable foreign exchange effects.

For the first nine months of 2016, Asia-Pacific revenue grew by 8% to \$1,198 million (+8% at constant currency) and operating income increased by 3% to \$225 million.

**Latin America** delivered revenue of \$192 million, an increase of 9% and an impressive improvement of 27% at constant currency. Health Care services revenue increased by 6% to \$139 million (+31% at constant currency) as a result of higher organic revenue per treatment primarily driven by a retrospective reimbursement rate increase, contributions from acquisitions and growth in same market treatments, partially offset by the effect of the divested dialysis care business in Venezuela. Dialysis treatments increased by 1% in the third quarter. Dialysis products revenue increased by 19% to \$53 million (+18% at constant currency), as a result of higher sales of dialyzers, concentrates and bloodlines. Operating income came in at \$20 million supported by the impact from higher revenue in the region, partially offset by unfavorable foreign currency effects and higher costs mainly related to inflation. The operating margin increased to 10.5%.

For the first nine months of 2016, Latin America revenue decreased by 10% to \$520 million (+13% at constant currency) and operating income increased by 86% to \$47 million.

## **Cash flow**

In the third quarter of 2016, the company generated \$439 million in net **cash provided by operating activities**, representing 9.5% of revenue (\$579 million in the third quarter of 2015). The decrease was primarily attributable to a discretionary cash contribution of \$100 million to Fresenius Medical Care's pension plan assets in the United

States. The number of DSO (days sales outstanding) came in at 72 days, an increase of 2 days compared to the second quarter of 2016.

In the first nine months of 2016, the company generated net cash provided by operating activities of \$1,296 million, representing 9.8% of revenue.

## **Employees**

As of September 30, 2016, Fresenius Medical Care had 108,851 **employees** (full-time equivalents) worldwide, compared to 102,591 employees at the end of September 2015. This increase of 6% was primarily attributable to our continued organic growth.

## **Recent events: Acquisition of Sandor Nephro Services in India**

In September 2016, Fresenius Medical Care acquired 85% of equity interest in the Indian dialysis group Sandor Nephro Services from a group of investors. Established in 2011, Sandor Nephro Services is India's second largest dialysis care provider. Under the brand name "Sparsh Nephrocare" the company operates a network of more than 50 dialysis centers across the country. With the acquisition, Fresenius Medical Care has clearly strengthened its core business in one of the fastest growing economies of the world. Sandor Nephro Services is expected to generate revenue of around \$3 million in full year 2016. Fresenius Medical Care expects the investment to be accretive in 2017 on earnings after tax.

## **Outlook 2016 confirmed**

Based on the positive business development in the first nine months 2016, Fresenius Medical Care confirms its full year outlook 2016. The company expects a currency-adjusted **revenue** growth between +7% and +10% for 2016. **Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA** is expected to increase by +15% to +20% over the previous year.

## **Conference call**

Fresenius Medical Care will hold a conference call to discuss the results of the third quarter & first nine months 2016 on Thursday, October 27, 2016 at 3.30 p.m. CEDT/ 9.30 a.m. EDT. The company invites investors to follow the live webcast of the call at the

company's website [www.freseniusmedicalcare.com](http://www.freseniusmedicalcare.com) in the "Investors/Events" section. A replay will be available shortly after the call.

Please refer to the attachments for a complete overview of the results for the third quarter and first nine months of 2016.



Fresenius Medical Care is the world's largest provider of products and services for individuals with renal diseases of which around 2.8 million patients worldwide regularly undergo dialysis treatment. Through its network of 3,579 dialysis clinics, Fresenius Medical Care provides dialysis treatments for 306,366 patients around the globe. Fresenius Medical Care is also the leading provider of dialysis products such as dialysis machines or dialyzers. Along with the core business, the company focuses on expanding the range of related medical services in the field of Care Coordination. Fresenius Medical Care is listed on the Frankfurt Stock Exchange (FME) and on the New York Stock Exchange (FMS).

For more information visit the Company's website at [www.freseniusmedicalcare.com](http://www.freseniusmedicalcare.com).

#### Disclaimer

This release contains forward-looking statements that are subject to various risks and uncertainties. Actual results could differ materially from those described in these forward-looking statements due to certain factors, including changes in business, economic and competitive conditions, regulatory reforms, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings, and the availability of financing. These and other risks and uncertainties are detailed in Fresenius Medical Care AG & Co. KGaA's reports filed with the U.S. Securities and Exchange Commission. Fresenius Medical Care AG & Co. KGaA does not undertake any responsibility to update the forward-looking statements in this release.

