

Press Release

Matthias Link
Corporate Communications

Fresenius Medical Care
Else-Kröner-Straße 1
61352 Bad Homburg
Germany
T +49 6172 609-2872
F +49 6172 609-2294
matthias.link@fresenius.com
www.fmc-ag.com

July 31, 2014

Fresenius Medical Care reports strong operating results for the second quarter 2014 and confirms guidance for full year 2014

- *Second quarter shows accelerated growth*
- *Improvement of underlying operating performance driven by both the North American as well as International segment*
- *Implemented further initiatives in the second quarter to expand the care coordination activities*
- *Company remains on track to achieve full year guidance*

Second quarter 2014 key figures:

Net revenue	\$3,835 million	+6%
Operating income (EBIT)	\$556 million	+2%
Net income ¹	\$234 million	-11%
Net income adjusted ²	\$252 million	-4%
Basic earnings per share	\$0.77	-10%
Adjusted earnings per share ²	\$0.83	-3%

First half 2014 key figures:

Net revenue	\$7,398 million	+5%
Operating income (EBIT)	\$1,001 million	-4%
Net income ¹	\$439 million	-10%

¹ attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

² adjusted for an unfavorable tax impact of USD 18 million in the second quarter of 2014

Net income adjusted ²	\$457 million	-6%
Basic earnings per share	\$1.46	-9%
Adjusted earnings per share ²	\$1.52	-5%

Rice Powell, chief executive officer of Fresenius Medical Care stated: "The second quarter showed sequentially enhanced revenue growth and improved strong operating performance. We expect the organic growth to continue in the second half of the year and are confident to meet our guidance for the full year as well as our cost savings target of up to \$60 million before tax for 2014. With our recent acquisitions of Sound Physicians and MedSpring Urgent Care we made important steps in our strategy of expanding our service network to achieve excellent patient care in a more coordinated and integrated model."

Second quarter 2014

Revenue

Net revenue for the second quarter of 2014 increased by 6% to \$3,835 million (+7% at constant currency) compared to the second quarter of 2013. Organic revenue growth worldwide was 5%. Dialysis services revenue grew by 7% to \$2,949 million (+8% at constant currency) and dialysis product revenue increased by 2% to \$886 million (+1% at constant currency) compared to the second quarter of 2013.

North America revenue for the second quarter of 2014 increased by 6% to \$2,521 million. Organic revenue growth was 4%. Dialysis services revenue grew by 7% to \$2,316 million with a same store treatment growth of 3.3%. Dialysis product revenue decreased by 6% to \$205 million.

International revenue increased by 6% to \$1,297 million (+7% at constant currency). Organic revenue growth was 5%. Dialysis services revenue increased by 8% to \$633 million (+12% at constant currency). Dialysis product revenue increased by 3% to \$664 million (+3% at constant currency).

¹ attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

² adjusted for an unfavorable tax impact of USD 18 million in the second quarter of 2014

Earnings

Operating income (EBIT) for the second quarter of 2014 increased by 2% to \$556 million compared to \$544 million in the second quarter of 2013. Operating income for North America increased by 3% in the second quarter of 2014 to \$401 million compared to \$391 million in the second quarter of 2013. In the International segment, operating income for the second quarter of 2014 increased by 11% to \$243 million compared to \$218 million in the second quarter of 2013.

Net interest expense for the second quarter of 2014 was \$98 million, compared to \$103 million in the second quarter of 2013.

Income tax expense was \$177 million for the second quarter of 2014 which translates into an effective tax rate of 38.7%. This compares to income tax expense of \$144 million and a tax rate of 32.6% for the second quarter of 2013. The tax rate in the second quarter of 2014 was influenced by a special tax impact which resulted in an expense of \$18 million in the second quarter of 2014. On an adjusted basis the tax rate for the second quarter of 2014 was 34.8%. For the full year, the company expects a tax rate of around 34%.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA for the second quarter of 2014 was \$234 million, a decrease of 11% compared to the corresponding number of \$263 million for the second quarter of 2013. On an adjusted basis net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA for the second quarter of 2014 was \$252 million.

Basic earnings per share (EPS) for the second quarter of 2014 was \$0.77, a decrease of 10% compared to the corresponding number for the second quarter of 2013. On an adjusted basis EPS for the second quarter of 2014 was \$0.83. The weighted average number of shares outstanding for the second quarter of 2014 was approximately 301.8 million shares, compared to 306.3 million shares for the second quarter of 2013. The decrease in shares outstanding resulted from last year`s share buy-back program, partially offset by stock option exercises in the past twelve months.

