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*Interim Report on IFRS*

Fresenius Medical Care AG & Co. KGaA,  
Hof an der Saale, Germany

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## **Interim management report**

In this report, "FMC-AG & Co. KGaA," or the "Company," "we," "us" or "our" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires. You should read the following discussion and analysis of the results of operations of the Company and its subsidiaries in conjunction with our unaudited consolidated financial statements and related notes contained elsewhere in this report and our disclosures and discussions in our consolidated financial statements for the year ended December 31, 2019 are prepared in accordance with sections 315 and 315e of the German Commercial Code ("HGB") as well as the German Accounting Standards Numbers 17 and 20, contained in the Company's Annual Report 2019. The information within this interim management report is unaudited. The term "North America Segment" refers to our North America operating segment; the term "EMEA Segment" refers to the Europe, Middle East and Africa operating segment, the term "Asia-Pacific Segment" refers to our Asia-Pacific operating segment, and the term "Latin America Segment" refers to our Latin America operating segment. The term "Corporate" includes certain headquarters' overhead charges, including accounting and finance, centrally managed production, asset management, quality management, procurement and research and development. The term "Constant Currency" or at "Constant Exchange Rates" means that we have translated local currency revenue, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items for the current reporting period into euro using the prior year exchange rates to provide a comparable analysis without effect from exchange rate fluctuations on translation, as described below under Section II ."Discussion of measures – Non-IFRS measures" in the chapter "Economic report".

### **Forward-looking statements**

This report contains forward-looking statements. When used in this report, the words "outlook," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates" and similar expressions are generally intended to identify forward looking statements. Although we believe that the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are inherently subject to risks and uncertainties, many of which cannot be predicted with accuracy and some of which might not even be anticipated, and future events and actual results, financial and otherwise, could differ materially from those set forth in or contemplated by the forward-looking statements contained elsewhere in this report. We have based these forward-looking statements on current estimates and assumptions made to the best of our knowledge. By their nature, such forward-looking statements involve risks, uncertainties, assumptions and other factors which could cause actual results, including our financial condition and profitability, to differ materially, positively or negatively, relative to the results expressly or implicitly described in or suggested by these statements. Moreover, forward-looking estimates or predictions derived from third parties' studies or information may prove to be inaccurate. Consequently, we cannot give any assurance regarding the future accuracy of the opinions set forth in this report or the actual occurrence of the projected developments described herein. In addition, even if our future results meet the expectations expressed here, those results may not be indicative of our performance in future periods.

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These risks, uncertainties, assumptions, and other factors, including associated costs, could cause actual results to differ from our projected results and include, among others, the following:

- changes in governmental and commercial insurer reimbursement for our complete products and services portfolio, including the United States ("U.S.") Medicare reimbursement system for dialysis and other health care services, including potentially significant changes to the Patient Protection and Affordable Care Act of 2010 (Pub.L. 111-148), as amended by the Health Care and Education Reconciliation Act (Pub.L. 111-152) (collectively, "ACA") that could be enacted due to the announced intention of the Trump administration to continue its efforts to repeal and replace the ACA or result from pending legal challenges to the ACA;
- the outcome of government and internal investigations as well as litigation;
- risks relating to compliance with current and future government regulations applicable to our business including sanctions and export control laws and regulations, the impact of health care, tax and trade law reforms and regulation as well as, in the U.S., the Anti-Kickback Statute, the False Claims Act, the Stark Law, the Health Insurance Portability and Accountability Act, the Health Information Technology for Economic and Clinical Health Act, the Foreign Corrupt Practices Act ("FCPA") including the monitor agreement with the U.S. Department of Justice, the Food, Drug and Cosmetic Act, and outside the U.S., inter alia, the European Union ("EU") Medical Device Directive, which will be repealed by the new EU Medical Device Regulation as of May 26, 2021, the EU General Data Protection Regulation, the two invoice policy and the Tendering and Bidding Law in China and other related local legislation as well as other comparable regulatory regimes in many of the countries where we supply health care services and/or products;
- possible future disruptions in federal government agencies' operations and funding that could negatively impact regulatory approvals for our pharmaceutical products, medical devices and regulatory guidance;
- the influence of commercial insurers and integrated care organizations, including efforts by these organizations to manage costs by limiting health care benefits, reducing provider reimbursement and/or restricting options for patient funding of health insurance premiums;
- product liability risks;
- risks relating to our ability to continue to make acquisitions, including our ability to develop our core dialysis business to increase future growth and product sales;
- risks relating to our ability to attract and retain skilled employees, including shortages of skilled clinical personnel, and risks that legislative, union, or other labor-related activities or changes will result in significant increases in our operating costs or decreases in productivity;
- the impact of currency and interest rate fluctuations;
- potential impairment of our goodwill, investments or other assets due to decreases in the recoverable amount of those assets relative to their book value, particularly as a result of sovereign rating agency downgrades;
- our ability to protect our information technology systems against cyber security attacks or prevent other data privacy or security breaches;
- changes in our costs of purchasing and utilization patterns for pharmaceuticals as well as changes in raw material and energy costs or the inability to procure raw materials;

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- introduction of generic or new pharmaceuticals and medical devices that compete with our products or services or the development of pharmaceuticals that greatly reduce the progression of chronic kidney disease;
- launch of new technology, advances in medical therapies, or new market entrants that compete with our medical businesses;
- potential increases in tariffs and trade barriers that could result from withdrawal by single or multiple countries from multilateral trade agreements or the imposition of retaliatory tariffs and other countermeasures in the wake of trade disputes;
- collectability of our receivables, which depends primarily on the efficacy of our billing practices and the financial stability and liquidity of our governmental and commercial payors;
- our ability to achieve cost savings in various health care risk management programs in which we participate or intend to participate;
- the greater size, market power, experience and product offerings of certain competitors in certain geographic regions and business lines;
- the use of accounting estimates, judgments and accounting pronouncement interpretations in our consolidated financial statements; and
- the impact of the on-going worldwide severe acute respiratory syndrome coronavirus 2 ("COVID-19") pandemic, including, without limitation, a significant increase in persons experiencing renal failure which may be attributable to COVID-19, as well as the impacts of the virus on our patients, caregivers, employees, suppliers, business and operations, and consequences of an economic downturn resulting from the impacts of COVID-19.

Important factors that could contribute to such differences are noted in the section "Supplemental risk factors" below and in the chapter "Economic report", section I. "Macroeconomic and sector-specific environment" below, in note 8 in this report and in note 22 of the notes to consolidated financial statements as well as chapter "Risks and opportunities report", section "Risks" in the group management report of the Annual Report 2019.

Our business is also subject to other risks and uncertainties that we describe from time to time in our public filings. Developments in any of these areas could cause our results to differ materially from the results that we or others have projected or may project.

Our reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that are the basis of our financial statements. The actual accounting policies, the judgments made in the selection and application of these policies, as well as the sensitivities of reported results to changes in accounting policies, assumptions and estimates, are factors to be considered along with our financial statements and the discussion under "Results of operations, financial position and net assets" below.

Rounding adjustments applied to individual numbers and percentages shown in this and other reports may result in these figures differing immaterially from their absolute values.

### **Supplemental risk factors**

As a result of the current global economic climate, specifically as it relates to COVID-19, we are subject to additional risks, and we have updated previously disclosed risks, related to the on-going worldwide crisis described below. We are, and will continue to be, subject to the risks described in the section "Risks" in the group management report of the Annual Report 2019 and the supplemental risk factors described below should be read in conjunction with those risk factors.

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We are subject to risks associated with public health crises and epidemics/pandemics, such as the global spread of the COVID-19 pandemic which may result in increased costs and restrictions on our business activities and the business activities of our suppliers and our customers, resulting in a material adverse effect on our business, results of operations and financial condition.

Our global operations expose us to risks associated with public health crises and epidemics/pandemics, such as the rapid global spread of the COVID-19 pandemic. COVID-19 has resulted in a material deterioration of the conditions for the global economy and financial markets have been materially affected which may, as a result, adversely affect our business, results of operations and financial condition. While the financial impact of COVID-19 on us has not been significant to date, it is currently impossible to estimate or quantify the extent of its prospective negative effects on our business, results of operations and financial condition. The COVID-19 pandemic may have an adverse impact on our operations, manufacturing, supply chains and distribution channels and increase our expenses, including as a result of impacts associated with preventive and precautionary measures that we, our suppliers, customers and other businesses or governments impose on a local, regional, national or international level. Due to these impacts and measures, we are incurring incremental expenses to provide care to our patients and we are experiencing both reductions and increases in demand for certain of our products as health care customers re-prioritize the treatment of patients. We expect to continue to experience significant and unpredictable expenses, reductions and increases in the immediately foreseeable future. In addition to existing travel restrictions, countries may continue to close borders, restrict certain product flows, impose prolonged quarantines and further restrict travel, which may significantly impact the ability of our employees to produce products or provide services, or may significantly hamper our products from moving through the supply chain.

In addition to the effects on our health care products business, given the already compromised health condition of our typical dialysis patients, our patients represent a heightened at-risk population, particularly during a public health crisis, such as the COVID-19 outbreak. Our in-center and home patients must receive their life-saving dialysis treatment several days a week for three to four hours at a time, which presents a unique challenge for patients and their care teams. We must ensure that there are enough clinical staff, including nurses, social workers, dietitians, care technicians and available space to treat all of our patients, including those who are or may be infected with COVID-19, in a manner that does not unnecessarily expose our care teams or other patients for whom we provide dialysis services. We have incurred, and expect to continue to incur, extra costs in establishing isolated treatment areas for COVID-positive and suspected patients and implementing other precautions as well as incur costs to identify, contain and remedy the impact in the event that a staff member or patient is determined to have developed COVID-19. It appears that COVID-19 has resulted in a significant increase in persons experiencing temporary renal failure, and we could incur additional staffing costs required to meet the resulting increased demand for dialysis treatment and/or to provide equipment and medical staff needed for emergency treatments, for example in hospitals. To the extent that the COVID-19 pandemic increases the historical normal mortality rate in our patient population, our near-term operating results may be materially and adversely affected. COVID-19 has resulted, and may continue to result, in more of our dialysis patients requiring hospitalization, which could also materially and adversely affect our financial results, including those of our value-based and shared risk products and services.

In the US, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") has been enacted to mitigate certain adverse financial impacts of the pandemic, including impacts in the health care sector. Additional funding provided under the CARES Act provides some financial support to our business in the U.S. through suspension of the 2% Medicare payment sequestration reduction from May to December 2020, accelerated and advance payments of Medicare reimbursement and grants to defray expenses and mitigate the loss

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of revenues related to the COVID-19 pandemic. However, these measures may not fully offset potential lost revenues and increased costs. Further legislation and amendments to existing legislation intended to fight the COVID-19 pandemic and its adverse economic consequences can be expected in the markets in which we operate. As the COVID-19 pandemic is prolonged, the risk of further government intervention or measures to counteract the pandemic could impact our business globally. It is currently not possible to estimate or to quantify any effects of such legislative measures on our business.

Furthermore, the outbreak of COVID-19 could disrupt our operations due to absenteeism among our workforce. As a result of these and potentially other factors, and given the rapid and evolving nature of the virus, COVID-19 could negatively affect our results, and it is uncertain how COVID-19 will affect our global operations generally if these impacts persist or are exacerbated over an extended period of time. Any of these impacts could have a material adverse effect on our business, financial condition and results of operations.

Global economic conditions as well as disruptions in financial markets may have an adverse effect on our businesses.

We are dependent on the conditions of the financial markets and the global economy. In order to pursue our business, we are reliant on capital markets, as are our renal product customers and commercial health care insurers. Limited or more expensive access to capital in the financial markets could adversely affect our business and profitability. Among other things, the potential decline in federal and state revenues in an economic slowdown or recession may create additional pressures to contain or reduce reimbursements for our services from public payors around the world, including Medicare, Medicaid in the United States and other government sponsored programs in the United States and other countries around the world.

Devaluation of currencies and worsening economic conditions, including inflationary cost increases in various markets in connection with deteriorating country credit ratings also increase the risk of a goodwill impairment, which could lead to a partial or total goodwill write-off in the affected cash generating units, or have a negative impact on our investments and external partnerships. In addition, uncertainty in the financial markets could adversely affect the variable interest rates payable under our credit facilities or could make it more difficult to obtain or renew such facilities or to obtain other forms of financing in the future as access to these capital markets is restricted. Most recently, the rapid global spread of the COVID-19 pandemic has resulted in a material deterioration of the conditions for the global economy and financial markets have been materially and adversely affected which could have adverse effects on our financial condition and our liquidity.

Job losses or increases in the unemployment rate in the United States may result in a smaller percentage of our patients being covered by employer group health plans and a larger percentage being covered by lower paying Medicare and Medicaid programs. Unemployment rates globally have been impacted by the COVID-19 outbreak, which adversely affected the global economy and could, should the effects continue, result in an economic downturn that may adversely impact our operating results. The extent to which the COVID-19 outbreak impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. To the extent that our commercial payors are negatively impacted by a decline in the economy, including the projected decline resulting from the COVID-19 pandemic, we may experience further pressure on commercial rates, a further slowdown in collections and a reduction in the amounts we expect to collect.

Any or all of these factors, or other consequences of the continuation, or worsening, of domestic and global economic conditions which cannot currently be predicted, could continue to have a material adverse effect on our businesses and results of operations.

We could be adversely affected if we experience shortages of goods or material price increases from our suppliers, or an inability to access new and improved products and technology.

Our business is dependent on the reliable supply of several raw materials for production and service purposes. If we are unable to obtain sufficient quantities of these raw materials at times of limited availability of such materials, this could result in delays in production and hence have an adverse effect on our results of operations. Similarly, price increases by suppliers and the inability to access new products or technology could also adversely affect our results of operations.

Our procurement risk mitigation efforts include (i) the development of partnerships with strategic suppliers through framework contracts, (ii) where reasonably practicable, at least two sources for all supply and price-critical primary products (dual sourcing, multiple sourcing), and (iii) measures to prevent loss of suppliers, such as risk analyses as well as continuous supply chain monitoring. Any failure of these measures to mitigate disruptive goods shortages and potential price increases or to allow access to favorable new product and technology developments could have an adverse impact on our business and financial condition.

Measures taken by governmental authorities and private actors to limit the spread of the COVID-19 virus have interfered, and may continue to interfere, with the ability of our employees, suppliers, and other business providers to carry out their assigned tasks or supply materials at ordinary levels of performance. While the financial impact of these actions on us has not been material to date, given the rapid spread and evolving nature of the virus, it is uncertain how COVID-19 will affect our global operations generally if these actions persist or are expanded over an extended period of time.

## **Economic Report**

### **I. Macroeconomic and sector-specific environment**

#### **Overview**

We are the world's largest kidney dialysis company, based on publicly reported revenue and number of patients treated. We provide dialysis care and related services to persons who suffer from end-stage renal disease ("ESRD") as well as other health care services. We also develop, manufacture and distribute a wide variety of health care products, which includes dialysis and non-dialysis products. Our dialysis products include hemodialysis machines, peritoneal cyclers, dialyzers, peritoneal solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals and systems for water treatment. Our non-dialysis products include acute cardiopulmonary and apheresis products. We supply dialysis clinics we own, operate or manage with a broad range of products and also sell dialysis products to other dialysis service providers. We sell our health care products to customers in around 150 countries and we also use them in our own health care service operations. Our dialysis business is therefore vertically integrated. We describe certain of our other health care services as "Care Coordination." Care Coordination currently includes, but is not limited to, value and risk-based arrangements, pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, physician nephrology and cardiology services, urgent care services and ambulant treatment services. All of these Care Coordination services together with dialysis care and related services represent our health care services. We estimated the volume of the global dialysis market was approximately €80 billion in

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2019. Due to the complexity and evolving nature of Care Coordination services, we are currently unable to estimate the global volume of this market. Dialysis patient growth results from factors such as the aging population and increased life expectancies; shortage of donor organs for kidney transplants; increasing incidence of kidney disease and better treatment of and survival of patients with diabetes, hypertension and other illnesses, which frequently lead to the onset of chronic kidney disease; improvements in treatment quality, new pharmaceuticals and product technologies, which prolong patient life; and improving standards of living in developing countries, which make life-saving dialysis treatment available. We are also engaged in different areas of health care research.

As a global company delivering health care services and products, we face the challenge of addressing the needs of a wide variety of stakeholders, such as patients, customers, payors, regulators and legislators in many different economic environments and health care systems. In general, government-funded programs (in some countries in coordination with private insurers) pay for certain health care items and services provided to their citizens. Not all health care systems provide for dialysis treatment. Therefore, the reimbursement systems and ancillary services utilization environment in various countries significantly influence our business.

### **Premium assistance programs**

On August 18, 2016, the Centers for Medicare and Medicaid Services ("CMS") issued a request for information ("RFI") seeking public comment about providers' alleged steering of patients inappropriately to individual plans offered on the Patient Protection and Affordable Care Act individual health insurance market. The holding company for our U.S. operations, Fresenius Medical Care Holdings, Inc. ("FMCH"), and other dialysis providers, commercial insurers and other industry participants responded to the RFI, and in that response, we reported that we do not engage in such steering. On December 14, 2016, CMS published an Interim Final Rule ("IFR") titled "Medicare Program; Conditions for Coverage for End-Stage Renal Disease Facilities-Third Party Payment" that would amend the Conditions for Coverage for dialysis providers, like FMCH. The IFR would have effectively enabled insurers to reject premium payments made by patients who received grants for individual market coverage from the American Kidney Fund ("AKF") and, therefore, could have resulted in those patients losing their individual market health insurance coverage. The loss of individual market coverage for these patients would have had a material and adverse impact on our operating results. On January 25, 2017, a federal district court in Texas, responsible for litigation initiated by a patient advocacy group and dialysis providers including FMCH, preliminarily enjoined CMS from implementing the IFR (*Dialysis Patient Citizens v. Burwell* (E.D. Texas, Sherman Div.)). The preliminary injunction was based on CMS' failure to follow appropriate notice-and-comment procedures in adopting the IFR. The injunction remains in place and the court retains jurisdiction over the dispute. On June 22, 2017, CMS requested a stay of proceedings in the litigation pending further rulemaking concerning the IFR. CMS stated, in support of its request that it expects to publish a Notice of Proposed Rulemaking in the Federal Register and otherwise pursue a notice-and-comment process in the fall of 2017 which they ultimately did not publish. Plaintiffs in the litigation, including FMCH, consented to the stay, which was granted by the court.

Separately, the United States Department of Health and Human Services ("HHS") has drafted a new proposed rule entitled "Conditions for Coverage for End-Stage Renal Disease Facilities – Third Party Payments" (CMS-3337-P). While the proposed rule has been under review by the Office of Management and Budget since June 2019, and the HHS identified a target date of (11/00/19) for publication, the proposed rule has not yet been published for comment.

The operation of charitable assistance programs like that of the AKF is also receiving increased attention by state insurance regulators and legislators. The result may be a

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regulatory framework that differs from state to state. Even in the absence of the IFR or similar state actions, insurers are likely to continue efforts to thwart charitable premium assistance to our patients for individual market plans and other insurance coverages. If successful in a material area or scope of our U.S. operations, these efforts would have a material adverse impact on our business and operating results.

On January 3, 2017, FMCH received a subpoena from the United States Attorney for the District of Massachusetts inquiring into its interactions and relationships with AKF, including its charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH cooperated with the investigation, which was part of a broader investigation into charitable contributions in the medical industry. On August 1, 2019, the United States District Court for the District of Massachusetts entered an order announcing that the United States had declined to intervene on a qui tam complaint underlying the Boston United States Attorney's Office ("USAO") investigation and unsealing the relator's complaint so as to permit the relator to serve the complaint and proceed on his own. The relator did not serve the complaint within the time allowed but the court has not yet dismissed the relator's complaint.

