

## Press Release

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### **Fresenius Medical Care delivers strong 2016 results and sets ambitious growth targets for 2017**

- **Targets for 2016 achieved**
- **Group revenue +7% in 2016 (+7% adjusted<sup>1</sup>)**
- **Strong EBIT growth of 13% in 2016, resulting in improved EBIT margin of 14.7%**
- **Net income +21% (+16% adjusted<sup>2</sup>)**
- **Very good performance in Health Care Services, particularly in North America**
- **Care Coordination continues to deliver significant organic revenue growth (+20%)**
- **Dividend proposal of €0.96 (+20%) for fiscal year 2016**

#### **Fourth quarter 2016 key figures**

US\$ million	Q4 2016	Q4 2015	
Net revenue	4,687	4,348	+8%
Operative income (EBIT)	786	662	+19%
Net income <sup>3</sup>	388	317	+23%
Basic earnings per share (in \$)	1.27	1.04	+22%

<sup>1</sup> At constant currency, excluding acquisitions in 2015 and 2016

<sup>2</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA, adjusted for acquisitions and based on an adjusted 2015 net income of \$1,057m

<sup>3</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

## Full year 2016 key figures

US\$ million	Q1-4 2016	Q1-4 2015	
Net revenue	17,911	16,738	+7%
Operating income (EBIT)	2,638	2,327	+13%
Net income <sup>1</sup>	1,243	1,029	+21%
Net income adjusted <sup>2</sup>	1,228	1,057	+16%
Basic earnings per share (in \$)	4,07	3,38	+20%
Dividend proposal (per share)	0.96	0.80	+20%

"In our 20th anniversary year, we were able to mark another record year for Fresenius Medical Care and for our shareholders. I am pleased to confirm that we have achieved our financial targets for 2016. We were able to deliver a strong business performance across all segments and realize the planned savings of our Global Efficiency Program thanks to the outstanding dedication and commitment of our employees," said Rice Powell, Chief Executive Officer of Fresenius Medical Care. "Our path to value-based care continues. We are further investing in the dynamic growth of our Care Coordination activities as well as the innovative development of our core dialysis business. For 2017, we have again set ourselves ambitious targets and will continue to deliver high-quality care for our patients."

## **Revenue**

**Net revenue** for the full year 2016 increased by 7% and reached \$17,911 million (+8% at constant currency), driven by a strong performance in Health Care Services. Health Care Services revenue increased by 8% to \$14,519 million (+9% at constant currency), mainly due to strong organic growth supported by positive price and volume effects. Dialysis Products revenue increased by 1% to \$3,392 million (+4% at constant currency). The growth at constant currency was primarily supported by higher sales of dialyzers and machines. This was partially offset by lower sales of renal pharmaceuticals, resulting from the sale of our European marketing rights for certain renal pharmaceuticals to our joint venture, Vifor Fresenius Medical Care Renal Pharma, in 2015.

Net revenue in the **fourth quarter of 2016** increased by 8% to \$4,687 million (+9% at constant currency), mainly driven by higher Health Care Services revenue. Health Care

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<sup>1</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

<sup>2</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA, adjusted for acquisitions and based on an adjusted 2015 net income of \$1,057m

Services revenue increased by 10% to \$3,799 million (+10% at constant currency), mainly driven by positive price as well as volume effects. Dialysis Products revenue reached the same level as in the previous year (\$888 million), an increase of 2% at constant currency.

## Earnings

**Operating income (EBIT)** for the full year 2016 increased by 13% to \$2,638 million, leading to an improved operating income margin of 14.7% (+80 basis points). The development of the EBIT margin was supported by a strong margin development, particularly in North America.

In the **fourth quarter of 2016**, operating income rose by 19% to \$786 million, leading to a strong operating income margin of 16.8% (+160 basis points). The increase in EBIT margin was positively affected by the prior year impact from the GranuFlo® settlement expense as well as the margin improvement in North America and Asia-Pacific and a favorable impact from Corporate due to reduced legal and consulting expenses.