Cash flow

In the second quarter of 2014, the company generated \$449 million in **net cash provided by operating activities**, a decrease of 14% compared to the corresponding figure of last year and representing 12% of revenue.

A total of \$218 million was spent for **capital expenditures**, net of disposals. **Free cash flow** was \$231 million compared to \$352 million in the second quarter of 2013.

A total of \$297 million in cash was spent for **acquisitions and investments, net of divestitures**. **Free cash flow after investing activities** was -\$66 million, compared to \$339 million in the second quarter of 2013.

First half 2014

Revenue and earnings

Net revenue for the first half of 2014 increased by 5% to \$7,398 million (+6% at constant currency) compared to the first half of 2013. Organic revenue growth worldwide was 4%.

Operating income (EBIT) for the first half of 2014 decreased by 4% to \$1,001 million compared to \$1,038 million in the first half of 2013.

Net interest expense for the first half of 2014 was \$195 million compared to \$207 million in the first half of 2013.

Income tax expense for the first half of 2014 was \$278 million which translates into an effective tax rate of 34.5%. This compares to income tax expense of \$273 million and a tax rate of 32.8% for the first half of 2013. On an adjusted basis the tax rate for the first half of 2014 was 32.3%. For the full year, the company expects a tax rate of around 34%.

For the first half of 2014, **net income** attributable to shareholders of Fresenius Medical Care AG & Co. KGaA was \$439 million, down by 10% from the corresponding number of

\$488 million for the first half of 2013. On an adjusted basis net income attributable to shareholders of Fresenius Medical Care AG&Co. KGaA for the first half of 2014 was \$457 million.

In the first half of 2014 **basic earnings per share (EPS)** was \$1.46, a decrease of 9% compared to the corresponding number for the first half of 2013. On an adjusted basis EPS for the first half of 2014 was \$1.52. The weighted average number of shares outstanding during the first half of 2014 was approximately 301.6 million shares.

Cash flow

In the first half of 2014, the company generated \$562 million in **net cash provided by operating activities** compared to \$841 million for the same period in 2013, representing 8% of revenue.

A total of \$415 million was spent for **capital expenditures**, net of disposals. **Free cash flow** for the first half of 2014 was \$147 million compared to \$522 million in the first half of 2013.

A total of \$432 million in cash was spent for **acquisitions and investments, net of divestitures**. **Free cash flow after investing activities** was -\$285 million, compared to \$438 million in the first half of 2013.

Employees

As of June 30, 2014, Fresenius Medical Care had 94,401 employees (full-time equivalents) worldwide, compared to 87,944 employees at the end of June 2013. This increase of more than 6,400 employees was attributable to our continued organic growth as well as to acquisitions.

Balance sheet structure

The company's total assets were \$24,145 million (Dec. 31, 2013: \$23,120 million), an increase of 4%. Current assets increased by 8% to \$6,805 million (Dec. 31, 2013: \$6,287 million). Non-current assets were \$17,340 million (Dec. 31, 2013: \$16,833

million), an increase of 3%. Total equity increased by 2% to \$9,650 million (Dec. 31, 2013: \$9,485 million). The equity ratio was 40% as compared to 41% at the end of 2013. Total debt was \$9,139 million (Dec. 31, 2013: \$8,417 million). As of June 30, 2014, the debt/EBITDA ratio was 3.1 (Dec. 31, 2013: 2.8).

Please refer to the attachments for a complete overview of the results for the second quarter and first half of 2014.

Strategic investments in Care Coordination

Fresenius Medical Care has entered into an agreement to invest approximately \$600 million in Sound Inpatient Physicians Inc. to become majority shareholder in a network of more than 1,000 physician partners providing care in over 100 hospitals and post-acute care centers across the United States. The transaction of Sound Inpatient Physicians Inc. has been closed in July 2014.

Fresenius Medical Care also acquired MedSpring Urgent Care Centers, with operations in Illinois and Texas. MedSpring's 14 urgent care centers provide high-quality primary care and customer service.

Thereby the company executes on the strategy disclosed earlier this year to invest in care coordination around dialysis. The investment clearly advances the commitment to address the full spectrum of care for chronically ill patients.

Outlook

The company expects revenue to be at around \$15.2 billion in 2014, translating into a growth rate of around 4%. This outlook excludes revenue of about \$500 million from acquisitions.

Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA is expected to be unchanged between \$1.0 billion and \$1.05 billion in 2014. The company initiated a global efficiency program designed to enhance the company's performance over a multi-year period. Potential cost savings before income taxes of up to \$60 million generated from this program are not included in the outlook for 2014.

