

## ECONOMIC REPORT

### HEALTH CARE INDUSTRY

The health care sector is one of the world's largest industries and shows excellent growth opportunities.

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
- ▶ the growing health consciousness, which increases the demand for health care services and facilities.

In the **emerging countries**, additional drivers are:

- ▶ expanding availability and correspondingly greater demand for basic health care
- ▶ increasing national incomes and hence higher spending on health care.

At the same time, the **cost of health care** is rising and claiming an ever-increasing share of national income. Health care spending averaged 8.9% of GDP in the OECD countries in 2017, with an average of US\$4,003 spent per capita.

As in previous years, the United States had the highest per capita spending (US\$9,892). Germany ranked fifth among the OECD countries with per capita spending of US\$5,551.

In Germany, 85% of **health spending** was funded by public sources in 2017, above the average of 74% in the OECD countries.

Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2016, average life expectancy in the OECD countries was 80.8 years.

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 will 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.

#### HEALTH CARE SPENDING AS % OF GDP

| in %        | 2017 | 2010 | 2000 | 1990 | 1980 | 1970 |
|-------------|------|------|------|------|------|------|
| USA         | 17.2 | 16.4 | 12.5 | 11.3 | 8.2  | 6.2  |
| France      | 11.5 | 11.2 | 9.5  | 8.0  | 6.7  | 5.2  |
| Germany     | 11.3 | 11.0 | 9.8  | 8.0  | 8.1  | 5.7  |
| Switzerland | 12.3 | 10.7 | 9.8  | 7.9  | 6.6  | 4.9  |
| Spain       | 8.8  | 9.0  | 6.8  | 6.1  | 5.0  | 3.1  |
| China       | 5.4  | 4.4  | 4.5  | -    | -    | -    |

Our most important **markets** developed as follows:

## THE DIALYSIS MARKET

In 2018, the global **dialysis market** (products and services) was worth approximately €71 billion. In constant currency, the global dialysis market grew by 4%.

Worldwide, approximately 4.1 million **patients with chronic renal failure** were treated in 2018. Of these patients, around 3.4 million received dialysis treatments and about 786,000 were living with a transplanted kidney. About 89% were treated with hemodialysis and 11% with peritoneal dialysis.

The major growth driver is the growing number of patients suffering from diabetes and high blood pressure, two diseases that often precede the onset of chronic kidney failure.

The **number of dialysis patients** worldwide increased by 6% in 2018. In the United States, Japan, and Western and Central Europe, patient growth was slower than in economically weaker regions where growth is mostly above 6%.

The **prevalence rate**, which is the number of people with terminal kidney failure treated per million population, differs widely from region to region. The significant divergence in prevalence rates is due, on the one hand, to differences in age demographics, incidence of renal risk factors, genetic predisposition, and cultural habit, such as nutrition. On the other hand, access to dialysis treatment is still limited in many countries. A great many individuals with terminal kidney failure do not receive treatment and are therefore not included in the prevalence statistics.

### Dialysis care

In 2018, the global **dialysis care market** (including renal pharmaceuticals) was worth approximately €58 billion.

10% of worldwide dialysis patients were treated by Fresenius Medical Care. With 3,928 dialysis clinics and 333,331 dialysis patients in approximately 50 countries, Fresenius Medical Care operates by far the largest and most international network of clinics. In the United States, Fresenius Medical Care treated approximately 38% of dialysis patients in 2018. The market for dialysis care in the United States is already highly consolidated.

Outside the United States, the market for dialysis care is much more fragmented. Here, Fresenius Medical Care **competes** mainly with clinic chains, independent clinics, and with clinics that are affiliated with hospitals.

Dialysis **reimbursement systems** differ from country to country and often vary even within individual countries. The public health care programs, the Centers for Medicare & Medicaid Services (CMS), cover the medical services for the majority of all dialysis patients in the United States.

### Dialysis products

In 2018, the global **dialysis products market** was worth approximately €13 billion.

Fresenius Medical Care is the leading provider of dialysis products in the world, with a **market share** of about 35%.

Fresenius Medical Care is the leading supplier worldwide of hemodialysis products, with a market share of 39%, and has a market share of approximately 17% in the worldwide market of products for peritoneal dialysis.

### Care Coordination

The field of **Care Coordination** currently includes services relating to vascular, cardiovascular, and endovascular surgery, health plan services, coordinated delivery of pharmacy services, and care services, for example.

Chronic diseases such as diabetes or cardiovascular diseases are steadily increasing. Nearly two-thirds of all people worldwide die of those diseases. In many countries, the majority of the health expenditure is spent on the treatment of chronic diseases. To counteract the increasing cost pressure that results from this, more and more health care systems – such as that in the largest market for Fresenius Medical Care, the United States – are no longer compensating for individual services, but rather for a holistic and coordinated care.

A reasonable estimate of the market volume of coordinated care is not possible due to the large number of different services. We currently offer coordinated care services mainly in North America and Asia-Pacific. Our services in Care

Coordination are adapted to the requirements of these markets. The expansion of our coordinated care services may vary across countries and regions, depending on the particular reimbursement system or market specifics.

#### THE MARKET FOR GENERIC IV DRUGS, BIOPHARMACEUTICALS, CLINICAL NUTRITION, INFUSION THERAPY, AND MEDICAL DEVICES / TRANSFUSION TECHNOLOGY<sup>1</sup>

The global market for generic IV drugs, biopharmaceuticals, clinical nutrition, infusion therapy, and medical devices / transfusion technology was worth about €86 billion in 2018.

Thereof, the global **market for generic IV drugs** was worth about €33 billion<sup>2</sup>. Fresenius Kabi was able to enter additional market segments of the global addressable market due to targeted investments and the expansion of our product portfolio, among others, in the area of complex formulations, liposomal solutions, and pre-filled syringes.

In Europe and the United States, the market for IV drugs grew by 4%. Growth is mainly achieved through products that are brought to market when the original drug goes off-patent, as well as through original off-patent products that are offered at steady prices due to a unique selling proposition. Additionally, market growth is based on price increases for single molecules by individual competitors. In the United States, the most important generic IV drug market for Fresenius Kabi, the company is one of the leading suppliers. Competitors include Pfizer, Sanofi, Sandoz, and Teva Pharmaceutical Industries.

In 2017, Fresenius Kabi successfully completed the acquisition of the biosimilar business of Merck KGaA. The transaction comprised the complete product pipeline, focusing on oncology and autoimmune diseases. The relevant **market for the original biopharmaceuticals** is worth about €32 billion.

In 2018, the global **market for clinical nutrition** was worth about €8 billion. In Europe, the market grew by about 3%. In Latin America, the clinical nutrition market saw growth of up to 10%. In Asia-Pacific, the market for enteral nutrition grew by about 10%. In the area of parenteral nutri-

tion, Fresenius Kabi's important market for three-chamber bags grew by 6% to 8% in Asia-Pacific. In Africa, these two segments also showed positive growth. There is growth potential in clinical nutrition worldwide, because nutrition therapies are often not yet sufficiently used in patient care, although studies have proven their medical and economic benefits. In cases of health- or age-induced nutritional deficiencies, for example, the administration of clinical nutrition can reduce hospital costs through shorter stays and less nursing care. In the market for clinical nutrition, Fresenius Kabi is one of the leading companies worldwide. In parenteral nutrition, the company is the leading supplier worldwide. In the market for enteral nutrition, Fresenius Kabi is one of the leading suppliers in Europe, Latin America, and China. In parenteral nutrition, competitors include Baxter, B. Braun, and Shanxi Pude Pharmaceuticals. In the market for enteral nutrition, Fresenius Kabi competes with, among others, Danone, Nestlé, and Abbott.

In 2018, Fresenius Kabi considers its global **market for infusion therapy** to have been worth about €6 billion. The global market for infusion therapies grew by around 6%. Infusion therapies (e. g., electrolytes) are part of the medical standard in hospitals worldwide. Market growth is mainly driven by increasing product demand in emerging markets. Fresenius Kabi is the market leader in infusion therapy in Europe. Competitors include B. Braun and Baxter.

In 2018, the global **market for medical devices/transfusion technology** was worth more than €6 billion, including approximately €4 billion for medical devices and about €2 billion for transfusion technology. The market grew by approximately 4%. In the medical devices market, the main growth drivers are IT-based solutions that focus on application safety and therapy efficiency. In the transfusion technology market, growth is driven by generally increased demand for blood products in emerging markets. The decline in the demand for blood bags triggered by new treatment methods in Europe and the United States in recent years is coming to an end. The areas of plasma collection and therapeutic apheresis are also experiencing positive growth.

<sup>1</sup> Market data based on company research and refers to Fresenius Kabi's addressable markets. This is subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among other things. Market data for clinical nutrition refers to Fresenius Kabi's addressable markets, excluding Japan.

<sup>2</sup> Market definition adjusted as in prior year: among other items, sales volume of non-patented branded drugs is included.

In the medical devices segment, Fresenius Kabi ranks among the leading suppliers worldwide. International competitors include Baxter, B. Braun, and Becton, Dickinson and Company, as well as ICU Medical. In transfusion technology, Fresenius Kabi is one of the world's leading companies. Competitors include Haemonetics, Macopharma, and Terumo.

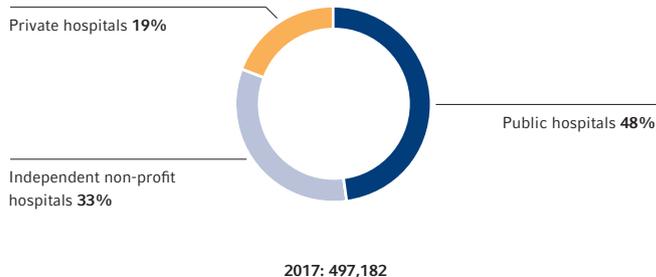
### THE HOSPITAL MARKET<sup>1</sup>

In 2017, the market of acute care hospitals in **Germany** was about €102 billion<sup>2</sup>, as defined by total costs of the German acute care hospitals (gross). Personnel expenses accounted for about 62% of hospital costs, and material costs for 38%. Personnel and material expenses rose by 5% and 3% respectively.