**Net interest expense** for the full year 2016 increased by 4% to \$406 million, particularly due to lower interest income as a result of the repayment of interest bearing notes receivables in the fourth quarter of 2015. This was partially offset by a lower debt level driven by a favorable cash flow development.

For the same reasons, net interest expense in the **fourth quarter of 2016** increased by 11% to \$98 million.

**Income tax expense** for the full year 2016 increased by 10% to \$683 million. This translates into an effective tax rate of 30.6%, a decrease of 150 basis points compared to the same period of 2015. This decrease was supported by lower tax expense as a result of released tax liabilities, as well as the prior year impact from the non-tax deductible loss from the divestiture of our dialysis service business in Venezuela.

In the **fourth quarter of 2016**, income tax expense were \$212 million, translating into an effective tax rate of 30.8% (-60 basis points).

For the full year 2016, **net income attributable to shareholders** of Fresenius Medical Care AG & Co. KGaA grew by 21% to \$1,243 million and by 16% to \$1,228 million on an

adjusted basis<sup>1</sup>. Based on approximately 305.7 million shares (weighted average number of shares outstanding), basic earnings per share (EPS) increased from \$3.38 to \$4.07 (+20%). The increase in the weighted average number of shares outstanding was the result of stock options exercised.

In the **fourth quarter of 2016**, net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA grew by 23% to \$388 million. Based on approximately 306.2 million shares (weighted average number of shares outstanding), basic EPS increased from \$1.04 to \$1.27 (+22%).

### **Segment development**

**North America:** For the full year 2016, North America revenue increased by 9% to \$12,886 million (72% of total revenue). Health Care Services revenue grew by 10% to \$11,982 million, driven by higher Dialysis Care revenue (+7% to \$9,675 million) and increased Care Coordination revenue (+23% to \$2,307 million). Dialysis treatments rose by 4%. As of the end of 2016, we had 188,987 patients being treated at the 2,306 clinics that we own, operate or manage in North America. Dialysis Products revenue increased by 3% to \$904 million, supported by higher sales of machines, dialyzers and peritoneal dialysis products partially offset by lower sales of renal pharmaceuticals and bloodlines. Operating income in North America came in at \$2,119 million (+18%). The operating income margin reached a level of 16.4% (+120 basis points) as a result of lower cost from health care supplies, a higher volume of dialysis treatments with commercial payers and the prior year impact from the GranuFlo® settlement expense. The positive effect was partially offset by higher personnel expense and a cost impact related to the vesting of long term incentive plan grants. The operating income margin of Care Coordination decreased to 2.6%, mainly driven by increased costs for hospitalist and intensivist services.

In the **fourth quarter of 2016**, North America revenue increased by 9% to \$3,374 million, mainly supported by higher dialysis treatments coupled with an increase in US revenue per treatment (\$356, +\$8). Care Coordination contributed revenues of \$603 million (+20%). Operating income increased by 23% to \$634 million in the fourth quarter, mainly supported by the prior year impact from the GranuFlo® settlement

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<sup>1</sup> 2015 net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA adjusted for the impacts of (i) the 2015 settlement cost for an agreement in principle for the GranuFlo case (\$37 million) and (ii) acquisitions in 2015 (\$9 million), resulting in an adjusted net income of \$1,057 million; 2016 net income adjusted for 2016 acquisitions (\$15 million), resulting in an adjusted net income of \$1,228 million.

expense and higher revenue from commercial payers as well as lower cost from health care supplies. This was partially offset by higher personnel expense and an unfavorable impact from Care Coordination. The Care Coordination EBIT margin of -1.1% in North America was mainly impacted by higher costs related to bad debt reserves for hospitalist and intensivist services.

