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# Morgan Stanley

## European MedTech & Services Conference

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March 4, 2015



**FRESENIUS  
MEDICAL CARE**

# Our motivation in numbers

Every 0.8 seconds we provide a dialysis treatment somewhere on the globe in one of our dialysis clinics.



**Safe harbor statement:** This presentation includes certain forward-looking statements within the meaning of Section 27A of the U.S. Securities Act of 1933, as amended, and Section 21E of the U.S. Securities Act of 1934, as amended. The Company has based these forward-looking statements on its views with respect to future events and financial performance. Actual results could differ materially from those included in the forward-looking statements due to various risk factors and uncertainties, including changes in business, economic competitive conditions, regulatory reforms, foreign exchange rate fluctuations, uncertainties in litigation or investigative proceedings and the availability of financing. Given these uncertainties, readers should not put undue reliance on any forward-looking statements. These and other risks and uncertainties are discussed in detail in Fresenius Medical Care AG & Co. KGaA's (FMC AG & Co. KGaA) reports filed with the Securities and Exchange Commission (SEC) and the German Exchange Commission (Deutsche Börse).

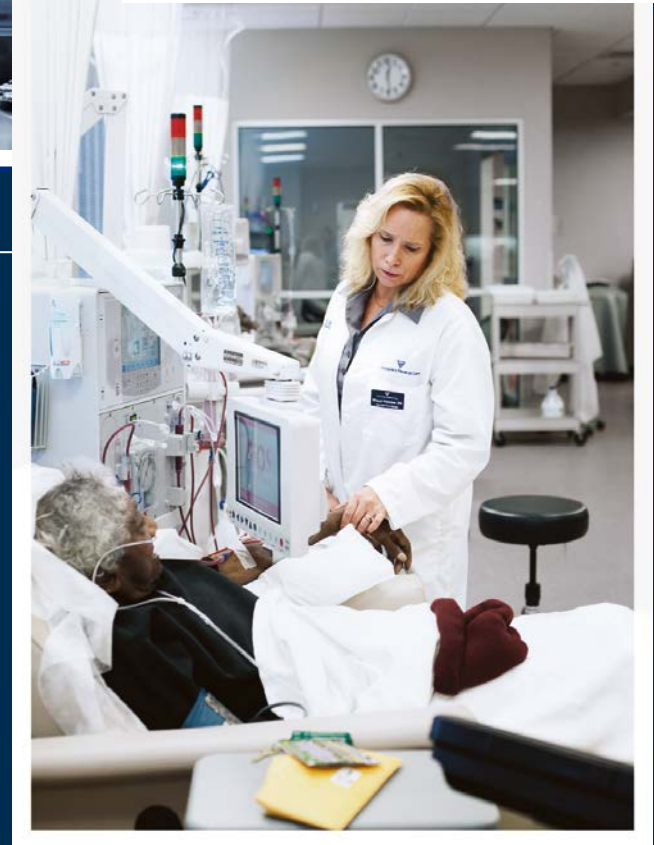
Forward-looking statements represent estimates and assumptions only as of the date that they were made. The information contained in this presentation is subject to change without notice and the company does not undertake any duty to update the forward-looking statements, and the estimates and assumptions associated with them, except to the extent required by applicable law and regulations.

If not mentioned differently the term net income after minorities refers to the net income attributable to the shareholders of Fresenius Medical Care AG Co. KGaA independent of being the reported or the adjusted number. Amounts are in US-\$ if not mentioned otherwise.