The admissions in the acute care hospital market decreased by 0.5% in 2017.

Although their economic situation has improved compared with previous years, almost a third (30%) of the German hospitals recorded losses in 2017. A further 11% broke even, and 59% were able to generate a profit for the year. The often difficult economic and financial situation of the hospitals is accompanied by significant **investment needs** driven by medical and technological advances, higher quality requirements, and necessary modernizations. Moreover, the federal states failed to meet their statutory obligation to provide sufficient financial resources in the past. This results into a continuously increasing investment backlog. The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) estimates that the annual investment requirement at German hospitals (excluding university hospitals) is at least €5.8 billion. This is about twice the funding for investment currently being provided by the federal states.

### HOSPITAL BEDS BY OPERATOR



Source: German Federal Statistical Office 2017

Helios Germany is the country's leading hospital operator in terms of sales, with a share of about 5.4% (2016: 5.5%) in the acute care market. The hospitals of Helios Germany compete mainly with individual hospitals or local and regional hospital associations. Among private hospital chains, our main competitors are Asklepios, Rhön-Klinikum, and Sana Kliniken.

The so-called change in value figure is relevant for the increase in the **reimbursement of hospital treatments**. It is used to compensate for rising costs in the hospital market, particularly with regard to personnel and material costs. The change in value figure is redetermined each year for the following year. For 2018 it was 2.97% (2017: 2.50%).

The **private Spanish hospital market volume** was about €14 billion<sup>3</sup> in 2017. In particular, the increasing number of privately insured patients is opening up growth opportunities for private operators. Private supplemental insurance in Spain is relatively inexpensive. It is required in order to make use of services in private hospitals. Among other factors, the comparatively short waiting times for scheduled treatments make private hospitals attractive.

### KEY FIGURES FOR INPATIENT CARE IN GERMANY

|   | 2017    | 2016    | 2015    | 2014    | 2013    | Change 2017/2016 |
|---|---------|---------|---------|---------|---------|------------------|
| Hospitals                                     | 1,942   | 1,951   | 1,956   | 1,980   | 1,996   | -0.5%            |
| Beds  | 497,182 | 498,718 | 499,351 | 500,680 | 500,671 | -0.3%            |
| Length of stay (days)                         | 7.3     | 7.3     | 7.3     | 7.4     | 7.5     | --               |
| Number of admissions (millions)               | 19.44   | 19.53   | 19.24   | 19.15   | 18.79   | -0.5%            |
| Average costs per admission in € <sup>1</sup> | 5,439   | 5,205   | 5,060   | 4,893   | 4,792   | 4.5%             |

<sup>1</sup> Total costs, gross

Source: German Federal Statistical Office 2017

<sup>1</sup> Most recent market data available: German Federal Statistical Office 2018; German Hospital Institute (DKI),

Krankenhaus Barometer 2018; Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI), Krankenhaus Rating Report 2018

<sup>2</sup> The market is defined by total costs of the German acute care hospitals (gross), less academic research and teaching.

<sup>3</sup> Market data based on company research and refers to the addressable market of Quirónsalud. Market definition includes neither public-private partnership (PPP) nor Occupational Risk Prevention centers (ORP). The market definition may differ from the definition in other contexts (e.g., regulatory definitions).

The opportunity for private hospital operators to expand their networks by building additional new hospitals opens up further potential. Since the Spanish market is highly fragmented, it has consolidation potential.

Quirónsalud is the market leader in Spain, with a market share of approximately 12% in the private hospital market in terms of sales. Quirónsalud competes with a large number of stand-alone private hospitals, as well as with smaller regional hospital chains such as Asisa, HM Hospitales, Hospiten, Ribera, Salud Sanitas, and Vithas.

### THE MARKET FOR PROJECTS AND SERVICES FOR HOSPITALS AND OTHER HEALTH CARE FACILITIES

The market for projects and services for hospitals and other health care facilities is very fragmented. Therefore, an overall market size cannot be determined. The market is country-specific and depends, to a large extent, on factors such as public health care policies, government regulation, and levels of privatization, as well as demographics and economic and political conditions. In **markets with established health care systems** and mounting cost pressure, the challenge for hospitals and other health care facilities is to increase their efficiency. Here, demand is especially high for sustainable planning and energy-efficient construction, optimized hospital processes, and the outsourcing of medical-technical support services to external specialists. This enables hospitals to concentrate on their core competency – treating patients. In addition to offering services for health care facilities worldwide, Fresenius Vamed itself is active as a post-acute care provider in several countries, including Germany, Austria, Switzerland, the Czech Republic, and the United Kingdom. By acquiring the post-acute care business of Fresenius Helios, Fresenius Vamed has become a leading provider in this field in Central Europe. In **emerging markets**, the focus is on building and developing infrastructure and improving the level of health care.

Fresenius Vamed is one of the world's leading companies in its market. The company has no **competitors** that cover its comprehensive portfolio of services across the entire life cycle worldwide. Competitors offer only parts of Fresenius

Vamed's service portfolio. Depending on the service, the company competes with international companies and consortia, as well as with local providers.

## OVERALL BUSINESS DEVELOPMENT

### THE MANAGEMENT BOARD'S ASSESSMENT OF THE EFFECT OF GENERAL ECONOMIC DEVELOPMENTS AND THOSE IN THE HEALTH CARE SECTOR FOR FRESENIUS

Overall, the development of the world economy had an only negligible impact on our industry in 2018. On the whole, the health care sector, both in mature and growth markets, developed positively, with continued increasing demand for health services. This had a positive effect on our business development.

### THE MANAGEMENT BOARD'S ASSESSMENT OF THE BUSINESS RESULTS AND SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

The advantages of our diversified Group structure were clearly evident in fiscal year 2018. We achieved our Group sales and earnings targets for fiscal year 2018. Hence, the Management Board is of the opinion that the Fresenius Group's performance in 2018 was successful overall.

Fresenius Medical Care's sales on a comparable basis in constant currency increased by 4%<sup>1</sup> to €16,547 million. On an adjusted basis<sup>2</sup>, net income attributable to shareholders of Fresenius Medical Care increased by 2% (4% in constant currency) to €1,185 million. On a comparable basis<sup>2</sup>, net income increased by 11% (14% in constant currency) to €1,377 million.

Fresenius Kabi achieved organic sales growth of 7%. EBIT<sup>3</sup> decreased by 3% (increased by 2% in constant currency) to €1,139 million. EBIT<sup>3</sup> before expenses for the further development of the biosimilars business increased by 5% (increased by 10% in constant currency) to €1,305 million. Organic sales growth of Fresenius Helios was 3%. EBIT was on the previous year's level at €1,052 million (increased by 3%<sup>4</sup>). Fresenius Vamed achieved organic sales growth of 16%. EBIT grew by 45% (9%<sup>4</sup>) to €110 million.

<sup>1</sup> 2017 adjusted for IFRS 15 adoption and divestitures of Care Coordination activities

<sup>2</sup> Before special items and after adjustments

<sup>3</sup> Before special items

<sup>4</sup> Adjusted for German post-acute care business transferred from Fresenius Helios to Fresenius Vamed

## COMPARISON OF THE ACTUAL BUSINESS RESULTS WITH THE FORECASTS

For 2018, we had assumed that strong demand for our products and services would continue. This proved to be the case.

The table below shows the guidance development for 2018 for the Group as well as for the business segments.

The financial developments at Fresenius Medical Care and Fresenius Helios, which were below our expectations, were only partially offset by the very good development at Fresenius Kabi. Hence, we narrowed the **Group sales and earnings growth guidance** to the low end of the respective ranges.

The guidance for the currency-adjusted **sales growth** was achieved by the Fresenius Group. At 6%<sup>1</sup>, this was within the targeted range of 5% to 8%<sup>1</sup>. **Net income**<sup>2,3</sup> increased by 7% in constant currency and was likewise within the targeted range of 6% to 9%. Excluding expenditures for the further development of the biosimilars business, net income<sup>2,3</sup> increased by 11% in constant currency and was thus within the guided range of ~10% to 13% as well.

Fresenius invested €2,163 million in **property, plant and equipment** (2017: €1,828 million). At 6.5%, the investments in property, plant and equipment are above the prior-year level of 5.4% as percentage of sales.

**Operating cash flow** was €3,742 million (2017: €3,937 million). The cash flow margin was 11.2% (2017: 11.6%)

### ACHIEVED GROUP TARGETS 2018

|   | Guidance 2018,<br>published<br>February 2018 | Guidance<br>adjustment/<br>concretization,<br>published May 2018 | Guidance<br>adjustment/<br>concretization,<br>published July 2018 | Guidance<br>adjustment/concretization,<br>published<br>October 2018 | Achieved in<br>2018 |
|---|--|--|---|---|---------------------|
| <b>Group</b>  |  |  |   |   |                     |
| Sales (growth, in constant currency)  | 5% – 8% <sup>3</sup>                         |  |   | confirmed<br>(low end)  | 6% <sup>3</sup>     |
| Net income <sup>1</sup> (growth, in constant currency)                          | 6% – 9% <sup>2</sup>                         |  |   | confirmed<br>(low end)  | 7% <sup>2</sup>     |
| Net income <sup>1</sup> (growth, in constant currency)<br>excluding biosimilars | ~10% – 13% <sup>2</sup>                      |  |   | confirmed<br>(low end)  | 11% <sup>2</sup>    |
| <b>Fresenius Medical Care</b>   |  |  |   |   |                     |
| Sales on a comparable basis<br>(growth, in constant currency)                   | ~8%  | 5% – 7%  |   | 2% – 3%   | 4%                  |
| Net income on a comparable basis <sup>4</sup><br>(growth, in constant currency) | 13% – 15%                                    |  |   | 11% – 12%   | 14%                 |
| Net income adjusted <sup>4</sup><br>(growth, in constant currency)              |  | 7% – 9%  |   | 2% – 3%   | 4%                  |
| <b>Fresenius Kabi</b>   |  |  |   |   |                     |
| Sales (growth, organic)   | 4% – 7%                                      |  |   | confirmed<br>(top end)  | 7%                  |
| EBIT <sup>7</sup> (growth, in constant currency)                                | -6% – -3%                                    |  | -2 – 1%   | 1% – 3%   | 2%                  |
| EBIT <sup>7</sup> (growth, in constant currency)<br>excluding biosimilars       | ~2% – 5%                                     |  | ~6 – 9%   | ~9% – 11%   | 10%                 |
| <b>Fresenius Helios</b>   |  |  |   |   |                     |
| Sales <sup>5</sup> (growth, organic)  | 3% – 6%                                      |  |   | confirmed<br>(low end)  | 3%                  |
| EBIT (growth)   | 7% – 10%                                     |  | 5 – 8% <sup>6</sup>   | 0% – 2% <sup>6</sup>  | 0% <sup>6</sup>     |
| <b>Fresenius Vamed</b>  |  |  |   |   |                     |
| Sales (growth, organic)   | 5% – 10%                                     |  |   | confirmed   | 16%                 |
| EBIT (growth)   | 5% – 10%                                     |  | 32 – 37% <sup>6</sup>   | confirmed   | 45% <sup>6</sup>    |