**EMEA:** For the full year 2016, EMEA revenue increased by 1% to \$2,667 million (+4% at constant currency). Health Care Services revenue for the EMEA segment increased by 6% to \$1,294 million (+9% at constant currency), mainly as the result of contributions from acquisitions and same market treatment growth, partially offset by the negative effect of exchange rate fluctuations. Dialysis treatments increased by 8%. As of the end of 2016, we had 59,767 patients being treated at the 711 dialysis clinics that we own, operate or manage in EMEA. Dialysis Products revenue decreased by 2% to \$1,373 million (flat at constant currency), mainly due to lower sales of renal pharmaceuticals (whose marketing rights were sold in 2015), dialyzers and machines, mostly offset by increased sales of bloodlines and products for acute care treatments. Operating income in EMEA decreased by 9% to \$524 million for the full year. The operating income margin decreased to 19.7% (-220 basis points), mainly due to the prior year impact from a gain from the sale of European marketing rights for certain renal pharmaceuticals, higher bad debt expense, lower income from equity method investees and unfavorable foreign exchange effects.

In the **fourth quarter of 2016**, EMEA revenue increased by 2% to \$684 million (+4% at constant currency), mainly driven by a strong performance in Health Care Services (revenue +7% to \$327 million, +10% at constant currency). Dialysis Products revenue in EMEA declined by 3% to \$357 million in the fourth quarter (flat at constant currency). Operating income in EMEA decreased by 25% to \$130 million due to the gain from the sale of European marketing rights for certain renal pharmaceuticals in 2015, lower income from equity method investees driven by higher product development cost, IT project cost as well as higher bad debt expense.

**Asia-Pacific:** Total revenue for the Asia-Pacific segment increased by 9% to \$1,632 million (+8% at constant currency) for the full year 2016. Health Care Services revenue increased by 9% to \$730 million (+3% at constant currency), based on an increase of 6% in dialysis treatments. With an 8% growth in revenue to \$902 million (+12% at constant currency), the product business showed an excellent sales performance across the entire dialysis products range. As of the end of 2016, we had 29,328 patients being treated at the 374 dialysis clinics that we own, operate or manage

in Asia-Pacific. Operating income increased by 7% to \$319 million. Due to unfavorable foreign exchange effects and costs associated with changes in the Management Board, the EBIT margin decreased slightly to 19.6% (-20 basis points).

In the **fourth quarter of 2016**, revenue in the Asia-Pacific segment increased by 10% to \$433 million (+8% at constant currency), driven by a good revenue growth in both the Health Care Services business (+12%/+5% at constant currency) as well as the products business (+8%/+10% at constant currency). Operating income increased by 20% to \$94 million. The EBIT margin increased accordingly to 21.8% (+180 basis points) in the fourth quarter, mainly due to the favorable effect of prior year costs related to customs duties in India.

**Latin America:** Total revenue for the Latin America segment decreased by 7% to \$712 million (+13% at constant currency) for the full year 2016. Health Care Services revenue decreased by 9% to \$513 million (+15% at constant currency), mainly as a result of the negative effect of exchange rate fluctuations and the effect of closed or sold clinics (mainly Venezuela and Brazil), partially offset by increases in organic revenue per treatment. Dialysis treatments decreased by 3%, mainly due to the effect of closed or sold clinics. As of the end of 2016, we had 30,389 patients being treated at the 233 dialysis clinics that we own, operate or manage in Latin America. Dialysis Products revenue for the full year remained unchanged at \$199 million (+7% at constant currency). The growth at constant currency was mainly driven by increased sales of dialyzers, hemodialysis solutions and concentrates, partially offset by lower sales of peritoneal dialysis products and machines. Operating income increased by a strong 37% to \$66 million, mainly due to the prior-year loss from the divestment of the dialysis service business in Venezuela. The EBIT margin in Latin America increased to 9.2% (+290 basis points) for the full year, mainly driven by the above mentioned prior-year loss.

In the **fourth quarter of 2016**, revenue in the Latin America segment increased by 1% to \$192 million (+13% at constant currency), mainly driven by a strong increase in Dialysis Products revenue (+11% to \$56 million, +7% at constant currency). The growth at constant currency was the result of higher sales of dialyzers as well as hemodialysis solutions and concentrates, partially offset by lower sales of machines. Health Care Services revenue decreased by 3% to \$136 million (+14% at constant currency), strongly impacted by unfavorable foreign exchange effects. Operating income in Latin America decreased by 18% to \$19 million in the fourth quarter, mainly driven by higher bad debt expense. The EBIT margin decreased accordingly to 9.7% (-230 basis points).