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# Business update

Q4 and full year 2014

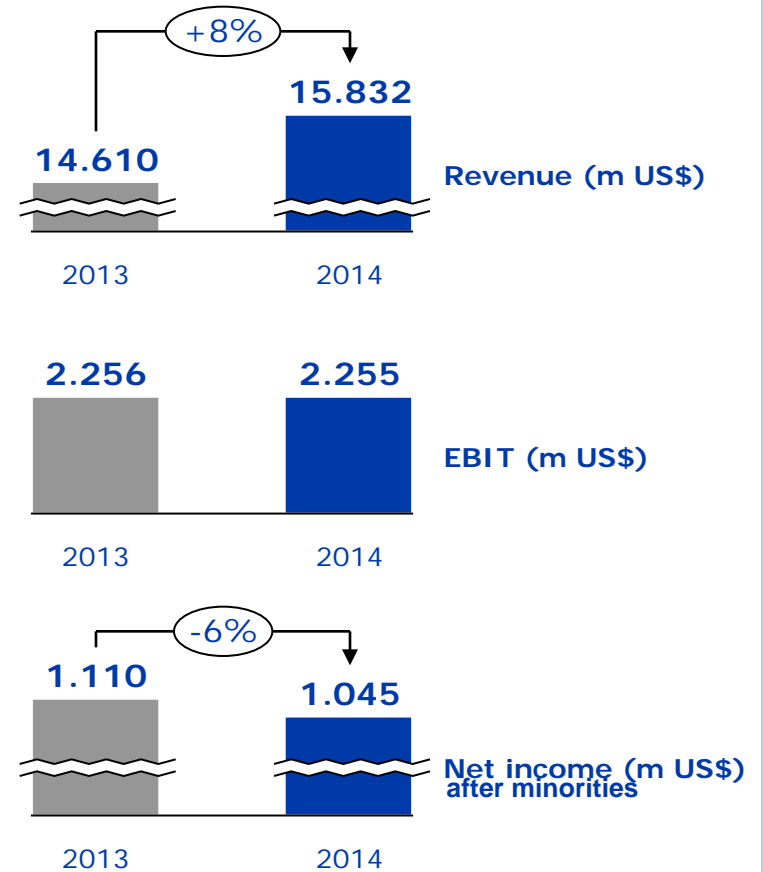


# Solid performance continued

## Highlights

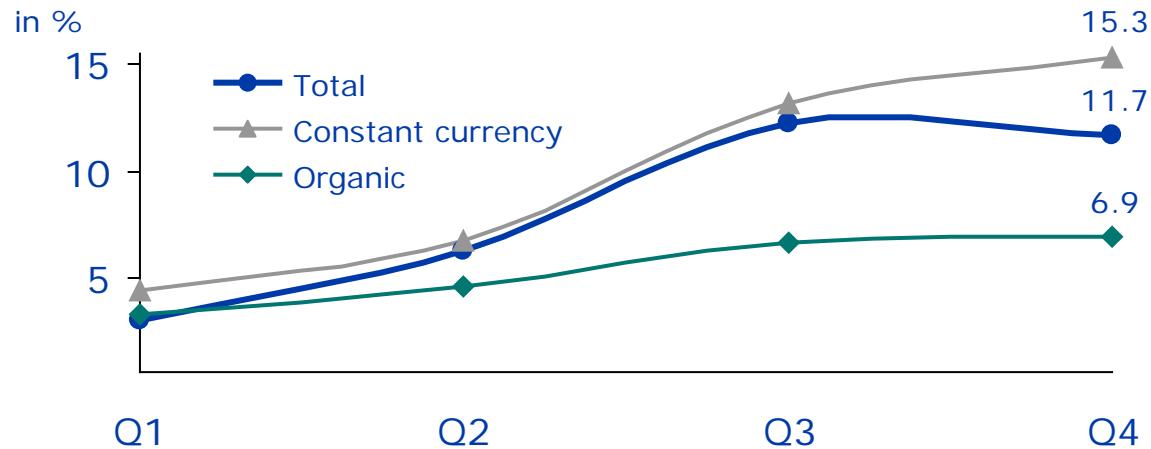
- ▶ 18<sup>th</sup> consecutive dividend increase will be proposed
- ▶ Medicare reimbursement level did not cover the cost of care
- ▶ Cost savings of US\$ 65m have been achieved (US\$ 40m after tax) - slightly better than expected
- ▶ Higher investments in quality- and compliance systems
- ▶ Stable Medicare reimbursement expected
- ▶ Outlook builds on improving trends:
  - Global Efficiency Program (GEP) on track
  - Acquisitions will support growth in coming years

## Performance



# Sequential performance trend 2014

Revenue growth	Q1 2014 in %	Q2 2014 in %	Q3 2014 in %	Q4 2014 in %
<b>Total</b>	<b>2.9</b>	<b>6.2</b>	<b>12.2</b>	<b>11.7</b>
Constant currency	4.3	6.7	13.2	15.3
<b>Organic</b>	<b>3.2</b>	<b>4.5</b>	<b>6.6</b>	<b>6.9</b>
of which services	4.1	5.6	6.3	6.5
of which products (external)	0.2	1.1	7.3	8.1



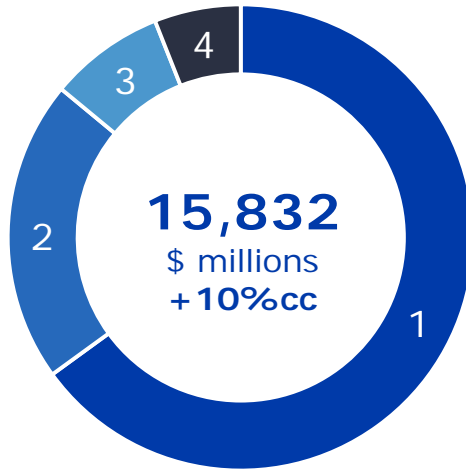
# Revenue breakdown for fiscal year 2014

## North America

Revenue	\$ 10,500 m	+ 9%
Organic growth		+ 5%

## International

Revenue	\$ 5,265 m	+ 11%cc
Organic growth		+ 6%
Europe	\$ 3,072 m	+ 4%cc
Asia-Pacific	\$ 1,357 m	+ 26%cc
Latin America	\$ 836 m	+ 16%cc