For further information on these and other legal proceedings, please see note 8 included in this report.

### **U.S. ballot initiatives and other legislation**

Further federal or state legislation or regulations may be enacted in the future through legislative and public referendum processes that could substantially modify or reduce the amounts paid for services and products offered by us and our subsidiaries and/or mandate new or alternative operating models and payment models that could present more risk to our health care service operations. Ballot initiatives that are successfully introduced at the state level in the United States require the vote of state citizens to directly adopt or reject proposed new legislation. These ballot initiatives require a material expenditure of resources by us to participate in public discourse regarding the proposed new legislation underlying the initiatives, which if passed, could further regulate multiple aspects of our operations including, for instance, clinic staffing requirements, state inspection requirements and profit margins on commercial business. Efforts to enact new state laws regarding our operations are continuing. State regulation at this level would introduce an unprecedented level of oversight and additional expense at the clinic level which could have a material adverse effect on our business in the impacted states. It is also possible that statutes may be adopted or regulations may be promulgated in the future that impose additional eligibility requirements for participation in the federal and state health care programs. Such new legislation or regulations could, depending upon the detail of the provisions, have positive or adverse effects, possibly material, on our businesses and results of operations.

### **Significant U.S. reimbursement developments**

The majority of health care services we provide are paid for by governmental institutions. For the three months ended March 31, 2020, approximately 33% of our consolidated revenue is attributable to U.S. federally-funded health care benefit programs, such as Medicare and Medicaid reimbursement, under which reimbursement rates are set by CMS. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide. In recent years, the stability of reimbursement in the U.S. has been affected by (i) the implementation of the ESRD prospective payment system ("ESRD PPS") in January 2011, (ii) the U.S. federal government across the board spending cuts in payments to Medicare providers commonly referred to as "U.S. Sequestration" as well as the current moratorium on such cuts, (iii) the reduction to the ESRD PPS rate to account for the decline in utilization of certain drugs and biologicals associated with dialysis pursuant to the American Taxpayer Relief Act of 2012 ("ATRA") as subsequently modified

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under the Protecting Access to Medicare Act of 2014 ("PAMA") and (iv) CMS' 2017 final rule on the Physician Fee Schedule, which partially corrected reimbursement for certain procedures that were materially undervalued in 2016. Please see the detailed discussions on these and further legislative developments below:

- Under the Medicare Improvements for Patients and Providers Act of 2008 ("MIPPA"), for patients with Medicare coverage, all ESRD payments for dialysis treatments are made under a single bundled payment rate which provides a fixed payment rate, the ESRD PPS, to encompass substantially all goods and services provided during the dialysis treatment. MIPPA further created the ESRD quality incentive program ("QIP") which provides that dialysis facilities in the United States that fail to achieve annual quality standards established by CMS could have base payments reduced in a subsequent year by up to 2%.
- MIPPA also includes a provision for an annual adjustment to the ESRD PPS base rate based on changes in the costs of a "market basket" of certain healthcare items and services, less a productivity adjustment.
- Additionally, as a result of the Budget Control Act of 2011 ("BCA") and subsequent activity in Congress, U.S. Sequestration (\$1.2 trillion in across-the-board spending cuts in discretionary programs) took effect on March 1, 2013 and is expected to continue through mid-2024. In particular, a 2% reduction to Medicare payments took effect on April 1, 2013 and continues in force. The 2% sequestration has been temporarily suspended from May 1, 2020 through December 31, 2020. Spending cuts pursuant to U.S. Sequestration have adversely affected and will continue to adversely affect our operating results after the suspension is lifted.
- In 2014, as mandated by ATRA, CMS issued a final rule for the ESRD PPS, which phased in payment reductions to account for changes in utilization of certain drugs and biologicals that are included in the ESRD PPS, which were subsequently modified by PAMA. These reductions reduced our market basket inflation adjustment by 1.25% in 2016 and 2017 and reduced our inflation adjustment by 1% in 2018.
- On October 31, 2019, CMS issued a final rule for the ESRD PPS rate for calendar year (CY) 2020. On average, large dialysis organizations will receive a 1.7% increase in payments under this final rule. The base rate per treatment is \$239.33 which represents a 1.7% increase from the 2019 base rate including the adjustment for the wage index budget-neutrality factor. The 2020 final rule reflects a market basket increase of 2.0% that is partially offset by a 0.3% multifactor productivity adjustment (as mandated by the ACA) and application of the wage index budget-neutrality adjustment factor of 1.000244. The 2020 ESRD PPS rate retains the 2019 wage index floor of 0.5000. The labor-related portion of the ESRD PPS base rate to which the wage index is applied will be 52.3% in 2020. CMS updated the Acute Kidney Injury payment rate for CY 2020 to \$239.33, which is the same as the base rate finalized under the ESRD PPS for CY 2020. In the final rule, effective January 1, 2020, CMS also revised the transitional drug add-on payment adjustment ("TDAPA"). Under the CY 2019 final rule, all new renal dialysis drugs and biological products became eligible for TDAPA, not just those in new ESRD PPS functional categories. However, in the CY 2020 final rule, CMS narrowed that policy to exclude from eligibility certain non-innovative drugs approved by FDA (e.g., generics, reformulations of existing drugs, and other types of new drug applications (NDAs) that do not represent truly new therapies). In the CY 2019 final rule, CMS also changed the basis of payment for the TDAPA from pricing methodologies under section 1847A of the Act, which includes average sales price ("ASP") plus 6 percent ("ASP+6"), to 100 percent of ASP ("ASP+0"). However, that change did not apply to calcimimetics under the TDAPA. In the CY 2020 final rule, CMS extended pricing based on ASP+0 to calcimimetics under the TDAPA.
- In the 2020 ESRD PPS final rule, CMS finalized several programmatic updates to the ESRD QIP and codified data submission requirements for calculating measure scores. Under the ESRD QIP program, CMS assesses the total performance of each

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facility on measures specified per payment year and applies an appropriate payment reduction to each facility that does not meet a minimum total performance score ("TPS"). For performance year 2022, CMS estimated that a facility must meet or exceed a minimum TPS of 54 in order to avoid a payment reduction. CMS updated the scoring methodology for the NHSN Dialysis Event reporting measure to allow new eligible facilities to report data on the measure. The 2020 ESRD PPS final rule automatically advances the performance period and baseline period for each payment year by one year from the previous year, beginning with the PY 2024 payment year. The 2020 ESRD PPS final rule also includes requirements for the Extraordinary Circumstances Exception (ECE) process, which grants facilities exceptions to certain reporting requirements in the QIP. In the final rule, CMS converts the Standardized Transfusion Ratio ("STrR") clinical measure used in the QIP to a reporting measure while it examines the validity of the STrR clinical measure. The final rule also finalizes payment reductions of up to two percent for the PY 2022 ESRD QIP. The total payment reductions for the approximate 1,871 out of 7,386 Medicare-enrolled dialysis facilities expected to receive a payment reduction is approximately \$18.2 million for the 2020 performance year.

- On July 29, 2019, CMS issued the CY 2020 final rule for hospital outpatient and ambulatory surgery center payment systems. For CY 2020, CMS will continue to pay for services covered by certain dialysis vascular access codes at the Ambulatory Surgical Center ("ASC") rate. The final rule updating the ASC Fee Schedule for CY 2020 generally increased the reimbursement rates for certain vascular access services. For the range of procedures provided in an ASC, the average increase is 3.4% compared to the prior year. CMS also updated the Physician Fee Schedule for CY 2020. For the range of procedures provided in a physician office, the CY 2020 Physician Fee Schedule represents, on average, no change in reimbursement compared to the prior year.

Presently, there is considerable uncertainty regarding possible future changes in health care regulation, including the regulation of reimbursement for dialysis services. See Chapter "Risks and opportunities" section "Health care reforms" in the group management report which is included in our Annual Report 2019.

Non-oral ESRD-related drugs are generally reimbursed as part of the ESRD PPS bundled payment. Oral only ESRD-related drugs are generally reimbursed outside the ESRD PPS bundled payment. In a final rule published on November 6, 2015, CMS provided for implementation of the PAMA oral-only provision. CMS clarified that once any non-oral ESRD-related drug in a category previously considered oral only is approved by the U.S. Food and Drug Administration ("FDA"), such category of drugs will cease to be considered oral only. However, for at least two years, CMS will pay for both oral and non-oral versions of the drug using a TDAPA. During this transition period, CMS will not pay outlier payments for these drugs, but the agency will collect data reflecting utilization of both the oral and injectable or intravenous forms of the drugs, as well as payment patterns, in order to help determine how to appropriately adjust the ESRD PPS payment rate as these drugs are included in the payment bundle. At the end of this transition period, CMS will incorporate payment for the oral and non-oral versions of the drug in the ESRD PPS payment rates, utilizing a public rulemaking process.

The introduction of Parsabiv™ an intravenous calcimimetic, has resulted in changes in how some payors, other than Medicare, arrange for the provision of calcimimetics for their patients. While some patients continue to receive calcimimetics from their pharmacies as a pharmacy benefit, other patients receive calcimimetics from their dialysis providers, as a medical benefit. While we receive additional reimbursement from some payors when these drugs are provided by our clinics, this type of transition from an oral-only drug has not occurred previously and the reimbursement landscape for non-Medicare payors continues to evolve.

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Several generic calcimimetic products have been approved by the FDA. FMCH has been able to purchase certain of these generic calcimimetic products at rates that are lower than the rate paid for the brand name calcimimetic, Sensipar.

For additional information, see "Risks and opportunities report" on pages 63-74 in the Group Management Report of the Annual Report 2019."

### **Participation in new Medicare payment arrangements**

Under CMS' Comprehensive ESRD Care Model (the "Model"), dialysis providers and physicians have formed entities known as ESRD Seamless Care Organizations ("ESCOs") as part of a payment and care delivery pilot program that seeks to deliver better health outcomes for Medicare ESRD patients while lowering CMS' costs. Following our initial participation in six ESCOs, we are presently participating in the Model through 23 ESCOs formed at our dialysis facilities. ESCOs that achieve the program's minimum quality thresholds and generate reductions in CMS' cost of care above certain thresholds for the ESRD patients covered by the ESCO will receive a share of the cost savings, which is adjusted based on the ESCO's performance on certain quality metrics. ESCOs that include dialysis chains with more than 200 facilities are required to share in the risk of cost increases and to reimburse CMS a share of any such increases if actual costs rise above set thresholds. As of March 2020, the number of patients participating in our ESCOs was approximately 48,000.

In November 2017, we announced the results from the first performance year ("PY") from our ESCOs. The results, which cover the period from October 2015 through December 2016, show improved health outcomes for patients receiving coordinated care through the ESCOs. This success was validated by an independent report, which showed a nearly 9% decrease in hospitalization rates for these patients during the same time. In the second performance year (calendar year ("CY") 2017) the Company's ESCOs together generated more than \$66.7 M in gross savings, an average 3.4% reduction in expenditures per patient. CMS has not yet published the final settlement reports for the third performance year (CY 2018). The ESCO pilot program will run until the end of 2020.

We have also entered into sub-capitation and other risk-based and value-based arrangements with certain payors to provide care to commercial and Medicare Advantage, ESRD and CKD patients. Under these arrangements, a baseline per patient per month amount is established. If we provide complete care for less than the baseline, we retain the difference. If the cost of complete care exceeds the baseline, we may owe the payor the difference.

### **Executive order-based models**

On July 10, 2019, President Trump signed an Executive Order on advancing kidney health. Among other things, the order instructs the Secretary of HHS to develop new Medicare payment models that will encourage identification and treatment earlier in kidney disease progression as well as increased home dialysis and transplant. One of those models, the ESRD Treatment Choices ("ETC") model, is a mandatory model that will create financial incentives for home treatment and transplant. This model proposes to apply both positive and negative payment adjustments to claims submitted by physicians and dialysis facilities for home dialysis patients for 3 years. This model also proposes a payment adjustment based on performance. The performance-based adjustment will be based on home dialysis and transplant rates and will range from (8%) to 5% in the first payment year to (13%) and 10% percent in the final payment year. The ETC model initially proposed a start date of January 2020 and would end in 2026, however CMS has postponed the start date of the ETC model. Participants in this model will be selected randomly. Pursuant to the Executive Order, the Secretary also announced voluntary payment models, Kidney Care First ("KCF")

and Comprehensive Kidney Care Contracting (“CKCC”) model (graduated, professional and global), which aims to build on the existing Comprehensive End Stage Renal Disease Care model. The voluntary models create financial incentives for health care providers to manage care for Medicare beneficiaries with chronic kidney disease stages 4 and 5 and with ESRD to delay the start of dialysis and to incentivize kidney transplant. The voluntary models allow health care providers to take on various amounts of risk. One model, the CKCC global model, allows renal health care providers to participate by forming an entity known as a Kidney Care Entity (“KCE”). Through the KCE, renal health care providers take responsibility for 100 percent of the total cost of care for all Medicare Part A and B services for aligned beneficiaries. The KCF model limits participation to nephrologists while the CKCC model requires participation by both nephrologists or nephrology practices and transplant providers. Dialysis providers and other suppliers may participate. Applications for the voluntary models were submitted in January 2020, but CMS has not provided a timeline for when the acceptance of decisions will be made. We submitted 25 CKCC applications and are also included in four other CKCC applications submitted by nephrologists. Once implemented, the CKCC model is expected to run through 2023. It is too soon to predict the effects on our business of the ETC payment model and the voluntary payment models.

### **Company structure**

Our operating segments are the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment. The operating segments are determined based upon how we manage our businesses with geographical responsibilities. All segments are primarily engaged in providing health care services and the distribution of products and equipment for the treatment of ESRD and other extracorporeal therapies. Management evaluates each segment using measures that reflect all of the segment’s controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate IFRS measures are revenue, operating income and operating income margin. We do not include income taxes as we believe this is outside the segments’ control. Financing is a corporate function which our segments do not control. Therefore, we do not include interest expense relating to financing as a segment measurement. Similarly, we do not allocate certain costs which relate primarily to certain headquarters’ overhead charges, including accounting and finance, because we believe that these costs are also not within the control of the individual segments. Production of products, production asset management, quality and supply chain management as well as procurement related to production are centrally managed. Products transferred to the segments are transferred at cost; therefore, no internal profit is generated. The associated internal revenue for the product transfers and their elimination are recorded as corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. The Company’s global research and development as well as its Global Medical Office (as of January 1, 2020), which seeks to standardize medical treatments and clinical processes within the Company, are also centrally managed. These corporate activities do not fulfill the definition of a segment according to IFRS 8. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but accounted for as Corporate. Accordingly, all of these items are excluded from our analysis of segment results and are discussed below in the discussion of our consolidated results of operations. See note 10 for a further discussion on our operating segments.

## **II. Discussion of measures**

### **Non-IFRS measures**

Certain of the following key performance indicators and other financial information as well as discussions and analyses set out in this report include measures that are not defined by IFRS (“Non-IFRS Measure”). We believe this information, along with comparable IFRS

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measurements, is useful to our investors as it provides a basis for assessing our performance, payment obligations related to performance-based compensation as well as our compliance with financial covenants. Non-IFRS financial measures should not be viewed or interpreted as a substitute for financial information presented in accordance with IFRS.

Some key performance indicators and other financial measures used in this report such as changes in revenue, operating income and net income attributable to shareholders of FMC-AG & Co. KGaA include the impact of translating local currencies to our reporting currency for financial reporting purposes. We calculate these Non-IFRS financial measures at constant exchange rates in our filings to show changes in our revenue, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items without giving effect to period-to-period currency fluctuations. Under IFRS, amounts received in local (non-euro) currency are translated into euro at the average exchange rate for the period presented. Once we translate the local currency for the constant currency, we then calculate the change, as a percentage, of the current period calculated using the prior period exchange rates versus the prior period. This resulting percentage is a Non-IFRS Measure referring to a change as a percentage at constant currency. These currency-adjusted financial measures are identifiable by the designated terms "Constant Exchange Rates" or "Constant Currency."

We believe that the measures at Constant Currency are useful to investors, lenders and other creditors because such information enables them to gauge the impact of currency fluctuations on our revenue, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items from period to period. In addition, under our long-term incentive plans, we measure the attainment of certain pre-determined financial targets for revenue growth and net income growth in Constant Currency. However, we 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 into euro. We do not evaluate our results and performance without considering both:

1. period-over-period changes in revenue, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items prepared in accordance with IFRS, and
2. Constant Currency changes in revenue, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items.

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, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items prepared in accordance with IFRS. We present the growth rate derived from non-IFRS measures next to the growth rate derived from IFRS measures such as revenue, operating income, net income attributable to shareholders of FMC-AG & Co. KGaA and other items. As the reconciliation is inherent in the disclosure, we believe that a separate reconciliation would not provide any additional benefit.

### **Delivered operating income (Non-IFRS Measure)**

As a result of the significance of noncontrolling interest holders in our operations, we believe a measure that is meaningful to investors is operating income less noncontrolling interests ("Delivered Operating Income"). Delivered Operating Income approximates the operating income attributable to the shareholders of FMC-AG & Co. KGaA. As such, we believe that operating income is the closest comparable IFRS measure. Delivered Operating Income is also benchmarked based on movement at Constant Exchange Rates.

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Below is a table showing the reconciliation of operating income to Delivered Operating Income on a consolidated basis and for our reporting segments:

### Delivered Operating Income reconciliation

*in € M*

	Three months ended March 31	
	2020	2019
<b>Total</b>		
Operating income	555	537
less noncontrolling interests	(68)	(57)
Delivered Operating Income	487	480
<b>North America Segment</b>		
Operating income	463	372
less noncontrolling interests	(65)	(53)
Delivered Operating Income	398	319
<b>Dialysis</b>		
Operating income	416	332
less noncontrolling interests	(57)	(47)
Delivered Operating Income	359	285
<b>Care Coordination</b>		
Operating income	47	40
less noncontrolling interests	(8)	(6)
Delivered Operating Income	39	34
<b>EMEA Segment</b>		
Operating income	101	138
less noncontrolling interests	(1)	(2)
Delivered Operating Income	100	136
<b>Asia-Pacific Segment</b>		
Operating income	77	95
less noncontrolling interests	(2)	(2)
Delivered Operating Income	75	93
<b>Dialysis</b>		
Operating income	75	89
less noncontrolling interests	(2)	(2)
Delivered Operating Income	73	87
<b>Care Coordination</b>		
Operating income	2	6
less noncontrolling interests	0	0
Delivered Operating Income	2	6
<b>Latin America Segment</b>		
Operating income	7	11
less noncontrolling interests	0	0
Delivered Operating Income	7	11

### Net cash provided by (used in) operating activities in % of revenue

Our consolidated statement of cash flows indicates how we generated and used cash and cash equivalents. In conjunction with our other primary financial statements, it provides information that helps us evaluate changes to our net assets and our financial structure

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(including liquidity and solvency). Net cash provided by (used in) operating activities is applied to assess whether a business can generate the cash required to make the necessary replacement and expansion of investments. This indicator is impacted by the profitability of our business and the development of working capital, mainly receivables. Net cash provided by (used in) operating activities in percent of revenue shows the percentage of our revenue that is available in terms of financial resources. It is an indicator of our operating financial strength.

### Free cash flow in % of revenue (Non-IFRS Measure)

Free cash flow (net cash provided by (used in) operating activities after capital expenditures, before acquisitions and investments) refers to the cash flow we have at our disposal, including cash flows that may be restricted for other uses. This indicator shows the percentage of revenue available for acquisitions and investments, dividends to shareholders, reducing debt financing or for repurchasing shares.