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

<sup>2</sup> Before special items and after adjustments

<sup>3</sup> 2017 adjusted for IFRS 15 adoption and divestitures of Care Coordination activities

<sup>4</sup> Net income attributable to shareholders of Fresenius Medical Care AG & Co. KGaA

<sup>5</sup> Helios Spain contributes 11 months to organic growth

<sup>6</sup> After transfer of the German post-acute care business from Fresenius Helios to Fresenius Vamed

<sup>7</sup> Before special items

<sup>1</sup> 2017 adjusted for IFRS 15 adoption and divested Care Coordination activities

<sup>2</sup> Net income attributable to the shareholders of Fresenius SE & Co. KGaA

<sup>3</sup> Before special items and after adjustments

and therefore in line with our expectations. We had expected to achieve a cash flow margin between 10% and 12%.

Group **net debt/EBITDA** was 2.71<sup>1,2</sup> (31 December 2017: 2.84<sup>1,2</sup>) and excluding divestitures of Care Coordination activities 2.91<sup>1,2</sup>.

Group **ROIC** was 8.3%<sup>2</sup> (2017: 8.0%<sup>2</sup>), and Group **ROOA** was 9.0%<sup>2</sup> (2017: 9.4%<sup>2</sup>). The change is mainly driven by a lower EBIT due to currency translation effects and the R & D expenses for the biosimilars business. For the ROIC these effects were compensated by lower tax expenses due to the US tax reform.

## RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

### RESULTS OF OPERATIONS

#### Sales

In 2018, we increased Group sales<sup>3</sup> by 6% in constant currency and by 2% at actual rates to €33,530 million (2017: €32,841 million). The chart on the right shows the various influences on Fresenius' Group sales.

In 2018, Fresenius Medical Care faced effects from the shift of calcimimetic drugs into the clinical environment and from lower sales with commercial payors. Sales of Fresenius Helios are impacted by a decline in admissions. The volume decline was offset by DRG price increases and better outcome from the negotiations with the payors. In addition to that, there were no major effects due to changes in **product mix** or changes in **prices** in 2018.

Negative currency translation effects of 4% were mainly driven by the devaluation of the U.S. dollar and the Argentinian peso against the euro.

**Sales growth by region** is shown in the table below.

#### SALES BY REGION

| € in millions | 2018          | 2017                      | Change    | Organic sales growth | Currency translation effects | Acquisitions/divestitures | % of total sales <sup>4</sup> |
|---------------|---------------|---------------------------|-----------|----------------------|------------------------------|---------------------------|-------------------------------|
| North America | 13,861        | 14,048 <sup>3</sup>       | -1%       | 3%                   | -4%                          | 0%                        | 42%                           |
| Europe        | 14,484        | 13,767                    | 5%        | 3%                   | -1%                          | 3%                        | 43%                           |
| Asia-Pacific  | 3,366         | 3,182                     | 6%        | 8%                   | -3%                          | 1%                        | 10%                           |
| Latin America | 1,387         | 1,431                     | -3%       | 16%                  | -20%                         | 1%                        | 4%                            |
| Africa        | 432           | 413                       | 5%        | 7%                   | -2%                          | 0%                        | 1%                            |
| <b>Total</b>  | <b>33,530</b> | <b>32,841<sup>3</sup></b> | <b>2%</b> | <b>4%</b>            | <b>-4%</b>                   | <b>2%</b>                 | <b>100%</b>                   |

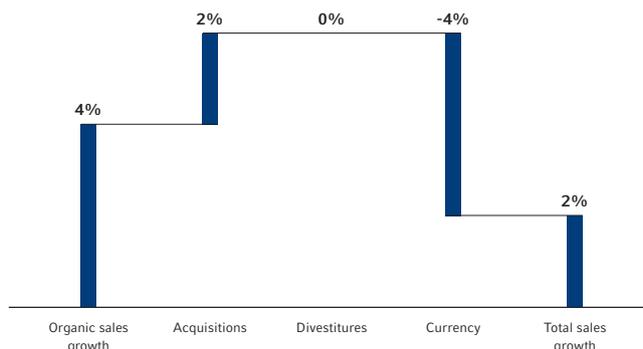
<sup>1</sup> At average exchange rates for the last 12 months for both net debt and EBITDA

<sup>2</sup> Pro forma closed acquisitions/divestitures, excluding NxStage transaction; before special items

<sup>3</sup> 2017 adjusted for IFRS 15 adoption and divestitures of Care Coordination activities

<sup>4</sup> Based on contribution to consolidated sales

#### SALES GROWTH ANALYSIS



**Sales growth in the business segments** was as follows:

- ▶ Sales of Fresenius Medical Care decreased by 7% (-2% in constant currency) to €16,547 million (2017: €17,784 million). Organic sales growth was 4%. Currency translation effects reduced sales by 5%. The adoption of IFRS 15 reduced sales by 3%. With the 2017 base additionally adjusted for divestitures of Care Coordination activities, sales decreased by 1% (increased by 4% in constant currency). Health Care services sales<sup>3</sup> (dialysis services and care coordination) decreased by 2% (increased by 4% in constant currency) to €13,264 million (2017: €13,487 million). With €3,283 million (2017: €3,252 million), Health Care product sales increased by 1% (5% in constant currency).
- ▶ Fresenius Kabi increased sales by 3% to €6,544 million (2017: €6,358 million). Sales growth was mainly driven by persisting IV drug shortages and new product launches in the United States. Moreover, Fresenius Kabi achieved strong sales growth in the emerging markets. Organic

sales growth was 7%. Negative currency translation effects (4%) were mainly related to the devaluation of the U.S. dollar, the Argentinian peso, and the Brazilian real against the euro.

- Fresenius Helios increased sales by 4% (6%<sup>1</sup>) to €8,993 million (2017: €8,668 million). Organic sales growth was 3%. Sales of Helios Germany decreased by 2% (increased by 2%<sup>1</sup>) to €5,970 million (2017: €6,074 million). Sales were impacted by a decline in admissions, inter alia due to a trend towards outpatient treatments. To profit from this trend, Helios Germany is expanding outpatient services offerings in a separate division. In addition, vacancies among doctors and specialized nurses in some of our hospitals led to a decline in the number of cases. Measures to swiftly fill vacant positions were intensified. Helios Spain increased sales by 17% (organic growth: 6%) to €3,023 million, mainly due to the additional month of consolidation compared to the prior-year period and excellent operating performance.
- Fresenius Vamed increased sales by 37% (19%<sup>1</sup>) to €1,688 million (2017: €1,228 million). Sales in the project business increased by 17% to €712 million (2017: €606 million). Sales in the service business grew by 57% to €976 million (2017: €622 million). The increase in sales is due to a strong momentum in both the project and

service businesses as well as increased sales from services for Fresenius Helios. The strong increase in the service business was mainly driven by the transfer of the German post-acute care business from Fresenius Helios to Fresenius Vamed effective July 1, 2018. **Order intake** in the project business again developed well; it increased to €1,227 million (2017: €1,096 million). Fresenius Vamed increased its **order backlog** by 13% to €2,420 million (December 31, 2017: €2,147 million). Fresenius Vamed is the only business segment within the Fresenius Group whose business is significantly influenced by order intake and order backlog.

### Earnings structure

**Group net income<sup>2</sup> after special items** increased by 12% to €2,027 million (2017: €1,814 million). Growth in constant currency was 15%. **Earnings per share<sup>2</sup> after special items** increased to €3.65 (2017: €3.27). This represents an increase of 12% at actual rates and of 15% in constant currency. The weighted average number of shares was 555.5 million.

**Group net income<sup>2,3</sup> before special items** increased by 3% to €1,871 million (2017: €1,816 million). Growth in constant currency was 6%. **Earnings per share<sup>2,3</sup>** increased to €3.37 (2017: €3.28). This represents an increase of 3% at actual rates and of 6% in constant currency.

### SALES BY BUSINESS SEGMENT

| € in millions          | 2018   | 2017                | Change | Organic sales growth | Currency translation effects | Acquisitions/Divestitures | % of total sales <sup>5</sup> |
|------------------------|--------|---------------------|--------|----------------------|------------------------------|---------------------------|-------------------------------|
| Fresenius Medical Care | 16,547 | 16,739 <sup>4</sup> | -1%    | 4%                   | -5%                          | 0%                        | 49%                           |
| Fresenius Kabi         | 6,544  | 6,358               | 3%     | 7%                   | -4%                          | 0%                        | 19%                           |
| Fresenius Helios       | 8,993  | 8,668               | 4%     | 3%                   | 0%                           | 1%                        | 27%                           |
| Fresenius Vamed        | 1,688  | 1,228               | 37%    | 16%                  | -1%                          | 22%                       | 5%                            |

### ORDER INTAKE AND ORDER BACKLOG – FRESENIUS VAMED

| € in millions               | 2018  | 2017  | 2016  | 2015  | 2014  |
|-----------------------------|-------|-------|-------|-------|-------|
| Order intake                | 1,227 | 1,096 | 1,017 | 904   | 840   |
| Order backlog (December 31) | 2,420 | 2,147 | 1,961 | 1,650 | 1,398 |

<sup>1</sup> Adjusted for German post-acute care business transferred from Fresenius Helios to Fresenius Vamed

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

<sup>3</sup> Before special items

<sup>4</sup> 2017 adjusted for IFRS 15 adoption and divestitures of Care Coordination activities

<sup>5</sup> Based on contribution to consolidated sales

**Group net income<sup>1,3</sup> before special items and after adjustments** increased by 4% (7% in constant currency) to €1,871 million (2017: €1,804 million). Earnings per share<sup>1,3</sup> increased by 3% (6% in constant currency) to €3.37 (2017: €3.26).