1	North America	66%
2	Europe/Middle East/Africa	20%
3	Asia-Pacific	9%
4	Latin America	5%

cc = constant currency

# Expanded our global service franchise in 2014

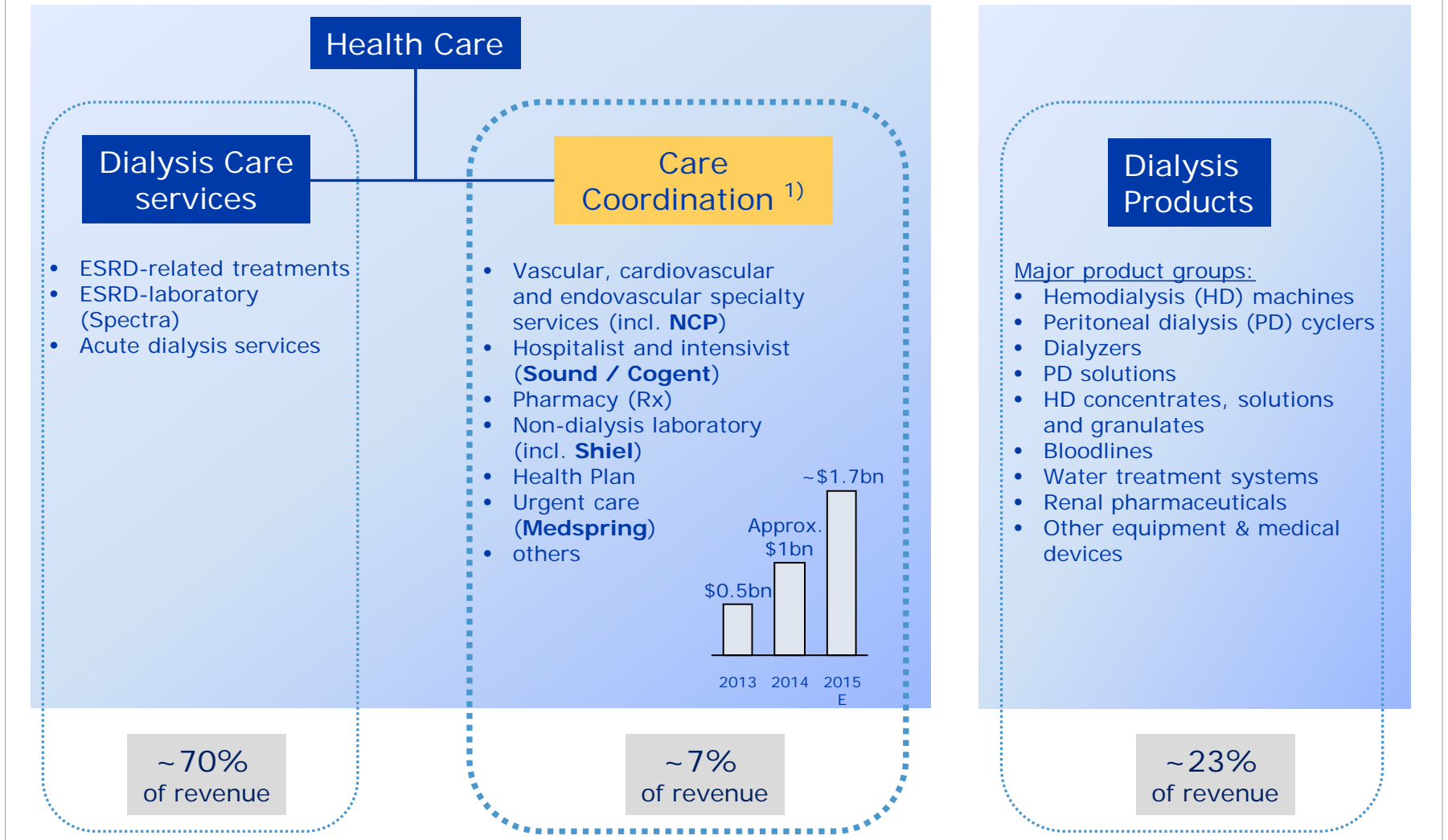
	<b>Clinics</b> as of Dec. 31, 2014	De novo FY 2014	Acquired FY 2014
<b>Total</b>	<b>3,361</b>	<b>79</b>	<b>95</b>
Growth vs. Dec. 31, 2013	+ 3%		
<b>North America</b>	<b>2,162</b>	<b>48</b>	<b>6</b>
Growth vs. Dec. 31, 2013	+1%		
<b>International</b>	<b>1,199</b>	<b>31</b>	<b>89</b>
Growth vs. Dec. 31, 2013	+ 7%		

- ▶ Delivered nearly 43 million treatments globally +6%
  - North America ~26.6 m | International ~16.1 m
  
- ▶ Providing care to more than 286,000 patients globally +6%
  - North America ~176,000 | International ~110,000





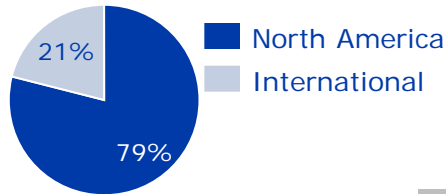
# Health Care revenue - definition



<sup>1)</sup> Companies acquired in Q4 2013 and FY 2014 are marked in bold

# Health Care revenue growth

	Q4 2013 in \$ millions	Q4 2014 in \$ millions	Growth in %	Growth in %cc	Organic growth in %	Same market growth in %
North America	2,288	2,640	15	15	6	4
International	607	682	12	26	8	4
<b>Total Health Care</b>	<b>2,895</b>	<b>3,322</b>	<b>15</b>	<b>18</b>	<b>7</b>	<b>4</b>



	FY 2013 in \$ millions	FY 2014 in \$ millions	Growth in %	Growth in %cc	Organic growth in %	Same market growth in %
North America	8,772	9,655	10	10	5	3
International	2,358	2,595	10	18	8	4
<b>Total Health Care</b>	<b>11,130</b>	<b>12,250</b>	<b>10</b>	<b>12</b>	<b>6</b>	<b>4</b>