The following table shows the cash flow key performance indicators for the three months ended March 31, 2020 and 2019 and reconciles free cash flow and free cash flow in percent of revenue to Net cash provided by (used in) operating activities and Net cash provided by (used in) operating activities in percent of revenue, respectively:

#### Cash flow measures

*in € M, except where otherwise specified*

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Revenue</b>	4,488	4,133
<b>Net cash provided by (used in) operating activities</b>	584	76
Capital expenditures	(282)	(201)
Proceeds from sale of property, plant and equipment	2	2
<b>Capital expenditures, net</b>	(280)	(199)
<b>Free cash flow</b>	304	(123)
<b>Net cash provided by (used in) operating activities in % of revenue</b>	13.0%	1.8%
<b>Free cash flow in % of revenue</b>	6.8%	(3.0%)

### Net leverage ratio (Non-IFRS Measure)

The net leverage ratio is a key performance indicator used for internal management. To determine the net leverage ratio, debt and lease liabilities less cash and cash equivalents (net debt) is compared to adjusted EBITDA (earnings before interest, taxes, depreciation and amortization) (adjusted for acquisitions and divestitures made during the last twelve months with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement, non-cash charges and impairment loss). The ratio is an indicator of the length of time the Company needs to service the net debt out of its own resources. We believe that the net leverage ratio provides alternative information that management believes to be useful in assessing our ability to meet our payment obligations in addition to considering the absolute amount of our debt. We have a strong market position in a growing, global and mainly non-cyclical market. Furthermore, most of our customers have a high credit rating as the dialysis industry is characterized by stable and sustained cash flows. We believe this enables us to work with a reasonable proportion of debt, through the employment of an extensive mix of debt.

Adjusted EBITDA is also the basis for determining compliance with certain other covenants contained in our Amended 2012 Credit Agreement and is also relevant in certain of our other major financing arrangements. You should not consider adjusted EBITDA to be an alternative to net earnings determined in accordance with IFRS or to cash flow from

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operations, investing activities or financing activities. In addition, not all funds depicted by adjusted EBITDA are available for management's discretionary use. For example, a substantial portion of such funds are subject to contractual restrictions and functional requirements to fund debt service, capital expenditures and other commitments from time to time as described in more detail elsewhere in this report.

The following table shows the reconciliation of adjusted EBITDA and net leverage ratio as of March 31, 2020 and December 31, 2019.

### **Reconciliation of adjusted EBITDA and net leverage ratio to the most directly comparable IFRS financial measure**

*in € M, except for net leverage ratio*

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Debt and lease liabilities <sup>(1)</sup>	14,577	13,782
Minus: Cash and cash equivalents	(1,405)	(1,008)
<b>Net debt</b>	<b>13,172</b>	<b>12,774</b>
Net income <sup>(2)</sup>	1,461	1,439
Income tax expense <sup>(2)</sup>	401	402
Interest income <sup>(2)</sup>	(42)	(62)
Interest expense <sup>(2)</sup>	468	491
Depreciation and amortization <sup>(2)</sup>	1,590	1,553
Adjustments <sup>(2), (3)</sup>	93	110
<b>Adjusted EBITDA</b>	<b>3,971</b>	<b>3,933</b>
<b>Net leverage ratio</b>	<b>3.3</b>	<b>3.2</b>

(1) Debt includes the following balance sheet line items: short-term debt, short-term debt from related parties, current portion of long-term debt and long-term debt, less current portion.

(2) Last twelve months.

(3) Acquisitions and divestitures made for the last twelve months with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement (2020: €5 M; 2019: -€71 M), non-cash charges, primarily related to pension expense (2020: €46 M; 2019: €46 M), impairment loss (2020: €42 M; 2019: €40 M) and NxStage related transaction costs (2019: €95 M).

### **Return on invested capital ("ROIC") (Non-IFRS Measure)**

ROIC is the ratio of operating income, for the last twelve months, after tax ("net operating profit after tax" or "NOPAT") to the average invested capital of the last five quarter closing dates, including adjustments for acquisitions and divestitures made during the last twelve months with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement, and expresses how efficiently we allocate the capital under our control or how well we employ our capital with regard to a specific investment project. An adjustment to exclude amounts related to the IFRS 16 Implementation is included for the purpose of increasing the comparability of previously reported information in accordance with our long-term incentive plans in 2019. The following table shows the reconciliation of average invested capital to total assets, which we believe to be the most directly comparable IFRS financial measure, and how ROIC is calculated:

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### Reconciliation of average invested capital and ROIC (based on IFRS Measures)

in € M, except where otherwise specified

2020	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019	March 31, 2019
Total assets	34,068	32,935	33,169	31,956	32,353
Plus: Cumulative goodwill amortization	430	420	432	416	419
Minus: Cash and cash equivalents	(1,405)	(1,008)	(965)	(922)	(959)
Minus: Loans to related parties	(40)	(72)	(65)	(62)	(81)
Minus: Deferred tax assets	(378)	(361)	(348)	(329)	(309)
Minus: Accounts payable	(762)	(717)	(655)	(680)	(708)
Minus: Accounts payable to related parties	(134)	(119)	(255)	(156)	(210)
Minus: Provisions and other current liabilities <sup>(1)</sup>	(2,577)	(2,452)	(2,546)	(2,524)	(2,604)
Minus: Income tax payable	(200)	(180)	(181)	(171)	(161)
<b>Invested capital</b>	<b>29,002</b>	<b>28,446</b>	<b>28,586</b>	<b>27,528</b>	<b>27,740</b>

#### Average invested capital as of March 31, 2020

**28,260**

Operating income	2,288
Income tax expense <sup>(2)</sup>	(596)
<b>NOPAT</b>	<b>1,692</b>

### Adjustments to average invested capital and ROIC

in € M, except where otherwise specified

2020	March 31, 2020	December 31, 2019	September 30, 2019 <sup>(3)</sup>	June 30, 2019 <sup>(3)</sup>	March 31, 2019 <sup>(3)</sup>
Total assets	-	-	155	149	151
Plus: Cumulative goodwill amortization	-	-	-	-	-
Minus: Cash and cash equivalents	-	-	(4)	(4)	(4)
Minus: Loans to related parties	-	-	-	-	-
Minus: Deferred tax assets	-	-	-	-	-
Minus: Accounts payable	-	-	-	-	-
Minus: Accounts payable to related parties	-	-	-	-	-
Minus: Provisions and other current liabilities <sup>(1)</sup>	-	-	(3)	(3)	(3)
Minus: Income tax payable	-	-	-	-	-
<b>Invested capital</b>	<b>-</b>	<b>-</b>	<b>148</b>	<b>142</b>	<b>144</b>

#### Adjustment to average invested capital as of March 31, 2020

**87**

Adjustment to operating income <sup>(3)</sup>	4
Adjustment to income tax expense <sup>(3)</sup>	(1)
<b>Adjustment to NOPAT</b>	<b>3</b>

### Reconciliation of average invested capital and ROIC (Non-IFRS Measure)

in € M, except where otherwise specified

2020	March 31, 2020	December 31, 2019	September 30, 2019 <sup>(3)</sup>	June 30, 2019 <sup>(3)</sup>	March 31, 2019 <sup>(3)</sup>
Total assets	34,068	32,935	33,324	32,105	32,504
Plus: Cumulative goodwill amortization	430	420	432	416	419
Minus: Cash and cash equivalents	(1,405)	(1,008)	(969)	(926)	(963)
Minus: Loans to related parties	(40)	(72)	(65)	(62)	(81)
Minus: Deferred tax assets	(378)	(361)	(348)	(329)	(309)
Minus: Accounts payable	(762)	(717)	(655)	(680)	(708)
Minus: Accounts payable to related parties	(134)	(119)	(255)	(156)	(210)
Minus: Provisions and other current liabilities <sup>(1)</sup>	(2,577)	(2,452)	(2,550)	(2,527)	(2,607)
Minus: Income tax payable	(200)	(180)	(181)	(171)	(161)
<b>Invested capital</b>	<b>29,002</b>	<b>28,446</b>	<b>28,734</b>	<b>27,670</b>	<b>27,884</b>

#### Average invested capital as of March 31, 2020

**28,347**

Operating income <sup>(3)</sup>	2,292
Income tax expense <sup>(2), (3)</sup>	(597)
<b>NOPAT</b>	<b>1,695</b>

**ROIC in %** **6.0%**

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### Adjustments to average invested capital and ROIC for the effect from IFRS 16

in € M, except where otherwise specified

<b>2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>
Total assets	(4,388)	(4,356)	(4,319)	(4,172)	(4,229)
Plus: Cumulative goodwill amortization	-	-	-	-	-
Minus: Cash and cash equivalents	-	-	-	-	-
Minus: Loans to related parties	-	-	-	-	-
Minus: Deferred tax assets	3	2	4	4	5
Minus: Accounts payable	-	-	-	-	-
Minus: Accounts payable to related parties	-	-	-	-	-
Minus: Provisions and other current liabilities <sup>(1)</sup>	(143)	(140)	(144)	(138)	(143)
Minus: Income tax payable	-	-	(4)	(4)	(1)
<b>Invested capital</b>	<b>(4,529)</b>	<b>(4,494)</b>	<b>(4,463)</b>	<b>(4,310)</b>	<b>(4,368)</b>

### Adjustment to average invested capital as of March 31, 2020

(4,433)

Adjustment to operating income

(95)

Adjustment to income tax expense

25

### Adjustment to NOPAT

(70)

### Reconciliation of average invested capital and ROIC (Non-IFRS Measure, adjusted for the effect from IFRS 16)

in € M, except where otherwise specified

<b>2020</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>September 30, 2019<sup>(3)</sup></b>	<b>June 30, 2019<sup>(3)</sup></b>	<b>March 31, 2019<sup>(3)</sup></b>
Total assets	29,680	28,579	29,005	27,933	28,275
Plus: Cumulative goodwill amortization	430	420	432	416	419
Minus: Cash and cash equivalents	(1,405)	(1,008)	(969)	(926)	(963)
Minus: Loans to related parties	(40)	(72)	(65)	(62)	(81)
Minus: Deferred tax assets	(376)	(359)	(344)	(325)	(304)
Minus: Accounts payable	(762)	(717)	(655)	(680)	(708)
Minus: Accounts payable to related parties	(134)	(119)	(255)	(156)	(210)
Minus: Provisions and other current liabilities <sup>(1)</sup>	(2,720)	(2,592)	(2,694)	(2,665)	(2,750)
Minus: Income tax payable	(200)	(180)	(185)	(175)	(162)
<b>Invested capital</b>	<b>24,473</b>	<b>23,952</b>	<b>24,271</b>	<b>23,360</b>	<b>23,516</b>

### Average invested capital as of March 31, 2020

23,914

Operating income <sup>(3)</sup>

2,198

Income tax expense <sup>(2), (3)</sup>

(573)

### NOPAT

1,625

### ROIC in % (adjusted for IFRS 16)

6.8%

### Reconciliation of average invested capital and ROIC (based on IFRS Measures)

in € M, except where otherwise specified

<b>2019</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Total assets	32,935	33,169	31,956	32,353	26,242
Plus: Cumulative goodwill amortization	420	432	416	419	413
Minus: Cash and cash equivalents	(1,008)	(965)	(922)	(959)	(2,146)
Minus: Loans to related parties	(72)	(65)	(62)	(81)	(80)
Minus: Deferred tax assets	(361)	(348)	(329)	(309)	(346)
Minus: Accounts payable	(717)	(655)	(680)	(708)	(641)
Minus: Accounts payable to related parties	(119)	(255)	(156)	(210)	(154)
Minus: Provisions and other current liabilities <sup>(1)</sup>	(2,452)	(2,546)	(2,524)	(2,604)	(2,727)
Minus: Income tax payable	(180)	(181)	(171)	(161)	(166)
<b>Invested capital</b>	<b>28,446</b>	<b>28,586</b>	<b>27,528</b>	<b>27,740</b>	<b>20,395</b>

### Average invested capital as of December 31, 2019

26,539

Operating income

2,270

Income tax expense <sup>(2)</sup>

(565)

### NOPAT

1,705

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### Adjustments to average invested capital and ROIC

in € M, except where otherwise specified

<b>2019</b>	<b>December 31, 2019</b>	<b>September 30, 2019<sup>(3)</sup></b>	<b>June 30, 2019<sup>(3)</sup></b>	<b>March 31, 2019<sup>(3)</sup></b>	<b>December 31, 2018<sup>(3)</sup></b>
Total assets	-	156	149	151	2,092
Plus: Cumulative goodwill amortization	-	-	-	-	-
Minus: Cash and cash equivalents	-	(4)	(4)	(4)	(45)
Minus: Loans to related parties	-	-	-	-	-
Minus: Deferred tax assets	-	-	-	-	(1)
Minus: Accounts payable	-	-	-	-	(17)
Minus: Accounts payable to related parties	-	-	-	-	-
Minus: Provisions and other current liabilities <sup>(1)</sup>	-	(4)	(3)	(3)	(48)
Minus: Income tax payable	-	-	-	-	-
<b>Invested capital</b>	<b>-</b>	<b>148</b>	<b>142</b>	<b>144</b>	<b>1,981</b>

### Adjustment to average invested capital as of December 31, 2019

483

Adjustment to operating income <sup>(3)</sup>	(79)
Adjustment to income tax expense <sup>(3)</sup>	20

**Adjustment to NOPAT** **(59)**

### Reconciliation of average invested capital and ROIC (Non-IFRS Measure)

in € M, except where otherwise specified

<b>2019</b>	<b>December 31, 2019</b>	<b>September 30, 2019<sup>(3)</sup></b>	<b>June 30, 2019<sup>(3)</sup></b>	<b>March 31, 2019<sup>(3)</sup></b>	<b>December 31, 2018<sup>(3)</sup></b>
Total assets	32,935	33,325	32,105	32,504	28,334
Plus: Cumulative goodwill amortization	420	432	416	419	413
Minus: Cash and cash equivalents	(1,008)	(969)	(926)	(963)	(2,191)
Minus: Loans to related parties	(72)	(65)	(62)	(81)	(80)
Minus: Deferred tax assets	(361)	(348)	(329)	(309)	(347)
Minus: Accounts payable	(717)	(655)	(680)	(708)	(658)
Minus: Accounts payable to related parties	(119)	(255)	(156)	(210)	(154)
Minus: Provisions and other current liabilities <sup>(1)</sup>	(2,452)	(2,550)	(2,527)	(2,607)	(2,775)
Minus: Income tax payable	(180)	(181)	(171)	(161)	(166)
<b>Invested capital</b>	<b>28,446</b>	<b>28,734</b>	<b>27,670</b>	<b>27,884</b>	<b>22,376</b>

### Average invested capital as of December 31, 2019

27,022

Operating income <sup>(3)</sup>	2,191
Income tax expense <sup>(2), (3)</sup>	(545)

**NOPAT** **1,646**

**ROIC in %** **6.1%**

### Adjustments to average invested capital and ROIC for the effect from the IFRS 16 Implementation

in € M, except where otherwise specified

<b>2019</b>	<b>December 31, 2019</b>	<b>September 30, 2019</b>	<b>June 30, 2019</b>	<b>March 31, 2019</b>	<b>December 31, 2018</b>
Total assets	(4,356)	(4,319)	(4,172)	(4,229)	-
Plus: Cumulative goodwill amortization	-	-	-	-	-
Minus: Cash and cash equivalents	-	-	-	-	-
Minus: Loans to related parties	-	-	-	-	-
Minus: Deferred tax assets	2	4	4	5	-
Minus: Accounts payable	-	-	-	-	-
Minus: Accounts payable to related parties	-	-	-	-	-
Minus: Provisions and other current liabilities <sup>(1)</sup>	(140)	(144)	(138)	(143)	-
Minus: Income tax payable	-	(4)	(4)	(1)	-
<b>Invested capital</b>	<b>(4,494)</b>	<b>(4,463)</b>	<b>(4,310)</b>	<b>(4,368)</b>	<b>-</b>

### Adjustment to average invested capital as of December 31, 2019

(3,527)

Adjustment to operating income	(75)
Adjustment to income tax expense	18

**Adjustment to NOPAT** **(57)**

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### Reconciliation of average invested capital and ROIC (Non-IFRS Measure, adjusted for the effect from the IFRS 16 Implementation)

in € M, except where otherwise specified

<b>2019</b>	<b>December 31, 2019</b>	<b>September 30, 2019<sup>(3)</sup></b>	<b>June 30, 2019<sup>(3)</sup></b>	<b>March 31, 2019<sup>(3)</sup></b>	<b>December 31, 2018<sup>(3)</sup></b>
Total assets	28,579	29,006	27,933	28,275	28,334
Plus: Cumulative goodwill amortization	420	432	416	419	413
Minus: Cash and cash equivalents	(1,008)	(969)	(926)	(963)	(2,191)
Minus: Loans to related parties	(72)	(65)	(62)	(81)	(80)
Minus: Deferred tax assets	(359)	(344)	(325)	(304)	(347)
Minus: Accounts payable	(717)	(655)	(680)	(708)	(658)
Minus: Accounts payable to related parties	(119)	(255)	(156)	(210)	(154)
Minus: Provisions and other current liabilities <sup>(1)</sup>	(2,592)	(2,694)	(2,665)	(2,750)	(2,775)
Minus: Income tax payable	(180)	(185)	(175)	(162)	(166)
<b>Invested capital</b>	<b>23,952</b>	<b>24,271</b>	<b>23,360</b>	<b>23,516</b>	<b>22,376</b>
<b>Average invested capital as of December 31, 2019</b>	<b>23,495</b>				
Operating income <sup>(3)</sup>	2,116				
Income tax expense <sup>(2), (3)</sup>	(527)				
<b>NOPAT</b>	<b>1,589</b>				
<b>ROIC in % (adjusted for IFRS 16)</b>	<b>6.8%</b>				

(1) Including non-current provisions, non-current labor expenses and variable payments outstanding for acquisitions and excluding pension liabilities and noncontrolling interests subject to put provisions.

(2) Adjusted for noncontrolling partnership interests.

(3) Including adjustments for acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement.

### Business metrics for Care Coordination

The measures for the North America Segment and the Asia-Pacific Segment discussed below include prior programs in which we participated and current and future programs that we will be participating in and will be reflected in the discussion of our business. Currently, in our North America Segment, sub-capitation, ESCO programs and other shared savings programs are included within the Member Months and Medical Cost Under Management calculations below. In the future, other programs may be included in the metrics below. Note that due to the timing required by CMS to review ESCO program data that we provide, estimates have been used to report these metrics in a timely manner. The Asia-Pacific Segment Care Coordination metric currently used for discussion purposes is patient encounters. These metrics may be developed further in future periods. These metrics are neither IFRS measures nor non-IFRS measures and are therefore not accompanied by or reconciled to IFRS measures.

### Member months under medical cost management

In our North America Segment, member months under medical cost management is calculated by multiplying the number of members included in value-based reimbursement programs by the corresponding number of months these members participate in those programs ("Member Months"). In the aforementioned programs, we assume the risk associated with generating savings. The financial results are recorded in earnings as our performance is determined. The membership offerings within Care Coordination are sub-capitation arrangements and ESCO programs as well as other shared savings programs. An increase in patient membership may indicate future earnings or losses as our performance is determined through these managed care programs.

### Medical cost under management

In our North America Segment, medical cost under management represents the management of medical costs associated with our patient membership in value-based programs. For ESCO and other shared savings programs, this is calculated by multiplying the Member Months in each program by the benchmark of expected medical costs per member per month. The sub-capitation calculation multiplies the premium per member of the program per month by the number of Member Months associated with the plan, as noted above.