**Group net income<sup>1,3</sup> before expenses for the further development of the biosimilars business** increased by 8% to €1,991 million (2017: €1,847 million). Growth in constant currency was 11%. **Earnings per share<sup>1,3</sup> before expenses for the further development of the biosimilars business** increased to €3.58 (2017: €3.33). This represents an increase of 8% at actual rates and of 11% in constant currency.

With the exception of hyperinflation in Argentina, inflation did not have a significant impact on our results of operations.

**Group EBITDA<sup>3</sup>** decreased by 3% to €5,991 million (2017: €6,174 million). This corresponds to 0% in constant currency. **Group EBIT<sup>3</sup>** decreased by 4% to €4,561 million (2017: €4,746 million). This corresponds to a decrease of 1% in constant currency.

**EBIT development by business segment** was as follows:

- ▶ Fresenius Medical Care's EBIT increased by 29% (constant currency: 33%) to €3,038 million (2017: €2,362 million), mainly driven by the divestitures of Care Coordination activities. EBIT growth was also negatively impacted by the difficult economic situation in some emerging markets, including hyperinflation in Argentina. The EBIT margin increased to 18.4% (2017: 13.3%). EBIT on a comparable basis increased by 6% in constant currency and EBIT margin was 14.2% (2017: 13.6%).
- ▶ Fresenius Kabi's EBIT<sup>2</sup> decreased by 3% (increased by 2% in constant currency) to €1,139 million (2017: €1,177 million). The increase in constant currency was mainly driven by strong sales and earnings growth in the United States and in the emerging markets. The EBIT<sup>2</sup> margin was 17.4% (2017: 18.5%). Fresenius Kabi's EBIT<sup>2</sup> before expenses for the further development of the biosimilars business increased by 5% (10% in constant currency) to €1,305 million (2017: €1,237 million). The EBIT<sup>2</sup> margin was 19.9% (2017: 19.5%).

- ▶ The EBIT of Fresenius Helios remained on the previous year's level at €1,052 million (increased by 3%<sup>4</sup>). The EBIT margin was 11.7% (2017: 12.1%). EBIT of Helios Germany decreased by 14% (-10%<sup>4</sup>) to €625 million. The EBIT margin was 10.5% (2017: 11.9%). This was mainly due to the low sales growth and the transfer of the post-acute facilities to Fresenius Vamed. The significant fixed-cost base in the hospital business has a disproportionately strong operating leverage effect on EBIT as the market dynamics and sales development slow down. Furthermore, the development of Helios Germany is slowed by additional catalogue effects, preparatory structural measures for expected regulatory requirements (e. g., clustering), and a lack of privatization opportunities in the German market. An unexpectedly high fluctuation rate among doctors and the shortage of personnel in the field of nursing had an additional negative impact on earnings. EBIT of Helios Spain increased by 26% to €413 million (2017: €327 million), mainly due to the strong operating performance and the additional month of consolidation compared to the prior-year period, with a margin of 13.7% (2017: 12.6%).
- ▶ Fresenius Vamed increased EBIT by 45% (9%<sup>4</sup>) to €110 million (2017: €76 million). The EBIT margin increased to 6.5% (2017: 6.2%).

#### Development of other major items in the statement of income

**Group gross profit** decreased by 6% (-3% in constant currency) to €9,834 million (2017: €10,491 million). The gross margin increased to 29.3% (2017: 31.0%). The **cost of sales** increased by 1% to €23,696 million (2017: €23,395 million). Cost of sales as a percentage of Group sales increased to 70.7% in 2018, compared to 69.0% in 2017.

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

<sup>2</sup> Before special items

<sup>3</sup> Before special items and after adjustments

<sup>4</sup> Adjusted for German post-acute care business transferred from Fresenius Helios to Fresenius Vamed

**Selling, general, and administrative expenses** consisted primarily of personnel costs, marketing and distribution costs, and depreciation and amortization. These expenses decreased by 27% to €3,910 million (2017: €5,344 million). This change is mainly due to divestitures of Care Coordination activities. Their ratio as a percentage of Group sales decreased to 11.7% (2017: 15.8%). **R & D expenses** were €673 million (2017: €558 million). They increased by 21%, mainly due to the R & D expenses for the further development of the biosimilars business. **Depreciation and amortization** was €1,430 million (2017: €1,437 million). The ratio as a percentage of sales was 4.3% (2017: 4.2%). Group **personnel costs** decreased to €13,426 million (2017: €13,496 million). The personnel cost ratio was 40.0% (2017: 39.8%).

**Group net interest** improved to -€587 million (2017: -€667 million). The change is mainly driven by refinancings at lower rates, lower debt, currency effects as well as proceeds from the divestitures of Care Coordination activities at Fresenius Medical Care.

The decrease of the **Group tax rate** before special items to 22.0% (2017: 28.0%) was mainly due to the U.S. tax reform and some positive one-time effects at Fresenius Medical Care and Fresenius Kabi.

**Noncontrolling interest** increased to €1,687 million (2017: €1,219 million). Of this, 96% was attributable to the noncontrolling interest in Fresenius Medical Care.

The following table shows the profit margin development in 2018.

#### GROUP RETURN RATIOS

| in %   | 2018 <sup>1</sup> | 2017 <sup>1</sup> | 2016 | 2015 <sup>1</sup> | 2014 <sup>1</sup> |
|--|-------------------|-------------------|------|-------------------|-------------------|
| EBITDA margin  | 17.9              | 18.5              | 18.7 | 18.3              | 17.5              |
| EBIT margin  | 13.6              | 14.3              | 14.6 | 14.3              | 13.5              |
| Return on sales (before taxes and noncontrolling interest) | 11.9              | 12.3              | 12.6 | 12.1              | 10.9              |

<sup>1</sup> Before special items

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 58 to 61.

#### STATEMENT OF INCOME (SUMMARY)

| € in millions  | 2018          | 2017    | Change | Change in constant currency |
|--|---------------|---------|--------|-----------------------------|
| <b>Sales</b>   | <b>33,530</b> | 33,886  | -1%    | 2%                          |
| Cost of goods sold   | -23,696       | -23,395 | -1%    | -5%                         |
| Gross profit   | 9,834         | 10,491  | -6%    | -3%                         |
| Selling, general, and administrative expenses                        | -3,910        | -5,344  | 27%    | 24%                         |
| Research and development expenses                                    | -673          | -558    | -21%   | -23%                        |
| EBIT   | 5,251         | 4,589   | 14%    | 18%                         |
| Net interest   | -587          | -667    | 12%    | 10%                         |
| Income taxes   | -950          | -889    | -7%    | -11%                        |
| Noncontrolling interest in profit                                    | -1,687        | -1,219  | -38%   | -43%                        |
| <b>Net income (before special items)<sup>1</sup></b>                 | <b>1,871</b>  | 1,816   | 3%     | 6%                          |
| Net income <sup>1</sup>  | 2,027         | 1,814   | 12%    | 15%                         |
| Earnings per ordinary share in € (before special items) <sup>1</sup> | 3.37          | 3.28    | 3%     | 6%                          |
| Earnings per ordinary share in € <sup>1</sup>                        | 3.65          | 3.27    | 12%    | 15%                         |
| EBITDA   | 6,681         | 6,026   | 11%    | 14%                         |
| Depreciation and amortization  | 1,430         | 1,437   | 0%     | 2%                          |

<sup>1</sup> Net income attributable to the shareholders of Fresenius SE & Co. KGaA

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 58 to 61.

## RECONCILIATION FRESENIUS GROUP

| € in millions  | 2018          | 2017          | Growth rate | Growth rate<br>in constant<br>currency |
|--|---------------|---------------|-------------|--|
| <b>Sales reported</b>  | <b>33,530</b> | <b>33,886</b> | <b>-1%</b>  | <b>2%</b>                              |
| Adjustments from IFRS 15   | -             | -486          |             |  |
| Divestitures of Care Coordination activities at Fresenius Medical Care (FMC) (H2/2017)                 | -             | -559          |             |  |
| <b>Sales basis for growth rates</b>  | <b>33,530</b> | <b>32,841</b> | <b>2%</b>   | <b>6%</b>                              |
| <b>EBIT reported (after special items)</b>   | <b>5,251</b>  | <b>4,589</b>  | <b>14%</b>  | <b>18%</b>                             |
| Transaction Costs Akorn, biosimilars   | 35            | 41            |             |  |
| Revaluations of biosimilars contingent liabilities   | 7             | -             |             |  |
| Impact of FCPA-related charge  | 77            | 200           |             |  |
| Gain related to divestitures of Care Coordination activities   | -809          | -             |             |  |
| <b>EBIT (before special items)</b>   | <b>4,561</b>  | <b>4,830</b>  | <b>-6%</b>  | <b>-3%</b>                             |
| Divestitures of Care Coordination activities at FMC (H2/2017)  | -             | -84           |             |  |
| <b>EBIT basis for growth rates (before special items and after adjustments)</b>                        | <b>4,561</b>  | <b>4,746</b>  | <b>-4%</b>  | <b>-1%</b>                             |
| Expenditures for further development of biosimilars business   | 166           | 60            |             |  |
| <b>EBIT basis for growth rates (before special items and after adjustments; excluding biosimilars)</b> | <b>4,727</b>  | <b>4,806</b>  | <b>-2%</b>  | <b>1%</b>                              |
| <b>Net interest reported (after special items)</b>   | <b>-587</b>   | <b>-667</b>   | <b>12%</b>  | <b>10%</b>                             |
| Bridge Financing Costs Akorn   | 17            | 15            |             |  |
| <b>Net interest (before special items)</b>   | <b>-570</b>   | <b>-652</b>   | <b>13%</b>  | <b>10%</b>                             |
| Divestitures of Care Coordination activities at FMC (H2/2017)  | -             | 22            |             |  |
| <b>Net interest (before special items and after adjustments)</b>                                       | <b>-570</b>   | <b>-630</b>   | <b>10%</b>  | <b>7%</b>                              |
| Expenditures for further development of biosimilars business   | 7             | 2             |             |  |
| <b>Net interest (before special items and after adjustments; excluding biosimilars)</b>                | <b>-563</b>   | <b>-628</b>   | <b>10%</b>  | <b>8%</b>                              |

### Reconciliation to Group net income

Consolidated results for 2018 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 (transaction-related expenses). Moreover, special items arose from gains/losses of divestitures in Care Coordination and the impact of the FCPA-related charge at Fresenius Medical Care. Furthermore, special items from revaluations of biosimilars' contingent liabilities are included.