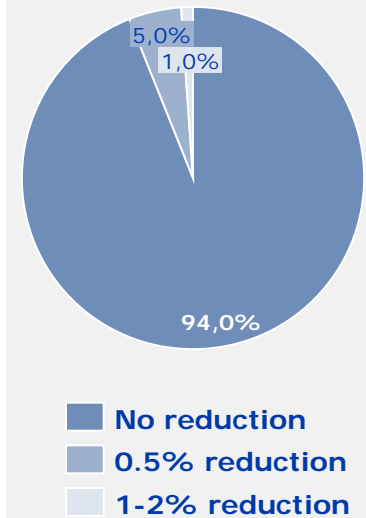
cc = constant currency

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# Quality outcomes

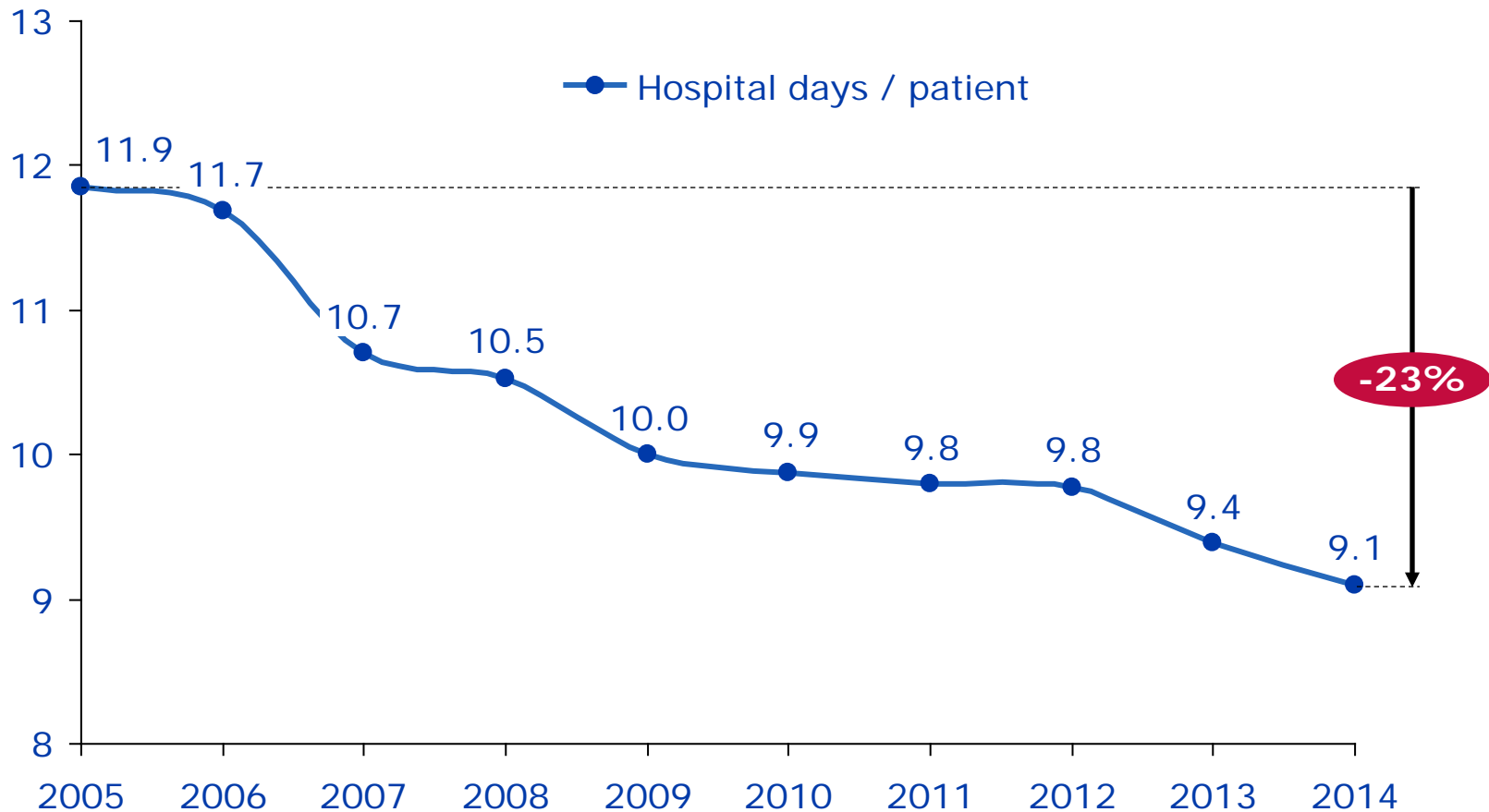
% of patients	U.S.		EMEA		Asia-Pacific	
	Q3 2014	Q4 2014	Q3 2014	Q4 2014	Q3 2014	Q4 2014
Kt/V $\geq$ 1.2	97	96	95	95	97	97
No catheter (>90 days)	83	83	83	83	92	92
Hemoglobin = 10 – 12 g/dl	73	74	75	76	59	60
Hemoglobin = 10 – 13 g/dl (International)	78	80	76	77	67	69
Albumin $\geq$ 3.5 g/dl	82	83	91	92	91	91
Phosphate $\leq$ 5.5 mg/dl	64	64	76	79	71	70
Calcium 8.4 – 10.2 mg/dl	84	85	75	76	75	76
Hospitalization days, per patient	8.9	9.1	9.5	9.4	4.2	4.3

Distribution of FME  
U.S. clinics  
CMS OIP payment  
reduction % <sup>1)</sup>



<sup>1)</sup> 2013 Company data and estimates

# Hospitalizations days/patient dropped more than 20% since 2005 in North America

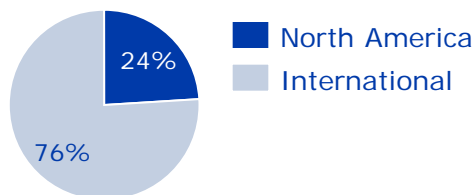


Source: Company data and internal calculations

# Revenue growth in dialysis products (external)



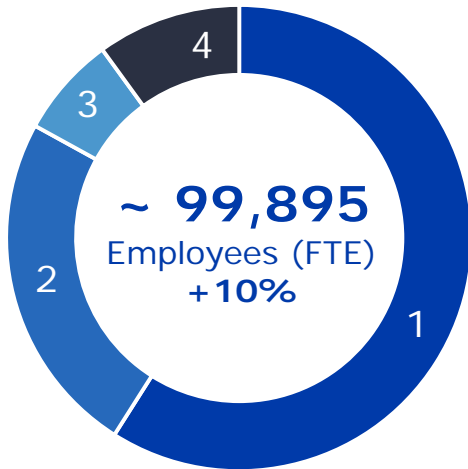
	Q4 2013 in \$ millions	Q4 2014 in \$ millions	Growth in %	Growth in %cc
<b>Dialysis Product revenue</b>	<b>972</b>	<b>998</b>	<b>3</b>	<b>8</b>
of which North America	219	236	8	8
of which International	744	740	(1)	6