### Care Coordination patient encounters

In the North America Segment and the Asia-Pacific Segment, Care Coordination patient encounters represents the total patient encounters and procedures conducted by certain of our Care Coordination activities and, we believe, is an indicator of the revenue generated. Care Coordination patient encounters in the North America Segment is the sum of all encounters and procedures completed during the period by MedSpring Urgent Care Centers (in 2019), Azura Vascular Care, and National Cardiovascular Partners as well as patients in our Fresenius Medical Care Rx Bone Mineral Metabolism ("Rx BMM") program. Care Coordination patient encounters in the Asia-Pacific Segment is the sum of all encounters for the following services: ambulant treatment services in day care hospitals, comprehensive and specialized health check-ups, inpatient and outpatient services, vascular access and other chronic treatment services.

### III. Results of operations, financial position and net assets

The following sections summarize our results of operations, financial position and net assets as well as key performance indicators by reporting segment, as well as Corporate, for the periods indicated. We prepared the information consistent with the manner in which management internally disaggregates financial information to assist in making operating decisions and evaluating management performance.

#### Results of operations

##### Segment data (including Corporate)

in € M

	For the three months ended March 31,	
	2020	2019
<b>Total revenue</b>		
North America Segment	3,186	2,887
EMEA Segment	679	653
Asia-Pacific Segment	443	428
Latin America Segment	168	161
Corporate	12	4
<b>Total</b>	<b>4,488</b>	<b>4,133</b>
<b>Operating income</b>		
North America Segment	463	372
EMEA Segment	101	138
Asia-Pacific Segment	77	95
Latin America Segment	7	11
Corporate	(93)	(79)
<b>Total</b>	<b>555</b>	<b>537</b>
Interest income	9	28
Interest expense	(113)	(136)
Income tax expense	(100)	(101)
<b>Net income</b>	<b>351</b>	<b>328</b>
<b>Net income attributable to noncontrolling interests</b>	<b>(68)</b>	<b>(57)</b>
<b>Net income attributable to shareholders of FMC-AG &amp; Co. KGaA</b>	<b>283</b>	<b>271</b>

Revenue and operating income generated in countries outside the eurozone are subject to currency fluctuations. The three months ended March 31, 2020 and 2019 were positively impacted by the development of the euro against the U.S. dollar. For the three months ended March 31, 2020, approximately 71% of revenue and approximately 83% of operating income were generated in U.S. dollars.

**Three months ended March 31, 2020 compared to three months ended March 31, 2019**

**Consolidated financials**

**Key indicators for the consolidated financial statements**

	For the three months ended		Change in %		
			As reported	Currency translation effects	Constant Currency <sup>(1)</sup>
	March 31 2020	March 31 2019			
Revenue in € M	4,488	4,133	9%	2%	7%
Health care services € M	3,595	3,317	8%	1%	7%
Health care products € M	893	816	10%	1%	9%
Number of dialysis treatments	13,179,096	12,561,531	5%		
Same market treatment growth in %	3.4%	3.5%			
Gross profit as a % of revenue	31.4%	30.6%			
Selling, general and administrative costs as a % of revenue	19.0%	17.4%			
Operating income in € M	555	537	3%	2%	1%
Operating income margin in %	12.4%	13.0%			
Delivered Operating Income <sup>(2)</sup> in € M	487	480	2%	3%	(1%)
Net income attributable to shareholders of FMC-AG & Co. KGaA in € M	283	271	4%	2%	2%
Basic earnings per share in €	0.95	0.88	8%	3%	5%

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income on a consolidated basis and for each of our operating segments, see "II. Discussion of measures – Non-IFRS measures – Delivered Operating Income (Non-IFRS Measure)" above.

Health care services revenue increased by 8%. In addition to a 1% positive impact from foreign currency translation, health care services revenue increased by 7% driven by growth in same market treatments (3%), contributions from acquisitions (2%), an increase in dialysis days (1%), a favorable impact related to a partial reversal of a revenue recognition adjustment for accounts receivable in legal dispute (1%) (see note 8 included in this report) and increases in organic revenue per treatment (1%), partially offset by the effect of closed or sold clinics (1%).

Dialysis treatments increased by 5% as a result of growth in same market treatments (3%), contributions from acquisitions (1%) and an increase in dialysis days (1%).

At March 31, 2020, we owned, operated or managed 4,002 dialysis clinics compared to 3,971 dialysis clinics at March 31, 2019. During the three months ended March 31, 2020, we acquired 15 dialysis clinics, opened 27 dialysis clinics and combined or closed 34 clinics. The number of patients treated in dialysis clinics that we own, operate or manage (excluding patients of dialysis clinics managed but not consolidated in the U.S.) increased by 4% to 348,703 at March 31, 2020 (March 31, 2019: 336,716).

Health care product revenue increased by 10%, including a 1% positive impact from foreign currency translation. At Constant Exchange Rates, health care product revenue increased by 9%. Dialysis product revenue increased by 9%. In addition to a 1% positive

## FRESENIUS MEDICAL CARE AG & Co. KGaA

impact from foreign currency translation, dialysis product revenue increased by 8% driven by higher sales of products for acute care treatments, renal pharmaceuticals, bloodlines, home hemodialysis products (largely as a result of the acquisition of NxStage Medical Inc. ("NxStage")) as well as hemodialysis solutions and concentrates, partially offset by lower sales of machines for chronic treatment. Non-dialysis product revenue increased by 53% to €29 M from €19 M with no foreign currency translation effects. The non-dialysis product revenue increase was due to higher sales of acute cardiopulmonary products.

The increase period over period in the gross profit margin was 0.8 percentage points. Foreign currency translation effects represented a 0.1 percentage point increase in the current period. The increase primarily reflects increases in the North America Segment mainly attributable to lower costs for pharmaceuticals and a favorable impact related to a partial reversal of a revenue recognition adjustment for accounts receivable in legal dispute, partially offset by the effect of a reduction in patient attribution and a decreasing savings rate for ESCOs based on the latest reports for current and prior plan years ("ESCO effect") and an unfavorable impact from pharmacy services.

The increase period over period in selling, general and administrative ("SG&A") expense as a percentage of revenue was 1.6 percentage points with virtually no impact from foreign currency translation. The increase was primarily driven by increases in each of our operating segments and Corporate. The increase in the EMEA Segment was largely due the prior year reduction of a contingent consideration liability related to Xenios AG ("Xenios") and higher bad debt expense as a result of COVID-19, partially offset by a favorable acquisition impact. The increase in the Asia-Pacific Segment was due to unfavorable foreign currency transaction effects, the impact from lower product sales in China and an unfavorable impact from Care Coordination, partially offset by higher other income from the deconsolidation of clinics. The unfavorable impact in Corporate was driven by higher costs related to the compliance monitor engaged in accordance with the DOJ and SEC non-prosecution agreement (see note 8 in this report) and higher consulting expense. The increase in the North America Segment was mainly driven by an unfavorable effect from COVID-19, primarily driven by net valuation effects, as well as the favorable impact from income attributable to a consent agreement on certain pharmaceuticals in 2019, partially offset by an unfavorable impact from legal settlements in the prior year, integration costs associated with NxStage in 2019 and lower share-based payments as compared to 2019.

The gain related to divestitures of Care Coordination activities of €24 M relates primarily to the divestiture of cardiovascular clinics in the North America Segment. There was no gain related to divestitures of Care Coordination activities in the first quarter of 2019.

Research and development expenses increased by 61% to €46 M from €29 M. The period over period increase, as a percentage of revenue, was 0.3 percentage points, largely driven by research and development activities at NxStage as well as in-center and home program development and research activities in the fields of digital connectivity and regenerative medicine.

The decrease period over period in the operating income margin was 0.6 percentage points. Foreign currency translation effects represented a 0.1 percentage point increase in the current period. The decrease in the current period was largely driven by the increase in SG&A expenses, partially offset by the increase in the gross profit margin, as discussed above.

Delivered Operating Income increased by 2%. In addition to a 3% positive impact from foreign currency translation, Delivered Operating Income decreased by 1% largely driven by increased noncontrolling interest effects, partially offset by increased operating income.

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Net interest expense decreased by 3% to €104 M from €108 M. In addition to a 2% positive impact from foreign currency translation, net interest expense decreased by 5%, primarily due to the replacement of high interest-bearing bonds by debt instruments at lower interest rates, partially offset by a higher debt level and interest income from the investment of the proceeds from the sale of Sound Inpatient Physicians, Inc. ("Sound") in 2019.

Income tax expense decreased slightly to €100 M from €101 M. The effective tax rate decreased to 22.3% from 23.5% for the same period of 2019 largely driven by the release of a liability for uncertain tax treatments, a higher portion of tax-free income attributable to noncontrolling interests compared to income before income taxes and the effect of a tax-free gain related to divestitures of Care Coordination activities, partially offset by the tax-free purchase liability gain from Xenios in 2019.

Net income attributable to noncontrolling interests increased by 19% to €68 M from €57 M. In addition to a 4% negative impact from foreign currency translation, net income attributable to noncontrolling interests increased by 15% due to higher earnings in entities in which we have less than 100% ownership.

Net income attributable to shareholders of FMC-AG & Co. KGaA increased by 4% to €283 M from €271 M. In addition to a 2% positive impact from foreign currency translation, net income attributable to shareholders of FMC-AG & Co. KGaA increased by 2% as a result of the combined effects of the items discussed above. We estimate that COVID-19 resulted in a negative impact to net income attributable to shareholders of FMC-AG & Co. KGaA in the amount of €40 M for the three months ended March 31, 2020.

Basic earnings per share increased by 8%. In addition to a 3% positive impact from foreign currency translation, basic earnings per share increased by 5% primarily due to the increase in net income attributable to shareholders of FMC-AG & Co. KGaA described above coupled with a decrease in the average weighted number of shares outstanding for the period. The average weighted number of shares outstanding for the period decreased to approximately 297.8 M in 2020 (2019: 306.7 M), primarily as a result of our share buy-back program (see note 2) included in this report).

We employed 121,403 people (full-time equivalents) as of March 31, 2020 (March 31, 2019: 118,308). This 3% increase was primarily due to acquisitions.

### **Consolidated operating performance on an adjusted basis**

Management believes that there are certain distinct transactions or events for which the operating results should be adjusted to enhance transparency and comparability. We believe the following results (adjusted to exclude these items) should be analyzed in connection with the results presented above. For the three months ended March 31, 2020 and 2019, we identified the following transactions which, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance:

- an adjustment to the 2019 presentation to remove the integration costs related to the acquisition of NxStage on February 21, 2019 ("NxStage Costs")
- an adjustment to the 2019 presentation to remove the costs associated with the sustainable improvement of our cost base ("Cost Optimization Costs")

The following table reconciles the key indicators for the consolidated financial statements in accordance with IFRS to the key indicators adjusted for the items described above as the adjustments allow for a better comparison of these key indicators to our Outlook presented in this report. While we believe these adjustments provide additional clarity to the discussion of our operating results, the following table should only be viewed as a supplement to our results disclosed in accordance with IFRS above.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Consolidated operating performance on an adjusted basis**

in € M, except where otherwise specified

	Results <b>2020</b>	Results <b>2019</b>	NxStage costs	Cost optimization costs	Results <b>2019</b> adjusted	Change in % as adjusted	
						Current rate	Constant Currency <sup>(1)</sup>
Three months ended March 31							
EBITDA	956	899	16	4	<b>919</b>	4%	n.a.
Operating income	555	537	16	4	<b>557</b>	0%	(3%)
Operating income margin in %	12.4%	13.0%			<b>13.5%</b>		
Income tax expense	100	101	4	1	<b>106</b>	(5%)	(8%)
Net income <sup>(2)</sup>	283	271	12	3	<b>286</b>	(1%)	(3%)
Basic earnings per share in €	0.95	0.88	0.04	0.01	<b>0.93</b>	2%	0%

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures - Non-IFRS measures" above.

(2) Attributable to shareholders of FMC-AG & Co. KGaA.

The following discussions pertain to the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment and the measures we use to manage these segments.

## North America Segment

### Key indicators and business metrics for the North America Segment

	For the three months ended		Change in %		
			As reported	Currency translation effects	Constant Currency <sup>(1)</sup>
	March 31	March 31			
	2020	2019			
<b>Total North America Segment</b>					
Revenue in € M	3,186	2,887	10%	3%	7%
Health care services € M	2,908	2,680	9%	4%	5%
Health care products € M	278	207	34%	3%	31%
Operating income in € M	463	372	24%	3%	21%
Operating income margin in %	14.5%	12.9%			
Delivered Operating Income <sup>(2)</sup> in € M	398	319	25%	3%	22%
<b>Dialysis</b>					
Revenue in € M	2,849	2,579	10%	3%	7%
Number of dialysis treatments	8,096,332	7,707,848	5%		
Same market treatment growth in %	3.1%	3.3%			
Operating income in € M	416	332	25%	3%	22%
Operating income margin in %	14.6%	12.9%			
Delivered Operating Income <sup>(2)</sup> in € M	359	285	26%	3%	23%
<b>Care Coordination</b>					
Revenue in € M	337	308	9%	3%	6%
Operating income in € M	47	40	18%	3%	15%
Operating income margin in %	14.0%	13.0%			
Delivered Operating Income <sup>(2)</sup> in € M	39	34	15%	4%	11%
Member months under medical cost management <sup>(3),(4)</sup>	171,525	170,903	0%		
Medical cost under management <sup>(3),(4)</sup> in € M	1,116	1,071	4%	3%	1%
Care Coordination patient encounters <sup>(3)</sup>	207,241	272,353	(24%)		

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income on a consolidated basis and for each of our operating segments, see "II. Discussion of measures – Non-IFRS measures – Delivered Operating Income (Non-IFRS Measure)" above.

(3) For further information on these metrics, please refer to the discussion above of our Care Coordination measures under "II. Discussion of measures – Business metrics for Care Coordination."

(4) Data presented for the ESCO metrics are subject to finalization by CMS, which may result in changes from previously reported metrics.

## Dialysis

### Revenue

Dialysis revenue increased by 10% including a 3% positive impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis revenue increased by 7%. Dialysis revenue is comprised of dialysis care revenue and health care product revenue.

Dialysis care revenue increased by 8% to €2,571 M from €2,372 M. In addition to a 3% positive impact from foreign currency translation, dialysis care revenue increased by 5% mainly due to growth in same market treatments (3%), contributions from acquisitions (1%), an increase in dialysis days (1%) and a favorable impact related to a partial reversal

of a revenue recognition adjustment for accounts receivable in legal dispute (1%), partially offset by decreases in organic revenue per treatment (1%).

Dialysis treatments increased by 5% largely due to growth in same market treatments (3%), contributions from acquisitions (1%) and an increase in dialysis days (1%). At March 31, 2020, 213,221 patients, an increase of 4% (March 31, 2019: 205,775), were treated in the 2,597 dialysis clinics (March 31, 2019: 2,559) that we own or operate in the North America Segment.

Health care product revenue increased by 34%. In addition to a 3% positive impact from foreign currency translation, health care product revenue increased by 31% driven by higher sales of products for acute care treatments, renal pharmaceuticals, dialyzers, home hemodialysis products and bloodlines, partially offset by lower sales of machines for chronic treatment. The increase was predominantly driven by the effects of increased product sales as a result of the acquisition of NxStage in 2019.

#### *Operating income margin*

The increase period over period in the dialysis operating income margin was 1.7 percentage points with virtually no impact from foreign currency translation in the current period. The increase was due to lower costs for pharmaceuticals, a favorable impact related to a partial reversal of a revenue recognition adjustment for accounts receivable in legal dispute, the prior year impact from legal settlements and the integration costs associated with NxStage in 2019, partially offset by an unfavorable effect from COVID-19, primarily driven by net valuation effects, as well as the prior year favorable impact from income attributable to a consent agreement on certain pharmaceuticals.

#### *Delivered Operating Income*

Dialysis Delivered Operating Income increased by 26%. In addition to a 3% positive impact from foreign currency translation, Delivered Operating Income increased by 23% mainly as a result of increased operating income.

### **Care Coordination**

#### *Revenue*

Care Coordination revenue increased by 9%. In addition to a 3% positive impact from foreign currency translation, Care Coordination revenue increased by 6% largely driven by an increase in organic revenue growth (9%) and contributions from acquisitions (3%), partially offset by the effect of closed or sold centers (6%).

#### *Operating income margin*

The increase period over period in the Care Coordination operating income margin was 1.0 percentage points, with virtually no impact from foreign currency translation in the current period. The increase was mainly due to a gain related to the divestiture of Care Coordination activities and a favorable impact from urgent care services, partially offset by the ESCO effect, an unfavorable impact from pharmacy services as well as an unfavorable effect from calcimimetics.

#### *Delivered Operating Income*

Care Coordination Delivered Operating Income increased by 15%. In addition to a 4% positive impact from foreign currency translation, Delivered Operating Income increased by 11% mainly as a result of increased operating income.

*Care Coordination business metrics*

Member months under medical cost management remained relatively stable as slight increases in member months related to payor programs were predominantly offset by a slight decrease in member months related to our existing ESCOs. See note 4 to the table "Key indicators and business metrics for the North America Segment," above.

Care Coordination's medical cost under management increased by 4%. Including a 3% positive impact from foreign currency translation, Care Coordination's medical cost under management remained relatively stable due to the development of member months. See note 4 to the table "Key indicators and business metrics for the North America Segment" above.

The decrease in patient encounters was primarily driven by decreased encounters for urgent care services as a result of the divestiture of Medspring Urgent Care Center business in the second quarter of 2019.

**North America Segment operating performance on an adjusted basis**

Management believes that there are certain distinct transactions or events for which the operating results should be adjusted to enhance transparency and comparability. We believe the following results (adjusted to exclude these items) should be analyzed in connection with the results presented above. For the three months ended March 31, 2020 and 2019, we identified the following transactions that, when excluded from the results disclosed above, may provide a reader with further useful information in assessing our performance:

- an adjustment to the 2019 presentation to remove the NxStage Costs
- an adjustment to the 2019 presentation to remove the Cost Optimization Costs

The following table reconciles the key indicators for the North America Segment in accordance with IFRS to the key indicators adjusted for the items described above as the adjustments allow for a better comparison of these key indicators to our Outlook presented in this report. While we believe these adjustments provide additional clarity to the discussion of our operating results, the following table should only be viewed as a supplement to our results disclosed in accordance with IFRS above.

**North America Segment operating performance on an adjusted basis**

in € M, except where otherwise specified

	<u>Change in % as adjusted</u>						
	<u>Results 2020</u>	<u>Results 2019</u>	<u>NxStage costs</u>	<u>Cost optimization costs</u>	<u>Results 2019 djusted</u>	<u>Current rate</u>	<u>Constant Currency <sup>(1)</sup></u>
Three months ended March 31							
Operating income	463	372	16	4	<b>392</b>	18%	15%
Operating income margin in %	14.5%	12.9%			<b>13.6%</b>		
Dialysis	416	332	16	4	<b>352</b>	18%	15%
Dialysis operating income margin in %	14.6%	12.9%			<b>13.7%</b>		
Care Coordination	47	40	-	-	<b>40</b>	18%	15%
Care Coordination operating income margin in %	14.0%	13.0%			<b>13.0%</b>		

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures - Non-IFRS measures" above.

## EMEA Segment

### Key indicators for the EMEA Segment

	For the three months ended		Change in %		
			As reported	Currency translation effects	Constant Currency <sup>(1)</sup>
	March 31 2020	March 31 2019			
Revenue in € M	679	653	4%	0%	4%
Health care services € M	341	324	5%	(1%)	6%
Health care products € M	338	329	3%	0%	3%
Number of dialysis treatments	2,511,370	2,475,702	1%		
Same market treatment growth in %	2.4%	3.9%			
Operating income in € M	101	138	(27%)	0%	(27%)
Operating income margin in %	14.9%	21.1%			
Delivered Operating Income <sup>(2)</sup> in € M	100	136	(26%)	0%	(26%)

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income on a consolidated basis and for each of our operating segments, see "II. Discussion of measures – Non-IFRS measures – Delivered Operating Income (Non-IFRS Measure)" above.