In order to compare the results with the scope of original guidance, key figures are additionally adjusted for expenditures for further development of the biosimilars business and divestitures of Care Coordination activities at Fresenius Medical Care.

The special items shown within the reconciliation tables are reported in the Group Corporate/Other segment.

## RECONCILIATION FRESENIUS GROUP

| € in millions  | 2018          | 2017          | Growth rate | Growth rate<br>in constant<br>currency |
|--|---------------|---------------|-------------|--|
| <b>Income taxes reported (after special items)</b>   | <b>-950</b>   | <b>-889</b>   | <b>-7%</b>  | <b>-11%</b>                            |
| Transaction Costs Akorn, biosimilars   | -10           | -9            |             |  |
| Bridge Financing Costs Akorn   | -5            | -4            |             |  |
| Revaluations of biosimilars contingent liabilities   | -2            | -             |             |  |
| FCPA-related charge  | -49           | -             |             |  |
| Gain related to divestitures of Care Coordination activities   | 136           | -             |             |  |
| U.S. tax reform  | -             | -266          |             |  |
| <b>Income taxes (before special items)</b>   | <b>-880</b>   | <b>-1,168</b> | <b>25%</b>  | <b>22%</b>                             |
| Divestitures of Care Coordination activities at FMC (H2/2017)  | -             | 20            |             |  |
| <b>Income taxes (before special items and after adjustments)</b>   | <b>-880</b>   | <b>-1,148</b> | <b>23%</b>  | <b>21%</b>                             |
| Expenditures for further development of biosimilars business   | -53           | -19           |             |  |
| <b>Income taxes (before special items and after adjustments;<br/>excluding biosimilars)</b>                      | <b>-933</b>   | <b>-1,167</b> | <b>20%</b>  | <b>17%</b>                             |
| <b>Noncontrolling interest (after special items)</b>   | <b>-1,687</b> | <b>-1,219</b> | <b>-38%</b> | <b>-43%</b>                            |
| FCPA-related charge  | -19           | -138          |             |  |
| Gain related to divestitures of Care Coordination activities   | 466           | -             |             |  |
| U.S. tax reform  | -             | 163           |             |  |
| <b>Noncontrolling interest (before special items)</b>  | <b>-1,240</b> | <b>-1,194</b> | <b>-4%</b>  | <b>-7%</b>                             |
| Divestitures of Care Coordination activities at FMC (H2/2017)  | -             | 30            |             |  |
| <b>Noncontrolling interest (before special items and after adjustments)</b>                                      | <b>-1,240</b> | <b>-1,164</b> | <b>-7%</b>  | <b>-10%</b>                            |
| <b>Net income reported (after special items)</b>   | <b>2,027</b>  | <b>1,814</b>  | <b>12%</b>  | <b>15%</b>                             |
| Transaction Costs Akorn, biosimilars   | 25            | 32            |             |  |
| Bridge Financing Costs Akorn   | 12            | 11            |             |  |
| Revaluations of biosimilars contingent liabilities   | 5             | -             |             |  |
| FCPA-related charge  | 9             | 62            |             |  |
| Gain related to divestitures of Care Coordination activities   | -207          | -             |             |  |
| U.S. tax reform  | -             | -103          |             |  |
| <b>Net income (before special items)</b>   | <b>1,871</b>  | <b>1,816</b>  | <b>3%</b>   | <b>6%</b>                              |
| Divestitures of Care Coordination activities at FMC (H2/2017)  | -             | -12           |             |  |
| <b>Net income basis for growth rates (before special items<br/>and after adjustments)</b>                        | <b>1,871</b>  | <b>1,804</b>  | <b>4%</b>   | <b>7%</b>                              |
| Expenditures for further development of biosimilars business   | 120           | 43            |             |  |
| <b>Net income basis for growth rates (before special items<br/>and after adjustments; excluding biosimilars)</b> | <b>1,991</b>  | <b>1,847</b>  | <b>8%</b>   | <b>11%</b>                             |

## RECONCILIATION BUSINESS SEGMENTS

Reconciliation according to Fresenius Medical Care

### FRESENIUS MEDICAL CARE

| € in millions  | 2018          | 2017          | Growth rate | Growth rate<br>in constant<br>currency |
|--|---------------|---------------|-------------|--|
| <b>Sales reported</b>  | <b>16,547</b> | <b>17,784</b> | <b>-7%</b>  | <b>-2%</b>                             |
| Effect from IFRS 15 implementation   | -             | -486          |             |  |
| Divestitures of Care Coordination activities (H2/2017)                                   | -             | -559          |             |  |
| <b>Revenue on a comparable basis</b>   | <b>16,547</b> | <b>16,739</b> | <b>-1%</b>  | <b>4%</b>                              |
| VA Agreement <sup>1</sup>  | -             | -94           |             |  |
| <b>Sales adjusted</b>  | <b>16,547</b> | <b>16,645</b> | <b>-1%</b>  | <b>4%</b>                              |
| <b>EBIT reported</b>   | <b>3,038</b>  | <b>2,362</b>  | <b>29%</b>  | <b>33%</b>                             |
| Gain related to divestitures of Care Coordination activities                             | -809          | -             |             |  |
| Divestitures of Care Coordination activities (H2/2017)                                   | -             | -84           |             |  |
| 2018 FCPA <sup>2</sup> -related charge   | 77            | -             |             |  |
| U.S. ballot initiatives  | 40            | -             |             |  |
| <b>EBIT on a comparable basis</b>  | <b>2,346</b>  | <b>2,278</b>  | <b>3%</b>   | <b>6%</b>                              |
| VA Agreement <sup>1</sup>  | -             | -87           |             |  |
| Natural disaster costs   | -             | 18            |             |  |
| 2017 FCPA <sup>2</sup> -related charge   | -             | 200           |             |  |
| <b>EBIT adjusted</b>   | <b>2,346</b>  | <b>2,409</b>  | <b>-3%</b>  | <b>1%</b>                              |
| <b>Net income reported</b>   | <b>1,982</b>  | <b>1,280</b>  | <b>55%</b>  | <b>60%</b>                             |
| Gain related to divestitures of Care Coordination activities                             | -673          | -             |             |  |
| Divestitures of Care Coordination activities (H2/2017)                                   | -             | -38           |             |  |
| 2018 FCPA <sup>2</sup> -related charge   | 28            | -             |             |  |
| U.S. ballot initiatives  | 40            | -             |             |  |
| <b>Net income on a comparable basis</b>  | <b>1,377</b>  | <b>1,242</b>  | <b>11%</b>  | <b>14%</b>                             |
| VA Agreement <sup>1</sup>  | -             | -51           |             |  |
| Natural disaster costs   | -             | 11            |             |  |
| 2017 FCPA <sup>2</sup> -related charge   | -             | 200           |             |  |
| U.S. tax reform (excl. impact of Divestitures of Care Coordination activities (H2/2017)) | -192          | -240          |             |  |
| <b>Net income adjusted</b>   | <b>1,185</b>  | <b>1,162</b>  | <b>2%</b>   | <b>4%</b>                              |

<sup>1</sup> Effects from the agreement with the United States Departments of Veterans Affairs and Justice

<sup>2</sup> FCPA – Foreign Corrupt Practices Act

Reconciliation according to the Fresenius Group

### FRESENIUS MEDICAL CARE

| € in millions  | 2018         | 2017         | Growth rate | Growth rate<br>in constant<br>currency |
|--|--------------|--------------|-------------|--|
| <b>EBIT reported (after special items)</b>                   | <b>3,038</b> | <b>2,362</b> | <b>29%</b>  | <b>33%</b>                             |
| Gain related to divestitures of Care Coordination activities | -809         | -            |             |  |
| FCPA <sup>1</sup> -related charge                            | 77           | 200          |             |  |
| <b>EBIT (before special items)</b>                           | <b>2,306</b> | <b>2,562</b> | <b>-10%</b> | <b>-7%</b>                             |
| <b>Net income reported (after special items)</b>             | <b>1,982</b> | <b>1,280</b> | <b>55%</b>  | <b>60%</b>                             |
| Gain related to divestitures of Care Coordination activities | -673         | -            |             |  |
| FCPA <sup>1</sup> -related charge                            | 28           | 200          |             |  |
| U.S. tax reform  | -            | -236         |             |  |
| <b>Net income (before special items)</b>                     | <b>1,337</b> | <b>1,244</b> | <b>7%</b>   | <b>10%</b>                             |

<sup>1</sup> FCPA – Foreign Corrupt Practices Act

## RECONCILIATION BUSINESS SEGMENTS

### FRESENIUS KABI

| € in millions  | 2018         | 2017         | Growth rate | Growth rate<br>in constant<br>currency |
|--|--------------|--------------|-------------|--|
| <b>Sales reported</b>  | <b>6,544</b> | <b>6,358</b> | <b>3%</b>   | <b>7%</b>                              |
| Transaction Costs Akorn, biosimilars   | 34           | 41           |             |  |
| Revaluations of biosimilars contingent liabilities   | 7            | -            |             |  |
| <b>EBIT (before special items)</b>   | <b>1,139</b> | <b>1,177</b> | <b>-3%</b>  | <b>2%</b>                              |
| Expenditure for further development of biosimilars business                                | 166          | 60           |             |  |
| <b>EBIT basis for growth rates (before special items; excluding biosimilars)</b>           | <b>1,305</b> | <b>1,237</b> | <b>5%</b>   | <b>10%</b>                             |
| Transaction Costs Akorn, biosimilars   | 24           | 32           |             |  |
| Revaluations of biosimilars contingent liabilities   | 5            | -            |             |  |
| Book gain from U.S. tax reform   | -            | -30          |             |  |
| <b>Net income (before special items)</b>   | <b>742</b>   | <b>702</b>   | <b>6%</b>   | <b>12%</b>                             |
| Expenditures for further development of biosimilars business                               | 120          | 43           |             |  |
| <b>Net income basis for growth rates<br/>(before special items; excluding biosimilars)</b> | <b>862</b>   | <b>745</b>   | <b>16%</b>  | <b>21%</b>                             |