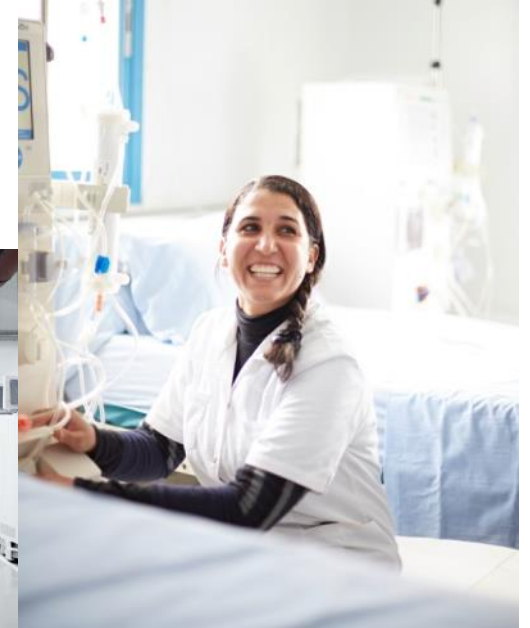
	FY 2013 in \$ millions	FY 2014 in \$ millions	Growth in %	Growth in %cc
<b>Dialysis Product revenue</b>	<b>3,480</b>	<b>3,582</b>	<b>3</b>	<b>4</b>
of which North America	834	845	1	1
of which International	2,612	2,670	2	4

cc = constant currency

# Added ~ 9,000 employees (FTE) in 2014 due to global expansion



1	North America	59%
2	Europe/Middle East/Africa	22%
3	Asia-Pacific	9%
4	Latin America	10%



▶ More than doubled the number of employees (FTE) over the last 10 years (2004: ~44,526)



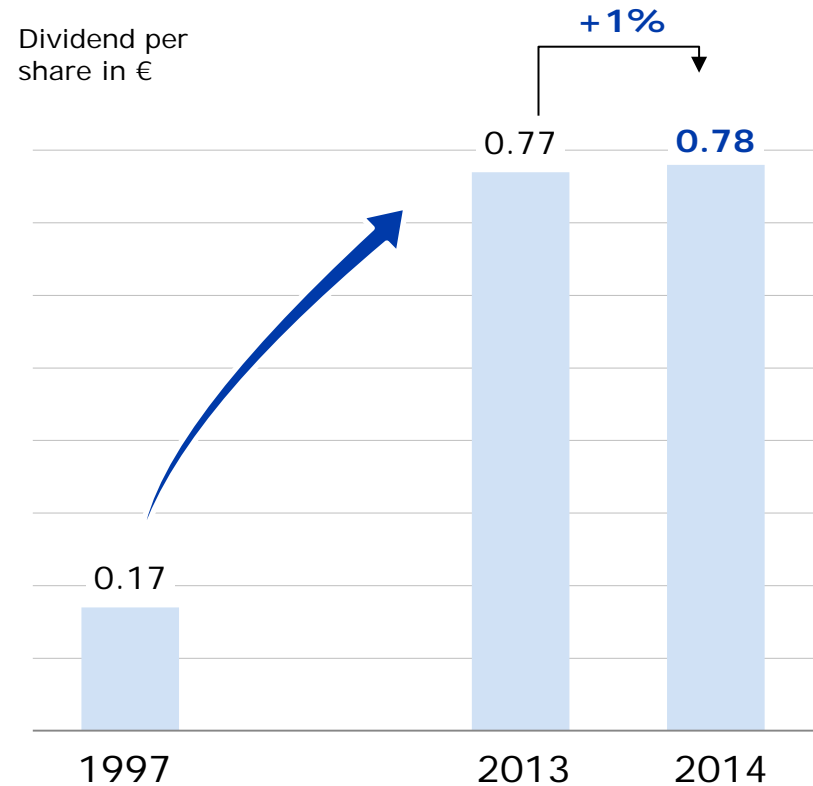
FTE = Full-time equivalent

# 2014 – 18<sup>th</sup> consecutive dividend increase

## Highlights

- ▶ 2014 earnings after tax decline of 6% on a reported basis
- ▶ Dividend increase of 9% CAGR since 1997
- ▶ Dividend payout-ratio of ~28% in US\$ (spot rate 12/31/2014)

## Performance



CAGR = Compound Annual Growth Rate

# Summary

- ▶ Continued focus on improving quality of life for patients
- ▶ Leader in the growing global dialysis market
- ▶ In the long run our opportunities will outweigh our challenges
- ▶ Accelerated earnings growth expected going forward