### Revenue

Health care service revenue increased by 5%. Including a 1% negative impact resulting from foreign currency translation, health care service revenue increased by 6% largely as a result of growth in same market treatments (2%), increases in organic revenue per treatment (2%), an increase in dialysis days (2%) and contributions from acquisitions (1%), partially offset by the effect of closed or sold clinics (1%).

Dialysis treatments increased by 1% mainly due to growth in same market treatments (2%) and an increase in dialysis days (1%), partially offset by the effect of closed or sold clinics (2%). As of March 31, 2020, 66,843 patients, an increase of 2% (March 31, 2019: 65,833), were treated at the 786 dialysis clinics (March 31, 2019: 782) that we own, operate or manage in the EMEA Segment.

Health care product revenue increased by 3%, with virtually no impact from foreign currency translation. Dialysis product revenue increased by 1%, with virtually no impact from foreign currency translation, due to higher sales of products for acute care treatments, home hemodialysis products, bloodlines and dialyzers, partially offset by lower sales of machines for chronic treatment. Non-Dialysis product revenue increased by 29% to €24 M from €19 M largely due to higher sales of acute cardiopulmonary products.

### Operating income margin

The decrease period over period in the operating income margin was 6.2 percentage points with virtually no impact from foreign currency translation. The decrease was mainly due to the prior year reduction of a contingent consideration liability related to Xenios, higher bad debt expense driven by COVID-19 and higher personnel expense in certain countries, partially offset by a favorable acquisition impact.

*Delivered Operating Income*

Delivered Operating Income decreased by 26%, with virtually no impact from foreign currency translation, primarily due to decreased operating income.

**Asia-Pacific Segment**

**Key indicators and business metrics for the Asia-Pacific Segment**

	For the three months ended		Change in %		
			As reported	Currency translation effects	Constant Currency <sup>(1)</sup>
	March 31	March 31			
	2020	2019			
<b>Total Asia-Pacific Segment</b>					
Revenue in € M	443	428	4%	1%	3%
Health care services € M	218	199	10%	2%	8%
Health care products € M	225	229	(2%)	0%	(2%)
Operating income in € M	77	95	(19%)	1%	(20%)
Operating income margin in %	17.3%	22.1%			
Delivered Operating Income <sup>(2)</sup> in € M	75	93	(19%)	1%	(20%)
<b>Dialysis</b>					
Revenue in € M	383	376	2%	1%	1%
Number of dialysis treatments	1,145,897	1,099,404	4%		
Same market treatment growth in %	5.9%	7.1%			
Operating income in € M	75	89	(16%)	1%	(17%)
Operating income margin in %	19.5%	23.6%			
Delivered Operating Income <sup>(2)</sup> in € M	73	87	(17%)	0%	(17%)
<b>Care Coordination</b>					
Revenue in € M	60	52	15%	(1%)	16%
Operating income in € M	2	6	(64%)	(4%)	(60%)
Operating income margin in %	3.5%	11.3%			
Delivered Operating Income <sup>(2)</sup> in € M	2	6	(56%)	(5%)	(51%)
Care Coordination Patient Encounters <sup>(3)</sup>	230,339	216,320	6%		

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income on a consolidated basis and for each of our operating segments, see "II. Discussion of measures – Non-IFRS measures – Delivered Operating Income (Non-IFRS Measure)" above.

(3) For further information on patient encounters, please refer to the discussion above of our Care Coordination measures under "II. Discussion of measures – Business metrics for Care Coordination."

**Dialysis**

*Revenue*

Dialysis revenue increased by 2% including a 1% positive impact resulting from foreign currency translation. At Constant Exchange Rates, dialysis revenue increased by 1%. Dialysis revenue is comprised of dialysis care revenue and health care product revenue.

Dialysis care service revenue increased by 8% to €158 M from €147 M. Including a 3% positive impact resulting from foreign currency translation, dialysis care service revenue

increased by 5% as a result of growth in same market treatments (6%) and an increase in dialysis days (1%), partially offset by the effect of closed or sold clinics (2%).

Dialysis treatments increased by 4% mainly due to growth in same market treatments (6%), partially offset by the effect of closed or sold clinics (2%). As of March 31, 2020, 31,337 patients, a decrease of 1% (March 31, 2019: 31,674), were treated at the 376 dialysis clinics (March 31, 2019: 398) that we own, operate or manage in the Asia-Pacific Segment.

Health care product revenue decreased by 2%, with virtually no impact resulting from foreign currency translation. Dialysis product revenue decreased by 4% to €220 M from €229 M with virtually no impact resulting from foreign currency translation. The decrease was mainly a result of lower sales of machines for chronic treatment and dialyzers, partially offset by higher sales of products for acute care treatments as well as hemodialysis solutions and concentrates. Non-Dialysis product revenue increased to €5 M (2019: €0 M) due to higher sales of acute cardiopulmonary products.

#### *Operating income margin*

The decrease period over period in the operating income margin was 4.1 percentage points with virtually no impact resulting from foreign currency translation. The decrease was primarily due to impacts from unfavorable foreign currency transaction effects, the impact from lower product sales in China and an unfavorable effect from an expansion into in-center dialysis centers, partially offset by higher other income related to the deconsolidation of clinics and lower share-based payment expense.

#### *Delivered Operating Income*

Delivered Operating Income decreased by 17%, with virtually no impact resulting from foreign currency translation, mainly due to decreased operating income.

### **Care Coordination**

#### *Revenue*

Care Coordination revenue increased by 15%. Including a 1% negative impact resulting from foreign currency translation, Care Coordination revenue increased by 16% mainly driven by organic revenue growth (9%) and contributions from acquisitions (7%).

#### *Operating income margin*

The decrease period over period in the Care Coordination operating income margin was 7.8 percentage points. Foreign currency translation effects represented a 0.4 percentage point decrease in the operating income margin. The decrease was driven by higher start-up and operating costs and an unfavorable impact from acquisitions.

#### *Delivered Operating Income*

Care Coordination Delivered Operating Income decreased by 56%. Including a 5% negative impact resulting from foreign currency translation, Care Coordination Delivered Operating Income decreased by 51% mainly as a result of decreased operating income.

#### *Care Coordination business metrics*

The number of patient encounters increased due to increased encounters for inpatient and outpatient services as a result of acquisitions in the region.

## Latin America Segment

### Key indicators for the Latin America Segment

	For the three months ended		Change in %		
			As reported	Currency translation effects	Constant Currency <sup>(1)</sup>
	March 31 2020	March 31 2019			
Revenue in € M	168	161	4%	(20%)	24%
Health care services € M	121	114	5%	(24%)	29%
Health care products € M	47	47	2%	(12%)	14%
Number of dialysis treatments	1,425,497	1,278,577	11%		
Same market treatment growth in %	4.9%	0.7%			
Operating income in € M	7	11	(40%)	0%	(40%)
Operating income margin in %	4.1%	7.1%			
Delivered Operating Income <sup>(2)</sup> in € M	7	11	(39%)	0%	(39%)

(1) For further information on Constant Exchange Rates, see "II. Discussion of measures – Non-IFRS measures" above.

(2) For further information on Delivered Operating Income, including a reconciliation of Delivered Operating Income to operating income on a consolidated basis and for each of our operating segments, see "II. Discussion of measures – Non-IFRS measures – Delivered Operating Income (Non-IFRS Measure)" above.

### Revenue

Health care service revenue increased by 5%. Including a 24% negative impact resulting from foreign currency translation, health care service revenue increased by 29% as a result of increases in organic revenue per treatment (15%), contributions from acquisitions (8%) growth in same market treatments (5%) and an increase in dialysis days (1%).

Dialysis treatments increased by 11% mainly due to contributions from acquisitions (5%), growth in same market treatments (5%) and an increase in dialysis days (1%). As of March 31, 2020, 37,302 patients, an increase of 12% (March 31, 2019: 33,434), were treated at the 243 dialysis clinics (March 31, 2019: 232) that we own, operate or manage in the Latin America Segment.

Health care product revenue increased by 2%. Including a 12% negative impact resulting from foreign currency translation, health care product revenue increased by 14% due to higher sales of hemodialysis solutions and concentrates, bloodlines, dialyzers and products for acute care treatments.

### Operating income margin

The decrease period over period in the operating income margin was 3.0 percentage points. Foreign currency translation effects represented a 0.7 percentage point increase in the operating income margin in the current period. The decrease was mainly due to unfavorable foreign currency effects and higher bad debt expense driven by COVID-19, partially offset by the impact from higher revenue.

### Delivered Operating Income

Delivered Operating Income decreased by 39%, with virtually no impact resulting from foreign currency translation, due to decreased operating income.

## Financial position

### Sources of liquidity

Our primary sources of liquidity are typically cash provided by operating activities, cash provided by short-term debt from third parties and related parties, proceeds from the issuance of long-term debt and divestitures. We require this capital primarily to finance working capital needs, fund acquisitions, operate clinics, develop free-standing renal dialysis clinics and other health care facilities, purchase equipment for existing or new renal dialysis clinics and production sites, repay debt, pay dividends and repurchase shares, (see "Net cash provided by (used in) investing activities" and "Net cash provided by (used in) financing activities" below).

As of March 31, 2020, our financial headroom resulting from unutilized credit facilities amounted to approximately €1.9 billion. The Amended 2012 Credit Agreement accounted for approximately €1.4 billion.

Since March 31, 2020, we concluded new committed bilateral credit lines and converted formerly uncommitted bilateral credit lines in to committed credit lines, thereby increasing our financial headroom by approximately €500 M in aggregate.

In our long-term financial planning, we focus primarily on the net leverage ratio, a Non-IFRS measure, see "II. Discussion of measures – Non-IFRS measures – Net leverage ratio (Non-IFRS Measure)" above. At March 31, 2020 and December 31, 2019, the net leverage ratio was 3.3 and 3.2, respectively.

At March 31, 2020, we had cash and cash equivalents of €1,405 M (December 31, 2019: €1,008 M).

Free cash flow (Net cash provided by (used in) operating activities, after capital expenditures, before acquisitions and investments) amounted to €304 M and € (123) M for the three months ended March 31, 2020 and March 31, 2019, respectively. Free cash flow is a Non-IFRS Measure and is reconciled to net cash provided by (used in) operating activities, the most directly comparable IFRS measure, see "II. Discussion of measures – Non-IFRS measures – Cash flow measures" above. Free cash flow in percent of revenue was 6.8% and (3.0%) for the three months ended March 31, 2020 and 2019, respectively.

### Net cash provided by (used in) operating activities

In the first three months of 2020, net cash provided by operating activities was €584 M as compared to net cash provided by operating activities of €76 M in the first three months of 2019. Net cash provided by operating activities in percent of revenue increased to 13% for the first three months of 2020 as compared to 2% for 2019. Cash provided by (used in) operating activities is impacted by the profitability of our business, the development of our working capital, principally inventories, receivables and cash outflows that occur due to a number of specific items as discussed below. The increase in net cash provided by operating activities was largely driven by working capital improvement, including a positive effect from cash collections, timing of certain payments and favorable changes in inventory levels.

The profitability of our business depends significantly on reimbursement rates for our services. Approximately 80% of our revenue is generated by providing health care services, a major

## FRESENIUS MEDICAL CARE AG & Co. KGaA

portion of which is reimbursed by either public health care organizations or private insurers. For the three months ended March 31, 2020, approximately 33% of our consolidated revenue was attributable to reimbursements from U.S. federal health care benefit programs, such as Medicare and Medicaid. Legislative changes could affect Medicare reimbursement rates for a significant portion of the services we provide as well as the scope of Medicare coverage. A decrease in reimbursement rates or the scope of coverage could have a material adverse effect on our business, financial position and results of operations and thus on our capacity to generate cash flow. See "I. Macroeconomic and sector-specific environment," above.

We intend to continue to address our current cash and financing requirements using cash provided by operating activities, our existing and future credit agreements, issuances under our commercial paper program (see note 5) as well as from the use of our Accounts Receivable Facility. In addition, to finance acquisitions or meet other needs, we expect to successfully complete long-term financing arrangements, such as the issuance of bonds. We aim to preserve financial resources with a minimum of €500 M of committed and unutilized credit facilities.

Net cash provided by (used in) operating activities depends on the collection of accounts receivable. Commercial customers and government institutions generally have different payment cycles. Lengthening their payment cycles could have a material adverse effect on our capacity to generate cash flow. In addition, we could face difficulties in enforcing and collecting accounts receivable under the legal systems of, and due to the economic conditions in, some countries. Accounts receivable balances, net of valuation allowances, represented Days Sales Outstanding ("DSO") of 77 days at March 31, 2020, an increase as compared to 73 days at December 31, 2019.

DSO by segment is calculated by dividing the segment's accounts and other receivable and contract liabilities, converted to euro using the average exchange rate for the period presented, less any sales or value added tax included in the receivables, by the average daily sales for the last twelve months of that segment, converted to euro using the average exchange rate for the period. Receivables and revenues are adjusted for amounts related to acquisitions and divestitures made within the reporting period with a purchase price above a €50 M threshold as defined in the Amended 2012 Credit Agreement. The development of DSO by reporting segment is shown in the table below:

### Development of days sales outstanding

in days	March 31, 2020	December 31, 2019	Increase/decrease primarily driven by:
North America Segment	65	58	Seasonality in invoicing and the timing of write offs
EMEA Segment	98	96	Periodic delays in payment of public health care organizations in certain countries
Asia-Pacific Segment	103	113	Decreased sales in the region and an improvement of payment collections in China
Latin America Segment	133	127	Acquisitions in the region and periodic delays in payment of public health care organizations in certain countries
<b>FMC-AG &amp; Co. KGaA average days sales outstanding</b>	<b>77</b>	<b>73</b>	

Due to the fact that a large portion of our reimbursement is provided by public health care organizations and private insurers, we expect that most of our accounts receivable will be collectible.

### Net cash provided by (used in) investing activities

In the first three months of 2020, net cash used in investing activities was €312 M as compared to net cash used in investing activities of €2,016 M in the comparable period of 2019. The following table shows our capital expenditures for property, plant and equipment, net of proceeds from sales of property, plant and equipment as well as acquisitions, investments and purchases of intangible assets for the first three months of 2020 and 2019:

#### Capital expenditures (net), acquisitions, investments and purchases of intangible assets

in € M

	Capital expenditures, net		Acquisitions, investments and purchases of intangible assets	
	For the three months ended March 31,			
	2020	2019	2020	2019
North America Segment	149	95	13	1,782
<i>thereof investments in debt</i>	-	-	1	-
EMEA Segment	29	25	7	19
Asia-Pacific Segment	37	9	-	1
Latin America Segment	6	5	15	20
Corporate	59	65	3	7
<b>Total</b>	<b>280</b>	<b>199</b>	<b>38</b>	<b>1,829</b>

The majority of our capital expenditures in the first three months of 2020 was used for maintaining existing clinics, equipping new clinics, maintaining and expanding production facilities, capitalization of machines provided to our customers and for Care Coordination as well as capitalization of certain development costs. Capital expenditures increased to approximately 6% of total revenue in the first three months of 2020 as compared to approximately 5% of total revenue during the same period in 2019.

Acquisitions in the first three months of 2019 were primarily driven by the acquisition of NxStage on February 21, 2019 as well as dialysis clinics.

In 2020, we anticipate capital expenditures of €1.1 to €1.3 billion and expect to make acquisitions and investments, excluding investments in debt securities, of approximately €500 to €700 M.

### Net cash provided by (used in) financing activities

In the first three months of 2020 and 2019, net cash provided by financing activities was €121 M as compared to net cash provided by financing activities of €722 M, respectively.

In the first three months of 2020, cash was mainly provided by the proceeds from short-term debt (including short-term debt from related parties) and the utilization of the Accounts Receivable Facility, partially offset by repayments of long-term debt (including the repayment of Convertible Bonds at maturity in January 2020), shares repurchased as part of a share buy-back program, repayments of short-term debt and the repayment of lease liabilities.

In the first three months of 2019, cash was mainly provided by the utilization of the accounts receivable facility, proceeds from long-term debt (including additional drawings under the U.S. dollar and euro revolving credit facility of the Amended 2012 Credit Agreement) and short-term debt, partially offset by repayments of lease liabilities, shares repurchased as part of a share buy-back program, repayments of short-term debt, including repayments from related parties and distributions to noncontrolling interests.

### **Net Assets**

Total assets as of March 31, 2020 increased by 3% to €34.1 billion as compared to €32.9 billion at December 31, 2019, with virtually no impact from foreign currency translation, primarily driven by increases in cash and cash equivalents, trade accounts and other receivables and goodwill.

Current assets as a percent of total assets increased to 23% at March 31, 2020 as compared to 22% at December 31, 2019, primarily driven by an increase in cash and cash equivalents as well as an increase in trade accounts and other receivables as discussed within "Development of days sales outstanding" table above. The equity ratio, the ratio of our equity divided by total liabilities and shareholders' equity, decreased to 39% at March 31, 2020 as compared to 40% at December 31, 2019, primarily driven by higher short-term debt (including short-term debt from related parties) and an increase in other current liabilities related to the share buy-back program. ROIC decreased to 6.0% at March 31, 2020 as compared to 6.1% at December 31, 2019. Adjusted for IFRS 16, ROIC was 6.8% at March 31, 2020.

### **Management's general assessment**

In these unprecedented times, it is our first and foremost priority to maintain the continuity and high quality of care. For months now, our employees have been working tirelessly to ensure that our patients receive their life-saving dialysis treatments. We appreciate the financial commitment that the U.S. administration has given in April to support healthcare providers. The strong revenue growth in the three months ended March 31, shows that the underlying business development remains intact and that our business model is resilient. In a global pandemic that is redefining priorities in other areas of the healthcare system, dialysis remains essential for millions of patients worldwide.

### **Subsequent events**

Refer to note 11 in this report for details on post-balance sheet date events.

## Outlook

The Management Board oversees our Company by setting strategic and operational targets as well as measuring various financial key performance indicators used for internal management determined in euro based on IFRS (see chapter "Overview about the Group", section "performance management system" in the group management report of the Annual Report 2019). The following outlook for 2020 is calculated and presented at Constant Exchange Rates.

Outlook 2020 is excluding the impact of the COVID-19 pandemic and special items. Special items are effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance. The growth rates are based on the results in 2019 adjusted for Cost Optimization Costs, the (Gain) loss related to divestitures of Care Coordination activities and NxStage costs.

### Outlook

	<b>Outlook 2020 (at Constant Currency)</b>
Revenue <sup>(1)</sup>	mid to high single digit growth rate
Operating income <sup>(1)</sup>	mid to high single digit growth rate
Delivered Operating Income <sup>(1)</sup>	mid to high single digit growth rate
Net income growth at Constant Currency <sup>(1), (2)</sup>	mid to high single digit growth rate
Basic earnings per share growth at Constant Currency <sup>(1), (2)</sup>	assessed based on expected development of net income and shares outstanding
Capital expenditures	€1.1 - €1.3 BN
Acquisitions and investments <sup>(3)</sup>	€0.5 - €0.7 BN
Net cash provided by (used in) operating activities in % of revenue	> 12.5%
Free cash flow in % of revenue	> 5%
Net leverage ratio	< 3.5
ROIC	≥ 6.0%
Dividend per share <sup>(4)</sup>	assessed based on expected development of net income and shares outstanding
Employees <sup>(5)</sup>	> 124,000
Research and development expenses	€210 - €230 M

(1) Outlook 2020 excl. the impact of the COVID-19 pandemic and special items. Special items are effects that are unusual in nature and have not been foreseeable or not foreseeable in size or impact at the time of giving guidance. Growth rates based on results 2019 adjusted for Cost Optimization Costs, the (Gain) loss related to divestitures of Care Coordination activities and NxStage costs.