## Cash flow

In the full year 2016, the company generated **net cash provided by operating activities** of \$2,140 million (\$1,960 million for full year 2015), representing 11.9% of revenue, and thereby clearly reaching our target for 2016 (operating cash flow > 10% of revenue). The increase was mainly the result of improved inventory levels in North America driven by lower health care supplies, as well as increased earnings. This was partially offset by unfavorable effects from other working capital items and a \$100 million discretionary cash contribution to pension plan assets in the United States. The number of DSO (days sales outstanding) as of December 31, 2016 was 70 days, a decrease of 1 day compared to the previous year.

In the **fourth quarter of 2016**, the company generated net cash provided by operating activities of \$844 million, representing 18% of revenue (\$548 million in the fourth quarter of 2015). The increase was primarily attributable to higher net income, a favorable effect from DSO and deferred income tax payments in the United States.

## Employees

As of December 31, 2016, Fresenius Medical Care had 109,319 **employees** (full-time equivalents) worldwide, compared to 104,033 employees at the end of December 2015. This increase of 5% was primarily attributable to our continued organic growth and acquisitions.

## Recent events: Acquisition of a majority stake in Cura Group

In February 2017, Fresenius Medical Care announced the acquisition of a majority stake in Cura Group ("Cura"), a leading operator of high-quality day hospitals in Australia. In its 19 private day hospitals across Australia, Cura provides a variety of specialized ambulant services, such as ophthalmology and orthopedic surgeries in an outpatient setting. Cura was established in 2008 and generated revenue of AU\$127 million (€87 million) in the financial year 2015/2016. This acquisition allows Fresenius Medical Care to further leverage its core competence in operating outpatient facilities, extend its dialysis network and thereby lay the foundation for future growth in the Australian market. This transaction is subject to remaining shareholder agreements and authority approval.

## **Guidance 2017**

Beginning January 1, 2017, Fresenius Medical Care AG & Co. KGaA focusses its reporting on financial statements in accordance with International Financial Reporting Standards (IFRS) in Euro currency. For full year 2017, the company expects revenue to grow by 8 to 10% at constant currency, based on 2016 revenue of €16,570 million. Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to grow by 7 to 9% at constant currency, based on 2016 net income of €1,144 million. The effects of the agreement with the U.S. Departments of Veterans Affairs and Justice are excluded.

## **Vision 2020**

In April 2014, Fresenius Medical Care set medium-term targets on a constant-currency, US-GAAP basis. The company targeted an average, annual revenue increase of about 10 percent through 2020. At current exchange rates, this would result in a 2020 revenue target of €24 billion on an IFRS basis.<sup>1</sup> Over the same period, Fresenius Medical Care expects an average annual growth of net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA in the high-single-digit percentage range. These goals are unchanged.

## **Press Conference**

Fresenius Medical Care will hold a press conference at its headquarters in Bad Homburg, Germany to discuss the results of the fourth quarter and full year 2016 on Wednesday, February 22, 2017, at 10 am CET. The company cordially invites journalists to view the live video webcast at the [company's website](#). A replay will be available shortly after the meeting.

*Please refer to the attachments for a complete overview of the results for the fourth quarter and full year 2016.*

Fresenius Medical Care is the world's largest provider of products and services for individuals with renal diseases of which around 3 million patients worldwide regularly undergo dialysis treatment. Through its network of 3,624 dialysis clinics, Fresenius Medical Care provides dialysis treatments for 308,471 around the globe. Fresenius Medical Care is also the leading provider of dialysis

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<sup>1</sup> The constant-currency target for 2020 published in April 2014: \$28 billion on a US-GAAP basis, corresponding to \$21 billion on the basis of IFRS and the exchange rate used in April 2014.