# 2

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## Financials & outlook

Q4 and full year 2014

## Q4 profit & loss

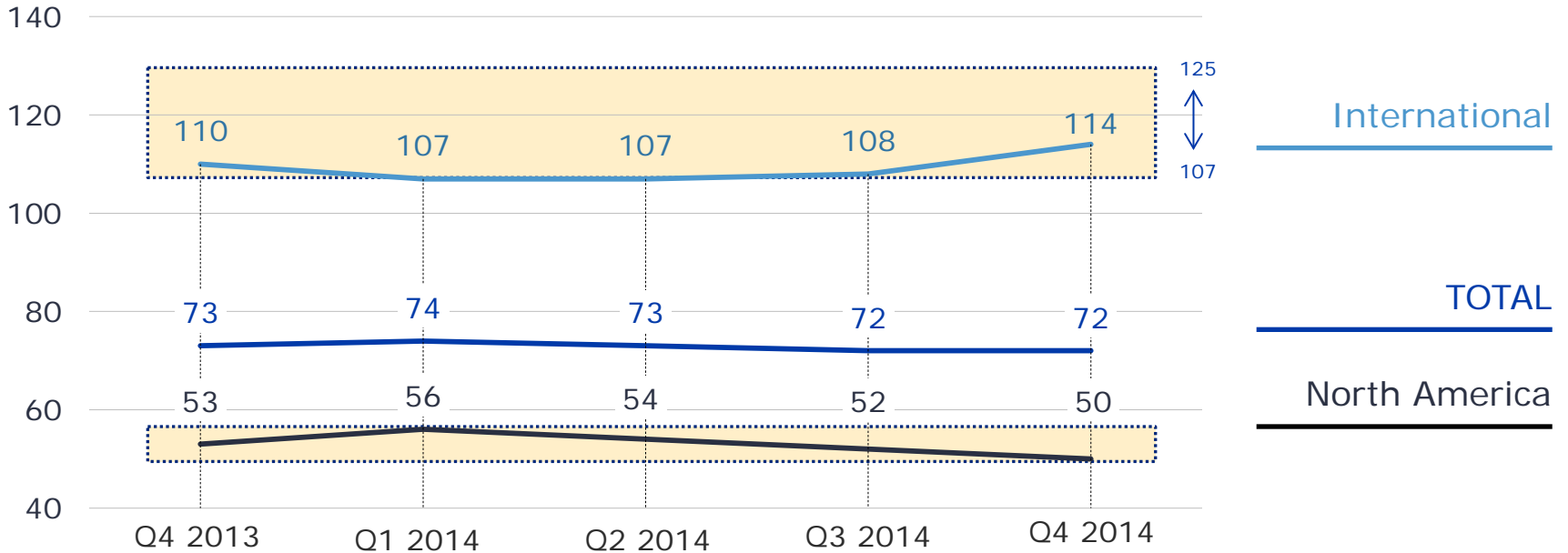
	Q4 2013 in \$ millions	Q4 2014 in \$ millions	Growth in %
Net revenue	3,867	<b>4,320</b>	12
Operating income (EBIT)	661	<b>663</b>	-
EBIT-margin in %	17.1	<b>15.4</b>	
Net interest expense	98	<b>117</b>	20
Income before taxes	563	<b>546</b>	(3)
Income tax expense	171	<b>143</b>	(16)
Tax rate in %	30.4	<b>26.2</b>	
Non-controlling interest	43	<b>68</b>	56
Net income	349	<b>335</b>	(4)

## FY profit & loss

	FY 2013 in \$ millions	<b>FY 2014</b> in \$ millions	Growth in %
Net revenue	14,610	<b>15,832</b>	8
Operating income (EBIT)	2,256	<b>2,255</b>	-
EBIT-margin in %	15.4	<b>14.2</b>	
Net interest expense	409	<b>411</b>	1
Income before taxes	1,847	<b>1,844</b>	-
Income tax expense	592	<b>584</b>	
Tax rate in %	32.0	<b>31.7</b>	
Non-controlling interest	145	<b>215</b>	47
Net income	1,110	<b>1,045</b>	(6)

# Day sales outstanding (DSO)

In days



- ▶ DSO in International slightly up but still at lower end of normal range
- ▶ North America benchmark levels and on the low end of the range

 DSO range since 2011

## Strong cash flow

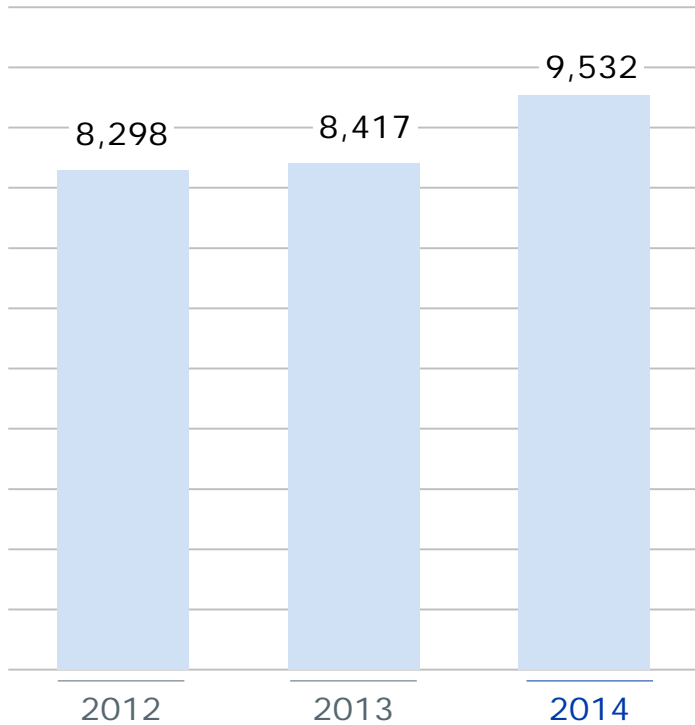
	Q4 2013 in \$ millions	Q4 2014 in \$ millions
<b>Operating cash flow</b>	589	<b>588</b>
in % of revenue	15.2	13.6
Capital expenditures, net	(234)	(282)
<b>Free cash flow</b>	355	<b>306</b>
Free cash flow, after acquisitions and investments	157	(419)

	FY 2013 in \$ millions	FY 2014 in \$ millions
<b>Operating cash flow</b>	2,035	<b>1,861</b>
in % of revenue	13.9	11.8
Capital expenditures, net	(728)	(920)
<b>Free cash flow</b>	1,307	<b>941</b>
Free cash flow, after acquisitions and investments	829	(829)

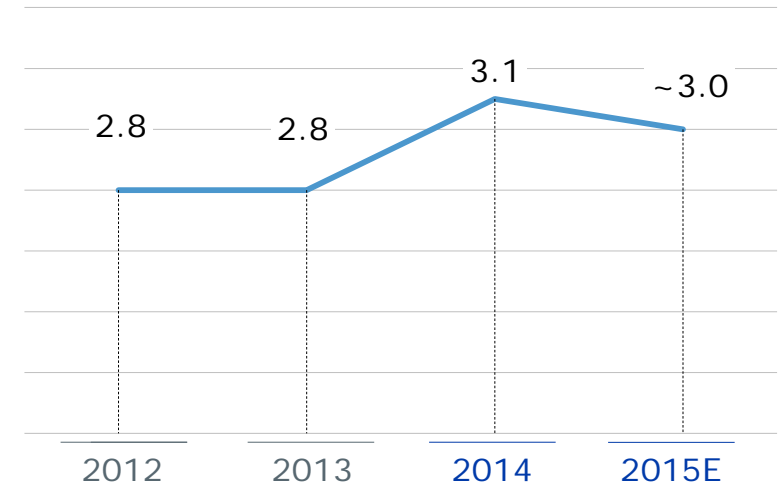
A reconciliation to the most directly comparable U.S. GAAP financial measures is provided in the attachments.