(2) Net income attributable to shareholders of FMC-AG & Co. KGaA.

(3) Excluding investments in debt securities.

(4) Results 2019: proposal to be approved by the 2020 Annual General Meeting.

(5) Full-time equivalents.

## **Risks and opportunities report**

### **a) Risks report**

For information regarding our risks please refer to notes 8 and 9 and the chapter "Interim management Report", specifically the forward-looking statements, the supplemental risk factors and the Macroeconomic and sector-specific environment in this report. For additional information please see chapter "Risks and opportunities report" on pages 63-74 in the Group Management Report of the Annual Report 2019.

### **b) Opportunities report**

In comparison to the information contained within the Annual Report 2019, there have been no material changes for the first quarter of 2020. Please refer to chapter "Risks and opportunities report" on pages 74-77 in the Group Management Report of the Annual Report 2019.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Financial statements**

**Consolidated statements of income  
(unaudited)**

**Consolidated statements of income**

*in € thousands ("THOUS"), except per share data*

	<b>Note</b>	<b>For the three months ended March 31,</b>	
		<b>2020</b>	<b>2019</b>
<b>Revenue:</b>			
Health care services		3,594,663	3,317,308
Health care products		893,133	815,249
	2a, 10	<b>4,487,796</b>	<b>4,132,557</b>
<b>Costs of revenue:</b>			
Health care services		2,699,978	2,505,423
Health care products		377,050	361,846
		<b>3,077,028</b>	<b>2,867,269</b>
<b>Gross profit</b>		<b>1,410,768</b>	<b>1,265,288</b>
<b>Operating (income) expenses:</b>			
Selling, general and administrative		854,462	720,173
(Gain) loss related to divestitures of Care Coordination activities		(24,332)	-
Research and development	2b	45,917	28,598
Income from equity method investees	10	(20,409)	(20,033)
<b>Operating income</b>		<b>555,130</b>	<b>536,550</b>
<b>Other (income) expense:</b>			
Interest income		(8,751)	(27,944)
Interest expense		112,970	135,792
<b>Income before income taxes</b>		<b>450,911</b>	<b>428,702</b>
Income tax expense		100,542	100,944
<b>Net income</b>		<b>350,369</b>	<b>327,758</b>
<b>Net income attributable to noncontrolling interests</b>		<b>67,650</b>	<b>57,009</b>
<b>Net income attributable to shareholders of FMC-AG &amp; Co. KGaA</b>		<b>282,719</b>	<b>270,749</b>
<b>Basic earnings per share</b>	2c	<b>0.95</b>	<b>0.88</b>
<b>Diluted earnings per share</b>	2c	<b>0.95</b>	<b>0.88</b>

See accompanying notes to unaudited consolidated financial statements.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Consolidated statements of comprehensive income  
(unaudited)**

**Consolidated statements of comprehensive income**

*in € THOUS*

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Net income</b>	<b>350,369</b>	<b>327,758</b>
<b>Other comprehensive income (loss):</b>		
<b>Components that may be reclassified subsequently to profit or loss:</b>		
Gain (loss) related to foreign currency translation	105,678	275,349
Gain (loss) related to cash flow hedges <sup>(1)</sup>	6,288	(1,296)
Income tax (expense) benefit related to components of other comprehensive income that may be reclassified	(1,878)	426
<b>Other comprehensive income (loss), net of tax</b>	<b>110,088</b>	<b>274,479</b>
<b>Total comprehensive income</b>	<b>460,457</b>	<b>602,237</b>
<b>Comprehensive income attributable to noncontrolling interests</b>	<b>90,094</b>	<b>78,022</b>
<b>Comprehensive income attributable to shareholders of FMC-AG &amp; Co. KGaA</b>	<b>370,363</b>	<b>524,215</b>

(1) Including cost of hedging in the amount of €(1,139) and €(893) for the three months ended March 31, 2020 and 2019.

See accompanying notes to unaudited consolidated financial statements.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Consolidated balance sheets  
(unaudited)**

**Consolidated balance sheets**

*in € THOUS, except share data*

	Note	March 31, 2020	December 31, 2019
<b>Assets</b>			
Cash and cash equivalents		1,405,052	1,007,723
Trade accounts and other receivables		3,708,028	3,421,346
Accounts receivable from related parties	3	128,033	159,196
Inventories	4	1,743,099	1,663,278
Other current assets		871,672	913,603
<b>Total current assets</b>		<b>7,855,884</b>	<b>7,165,146</b>
Property, plant and equipment		4,242,576	4,190,281
Right-of-use assets		4,401,235	4,325,115
Intangible assets		1,469,214	1,426,330
Goodwill		14,257,982	14,017,255
Deferred taxes		382,470	361,196
Investment in equity method investees	10	717,142	696,872
Other non-current assets		745,924	752,540
<b>Total non-current assets</b>		<b>26,216,543</b>	<b>25,769,589</b>
<b>Total assets</b>		<b>34,072,427</b>	<b>32,934,735</b>
<b>Liabilities</b>			
Accounts payable		762,384	716,526
Accounts payable to related parties	3	134,159	118,663
Current provisions and other current liabilities		2,947,601	2,812,419
Short-term debt	5	1,506,911	1,149,988
Short-term debt from related parties	5	520,600	21,865
Current portion of long-term debt	6	1,964,695	1,447,239
Current portion of long-term lease liabilities		629,856	622,227
Current portion of long-term lease liabilities from related parties	3	17,073	16,514
Income tax payable		118,967	101,793
<b>Total current liabilities</b>		<b>8,602,246</b>	<b>7,007,234</b>
Long-term debt, less current portion	6	5,803,399	6,458,318
Long-term lease liabilities, less current portion		4,030,231	3,959,865
Long-term lease liabilities from related parties, less current portion	3	104,469	106,432
Non-current provisions and other non-current liabilities		677,364	668,747
Pension liabilities		704,422	689,195
Income tax payable		81,214	78,005
Deferred taxes		799,146	739,702
<b>Total non-current liabilities</b>		<b>12,200,245</b>	<b>12,700,264</b>
<b>Total liabilities</b>		<b>20,802,491</b>	<b>19,707,498</b>
<b>Shareholders' equity:</b>			
Ordinary shares, no par value, €1.00 nominal value, 374,165,226 shares authorized, 304,444,441 issued and 293,344,152 outstanding as of March 31, 2020 and 374,165,226 shares authorized, 304,436,876 issued and 298,329,247 outstanding as of December 31, 2019		304,444	304,437
Treasury stock, at cost	2c	(692,666)	(370,502)
Additional paid-in capital		3,603,310	3,607,662
Retained earnings		9,732,241	9,454,861
Accumulated other comprehensive income (loss)		(950,901)	(1,038,545)
<b>Total FMC-AG &amp; Co. KGaA shareholders' equity</b>		<b>11,996,428</b>	<b>11,957,913</b>
Noncontrolling interests		1,273,508	1,269,324
<b>Total equity</b>		<b>13,269,936</b>	<b>13,227,237</b>
<b>Total liabilities and equity</b>		<b>34,072,427</b>	<b>32,934,735</b>

See accompanying notes to unaudited consolidated financial statements.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Consolidated statements of cash flows  
(unaudited)**

**Consolidated statements of cash flows**

*in € THOUS*

	Note	For the three months ended March 31,	
		2020	2019
<b>Operating activities</b>			
Net income		350,369	327,758
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>			
Depreciation, amortization and impairment loss	10	400,687	362,376
Change in deferred taxes, net		(29,271)	53,960
(Gain) loss from the sale of fixed assets, right-of-use assets, investments and divestitures		17,709	(8,563)
Compensation expense related to share-based plans		-	1,380
Investments in equity method investees, net		(19,266)	20,894
Interest expense, net		104,219	107,848
<b>Changes in assets and liabilities, net of amounts from businesses acquired:</b>			
Trade accounts and other receivables		(286,867)	(413,817)
Inventories		(82,230)	(141,258)
Other current and non-current assets		83,873	(70,828)
Accounts receivable from related parties		32,219	(18,700)
Accounts payable to related parties		14,736	54,840
Accounts payable, provisions and other current and non-current liabilities		83,290	(67,346)
Paid interest		(111,538)	(135,041)
Received interest		8,751	12,644
Income tax payable		53,048	69,244
Paid income taxes		(35,662)	(79,832)
<b>Net cash provided by (used in) operating activities</b>		<b>584,067</b>	<b>75,559</b>
<b>Investing activities</b>			
Purchases of property, plant and equipment		(281,977)	(200,849)
Proceeds from sale of property, plant and equipment		1,444	1,911
Acquisitions and investments, net of cash acquired, and purchases of intangible assets		(37,800)	(1,828,525)
Proceeds from divestitures		6,000	11,012
<b>Net cash provided by (used in) investing activities</b>		<b>(312,333)</b>	<b>(2,016,451)</b>
<b>Financing activities</b>			
Proceeds from short-term debt		535,063	175,009
Repayments of short-term debt		(177,570)	(64,027)
Proceeds from short-term debt from related parties		498,811	-
Repayments of short-term debt from related parties		-	(81,500)
Proceeds from long-term debt		12,664	414,458
Repayments of long-term debt		(568,648)	(17,421)
Repayments of lease liabilities		(172,352)	(151,856)
Repayments of lease liabilities from related parties		(4,117)	(4,066)
Increase (decrease) of accounts receivable facility		270,936	584,185
Proceeds from exercise of stock options		415	148
Purchase of treasury stock		(216,123)	(89,446)
Distributions to noncontrolling interests		(61,806)	(54,873)
Contributions from noncontrolling interests		4,041	11,545
<b>Net cash provided by (used in) financing activities</b>		<b>121,314</b>	<b>722,156</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>4,281</b>	<b>31,892</b>
<b>Cash and cash equivalents:</b>			
Net increase (decrease) in cash and cash equivalents		397,329	(1,186,844)
Cash and cash equivalents at beginning of period		1,007,723	2,145,632
<b>Cash and cash equivalents at end of period</b>		<b>1,405,052</b>	<b>958,788</b>

See accompanying notes to unaudited consolidated financial statements.

FRESENIUS MEDICAL CARE AG & Co. KGaA

Consolidated statements of shareholders' equity  
For the three months ended March 31, 2020 and 2019 (unaudited)

Consolidated statements of shareholders' equity  
in € THOUS, except share data

Note	Ordinary shares		Treasury stock		Accumulated other comprehensive income (loss)					Total FMC-AG & Co. KGaA shareholders' equity	Noncontrolling interests	Total equity
	Number of shares	No par value	Number of shares	Amount	Additional paid in capital	Retained earnings	Foreign currency translation	Cash flow hedges	Pensions			
<b>Balance at December 31, 2018</b>	<b>307,878,652</b>	<b>307,879</b>	<b>(999,951)</b>	<b>(50,993)</b>	<b>3,873,345</b>	<b>8,831,930</b>	<b>(911,473)</b>	<b>(1,528)</b>	<b>(290,749)</b>	<b>11,758,411</b>	<b>1,143,547</b>	<b>12,901,958</b>
Adjustment due to initial application of IFRS 16	-	-	-	-	-	(120,809)	-	-	-	(120,809)	(15,526)	(136,335)
<b>Adjusted balance at December 31, 2018</b>	<b>307,878,652</b>	<b>307,879</b>	<b>(999,951)</b>	<b>(50,993)</b>	<b>3,873,345</b>	<b>8,711,121</b>	<b>(911,473)</b>	<b>(1,528)</b>	<b>(290,749)</b>	<b>11,637,602</b>	<b>1,128,021</b>	<b>12,765,623</b>
Proceeds from exercise of options and related tax effects	28,641	28	-	-	(1,326)	-	-	-	-	(1,298)	-	(1,298)
Compensation expense related to stock options	-	-	-	-	1,380	-	-	-	-	1,380	-	1,380
Purchase of treasury stock	2c	-	(1,629,240)	(113,816)	-	-	-	-	-	(113,816)	-	(113,816)
Purchase/ sale of noncontrolling interests	-	-	-	-	(1,491)	-	-	-	-	(1,491)	16,142	14,651
Contributions from/ to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(46,274)	(46,274)
Noncontrolling interests subject to put provisions	9	-	-	-	-	4,001	-	-	-	4,001	-	4,001
Net income	-	-	-	-	-	270,749	-	-	-	270,749	57,009	327,758
Other comprehensive income (loss) related to:												
Foreign currency translation	-	-	-	-	-	-	257,324	(6)	(2,982)	254,336	21,013	275,349
Cash flow hedges, net of related tax effects	-	-	-	-	-	-	-	(870)	-	(870)	-	(870)
Comprehensive income	-	-	-	-	-	-	-	-	-	524,215	78,022	602,237
<b>Balance at March 31, 2019</b>	<b>307,907,293</b>	<b>307,907</b>	<b>(2,629,191)</b>	<b>(164,809)</b>	<b>3,871,908</b>	<b>8,985,871</b>	<b>(654,149)</b>	<b>(2,404)</b>	<b>(293,731)</b>	<b>12,050,593</b>	<b>1,175,911</b>	<b>13,226,504</b>
<b>Balance at December 31, 2019</b>	<b>304,436,876</b>	<b>304,437</b>	<b>(6,107,629)</b>	<b>(370,502)</b>	<b>3,607,662</b>	<b>9,454,861</b>	<b>(664,987)</b>	<b>(10,460)</b>	<b>(363,098)</b>	<b>11,957,913</b>	<b>1,269,324</b>	<b>13,227,237</b>
Proceeds from exercise of options and related tax effects	7,565	7	-	-	213	-	-	-	-	220	-	220
Purchase of treasury stock	2c	-	(4,992,660)	(322,164)	-	-	-	-	-	(322,164)	-	(322,164)
Purchase/ sale of noncontrolling interests	-	-	-	-	(4,565)	-	-	-	-	(4,565)	(29,731)	(34,296)
Contributions from/ to noncontrolling interests	-	-	-	-	-	-	-	-	-	-	(56,179)	(56,179)
Noncontrolling interests subject to put provisions	9	-	-	-	-	(5,339)	-	-	-	(5,339)	-	(5,339)
Net income	-	-	-	-	-	282,719	-	-	-	282,719	67,650	350,369
Other comprehensive income (loss) related to:												
Foreign currency translation	-	-	-	-	-	-	87,623	(237)	(4,152)	83,234	22,444	105,678
Cash flow hedges, net of related tax effects	-	-	-	-	-	-	-	4,410	-	4,410	-	4,410
Comprehensive income	-	-	-	-	-	-	-	-	-	370,363	90,094	460,457
<b>Balance at March 31, 2020</b>	<b>304,444,441</b>	<b>304,444</b>	<b>(11,100,289)</b>	<b>(692,666)</b>	<b>3,603,310</b>	<b>9,732,241</b>	<b>(577,364)</b>	<b>(6,287)</b>	<b>(367,250)</b>	<b>11,996,428</b>	<b>1,273,508</b>	<b>13,269,936</b>

See accompanying notes to unaudited consolidated financial statements.

## **FRESENIUS MEDICAL CARE AG & Co. KGaA**

### **Notes to consolidated financial statements (unaudited) (in THOUS, except share and per share data)**

## **1. The Company and basis of presentation**

### **The Company**

Fresenius Medical Care AG & Co. KGaA ("FMC-AG & Co. KGaA" or the "Company"), a German partnership limited by shares (Kommanditgesellschaft auf Aktien) registered in the commercial registry of Hof an der Saale under HRB 4019, with its business address at Else-Kröner-Str. 1, 61352 Bad Homburg v. d. Höhe, is the world's largest kidney dialysis company, based on publicly reported revenue and number of patients treated. The Company provides dialysis care and related dialysis care services to persons who suffer from end-stage renal disease ("ESRD"), as well as other health care services. The Company also develops, manufactures and distributes a wide variety of health care products, which includes dialysis and non-dialysis products. The Company's dialysis products include hemodialysis machines, peritoneal cyclers, dialyzers, peritoneal solutions, hemodialysis concentrates, solutions and granulates, bloodlines, renal pharmaceuticals and systems for water treatment. The Company's non-dialysis products include acute cardiopulmonary and apheresis products. The Company supplies dialysis clinics it owns, operates or manages with a broad range of products and also sells dialysis products to other dialysis service providers. The Company describes certain of its other health care services as "Care Coordination." Care Coordination currently includes, but is not limited to, value and risk-based arrangements, pharmacy services, vascular, cardiovascular and endovascular specialty services as well as ambulatory surgery center services, physician nephrology and cardiology services, urgent care services and ambulant treatment services. All of these Care Coordination services together with dialysis care and related services represent the Company's health care services.

In these unaudited consolidated financial statements, "FMC-AG & Co. KGaA," or the "Company" refers to the Company or the Company and its subsidiaries on a consolidated basis, as the context requires. "Fresenius SE" and "Fresenius SE & Co. KGaA" refer to Fresenius SE & Co. KGaA. "Management AG" and the "General Partner" refer to Fresenius Medical Care Management AG which is FMC-AG & Co. KGaA's general partner and is wholly owned by Fresenius SE. "Management Board" refers to the members of the management board of Management AG and, except as otherwise specified, "Supervisory Board" refers to the supervisory board of FMC-AG & Co. KGaA. The term "North America Segment" refers to the North America operating segment, the term "EMEA Segment" refers to the Europe, Middle East and Africa operating segment, the term "Asia-Pacific Segment" refers to the Asia-Pacific operating segment, and the term "Latin America Segment" refers to the Latin America operating segment. For further discussion of the Company's operating segments, see note 10.

### **Basis of presentation**

The Company, as a stock exchange listed company in a member state of the European Union ("EU"), fulfills its obligation to prepare and publish the consolidated financial statements in accordance with the International Financial Reporting Standards ("IFRS"), as adopted in the EU, applying section 315e of the German Commercial Code ("HGB").

The interim financial report is prepared in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, and contains condensed financial statements, in that it does not include all of the notes that would be required in a complete set of financial statements, but rather selected explanatory notes. However, the primary financial statements are presented in the format consistent with the consolidated financial statements as presented in the Company's Annual Report 2019 in accordance with IAS 1, Presentation of Financial Statements.

## **FRESENIUS MEDICAL CARE AG & Co. KGaA**

### **Notes to consolidated financial statements (unaudited) (in THOUS, except share and per share data)**

Furthermore, the Company prepares consolidated financial statements in accordance with IFRS as issued by the International Accounting Standards Board ("IASB") which is filed on Form 6-K with the Securities and Exchange Commission ("SEC").

The consolidated financial statements at March 31, 2020 and for the three months ended March 31, 2020 and 2019 contained in this report are unaudited and should be read in conjunction with the consolidated financial statements as of December 31, 2019 in accordance with IFRS, applying Section 315e HGB, contained in the Company's Annual Report 2019. The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates. Such financial statements reflect all adjustments that, in the opinion of management, are necessary for a fair presentation of the results of the periods presented. All such adjustments are of a normal recurring nature.

Starting on July 1, 2018, the Company's subsidiaries in Argentina applied IAS 29, Financial Reporting in Hyperinflationary Economies, due to the inflation in Argentina. Pursuant to IAS 29, the Company recorded a loss on its net monetary position of €4,131 for the three months ended March 31, 2020. The Company calculated the loss with the use of the Consumer Price Index (Índice de precios al consumidor) as published by the Argentine Statistics and Census Institute for the three months ended March 31, 2020, which lists the level at 305.6 index points, an 8% increase since January 1, 2020.