For 2014, the company expects to spend around \$900 million on **capital expenditures**. Reflecting mainly the latest acquisitions the company now expects an acquisition spending of around \$1.0 billion for fiscal year 2014 (previously \$400 million). As a consequence the **debt/EBITDA ratio** is expected to be around 3.0 by the end of 2014.

Conference call

Fresenius Medical Care will hold a conference call to discuss the results of the second quarter and first half on Thursday, July 31, 2014, 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.fmc-ag.com in the "Investor Relations" section. A replay will be available shortly after the call.

Fresenius Medical Care is the world's largest integrated provider of products and services for individuals undergoing dialysis because of chronic kidney failure, a condition that affects more than 2.5 million individuals worldwide. Through its network of 3,335 dialysis clinics in North America, Europe, Latin America, Asia-Pacific and Africa, Fresenius Medical Care provides dialysis treatments for 280,942 patients around the globe. Fresenius Medical Care is also the world's leading provider of dialysis products such as hemodialysis machines, dialyzers and related disposable products.

For more information about Fresenius Medical Care, visit the Company's website at www.fmc-ag.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

	Six months ended June 30,		Change
	2014	2013	
Dialysis care revenue	5,859	5,553	5.5%
Less: patient service bad debt provision	128	131	-2.7%
Net dialysis care revenue	5,731	5,422	5.7%
Dialysis products revenue	1,667	1,654	0.8%
Total net revenue	7,398	7,076	4.5%
Costs of revenue	5,104	4,808	6.2%
Gross profit	2,294	2,268	1.1%
Selling, general and administrative	1,250	1,187	5.3%
Gain on sale of dialysis clinics	(0)	(9)	-97.4%
Research and development	61	61	-0.9%
Income from equity method investees	(18)	(9)	100.5%
Operating income (EBIT)	1,001	1,038	-3.5%
Interest expense, net	195	207	-6.1%
Income before taxes	806	831	-2.9%
Income tax expense	278	273	2.2%
Net income	528	558	-5.3%
Less: Net income attributable to noncontrolling interests	89	70	27.6%
Net income attributable to shareholders of FMC AG & Co. KGaA	439	488	-10.0%
Operating income (EBIT)	1,001	1,038	-3.5%
Depreciation and amortization	336	315	6.7%
EBITDA	1,337	1,353	-1.1%
EBITDA margin	18.1%	19.1%	
Weighted average number of shares			
Ordinary shares	301,637,274	302,590,288	
Preference shares	—	3,907,756	
Basic earnings per ordinary share	\$ 1.46	\$ 1.59	-8.6%
Basic earnings per ordinary ADS	\$ 0.73	\$ 0.80	-8.6%
In percent of revenue			
Cost of revenue	69.0%	68.0%	
Gross profit	31.0%	32.0%	
Operating income (EBIT)	13.5%	14.7%	
Net income attributable to shareholders of FMC AG & Co. KGaA	5.9%	6.9%	

Fresenius Medical Care - Statement of earnings

in US\$ million, except share data, unaudited

	Three months ended June 30,		Change
	2014	2013	
Dialysis care revenue	3,014	2,811	7.2%
Less: patient service bad debt provision	65	68	-4.5%
Net dialysis care revenue	2,949	2,743	7.5%
Dialysis products revenue	886	870	1.9%
Total net revenue	3,835	3,613	6.2%
Costs of revenue	2,624	2,455	6.9%
Gross profit	1,211	1,158	4.6%
Selling, general and administrative	631	595	5.9%
Gain on sale of dialysis clinics	(0)	(8)	-97.1%
Research and development	31	31	-0.7%
Income from equity method investees	(7)	(4)	35.2%
Operating income (EBIT)	556	544	2.2%
Interest expense, net	98	103	-4.5%
Income before taxes	458	441	3.8%
Income tax expense	177	144	23.5%
Net income	281	297	-5.7%
Less: Net income attributable to noncontrolling interests	47	34	33.9%
Net income attributable to shareholders of FMC AG & Co. KGaA	234	263	-11.0%
Operating income (EBIT)	556	544	2.2%
Depreciation and amortization	169	159	6.4%
EBITDA	725	703	3.2%
EBITDA margin	18.9%	19.5%	
Weighted average number of shares			
Ordinary shares	301,781,895	302,409,369	
Preference shares	—	3,842,900	
Basic earnings per ordinary share	\$ 0.77	\$ 0.86	-9.7%
Basic earnings per ordinary ADS	\$ 0.39	\$ 0.43	-9.7%
In percent of revenue			
Cost of revenue	68.4%	67.9%	
Gross profit	31.6%	32.1%	
Operating income (EBIT)	14.5%	15.1%	
Net income attributable to shareholders of FMC AG & Co. KGaA	6.1%	7.3%	