# Total debt/EBITDA-ratio

Total debt in \$ millions



Total debt/EBITDA-ratio in %



	Current Ratings	S&P	Moody's	Fitch
Company		BBB-	Ba1	BB+
Outlook		stable	stable	positive

A reconciliation to the most directly comparable U.S. GAAP financial measures is provided in the attachments.

# 2015 outlook and beyond

In \$ millions	2015 E	2016 projection	Long term target 2020 CAGR 2015-2020
Revenue	5-7% 10-12%cc	9-12% 9-12%cc	~10%
Net income	0-5%	15-20%	High single digit

- ▶ The outlook is based on exchange rates prevailing at the beginning of 2015
- ▶ Information includes savings from the Global Efficiency Program
- ▶ Potential acquisitions are not included
- ▶ The outlook is based on the execution and the operating cost investments within the Care Coordination business – in line with our 2020 strategy

cc = constant currency

CAGR = Compound Annual Growth Rate

# Drivers of growth beyond 2015

## Positive

- ▶ Global Efficiency Program continues to produce savings as indicated
- ▶ Growth in our new Care Coordination business

## To be considered

- ▶ Only modest beneficial effect of enacted reimbursement program with United States and no meaningful change in regulatory positions in other countries
- ▶ Investments in quality- and compliance-systems
- ▶ Interest rate environment may change as central bankers take actions to mitigate inflation risk



# 3

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## Questions & answers

Q4 and full year 2014

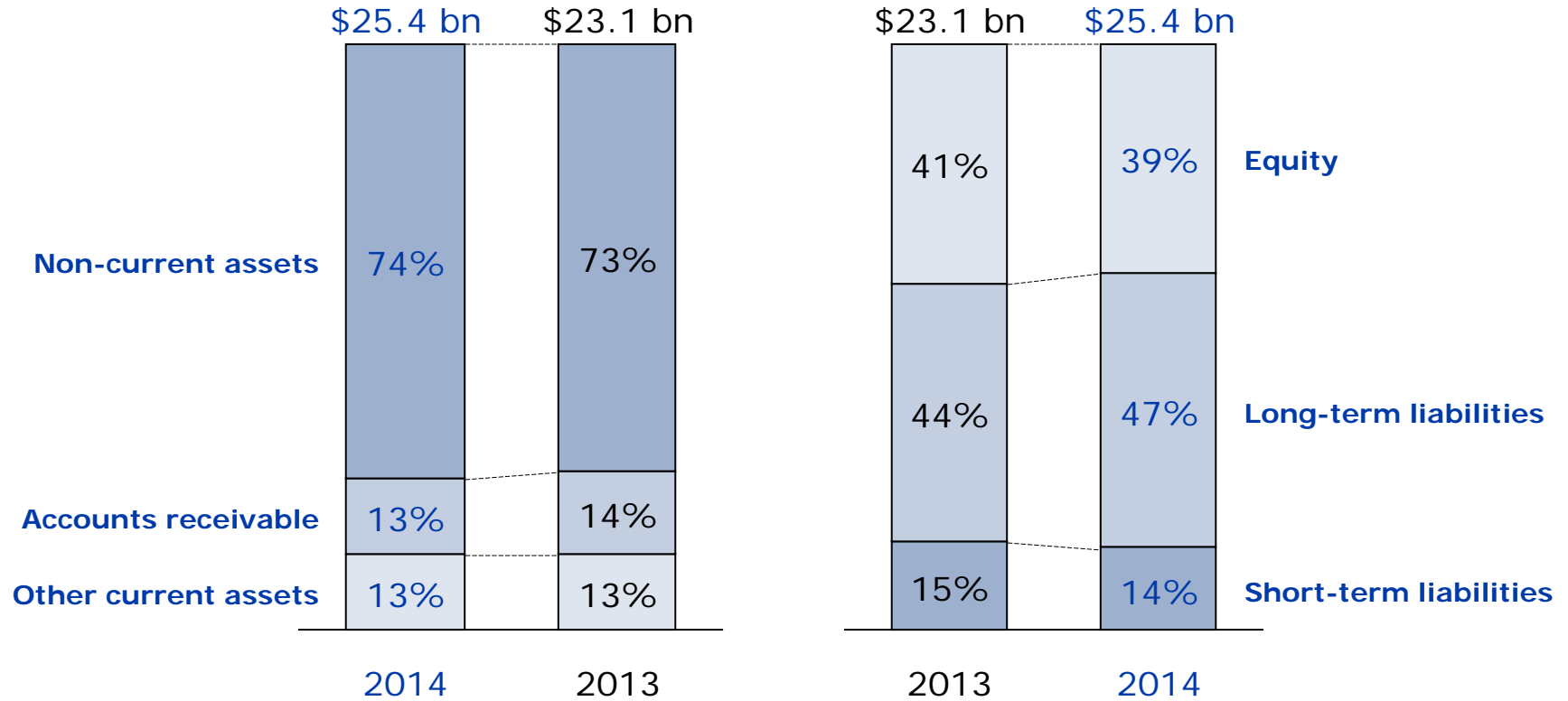
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Thank you very much for your attention!