### FRESENIUS HELIOS

| € in millions  | 2018         | 2017         | Growth rate |
|--|--------------|--------------|-------------|
| <b>Sales reported</b>  | <b>8,993</b> | <b>8,668</b> | <b>4%</b>   |
| German post-acute care business transferred from Fresenius Helios to Fresenius Vamed | 230          | -            |             |
| <b>Sales adjusted</b>  | <b>9,223</b> | <b>8,668</b> | <b>6%</b>   |
| <b>EBIT reported</b>   | <b>1,052</b> | <b>1,052</b> | <b>0%</b>   |
| German post-acute care business transferred from Fresenius Helios to Fresenius Vamed | 27           | -            |             |
| <b>EBIT adjusted</b>   | <b>1,079</b> | <b>1,052</b> | <b>3%</b>   |

### FRESENIUS VAMED

| € in millions  | 2018         | 2017         | Growth rate |
|--|--------------|--------------|-------------|
| <b>Sales reported</b>  | <b>1,688</b> | <b>1,228</b> | <b>37%</b>  |
| German post-acute care business transferred from Fresenius Helios to Fresenius Vamed | -230         | -            |             |
| <b>Sales adjusted</b>  | <b>1,458</b> | <b>1,228</b> | <b>19%</b>  |
| <b>EBIT reported</b>   | <b>110</b>   | <b>76</b>    | <b>45%</b>  |
| German post-acute care business transferred from Fresenius Helios to Fresenius Vamed | -27          | -            |             |
| <b>EBIT adjusted</b>   | <b>83</b>    | <b>76</b>    | <b>9%</b>   |

## FINANCIAL POSITION

### Financial management policies and goals

The financing strategy of the Fresenius Group has the following main objectives:

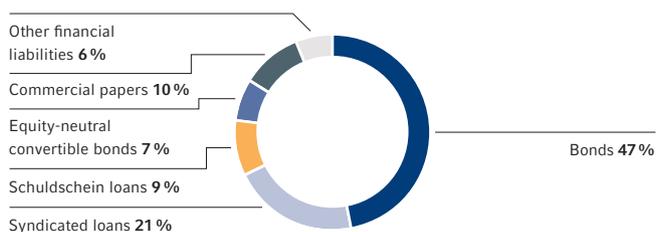
- ▶ Ensure financial flexibility
- ▶ Optimize the weighted average cost of capital

Ensuring financial flexibility is key to the financing strategy of the Fresenius Group. This is achieved through a broad spectrum of financing instruments, taking market capacity, investor diversification, flexibility, credit covenants, and the current maturity profile into consideration. The Group's **maturity profile** is characterized by a broad spread of maturities with a large proportion of mid- to long-term financing. We also take into account the currency in which our earnings and cash flows are generated when selecting the **financing instruments**, and match them with appropriate debt structures in the respective currencies.

The Group's main debt financing instruments are shown in the chart on the right. Sufficient **financial cushion** is assured for the Fresenius Group by unused syndicated and bilateral credit lines. In addition, Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA maintain commercial paper programs. The Fresenius Medical Care accounts receivable securitization program offers additional financing options.

Another main objective of the Fresenius Group's financing strategy is to **optimize the weighted average cost of capital** by employing a balanced mix of equity and debt. Due to the Company's diversification within the health care sector and the strong market positions of the business segments in global, growing, and non-cyclical markets, predictable and sustainable cash flows are generated. These allow for a reasonable proportion of debt, i. e., the use of a comprehensive mix of financial instruments. A capital increase may also be

### FINANCING MIX OF THE FRESENIUS GROUP



Dec. 31, 2018: €18,984 million

considered in exceptional cases to ensure long-term growth, for example to finance a major acquisition.

In line with the Group's structure, financing for Fresenius Medical Care and the rest of the Fresenius Group is conducted separately. There are no joint financing facilities and no mutual guarantees. The Fresenius Kabi, Fresenius Helios, and Fresenius Vamed business segments are financed primarily through Fresenius SE & Co. KGaA, in order to avoid any structural subordination.

### Financing

Fresenius meets its **financing needs** through a combination of operating cash flows generated in the business segments and short-, mid-, and long-term debt. In addition to bank loans, important financing instruments include bonds, Schuldschein loans, convertible bonds, commercial paper programs, and an accounts receivable securitization program.

Due to the balanced maturity profile, **refinancing activities** were carried out only to a limited extent in 2018. In July 2018, Fresenius Medical Care AG & Co. KGaA issued a bond with a volume of €500 million and a tenor of seven years. The bond has a coupon of 1.5% and an issue price of 99.704%. It was issued under the Fresenius Medical Care European Medium Term Note (EMTN) program. In December 2018, Fresenius Medical Care increased its accounts receivable securitization program to US\$900 million and extended it until December 2021.

Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA maintain commercial paper programs under each of which up to €1.0 billion in short-term debt can be issued. As of December 31, 2018, €973 million of Fresenius SE & Co. KGaA's commercial paper program was utilized. Under Fresenius Medical Care AG & Co. KGaA's commercial paper program, €1.0 billion were outstanding.

The Fresenius Group has drawn about €4.8 billion of bilateral and syndicated credit lines. In addition, as of December 31, 2018, the Group had approximately €3.8 billion in unused credit lines available (including committed credit lines of about €3.0 billion). These credit facilities are mainly available for general corporate purposes. They are generally unsecured.

As of December 31, 2018, both Fresenius SE & Co. KGaA and Fresenius Medical Care AG & Co. KGaA, including all subsidiaries, complied with the covenants under their debt arrangements.

Detailed information on the Fresenius Group's financing can be found on pages 208 to 216 of the Notes. Further information on financing requirements in 2019 is included in the Outlook section on page 76.

### Effect of off-balance-sheet financing instruments on our financial position and liabilities

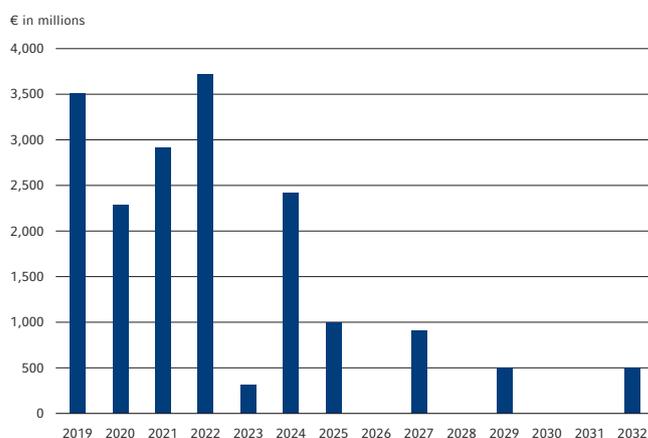
Fresenius is not involved in any off-balance-sheet transactions that are likely to have a significant impact on its financial position, expenses or income, results of operations, liquidity, investments, assets and liabilities, or capitalization in present or in future.

## FINANCIAL POSITION – FIVE-YEAR OVERVIEW

| € in millions                                     | 2018  | 2017  | 2016  | 2015  | 2014  |
|---|-------|-------|-------|-------|-------|
| Operating cash flow                               | 3,742 | 3,937 | 3,585 | 3,349 | 2,560 |
| as % of sales                                     | 11.2  | 11.6  | 12.2  | 12.0  | 10.9  |
| Working capital <sup>1</sup>                      | 7,827 | 7,771 | 6,998 | 6,091 | 5,451 |
| as % of sales                                     | 23.3  | 22.9  | 23.7  | 21.8  | 23.2  |
| Investments in property, plant and equipment, net | 2,077 | 1,705 | 1,616 | 1,484 | 1,344 |
| Cash flow before acquisitions and dividends       | 1,665 | 2,232 | 1,969 | 1,865 | 1,216 |
| as % of sales                                     | 5.0   | 6.6   | 6.7   | 6.7   | 5.2   |

<sup>1</sup> Trade accounts receivable and inventories, less trade accounts payable and payments received on accounts

## MATURITY PROFILE OF THE FRESENIUS GROUP FINANCING FACILITIES<sup>1,2</sup>



<sup>1</sup> As of December 31, 2018, major financing instruments

<sup>2</sup> Pro forma incl. newly issued Fresenius SE & Co. KGaA €500 million and €500 million bonds maturing in 2025 and 2029, excl. €300 million and €500 million bonds, maturing February and April 2019 and €200 million commercial papers

## Liquidity analysis

In general, key sources of liquidity were **operating cash flows** and **cash inflow from financing activities** including short-, mid-, and long-term debt. Cash flow from operations is influenced by the profitability of the business of Fresenius and by net working capital, especially accounts receivable. Cash inflow from financing activities is generated from short-term borrowings through the commercial paper programs, and by drawing on bank facilities. Additionally, Fresenius Medical Care can sell receivables under its accounts receivable securitization program. Mid- and long-term funding are mostly

provided by the syndicated credit agreements of Fresenius SE & Co. KGaA and Fresenius Medical Care, as well as by bonds, Schuldschein loans, and convertible bonds. Fresenius is convinced that its existing credit facilities and inflows from bond issuances, as well as the operating cash flows and additional sources of short-term funding, are sufficient to meet the Company's foreseeable liquidity needs.

The cash inflow of €1,531 million from the sale of Fresenius Medical Care's Care Coordination activities was primarily used to reduce financial liabilities. Therefore, there was an overall cash outflow from financing activities in 2018.