## Fresenius Medical Care - Statement of earnings

in US\$ million, except share data, unaudited

	Three months ended Sept 30,		Change
	2016	2015	
<b>Revenue</b>			
Net Health Care revenue	3,734	3,402	9,8%
Dialysis products revenue	864	829	4,2%
<b>Total net revenue</b>	<b>4,598</b>	<b>4,231</b>	<b>8,7%</b>
Cost of revenue	3,126	2,849	9,7%
Gross profit	1,472	1,382	6,5%
Selling, general and administrative	787	742	6,0%
Research and development	44	35	25,6%
Income from equity method investees	(29)	(9)	221,3%
<b>Operating income (EBIT)</b>	<b>670</b>	<b>614</b>	<b>9,2%</b>
Interest expense, net	100	100	0,6%
<b>Income before taxes</b>	<b>570</b>	<b>514</b>	<b>10,9%</b>
Income tax expense	164	168	-2,5%
<b>Net income</b>	<b>406</b>	<b>346</b>	<b>17,4%</b>
Less: Net income attributable to noncontrolling interests	73	84	-13,0%
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>333</b>	<b>262</b>	<b>27,0%</b>
<b>Operating income (EBIT)</b>	<b>670</b>	<b>614</b>	<b>9,2%</b>
Depreciation and amortization	197	179	9,3%
<b>EBITDA</b>	<b>867</b>	<b>793</b>	<b>9,2%</b>
EBITDA margin	18,8%	18,7%	
<b>Weighted average number of shares</b>	<b>305.972.432</b>	<b>304.738.291</b>	
<b>Basic earnings per share</b>	<b>\$1,09</b>	<b>\$0,86</b>	<b>26,5%</b>
<b>Basic earnings per ADS</b>	<b>\$0,54</b>	<b>\$0,43</b>	<b>26,5%</b>
<b>In percent of revenue</b>			
Costs of revenue	68,0%	67,3%	
Gross profit	32,0%	32,7%	
Operating income (EBIT)	14,6%	14,5%	
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>7,2%</b>	<b>6,2%</b>	



## Fresenius Medical Care - Statement of earnings

in US\$ million, except share data, unaudited

	Nine months ended Sept 30,		Change
	2016	2015	
<b>Revenue</b>			
Net Health Care revenue	10,720	9,929	8,0%
Dialysis products revenue	2,504	2,461	1,8%
<b>Total net revenue</b>	<b>13,224</b>	<b>12,390</b>	<b>6,7%</b>
Cost of revenue	9,036	8,527	6,0%
Gross profit	4,188	3,863	8,4%
Selling, general and administrative	2,278	2,120	7,4%
Research and development	120	100	19,7%
Income from equity method investees	(61)	(22)	177,1%
<b>Operating income (EBIT)</b>	<b>1,851</b>	<b>1,665</b>	<b>11,2%</b>
Interest expense, net	308	304	1,4%
<b>Income before taxes</b>	<b>1,543</b>	<b>1,361</b>	<b>13,4%</b>
Income tax expense	471	441	6,6%
<b>Net income</b>	<b>1,072</b>	<b>920</b>	<b>16,6%</b>
Less: Net income attributable to noncontrolling interests	217	207	5,0%
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>855</b>	<b>713</b>	<b>20,0%</b>
<b>Operating income (EBIT)</b>	<b>1,851</b>	<b>1,665</b>	<b>11,2%</b>
Depreciation and amortization	573	537	6,7%
<b>EBITDA</b>	<b>2,424</b>	<b>2,202</b>	<b>10,1%</b>
EBITDA margin	18,3%	17,8%	
<b>Weighted average number of shares</b>	<b>305.602.983</b>	<b>304.201.787</b>	
<b>Basic earnings per share</b>	<b>\$2,80</b>	<b>\$2,34</b>	<b>19,4%</b>
<b>Basic earnings per ADS</b>	<b>\$1,40</b>	<b>\$1,17</b>	<b>19,4%</b>
<b>In percent of revenue</b>			
Cost of revenue	68,3%	68,8%	
Gross profit	31,7%	31,2%	
Operating income (EBIT)	14,0%	13,4%	
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>6,5%</b>	<b>5,8%</b>	