In the consolidated statements of income "Research and development" expense in the amount of €5,016 for the three months ended March 31, 2019, has been reclassified to "Selling, general and administrative" expense to conform to the current year's presentation.

In the consolidated statements of cash flows, receivables from equity-method investees in the amount of €16,224 for the three months ended March 31, 2019 have been reclassified from line item "Trade accounts and other receivables" to line item "Accounts receivable from related parties" to conform to the current year's presentation.

As a result of an update to a multi-currency notional pooling cash management system, cash and cash equivalents and short-term debt associated with this system are presented separately on the consolidated balance sheet as of March 31, 2020, resulting in increased borrowings under lines of credit related to this cash management system in the amount of €352,846 (see note 5).

The results of operations for the three months ended March 31, 2020 are not necessarily indicative of the results of operations for the year ending December 31, 2020.

At May 6, 2020, the Management Board authorized the consolidated financial statements for issue.

#### **New accounting pronouncements**

##### **Recently implemented accounting pronouncements**

The Company has prepared its consolidated financial statements at and for the three months ended March 31, 2020 in conformity with IFRS that have to be applied for the interim periods on January 1, 2020. In the first quarter of 2020, there were no recently implemented accounting pronouncements that had a material effect on the Company's consolidated financial statements.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Notes to consolidated financial statements  
(unaudited)  
(in THOUS, except share and per share data)**

**Recent accounting pronouncements not yet adopted**

The IASB issued the following new standard which is relevant for the Company:

***IFRS 17, Insurance Contracts***

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure related to the issuance of insurance contracts. IFRS 17 replaces IFRS 4, Insurance Contracts, which was brought in as an interim standard in 2004. IFRS 4 permitted the use of national accounting standards for the accounting of insurance contracts under IFRS. As a result of the varied application for insurance contracts there was a lack of comparability among peer groups. IFRS 17 eliminates this diversity in practice by requiring all insurance contracts to be accounted for using current values. The frequent updates to the insurance values are expected to provide more useful information to users of financial statements. On March 17, 2020, the IASB decided to defer the effective date of the standard to annual reporting periods beginning on or after January 1, 2023. Earlier adoption is permitted for entities that have also adopted IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers. The Company is evaluating the impact of IFRS 17 on the consolidated financial statements.

The EU Commission's endorsement of IFRS 17 is still outstanding.

In the Company's view, no other pronouncements issued by the IASB are expected to have a material impact on the consolidated financial statements.

**2. Notes to the consolidated statements of income**

**a) Revenue**

The Company has recognized the following revenue in the consolidated statement of income for the three months ended March 31, 2020 and 2019:

**Revenue**

*in € THOUS*

	For the three months ended March 31,					
	2020			2019		
	Revenue from contracts with customers	Other revenue	Total	Revenue from contracts with customers	Other revenue	Total
<b>Health care services</b>						
Dialysis services	3,198,252	-	3,198,252	2,957,381	-	2,957,381
Care Coordination	317,320	79,091	396,411	299,544	60,383	359,927
	<u>3,515,572</u>	<u>79,091</u>	<u>3,594,663</u>	<u>3,256,925</u>	<u>60,383</u>	<u>3,317,308</u>
<b>Health care products</b>						
Dialysis products	841,863	22,771	864,634	762,885	33,790	796,675
Non-dialysis products	28,499	-	28,499	18,574	-	18,574
	<u>870,362</u>	<u>22,771</u>	<u>893,133</u>	<u>781,459</u>	<u>33,790</u>	<u>815,249</u>
<b>Total</b>	<b><u>4,385,934</u></b>	<b><u>101,862</u></b>	<b><u>4,487,796</u></b>	<b><u>4,038,384</u></b>	<b><u>94,173</u></b>	<b><u>4,132,557</u></b>

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Notes to consolidated financial statements  
(unaudited)  
(in THOUS, except share and per share data)**

**b) Research and development expenses**

Research and development expenses of €45,917 for the three months ended March 31, 2020 (for the three months ended March 31, 2019: €28,598) included research and non-capitalizable development costs as well as depreciation and amortization expenses related to capitalized development costs of €1,263 (for the three months ended March 31, 2019: €92).

**c) Earnings per share**

The following table contains reconciliations of the numerators and denominators of the basic and fully diluted earnings per share computations for 2020 and 2019:

**Reconciliation of basic and diluted earnings per share**

*in € THOUS, except share and per share data*

	<b>For the three months ended March 31,</b>	
	<b>2020</b>	<b>2019</b>
<i>Numerator:</i>		
Net income attributable to shareholders of FMC-AG & Co. KGaA	282,719	270,749
<i>Denominators:</i>		
Weighted average number of shares outstanding	297,842,343	306,659,364
Potentially dilutive shares	219,801	-
Basic earnings per share	0.95	0.88
Diluted earnings per share	0.95	0.88

**Share buy-back program**

In 2020, the Company continued to utilize the authorization granted by the Company's Annual General Meeting on May 12, 2016 to conduct a share buy-back program. The current share buy-back program, announced on June 14, 2019 allowed for repurchase of a maximum of 12,000,000 shares at a total purchase price, excluding ancillary transaction costs, of up to €660,000 between June 17, 2019 and June 17, 2020. On April 1, 2020, the Company concluded the current buy-back program. The prior buy-back program expired on May 10, 2019 and the repurchased shares were retired. The following tabular disclosure provides the number of shares acquired in the context of the share buy-back programs as well as the retired treasury stock:

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Notes to consolidated financial statements  
(unaudited)  
(in THOUS, except share and per share data)**

**Treasury Stock**

Period	Average price per share in €	Total number of shares purchased and retired as part of publicly announced plans or programs	Total value of shares <sup>(1)</sup> in € THOUS
<b>December 31, 2018</b>	<b>51.00</b>	<b>999,951</b>	<b>50,993</b>
<b>Purchase of Treasury Stock</b>			
March 2019	69.86	1,629,240	113,816
April 2019	72.83	1,993,974	145,214
May 2019	72.97	147,558	10,766
<b>Repurchased Treasury Stock</b>	<b>71.55</b>	<b>3,770,772</b>	<b>269,796</b>
<b>Retirement of repurchased Treasury Stock</b>			
June 2019	71.55	3,770,772	269,796
<b>Purchase of Treasury Stock</b>			
June 2019	67.11	504,672	33,870
July 2019	66.77	1,029,655	68,748
August 2019	57.53	835,208	48,050
September 2019	59.67	627,466	37,445
October 2019	57.85	692,910	40,084
November 2019	64.78	852,859	55,245
December 2019	63.85	564,908	36,067
<b>Repurchased Treasury Stock</b>	<b>62.55</b>	<b>5,107,678</b>	<b>319,509</b>
<b>December 31, 2019</b>	<b>60.66</b>	<b>6,107,629</b>	<b>370,502</b>
<b>Purchase of Treasury Stock</b>			
January 2020	84.37	124,398	10,495
February 2020 <sup>(2)</sup>	249.10	25,319	6,307
March 2020	63.05	4,842,943	305,362
<b>Repurchased Treasury Stock <sup>(3)</sup></b>	<b>64.53</b>	<b>4,992,660</b>	<b>322,164</b>
<b>TOTAL <sup>(4)</sup></b>	<b>62.40</b>	<b>11,100,289</b>	<b>692,666</b>

(1) The value of shares previously repurchased and included above as of December 31, 2018 is inclusive of fees (net of taxes) paid in the amount of approximately €11 (in € THOUS) for services rendered.

(2) The purchase price of the shares of the program beginning on June 17, 2019 is based on the volume weighted average price of the Company's shares for the period and changes in the volume weighted average price resulted in retroactive adjustments to the purchase price, even if no shares were purchased. The February adjustment, in combination with lower shares purchased, resulted in a particularly high average price per share for the month.

(3) At March 31, 2020, the maximum number of shares that may be purchased pursuant to the buy-back program expiring on June 17, 2020 was 1,899,662.

(4) On April 1, 2020, 694,813 shares were repurchased at an average share price of €63.07 for a total value of €43,824 THOUS.

As of March 31, 2020, the Company holds 11,100,289 treasury shares. These shares will be used solely to reduce the registered share capital of the Company by cancellation of the acquired shares.

**FRESENIUS MEDICAL CARE AG & Co. KGaA**

**Notes to consolidated financial statements  
(unaudited)  
(in THOUS, except share and per share data)**

**3. Related party transactions**

Fresenius SE is the Company's largest shareholder and owns 32.17% of the Company's outstanding shares, excluding treasury shares held by the Company, at March 31, 2020. The Company has entered into certain arrangements for services and products with Fresenius SE or its subsidiaries and with certain of the Company's equity method investees as described in item a) below. The arrangements for leases with Fresenius SE or its subsidiaries are described in item b) below. The Company's terms related to the receivables or payables for these services, leases and products are generally consistent with the normal terms of the Company's ordinary course of business transactions with unrelated parties and the Company believes that these arrangements reflect fair market terms. The Company utilizes various methods to verify the commercial reasonableness of its related party arrangements. Financing arrangements as described in item c) below have agreed upon terms which are determined at the time such financing transactions occur and reflect market rates at the time of the transaction. The relationship between the Company and its key management personnel who are considered to be related parties is described in item d) below. Our related party transactions are settled through Fresenius SE's cash management system where appropriate.

**a) Service agreements and products**

The Company is party to service agreements with Fresenius SE and certain of its affiliates (collectively the "Fresenius SE Companies") to receive services, including, but not limited to: administrative services, management information services, employee benefit administration, insurance, information technology services, tax services and treasury management services. The Company also provides central purchasing services to the Fresenius SE Companies. These related party agreements generally have a duration of 1 to 5 years and are renegotiated on an as needed basis when the agreement comes due. The Company provides administrative services to one of its equity method investees.

The Company sold products to the Fresenius SE Companies and made purchases from the Fresenius SE Companies and equity method investees. In addition, Fresenius Medical Care Holdings, Inc. ("FMCH") purchases heparin supplied by Fresenius Kabi USA, Inc. ("Kabi USA"), through an independent group purchasing organization ("GPO"). Kabi USA is an indirect, wholly-owned subsidiary of Fresenius SE. The Company has no direct supply agreement with Kabi USA and does not submit purchase orders directly to Kabi USA. FMCH acquires heparin from Kabi USA, through the GPO contract, which was negotiated by the GPO at arm's length on behalf of all members of the GPO.

In December 2010, the Company and Galenica Ltd. (now known as Vifor Pharma Ltd.) formed the renal pharmaceutical company Vifor Fresenius Medical Care Renal Pharma Ltd., an equity method investee of which the Company owns 45%. The Company has entered into exclusive supply agreements to purchase certain pharmaceuticals from Vifor Fresenius Medical Care Renal Pharma Ltd.

Under the Centers for Medicare and Medicaid Services' ("CMS") Comprehensive ESRD Care Model, the Company and participating physicians formed entities known as ESCOs as part of a payment and care delivery model that seeks to deliver better health outcomes for Medicare ESRD patients while lowering CMS' costs. The Company has entered into participation/service agreements with these ESCOs, which are accounted for as equity method investees.

Below is a summary, including the Company's receivables from and payables to the indicated parties, resulting from the above described transactions with related parties.

## FRESENIUS MEDICAL CARE AG & Co. KGaA

### Notes to consolidated financial statements (unaudited) (in THOUS, except share and per share data)

#### Service agreements and products with related parties

in € THOUS

	For the three months ended March 31, 2020		For the three months ended March 31, 2019		March 31, 2020		December 31, 2019	
	Sales of goods and services	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
<b>Service agreements<sup>(1)</sup></b>								
Fresenius SE	28	5,450	32	5,182	996	3,515	35	360
Fresenius SE affiliates	1,187	26,328	940	24,652	2,431	6,560	2,003	6,416
Equity method investees	2,109	-	16,954	-	67,515	-	68,300	-
<b>Total</b>	<b>3,324</b>	<b>31,778</b>	<b>17,926</b>	<b>29,834</b>	<b>70,942</b>	<b>10,075</b>	<b>70,338</b>	<b>6,776</b>
<b>Products</b>								
Fresenius SE affiliates	10,821	9,048	9,862	8,290	15,276	3,162	16,803	3,405
Equity method investees	-	112,129	-	124,654	-	80,665	-	36,262
<b>Total</b>	<b>10,821</b>	<b>121,177</b>	<b>9,862</b>	<b>132,944</b>	<b>15,276</b>	<b>83,827</b>	<b>16,803</b>	<b>39,667</b>

(1) In addition to the above shown accounts payable, accrued expenses for service agreements with related parties amounted to €7,185 and €8,352 at March 31, 2020 and December 31, 2019, respectively.

#### b) Lease agreements

In addition to the above-mentioned product and service agreements, the Company is a party to real estate lease agreements with the Fresenius SE Companies, which mainly include leases for the Company's corporate headquarters in Bad Homburg, Germany and production sites in Schweinfurt and St. Wendel, Germany. The majority of the leases expire at the end of 2026.

Below is a summary resulting from the above described lease agreements with related parties.

#### Lease agreements with related parties

in € THOUS

	For the three months ended March 31, 2020			For the three months ended March 31, 2019			March 31, 2020		December 31, 2019	
	Depreciation	Interest expense	Lease expense <sup>(1)</sup>	Depreciation	Interest expense	Lease expense <sup>(1)</sup>	Right-of- use asset	Lease liability	Right-of- use asset	Lease liability
Fresenius SE	1,124	110	1,099	1,214	137	854	30,452	30,725	30,336	30,820
Fresenius SE affiliates	3,247	334	70	3,089	353	161	89,993	90,817	91,879	92,126
<b>Total</b>	<b>4,371</b>	<b>444</b>	<b>1,169</b>	<b>4,303</b>	<b>490</b>	<b>1,015</b>	<b>120,445</b>	<b>121,542</b>	<b>122,215</b>	<b>122,946</b>

(1) Short-term leases and expenses relating to variable lease payments are exempted from balance sheet recognition.

#### c) Financing

The Company receives short-term financing from and provides short-term financing to Fresenius SE. The Company also utilizes Fresenius SE's cash management system for the settlement of certain intercompany receivables and payables with its subsidiaries and other related parties. As of March 31, 2020 and December 31, 2019, the Company had accounts receivable from Fresenius SE related to short-term financing in the amount of €39,538 and €71,078, respectively. As of March 31, 2020, the Company did not have accounts payable to Fresenius SE related to short-term financing. As of December 31, 2019, the Company had accounts payable to Fresenius SE related to short-term financing in the amount of €38,050. The interest rates for these cash management arrangements are set on a daily basis and are based on the then-prevailing overnight reference rate, with a floor of zero, for the respective currencies.

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On August 19, 2009, the Company borrowed €1,500 from the General Partner on an unsecured basis at 1.335%. The loan repayment has been extended periodically and is currently due August 21, 2020 with an interest rate of 0.930%. On November 28, 2013, the Company borrowed an additional €1,500 with an interest rate of 1.875% from the General Partner. The loan repayment has been extended periodically and is currently due on November 23, 2020 with an interest rate of 0.930%.

At March 31, 2020 and December 31, 2019, a subsidiary of Fresenius SE held unsecured bonds issued by the Company in the amount of €1,000 and €1,000, respectively. These bonds were issued in 2011 with a coupon of 5.25% and interest payable semiannually until maturity in 2021.

At March 31, 2020 and December 31, 2019, the Company borrowed from Fresenius SE in the amount of €517,600 on an unsecured basis at an interest rate of 0.930% and €18,865 on an unsecured basis at an interest rate of 0.930%, respectively. For further information on this loan agreement, see note 5.

#### d) Key management personnel

Due to the Company's legal form of a German partnership limited by shares, the General Partner holds a key management position within the Company. In addition, as key management personnel, members of the Management Board and the Supervisory Board, as well as their close relatives, are considered related parties.

The Company's Articles of Association provide that the General Partner shall be reimbursed for any and all expenses in connection with management of the Company's business, including remuneration of the members of the General Partner's supervisory board and the members of the Management Board. The aggregate amount reimbursed to the General Partner was €8,265 and €8,028 for its management services during the three months ended March 31, 2020 and 2019, respectively. As of March 31, 2020 and December 31, 2019, the Company had accounts receivable from the General Partner in the amount of €2,277 and €977, respectively. As of March 31, 2020 and December 31, 2019, the Company had accounts payable to the General Partner in the amount of €40,257 and €34,170, respectively.

## 4. Inventories

At March 31, 2020 and December 31, 2019, inventories consisted of the following:

<b>Inventories</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Finished goods	999,632	940,407
Health care supplies	398,200	399,585
Raw materials and purchased components	235,148	227,654
Work in process	110,119	95,632
<b>Inventories</b>	<b>1,743,099</b>	<b>1,663,278</b>

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**5. Short-term debt and short-term debt from related parties**

At March 31, 2020 and December 31, 2019, short-term debt and short-term debt from related parties consisted of the following:

<b>Short-term debt and short-term debt from related parties</b>		
<i>in € THOUS</i>		
	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Commercial paper program	929,775	999,732
Borrowings under lines of credit	570,833	143,875
Other	6,303	6,381
Short-term debt	1,506,911	1,149,988
Short-term debt from related parties (see note 3 c)	520,600	21,865
<b>Short-term debt and short-term debt from related parties</b>	<b>2,027,511</b>	<b>1,171,853</b>

The Company and certain consolidated entities operate a multi-currency notional pooling cash management system. At March 31, 2020, borrowings under lines of credit related to this cash management system were €352,846. As of December 31, 2019, borrowings under lines of credit in the amount of €152,598 were offset under this cash management system.

**Commercial paper program**

The Company maintains a commercial paper program under which short-term notes of up to €1,000,000 can be issued. At March 31, 2020, the outstanding commercial paper amounted to €930,000 (December 31, 2019: €1,000,000).

**Other**

At March 31, 2020, the Company had €6,303 (December 31, 2019: €6,381) of other debt outstanding related to fixed payments outstanding for acquisitions.

**Short-term debt from related parties**

On July 31, 2019, the Company and one of its subsidiaries, as borrowers, and Fresenius SE, as lender, amended and restated an unsecured loan agreement to increase the aggregate amount from \$400,000 to €600,000. The Company and one of its subsidiaries may request and receive one or more short-term advances until maturity on July 31, 2022. For further information on short-term debt from related parties, see note 3 c).

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**6. Long-term debt**

As of March 31, 2020 and December 31, 2019, long-term debt consisted of the following:

**Long-term debt**

in € THOUS

	<b>March 31, 2020</b>	<b>December 31, 2019</b>
Amended 2012 Credit Agreement	1,793,097	1,901,372
Bonds	5,030,206	4,966,619
Convertible Bonds	-	399,939
Accounts Receivable Facility	662,030	379,570
Other	282,761	258,057
Long-term debt	<u>7,768,094</u>	<u>7,905,557</u>
Less current portion	<u>(1,964,695)</u>	<u>(1,447,239)</u>
<b>Long-term debt, less current portion</b>	<b><u>5,803,399</u></b>	<b><u>6,458,318</u></b>

**Amended 2012 Credit Agreement**

The following table shows the available and outstanding amounts under the Amended 2012 Credit Agreement at March 31, 2020 and December 31, 2019:

**Amended 2012 Credit Agreement - maximum amount available and balance outstanding**

in THOUS

	<b>Maximum amount available</b>		<b>Balance outstanding</b>	
	<b>March 31, 2020</b>		<b>March 31, 2020<sup>(1)</sup></b>	
Revolving credit USD 2017 / 2022	\$ 900,000	€ 821,468	\$ 23,176	€ 21,154
Revolving credit EUR 2017 / 2022	€ 600,000	€ 600,000	€ -	€ -
USD term loan 2017 / 2022	\$ 1,200,000	€ 1,095,290	\$ 1,200,000	€ 1,095,290
EUR term loan 2017 / 2022	€ 280,000	€ 280,000	€ 280,000	€ 280,000
EUR term loan 2017 / 2020	€ 400,000	€ 400,000	€ 400,000	€ 400,000
	<b><u>€ 3,196,758</u></b>		<b><u>€ 1,796,444</u></b>	
	<b>Maximum amount available</b>		<b>Balance outstanding</b>	
	<b>December 31, 2019</b>		<b>December 31, 2019<sup>(1)</sup></b>	
Revolving credit USD 2017 / 2022	\$ 900,000	€ 801,139	\$ 138,700	€ 123,464
Revolving credit EUR 2017 / 2022	€ 600,000	€ 600,000	€ -	€ -
USD term loan 2017 / 2022	\$ 1,230,000	€ 1,094,891	\$ 1,230,000	€ 1,094,891
EUR term loan 2017 / 2022	€ 287,000	€ 287,000	€ 287,000	€ 287,000
EUR term loan 2017 / 2020	€ 400,000	€ 400,000	€ 400,000	€ 400,000
	<b><u>€ 3,183,030</u></b>		<b><u>€ 1,905,355</u></b>	

(1) Amounts shown are excluding debt issuance costs.