**Patients, treatments, clinics – FY 2014**

	Clinics	Patients	Treatments in million
North America	2,162	176,203	26.61
Growth in %	1	3	4
International	1,199	110,109	16.13
Growth in %	7	12	9
Europe	635	52,848	8.05
Latin America	247	31,983	4.81
Asia-Pacific	317	25,278	3.27
<b>Total</b>	<b>3,361</b>	<b>286,312</b>	<b>42.74</b>
Growth in %	3	6	6

# Fiscal year 2014 – balance sheet remains strong



\* Including non-controlling interests subject to put provisions

## Exchange rates

<b>\$:€</b>	Q4 2013	FY 2013	Q4 2014	FY 2014
Period end	1.379	1.379	1.2141	1.2141
Average	1.361	1.328	1.2498	1.3285
<b>\$:ARS</b>	Q4 2013	FY 2013	Q4 2014	FY 2014
Period end	6.514	6.514	8.4595	8.4595
Average	6.047	5.478	8.51	8.1076
<b>\$:RUB</b>	Q4 2013	FY 2013	Q4 2014	FY 2014
Period end	32.865	32.865	59.581	59.581
Average	32.544	31.878	47.780	38.353

## Dialysis days per quarter

	Q1	Q2	Q3	Q4	Full year
2013	76	78	79	80	<b>313</b>
2014	76	78	79	80	<b>313</b>
2015	76	78	79	80	<b>313</b>
2016	78	78	79	78	<b>313</b>
2017	77	78	79	78	<b>312</b>

# Attachment 1

## Reconciliation of non-US-GAAP financial measures to most comparable US-GAAP measure

In \$ millions

<b>Debt</b>	FY 2012	FY 2013	FY 2014
Short term borrowings (incl. A/R program)	118	97	133
+ Short term borrowing from related parties	4	62	5
+ Current portion of long-term debt and capital lease obligations	335	511	314
+ Long-term debt and capital lease obligations less current portion	7,841	7,747	9,080
<b>TOTAL debt</b>	<b>8,298</b>	<b>8,417</b>	<b>9,532</b>

<b>EBITDA</b>	FY 2012 <sup>1)</sup>	FY 2013	FY 2014 <sup>2)</sup>
Last twelve month operating income (EBIT)	2,255	2,256	2,347
+ Last twelve month depreciation and amortization	612	648	716
+ Non-cash charges	64	68	57
<b>EBITDA (annualized)</b>	<b>2,931</b>	<b>2,972</b>	<b>3,120</b>
<b>Total Debt / EBITDA</b>	<b>2.8</b>	<b>2.8</b>	<b>3.1</b>

1) EBITDA 2012: pro forma numbers incl. Liberty Dialysis Inc., after FTC mandatory divestments

2) EBITDA 2014: including largest acquisitions

## Attachment 2

### Reconciliation of non-US-GAAP financial measures to most comparable US-GAAP measure

In \$ millions

<b>Cash Flow</b>	Q4 2013	<b>Q4 2014</b>	FY 2013	<b>FY 2014</b>
Acquisitions, investments and net purchases of intangible assets	(198)	(730)	(496)	(1,779)
+ Proceeds from divestitures	-	5	18	9
= Acquisitions and investments, net of divestitures	(198)	(725)	(478)	(1,770)

<b>Capital Expenditure, net</b>	Q4 2013	<b>Q4 2014</b>	FY 2013	<b>FY 2014</b>
Purchase of property, plant and equipment	(235)	(285)	(748)	(932)
- Proceeds from sale of property, plant & equipment	1	3	20	12
= Capital expenditure, net	(234)	(282)	(728)	(920)



**Constant currency:** Changes in revenue include the impact of changes in foreign currency exchange rates. We use the non-GAAP financial measure “at constant exchange rates” in our filings to show changes in our revenue without giving effect to period-to-period currency fluctuations. Under U.S. GAAP, revenues received in local (non-U.S. dollar) currency are translated into U.S. dollars at the average exchange rate for the period presented. When we use the term “constant currency,” it means that we have translated local currency revenues for the current reporting period into U.S. dollars using the same average foreign currency exchange rates for the conversion of revenues into U.S. dollars that we used to translate local currency revenues for the comparable reporting period of the prior year. We then calculate the change, as a percentage, of the current period revenues using the prior period exchange rates versus the prior period revenues. This resulting percentage is a non-GAAP measure referring to a change as a percentage “at constant exchange rates.”

We believe that revenue growth is a key indication of how a company is progressing from period to period and that the non-GAAP financial measure constant currency is useful to investors, lenders, and other creditors because such information enables them to gauge the impact of currency fluctuations on its revenue from period to period. However, we also believe that data on constant currency period-over-period changes have limitations, particularly as the currency effects that are eliminated could constitute a significant element of our revenue and could significantly impact our performance. We therefore limit our use of constant currency period-over-period changes to a measure for the impact of currency fluctuations on the translation of local currency revenue into U.S. dollars. We do not evaluate our results and performance without considering both constant currency period-over-period changes in non-U.S. GAAP revenue on the one hand and changes in revenue prepared in accordance with U.S. GAAP on the other. We caution the readers of this report to follow a similar approach by considering data on constant currency period-over-period changes only in addition to, and not as a substitute for or superior to, changes in revenue prepared in accordance with U.S. GAAP. We present the fluctuation derived from U.S. GAAP revenue next to the fluctuation derived from non-GAAP revenue. Because the reconciliation is inherent in the disclosure, we believe that a separate reconciliation would not provide any additional benefit.

# Contacts

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## Financial calendar \*

Feb 25, 2015	Report on Fiscal Year 2014
April 30, 2015	Report on 1 <sup>st</sup> quarter 2015
May 19, 2015	Annual General Meeting (AGM)
May 20, 2015	Dividend payment
July 30, 2015	Report on 1 <sup>st</sup> – 2 <sup>nd</sup> quarter 2015
Nov 03, 2015	Report on 1 <sup>st</sup> – 3 <sup>rd</sup> quarter 2015

\* Please notice that these dates might be subject to change

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March 4, 2015



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