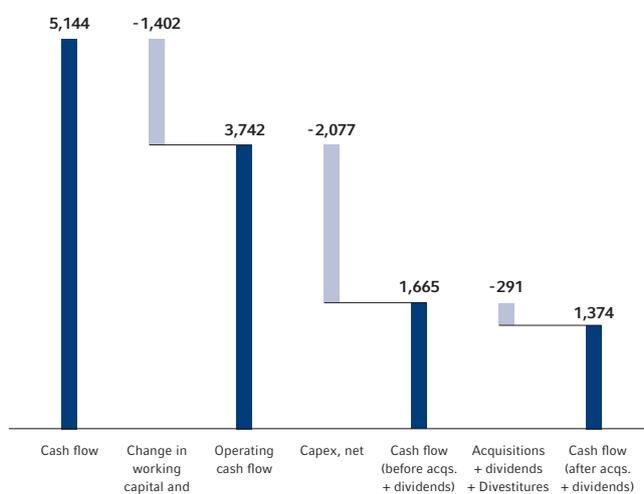
### Dividend

The general partner and the Supervisory Board will propose a dividend increase to the Annual General Meeting. For 2018, a dividend of €0.80 per share is proposed (2017: €0.75 per share). This is an increase of about 7%. The total dividend distribution will also increase by about 7% to €445 million (2017: €416 million).

### Cash flow analysis

Cash flow increased by 15% to €5,144 million (2017: €4,470 million). The change in working capital and others was

CASH FLOW IN € MILLIONS



-€1,402 million (2017: -€533 million), mainly due to business expansion. **Operating cash flow** decreased by 5% to €3,742 million (2017: €3,937 million). The decrease is mainly due to the following effects: Fresenius Medical Care received a ~€200

### CASH FLOW STATEMENT (SUMMARY)

| € in millions  | 2018         | 2017          | Change      | Margin       |
|--|--------------|---------------|-------------|--------------|
| Net income   | 3,714        | 3,033         | 22%         |              |
| Depreciation and amortization                                | 1,430        | 1,437         | 0%          |              |
| Change in working capital and others                         | -1,402       | -533          | -163%       |              |
| <b>Operating cash flow</b>                                   | <b>3,742</b> | <b>3,937</b>  | <b>-5%</b>  | <b>11.2%</b> |
| Capital expenditure, net                                     | -2,077       | -1,705        | -22%        |              |
| <b>Cash flow before acquisitions and dividends</b>           | <b>1,665</b> | <b>2,232</b>  | <b>-25%</b> | <b>5.0%</b>  |
| Cash used for acquisitions, net                              | 613          | -5,865        | --          |              |
| Dividends paid   | -904         | -924          | 2%          |              |
| <b>Cash flow after acquisitions and dividends</b>            | <b>1,374</b> | <b>-4,557</b> | <b>--</b>   |              |
| Cash provided by/used for financing activities               | -369         | 4,796         | --          |              |
| Effect of exchange rate changes on cash and cash equivalents | 68           | -182          | --          |              |
| <b>Change in cash and cash equivalents</b>                   | <b>1,073</b> | <b>57</b>     | <b>--</b>   |              |

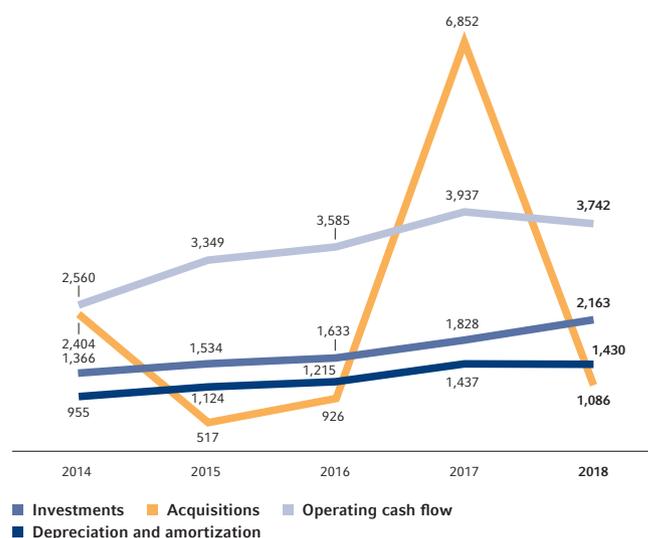
The detailed cash flow statement is shown in the consolidated financial statements.

million payment under the VA agreement in the prior-year period. Furthermore, the earnings decrease at Helios Germany and a change in working capital items at Fresenius Helios impacted the cash flow development. In addition, negative currency translation effects weighed on the cash flow development in 2018. The cash flow margin was 11.2% (2017: 11.6%). Operating cash flow was more than sufficient to meet all financing needs for investment activities, excluding acquisitions, whereby cash used for capital expenditure was €2,149 million, and proceeds from the sale of property, plant and equipment were €72 million (2017: €1,823 million and €118 million, respectively).

**Cash flow before acquisitions and dividends** was €1,665 million (2017: €2,232 million). This was sufficient to finance the Group dividends of €904 million. Group dividends consisted of dividend payments of €416 million to the shareholders of Fresenius SE & Co. KGaA, payments of €325 million by Fresenius Medical Care to its shareholders, and dividends paid to third parties of €263 million (primarily relating to Fresenius Medical Care). These payments were offset by the dividend of €100 million, which Fresenius SE & Co. KGaA received as a shareholder of Fresenius Medical Care. The cash inflow of €1,531 million from divestitures of Care Coordination activities at Fresenius Medical Care was primarily used to reduce financial liabilities. Therefore, net acquisition expenditures were €613 million. Overall, cash used for financing activities was €369 million (2017 cash provided by financing activities: €4,796 million).

Cash and cash equivalents increased by €1,073 million to €2,709 million as of December 31, 2018 (December 31, 2017: €1,636 million). Cash and cash equivalents were positively influenced by currency translation effects of €68 million (2017: -€182 million).

#### INVESTMENTS, ACQUISITIONS, OPERATING CASH FLOW, DEPRECIATION AND AMORTIZATION IN € MILLIONS – FIVE-YEAR OVERVIEW



#### Investments and acquisitions

In 2018, the Fresenius Group provided €3,249 million (2017: €8,680 million) for investments and acquisitions. **Investments in property, plant and equipment** increased to €2,163 million (2017: €1,828 million). At 6.5% of sales (2017: 5.4%), this was well above the depreciation level of €1,430 million and serves as the basis for enabling expansion and preserving the Company's value over the long term. A total of €1,086 million was invested in **acquisitions** (2017: €6,852 million). Of the total capital expenditure in 2018, 67% was invested in property, plant and equipment and 33% was spent on acquisitions.

The table below shows the distribution of investments/acquisitions by business segment.

#### INVESTMENTS/ACQUISITIONS BY BUSINESS SEGMENT

| € in millions          | 2018         | 2017         | Thereof property, plant and equipment | Thereof acquisitions | Change      | % of total  |
|------------------------|--------------|--------------|---------------------------------------|----------------------|-------------|-------------|
| Fresenius Medical Care | 2,014        | 1,627        | 1,057                                 | 957                  | 24%         | 62%         |
| Fresenius Kabi         | 615          | 585          | 572                                   | 43                   | 5%          | 19%         |
| Fresenius Helios       | 501          | 6,394        | 441                                   | 60                   | -92%        | 15%         |
| Fresenius Vamed        | 540          | 49           | 44                                    | 496                  | --          | 17%         |
| Corporate/Other        | -421         | 25           | 49                                    | -470                 | --          | -13%        |
| <b>Total</b>           | <b>3,249</b> | <b>8,680</b> | <b>2,163</b>                          | <b>1,086</b>         | <b>-63%</b> | <b>100%</b> |

The chart on the right shows the regional breakdown.

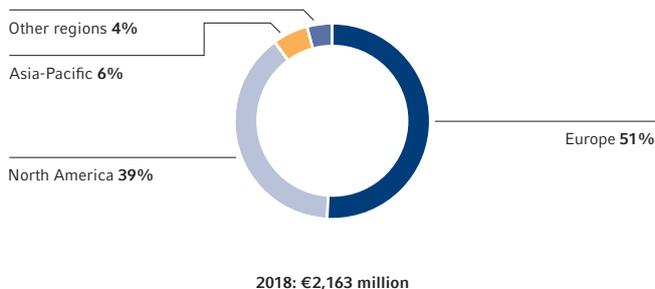
The cash outflow for acquisitions is primarily related to the following business segments:

- ▶ Fresenius Medical Care's acquisition spendings were mainly related to the purchase of dialysis clinics as well as an equity investment in Humacyte, Inc., a medical research and development company.
- ▶ Fresenius Kabi's acquisition spending was mainly for already planned acquisition-related milestone payments relating to the acquisition of the biosimilars business from Merck KGaA.
- ▶ Fresenius Helios' acquisition spending was mainly for the purchase of outpatient clinics in Germany.
- ▶ Fresenius Vamed's acquisition spending was mainly for the purchase of Fresenius Helios' German post-acute care business.

The main investments in property, plant and equipment were as follows:

- ▶ modernization of existing, and equipping of new, dialysis clinics at Fresenius Medical Care.
- ▶ optimization and expansion of production facilities, primarily in North America and Europe for Fresenius Medical Care, and for Fresenius Kabi, primarily in Europe, North America, and Asia. Significant individual projects for Fresenius Kabi were investments in the production plant in Melrose Park near Chicago and investments in Wilson, North Carolina.
- ▶ new building and modernization of hospitals at Fresenius Helios. The most significant individual projects were the Amper-Kliniken, hospitals in Duisburg, Wiesbaden, and Wuppertal, and the construction of a proton beam therapy center in Madrid.

#### INVESTMENTS BY REGION



Investments in property, plant and equipment of €544 million will be made in 2019, to continue with major ongoing **investment projects on the reporting date**. These are investment obligations mainly for hospitals at Fresenius Helios, as well as investments to expand and optimize production facilities for Fresenius Medical Care and Fresenius Kabi. These projects will be financed from operating cash flow.