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, audited

	Three months ended Dec 31,		Change
	2016	2015	
<b>Revenue</b>			
Net Health Care revenue	3,799	3,462	9.7%
Dialysis Products revenue	888	886	0.3%
<b>Total net revenue</b>	<b>4,687</b>	<b>4,348</b>	<b>7.8%</b>
Cost of revenue	3,095	2,880	7.5%
Gross profit	1,592	1,468	8.4%
Selling, general and administrative	768	775	-1.1%
Research and development	42	40	5.7%
Income from equity method investees	(4)	(9)	-59.3%
<b>Operating income (EBIT)</b>	<b>786</b>	<b>662</b>	<b>18.8%</b>
Interest expense, net	98	88	11.1%
<b>Income before taxes</b>	<b>688</b>	<b>574</b>	<b>20.0%</b>
Income tax expense	212	180	17.6%
<b>Net income</b>	<b>476</b>	<b>394</b>	<b>21.1%</b>
Less: Net income attributable to noncontrolling interests	88	77	15.0%
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>388</b>	<b>317</b>	<b>22.5%</b>
<b>Operating income (EBIT)</b>	<b>786</b>	<b>662</b>	<b>18.8%</b>
Depreciation and amortization	204	181	12.6%
<b>EBITDA</b>	<b>990</b>	<b>843</b>	<b>17.5%</b>
EBITDA margin	21.1%	19.4%	
<b>Weighted average number of shares</b>	<b>306,181,415</b>	<b>305,147,599</b>	
<b>Basic earnings per share</b>	<b>\$1.27</b>	<b>\$1.04</b>	<b>22.1%</b>
<b>Basic earnings per ADS</b>	<b>\$0.63</b>	<b>\$0.52</b>	<b>22.1%</b>
<b>In percent of revenue</b>			
Costs of revenue	66.0%	66.2%	
Gross profit	34.0%	33.8%	
Operating income (EBIT)	16.8%	15.2%	
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>8.3%</b>	<b>7.3%</b>	

## Fresenius Medical Care - Statement of earnings

in US\$ million, except share data, audited

	Twelve months ended Dec 31,		Change
	2016	2015	
<b>Revenue</b>			
Net Health Care revenue	14,519	13,392	8.4%
Dialysis Products revenue	3,392	3,346	1.4%
<b>Total net revenue</b>	<b>17,911</b>	<b>16,738</b>	<b>7.0%</b>
Cost of revenue	12,131	11,407	6.4%
Gross profit	5,780	5,331	8.4%
Selling, general and administrative	3,045	2,895	5.1%
Research and development	162	140	15.7%
Income from equity method investees	(65)	(31)	106.4%
<b>Operating income (EBIT)</b>	<b>2,638</b>	<b>2,327</b>	<b>13.4%</b>
Interest expense, net	406	391	3.6%
<b>Income before taxes</b>	<b>2,232</b>	<b>1,936</b>	<b>15.3%</b>
Income tax expense	683	623	9.8%
<b>Net income</b>	<b>1,549</b>	<b>1,313</b>	<b>17.9%</b>
Less: Net income attributable to noncontrolling interests	306	284	7.7%
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>1,243</b>	<b>1,029</b>	<b>20.8%</b>
<b>Operating income (EBIT)</b>	<b>2,638</b>	<b>2,327</b>	<b>13.4%</b>
Depreciation and amortization	775	717	8.2%
<b>EBITDA</b>	<b>3,413</b>	<b>3,044</b>	<b>12.1%</b>
EBITDA margin	19.1%	18.2%	
<b>Weighted average number of shares</b>	<b>305,748,381</b>	<b>304,440,184</b>	
<b>Basic earnings per share</b>	<b>\$4.07</b>	<b>\$3.38</b>	<b>20.3%</b>
<b>Basic earnings per ADS</b>	<b>\$2.03</b>	<b>\$1.69</b>	<b>20.3%</b>
<b>In percent of revenue</b>			
Cost of revenue	67.7%	68.1%	
Gross profit	32.3%	31.9%	
Operating income (EBIT)	14.7%	13.9%	
<b>Net income attributable to shareholders of FMC AG &amp; Co. KGaA</b>	<b>6.9%</b>	<b>6.2%</b>	