#### 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 early 2019.

### Termination of the merger agreement with Akorn, Inc.

In the lawsuit by Akorn, Inc., a U.S.-based manufacturer and marketer of prescription and over-the-counter pharmaceutical products, against Fresenius for the consummation of the April 2017 merger agreement, the Supreme Court in the U.S. state of Delaware ruled in favor of Fresenius on December 7, 2018. As this is the highest court in Delaware, no further appeal is possible.

Fresenius terminated the merger agreement due to Akorn's failure to fulfill several closing conditions. An independent investigation initiated by Fresenius had revealed, among other things, material breaches of FDA data integrity requirements relating to Akorn's operations. Akorn responded by suing in the Court of Chancery in Delaware for the consummation of the agreement, but Akorn's lawsuit has been dismissed by the Court of Chancery of Delaware in the first instance, as well as in the second and last instance before the Delaware Supreme Court.

Fresenius intends to hold Akorn liable for damages suffered as a result of lost acquisition expenses.

### Divestment of Sound Holdings, LLC

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\$1,771 million (€1,531 million). The pre-tax gain related to divestitures for Care Coordination activities was €809 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.

### INVESTMENTS AND ACQUISITIONS

| € in millions   | 2018         | 2017         | Change      |
|---|--------------|--------------|-------------|
| Investment in property, plant and equipment               | 2,163        | 1,828        | 18%         |
| thereof maintenance                                       | 47%          | 51%          |             |
| thereof expansion   | 53%          | 49%          |             |
| Investment in property, plant and equipment as % of sales | 6.5          | 5.4          |             |
| Acquisitions  | 1,086        | 6,852        | -84%        |
| <b>Total investments and acquisitions</b>                 | <b>3,249</b> | <b>8,680</b> | <b>-63%</b> |

### ASSETS AND LIABILITIES

#### Asset and liability structure

The **total assets** of the Group rose by 7% to €56,703 million (Dec. 31, 2017: €53,133 million). In constant currency, this was an increase of 5%. The increase is mainly driven by business expansion. Inflation had no significant impact on the assets of Fresenius in 2018.

**Current assets** increased to €14,790 million (Dec. 31, 2017: €12,604 million). Within current assets, trade accounts receivable increased by 4% to €6,540 million (Dec. 31, 2017: €6,260 million). At 74 days, average days sales outstanding was above the previous year's level (65).

**Inventories** decreased by 1% to €3,218 million (Dec. 31, 2017: €3,252 million). The scope of inventory in 2018 was 60 days (Dec. 31, 2017: 50 days). The ratio of inventories to total assets decreased to 5.7% (Dec. 31, 2017: 6.1%).

### ASSETS AND LIABILITIES – FIVE-YEAR OVERVIEW

| € in millions   | 2018   | 2017   | 2016   | 2015   | 2014   |
|---|--------|--------|--------|--------|--------|
| Total assets  | 56,703 | 53,133 | 46,697 | 43,233 | 39,955 |
| Shareholders' equity <sup>1</sup>                           | 25,008 | 21,720 | 20,849 | 18,453 | 15,860 |
| as % of total assets <sup>1</sup>                           | 44     | 41     | 45     | 43     | 40     |
| Shareholders' equity <sup>1</sup> /non-current assets, in % | 60     | 54     | 60     | 56     | 52     |
| Debt  | 18,984 | 19,042 | 14,780 | 14,769 | 15,348 |
| as % of total assets  | 33     | 36     | 32     | 34     | 38     |
| Gearing in %  | 65     | 80     | 63     | 74     | 89     |

<sup>1</sup> Including noncontrolling interest

**Non-current assets** increased by 3% to €41,913 million (Dec. 31, 2017: €40,529 million). In constant currency, the increase was 2%. Additions to property, plant and equipment, and to goodwill had a strong effect. The goodwill and intangible assets in the amount of €28,843 million (Dec. 31, 2017: €28,457 million) has proven sustainable and increased mainly due to the acquisitions made in fiscal year 2018. The addition to the goodwill from acquisitions was €495 million in fiscal year 2018. Please see page 203 ff. of the Notes for further information.

**Shareholders' equity, including noncontrolling interest**, rose by 15% to €25,008 million (Dec. 31, 2017: €21,720 million). In constant currency, shareholders' equity, including noncontrolling interest, rose by 13%. **Group net income** attributable to Fresenius SE & Co. KGaA increased shareholders' equity by €2,027 million. The equity ratio, including noncontrolling interest, was 44.1% as of December 31, 2018 (Dec. 31, 2017: 40.9%).

The liabilities and equity side of the balance sheet shows a solid financing structure. Total shareholders' equity, including noncontrolling interest, covers 60% of non-current assets (Dec. 31, 2017: 54%). Shareholders' equity, noncontrolling interest, and long-term liabilities cover all non-current assets and 47% of inventories.

**Long-term liabilities** decreased by 11% to €18,420 million as of December 31, 2018 (Dec. 31, 2017: €20,748 million). **Short-term liabilities** increased by 24% to €13,275 million (Dec. 31, 2017: €10,665 million).

Besides the FCPA provision (for details please see page 206 f.), the Group has no additional major other **accruals** that are of major significance as individual items.

**Group debt** remained on the prior year's level at €18,984 million (decreased by 2% in constant currency). Its relative weight in the balance sheet was 33% (Dec. 31, 2017: 36%). Approximately 28% of the Group's debt is denominated in U.S. dollars. Liabilities due in less than one year were €4,944 million (Dec. 31, 2017: €2,899 million), while liabilities due in more than one year were €14,040 million (Dec. 31, 2017: €16,143 million).

**Group net debt** decreased by 6% (-8% in constant currency) to €16,275 million (Dec. 31, 2017: €17,406 million).

The net debt to equity ratio including noncontrolling interest (gearing) is 65% (Dec. 31, 2017: 80%).

The return on equity after taxes<sup>1</sup> (equity attributable to shareholders of Fresenius SE & Co. KGaA) increased to 12.1% (Dec. 31, 2017: 13.3%). The return on total assets after taxes and before noncontrolling interest<sup>1</sup> decreased to 5.5% (2017: 5.7%).

Group ROIC was 8.3%<sup>1</sup> (2017: 8.0%<sup>1</sup>), and Group ROOA was 9.0%<sup>1</sup> (2017: 9.4%<sup>1</sup>). Within the position invested capital, the goodwill of €25.7 billion had a significant effect on the calculation of ROIC. It is important to take into account that approximately 67% of the goodwill is attributable to the strategically significant acquisitions of National Medical Care in 1996, Renal Care Group and HELIOS Kliniken in 2006, APP

## FIVE-YEAR OVERVIEW FINANCING KEY FIGURES

|                                  | Dec. 31, 2018 <sup>1,2</sup> | Dec. 31, 2017 <sup>1,2</sup> | Dec. 31, 2016 <sup>2</sup> | Dec. 31, 2015 <sup>1</sup> | Dec. 31, 2014 <sup>1,2</sup> |
|----------------------------------|------------------------------|------------------------------|----------------------------|----------------------------|------------------------------|
| Debt/EBITDA                      | 3.2                          | 3.1                          | 2.7                        | 2.9                        | 3.7                          |
| Net debt/EBITDA <sup>3</sup>     | 2.7                          | 2.8                          | 2.3                        | 2.7                        | 3.2                          |
| Net debt/EBITDA <sup>4</sup>     | 2.7                          | 2.8                          | 2.4                        | 2.7                        | 3.4                          |
| EBITDA/net interest <sup>1</sup> | 10.5                         | 9.6                          | 9.5                        | 8.4                        | 6.8                          |

<sup>1</sup> Before special items

<sup>2</sup> Pro forma acquisitions/divestitures

<sup>3</sup> At LTM average exchange rates for both net debt and EBITDA

<sup>4</sup> Net debt at year-end exchange rate; EBITDA at LTM average exchange rates

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 58 to 61.

<sup>1</sup> Pro forma closed acquisitions/divestitures, excluding NxStage transaction; before special items

For a detailed overview of special items and adjustments please see the reconciliation tables on pages 58 to 61.

Pharmaceuticals in 2008, Liberty Dialysis Holdings in 2012, hospitals of Rhön-Klinikum AG in 2014, and Quirónsalud and the biosimilars business in 2017. Those have significantly strengthened the competitive position of the Fresenius Group.

In 2018, the Fresenius Group's return on invested capital (ROIC) substantially exceeded our cost of capital. The WACC (weighted average cost of capital) of Fresenius Medical Care was 5.99%; the WACC of the other business segments was 5.79%.

### Currency and interest risk management

The nominal value of all foreign currency hedging contracts was €3,301 million as of December 31, 2018. These contracts had a market value of -€2 million. The nominal value of interest rate hedging contracts was €381 million. These contracts had a market value of €5 million. Please see the Opportunities and Risk Report on pages 85f. and the Notes on pages 235 to 246.

#### ROIC AND ROOA BY BUSINESS SEGMENTS:

| in %                                  | ROIC |      | ROOA |      |
|---------------------------------------|------|------|------|------|
|                                       | 2018 | 2017 | 2018 | 2017 |
| Fresenius Medical Care <sup>1,2</sup> | 9.5  | 8.9  | 10.0 | 10.9 |
| Fresenius Kabi <sup>1,2</sup>         | 10.2 | 9.0  | 11.1 | 10.8 |
| Fresenius Helios <sup>1</sup>         | 5.8  | 6.2  | 6.8  | 6.9  |
| Fresenius Vamed <sup>3</sup>          | –    | –    | 9.1  | 9.8  |
| Group <sup>1,2</sup>                  | 8.3  | 8.0  | 9.0  | 9.4  |

<sup>1</sup> Pro forma acquisitions

<sup>2</sup> Before special items

<sup>3</sup> ROIC: invested capital is insignificant due to prepayments, cash, and cash equivalents

### CORPORATE RATING

The credit quality of Fresenius is assessed and regularly reviewed by the leading rating agencies Moody's, Standard & Poor's, and Fitch. Fresenius continues to be rated investment grade by all rating agencies.

The table below shows the company rating and the respective outlook as of December 31, 2018.

#### RATING OF FRESENIUS SE & CO. KGAA

|                         | Dec. 31, 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        |