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**Accounts Receivable Facility**

The following table shows the available and outstanding amounts under the Accounts Receivable Facility at March 31, 2020 and at December 31, 2019:

**Accounts Receivable Facility - Maximum amount available and balance outstanding**

*in THOUS*

	<b>Maximum amount available March 31, 2020 <sup>(1)</sup></b>		<b>Balance outstanding March 31, 2020 <sup>(2)</sup></b>	
	\$	€	\$	€
Accounts Receivable Facility	900,000	<u>821,468</u>	725,750	<u>662,422</u>
	<b>Maximum amount available December 31, 2019 <sup>(1)</sup></b>		<b>Balance outstanding December 31, 2019 <sup>(2)</sup></b>	
	\$	€	\$	€
Accounts Receivable Facility	900,000	<u>801,139</u>	427,000	<u>380,096</u>

(1) Subject to availability of sufficient accounts receivable meeting funding criteria.

(2) Amounts shown are excluding debt issuance costs.

The Company also had letters of credit outstanding under the Accounts Receivable Facility in the amount of \$12,522 and \$23,460 (€11,429 and €20,883) at March 31, 2020 and December 31, 2019, respectively. These letters of credit are not included above as part of the balance outstanding at March 31, 2020 and December 31, 2019; however, they reduce available borrowings under the Accounts Receivable Facility.

**7. Supplementary information on capital management**

As of March 31, 2020, and December 31, 2019 total equity in percent of total assets was 38.9% and 40.2%, respectively, and debt and lease liabilities in percent of total assets was 42.8% and 41.8%, respectively.

A key financial performance indicator for the Company is the net leverage ratio, defined as the ratio of net debt/EBITDA. To determine the net leverage ratio, debt and lease liabilities less cash and cash equivalents (net debt) is compared to EBITDA (adjusted for acquisitions and divestitures made during the last twelve months with a purchase price above a €50,000 threshold as defined in the Amended 2012 Credit Agreement, non-cash charges and impairment loss). At March 31, 2020 and December 31, 2019, the net debt/EBITDA ratio, was 3.3 and 3.2, respectively. Further information on the Company's capital management is available in the consolidated financial statements as of December 31, 2019 in accordance with IFRS, applying section 315e HGB, contained in the Annual Report 2019.

The Company's financing structure and business model are reflected in the investment grade ratings. The Company is covered and rated investment grade by the three leading rating agencies, Moody's, Standard & Poor's and Fitch:

**Rating <sup>(1)</sup>**

	<b>Standard &amp; Poor's</b>	<b>Moody's</b>	<b>Fitch</b>
Corporate Credit Rating	BBB	Baa3	BBB-
Outlook	stable	stable	stable

(1) A rating is not a recommendation to buy, sell or hold securities of the Company, and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

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#### **8. Commitments and contingencies**

##### **Legal and regulatory matters**

The Company is routinely involved in claims, lawsuits, regulatory and tax audits, investigations and other legal matters arising, for the most part, in the ordinary course of its business of providing health care services and products. Legal matters that the Company currently deems to be material or noteworthy are described below. The Company records its litigation reserves for certain legal proceedings and regulatory matters to the extent that the Company determines an unfavorable outcome is probable and the amount of loss can be reasonably estimated. For the other matters described below, the Company believes that the loss probability is remote and/or the loss or range of possible losses cannot be reasonably estimated at this time. The outcome of litigation and other legal matters is always difficult to predict accurately and outcomes that are not consistent with the Company's view of the merits can occur. The Company believes that it has valid defenses to the legal matters pending against it and is defending itself vigorously. Nevertheless, it is possible that the resolution of one or more of the legal matters currently pending or threatened could have a material adverse effect on its business, results of operations and financial condition.

Beginning in 2012, the Company received certain communications alleging conduct in countries outside the United States that might violate the Foreign Corrupt Practices Act or other anti-bribery laws. The Company conducted investigations with the assistance of outside counsel and, in a continuing dialogue, advised the Securities and Exchange Commission ("SEC") and the United States Department of Justice ("DOJ") about these investigations. The DOJ and the SEC also conducted their own investigations, in which the Company cooperated.

In the course of this dialogue, the Company identified and reported to the DOJ and the SEC, and took remedial actions with respect to, conduct that resulted in the DOJ and the SEC seeking monetary penalties including disgorgement of profits and other remedies. This conduct revolved principally around the Company's products business in countries outside the United States.

The Company recorded charges of €200,000 in 2017 and €77,200 in 2018 encompassing estimates for the claims from the DOJ and the SEC for profit disgorgement, penalties, certain legal expenses, and other related costs or asset impairments believed likely to be necessary for full and final resolution, by litigation or settlement, of the claims and issues arising from the investigation. The increase recorded in 2018 took into consideration preliminary understandings with the DOJ and the SEC on the financial terms of a potential settlement. Following this increase, which takes into account incurred and anticipated legal expenses, impairments and other costs, the provision totaled €223,980 as of December 31, 2018.

On March 29, 2019, the Company entered into a non-prosecution agreement with the DOJ and a separate agreement with the SEC intended to resolve fully and finally the claims against the Company arising from the investigations. The Company paid a combined total in penalties and disgorgement of approximately \$231,700 to the DOJ and the SEC in connection with these agreements. The entire amount paid to the DOJ and the SEC was reserved for in charges that the Company recorded in 2017 and 2018 and announced in 2018. As part of the settlement, the Company agreed to retain an independent compliance monitor for a period of at least two years and to an additional year of self-reporting. As of July 26, 2019, the monitor was appointed and the monitorship period commenced.

In 2015, the Company self-reported to the German prosecutor conduct with a potential nexus to Germany and continues to cooperate with government authorities in Germany in their review of the conduct that prompted the Company's and government investigations.

Since 2012, the Company has made and continues to make further significant investments in its compliance and financial controls and in its compliance, legal and financial organizations. The Company's remedial actions included separation from those employees responsible for the above-mentioned conduct. The Company is dealing with post-FCPA review matters on various levels. The Company continues to be fully committed to compliance with the FCPA and other applicable anti-bribery laws.

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Personal injury litigation involving FMCH's acid concentrate product, labeled as Granuflo® or Naturalyte®, first arose in 2012 and was substantially resolved by settlement agreed in principle in February 2016 and consummated in November 2017. Remaining individual personal injury cases do not present material risk.

FMCH's affected insurers agreed to the settlement of the acid concentrate personal injury litigation and funded \$220,000 of the settlement fund under a reciprocal reservation of rights encompassing certain coverage issues raised by insurers and the FMCH's claims for indemnification of defense costs. FMCH accrued a net expense of \$60,000 in connection with the settlement, including legal fees and other anticipated costs. Following entry into the settlement, FMCH's insurers in the AIG group and FMCH each initiated litigation against the other relating to the AIG group's coverage obligations under applicable policies. In the coverage litigation, the AIG group seeks to be indemnified by FMCH for some or all of its \$220,000 outlay; FMCH seeks to confirm the AIG group's \$220,000 funding obligation, to recover defense costs already incurred by FMCH, and to compel the AIG group to honor defense and indemnification obligations required for resolution of cases not participating in the settlement. As a result of decisions on issues of venue, the coverage litigation is proceeding in the New York state trial court for Manhattan. (National Union Fire Insurance v. Fresenius Medical Care, 2016 Index No. 653108 (Supreme Court of New York for New York County)).

Four institutional plaintiffs filed complaints against FMCH or its affiliates under state deceptive practices statutes resting on certain background allegations common to the GranuFlo®/NaturaLyte® personal injury litigation but seeking as a remedy the repayment of sums paid to FMCH that are attributable to the GranuFlo®/NaturaLyte® products. These cases implicate different legal standards, theories of liability and forms of potential recovery from those in the personal injury litigation and their claims were not extinguished by the personal injury litigation settlement described above. All of the institutional cases have been resolved by settlement except for the claims by the State of Louisiana through its Attorney General and Blue Cross Blue Shield Louisiana. The Caldwell and Blue Cross Louisiana cases are proceeding together in a combined proceeding in federal court in Boston, but are subject to undecided motions for severance and remand. State of Louisiana ex re. Caldwell and Louisiana Health Service & Indemnity Company v. Fresenius Medical Care Airline, et al 2016 Civ. 11035 (U.S.D.C. D. Mass.). There is no trial date in either case. FMCH has increased its litigation reserves to account for anticipated resolution of these claims. However, at the present time there are no agreements in principle for resolving either case and litigation through final adjudication may be required in them.

On September 6, 2018, a special-purpose entity organized under Delaware law for the purpose of pursuing litigation filed a Pure Bill of Discovery in a Florida county court seeking discovery from FMCH related to the personal injury settlement, but no other relief. MSP Recovery Claims Series LLC v. Fresenius Medical Care Holdings, No. 2018-030366-CA-01 (11th Judicial Circuit, Dade County, Florida). The Pure Bill was thereafter removed to federal court and transferred into the multidistrict Fresenius Granuflo/Naturalyte Dialysate Products Liability Litigation in Boston. No.1:13-MD-02428-DPW (D. Mass. 2013). On March 12, 2019, plaintiff amended its Pure Bill by filing a complaint claiming rights to recover monetary damages on behalf of various persons and entities who are alleged to have assigned to plaintiff their rights to recover monetary damages arising from their having provided or paid for medical services for dialysis patients receiving treatments using FMCH's acid concentrate product. FMCH is responding to the amended complaint.

In August 2014, FMCH received a subpoena from the United States Attorney for the District of Maryland inquiring into FMCH's contractual arrangements with hospitals and physicians involving contracts relating to the management of in-patient acute dialysis services. FMCH is cooperating in the investigation.

In July 2015, the Attorney General for Hawaii issued a civil complaint under the Hawaii False Claims Act alleging a conspiracy pursuant to which certain Liberty Dialysis subsidiaries of FMCH overbilled Hawaii Medicaid for Liberty's Epogen® administrations to Hawaii Medicaid patients during the period from 2006 through 2010, prior to the time of FMCH's acquisition of Liberty. Hawaii v. Liberty Dialysis—Hawaii, LLC et al., Case No. 15-1-1357-07 (Hawaii 1st Circuit). The

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State alleges that Liberty acted unlawfully by relying on incorrect and unauthorized billing guidance provided to Liberty by Xerox State Healthcare LLC, which acted as Hawaii's contracted administrator for its Medicaid program reimbursement operations during the relevant period. The amount of the overpayment claimed by the State is approximately \$8,000, but the State seeks civil remedies, interest, fines, and penalties against Liberty and FMCH under the Hawaii False Claims Act substantially in excess of the overpayment. After prevailing on motions by Xerox to preclude it from doing so, FMCH is pursuing third-party claims for contribution and indemnification against Xerox. The State's False Claims Act complaint was filed after Liberty initiated an administrative action challenging the State's recoupment of alleged overpayments from sums currently owed to Liberty. The civil litigation and administrative action are proceeding in parallel. Trial in the civil litigation is scheduled for March 8, 2021.

On August 31, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) inquiring into FMCH's participation in and management of dialysis facility joint ventures in which physicians are partners. FMCH continues to cooperate in the Denver United States Attorney's Office ("USAO") investigation, which has come to focus on purchases and sales of minority interests in ongoing outpatient facilities between FMCH and physician groups.

On November 25, 2015, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) also inquiring into FMCH's involvement in certain dialysis facility joint ventures in New York. On September 26, 2018, the Brooklyn USAO declined to intervene on the qui tam complaint filed under seal in 2014 that gave rise to this investigation. *CKD Project LLC v. Fresenius Medical Care*, 2014 Civ. 06646 (E.D.N.Y. November 12, 2014). The court unsealed the complaint, allowing the relator to serve and proceed on its own. The relator—a special-purpose entity formed by law firms to pursue qui tam proceedings—has served its complaint and litigation is proceeding.

Beginning October 6, 2015, the United States Attorney for the Eastern District of New York (Brooklyn) has led an investigation, through subpoenas issued under the False Claims Act, of utilization and invoicing by FMCH's subsidiary Azura Vascular Care for a period beginning after FMCH's acquisition of American Access Care LLC ("AAC") in October 2011. FMCH is cooperating in the Brooklyn USAO investigation. The Brooklyn USAO has indicated that its investigation is nationwide in scope and is focused on whether certain access procedures performed at Azura facilities have been medically necessary and whether certain physician assistants employed by Azura exceeded their permissible scope of practice. Allegations against AAC arising in districts in Connecticut, Florida and Rhode Island relating to utilization and invoicing were settled in 2015.

On June 30, 2016, FMCH received a subpoena from the United States Attorney for the Northern District of Texas (Dallas) seeking information under the False Claims Act about the use and management of pharmaceuticals including Velphoro®. The investigation encompasses DaVita, Amgen, Sanofi, and other pharmaceutical manufacturers and includes inquiries into whether certain compensation transfers between manufacturers and pharmacy vendors constituted unlawful kickbacks. FMCH understands that this investigation is substantively independent of the \$63,700 settlement by DaVita Rx announced on December 14, 2017 in the matter styled *United States ex rel. Gallian v. DaVita Rx*, 2016 Civ. 0943 (N.D. Tex.). FMCH has cooperated in the investigation.

On November 18, 2016, FMCH received a subpoena under the False Claims Act from the United States Attorney for the Eastern District of New York (Brooklyn) seeking documents and information relating to the operations of Shiel Medical Laboratory, Inc. ("Shiel"), which FMCH acquired in October 2013. In the course of cooperating in the investigation and preparing to respond to the subpoena, FMCH identified falsifications and misrepresentations in documents submitted by a Shiel salesperson that relate to the integrity of certain invoices submitted by Shiel for laboratory testing for patients in long term care facilities. On February 21, 2017, FMCH terminated the employee and notified the United States Attorney of the termination and its circumstances. The terminated employee's conduct is expected to result in demands for FMCH to refund overpayments and to pay related penalties under applicable laws, but the monetary value of such payment demands cannot yet be reasonably estimated. FMCH contends that,

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under the asset sale provisions of its 2013 Shiel acquisition, it is not responsible for misconduct by the terminated employee or other Shiel employees prior to the date of the acquisition. The Brooklyn USAO continues to investigate a range of issues involving Shiel, including allegations of improper compensation (kickbacks) to physicians, and has disclosed that multiple sealed qui tam complaints underlie the investigation.

On December 12, 2017, FMCH sold to Quest Diagnostics certain Shiel operations that are the subject of this Brooklyn subpoena, including the misconduct reported to the United States Attorney. Under the Quest Diagnostics sale agreement, FMCH retains responsibility for responding to the Brooklyn investigation and for liabilities arising from conduct occurring after its 2013 acquisition of Shiel and prior to its sale of Shiel to Quest Diagnostics. FMCH is cooperating in the investigation.

On December 14, 2016, CMS, which administers the federal Medicare program, published an Interim Final Rule ("IFR") titled "Medicare Program; Conditions for Coverage for End-Stage Renal Disease Facilities-Third Party Payment." The IFR would have amended the Conditions for Coverage for dialysis providers, like FMCH and would have effectively enabled insurers to reject premium payments made by or on behalf of patients who received grants for individual market coverage from the American Kidney Fund ("AKF" or "the Fund"). The IFR could thus have resulted in those patients losing individual insurance market coverage. The loss of coverage for these patients would have had a material and adverse impact on the operating results of FMCH.

On January 25, 2017, a federal district court in Texas responsible for litigation initiated by a patient advocacy group and dialysis providers including FMCH preliminarily enjoined CMS from implementing the IFR. *Dialysis Patient Citizens v. Burwell*, 2017 Civ. 0016 (E.D. Texas, Sherman Div.). The preliminary injunction was based on CMS' failure to follow appropriate notice-and-comment procedures in adopting the IFR. The injunction remains in place and the court retains jurisdiction over the dispute.

On June 22, 2017, CMS requested a stay of proceedings in the litigation pending further rulemaking concerning the IFR. CMS stated, in support of its request, that it expects to publish a Notice of Proposed Rulemaking in the Federal Register and otherwise pursue a notice-and-comment process. Plaintiffs in the litigation, including FMCH, consented to the stay, which was granted by the court on June 27, 2017.

On January 3, 2017, FMCH received a subpoena from the United States Attorney for the District of Massachusetts under the False Claims Act inquiring into FMCH's interactions and relationships with the AKF, including FMCH's charitable contributions to the Fund and the Fund's financial assistance to patients for insurance premiums. FMCH cooperated in the investigation, which was part of a broader investigation into charitable contributions in the medical industry. On August 1, 2019, the United States District Court for the District of Massachusetts entered an order announcing that the United States had declined to intervene on a qui tam complaint underlying the USAO Boston investigation and unsealing the relator's complaint so as to permit the relator to serve the complaint and proceed on his own. The relator did not serve the complaint within the time allowed, but the court has not yet dismissed the relator's complaint.

On April 8, 2019, United Healthcare served a demand for arbitration against FMCH. The demand asserts that FMCH unlawfully "steered" patients by waiving co-payments and other means away from coverage under government-funded insurance plans including Medicare into United Healthcare's commercial plans, including Affordable Care Act exchange plans. FMCH is contesting United Healthcare's claims and demands. A final hearing date has been scheduled in the arbitration for August 23, 2021.

In early May 2017, the United States Attorney for the Middle District of Tennessee (Nashville) issued identical subpoenas to FMCH and two subsidiaries under the False Claims Act concerning FMCH's retail pharmaceutical business. The investigation is exploring allegations related to improper inducements to dialysis patients to fill oral prescriptions through FMCH's pharmacy service, improper billing for returned pharmacy products and other allegations similar to those underlying the \$63,700 settlement by DaVita Rx in Texas announced on December 14, 2017. *United States ex rel. Gallian*, 2016 Civ. 00943 (N.D. Tex.). FMCH is cooperating in the investigation.

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On March 12, 2018, Vifor Fresenius Medical Care Renal Pharma Ltd. and Vifor Fresenius Medical Care Renal Pharma France S.A.S. (collectively, "VFMCRP") (the joint venture between Vifor Pharma and FMC-AG & Co. KGaA), filed a complaint for patent infringement against Lupin Atlantis Holdings SA and Lupin Pharmaceuticals Inc. (collectively, "Lupin"), and Teva Pharmaceuticals USA, Inc. ("Teva") in the U.S. District Court for the District of Delaware (Case 1:18-cv-00390-LPS). The patent infringement action is in response to Lupin and Teva's filings of Abbreviated New Drug Applications ("ANDA") with the U.S. Food and Drug Administration ("FDA") for generic versions of Velphoro®. Velphoro® is protected by patents listed in the FDA's Approved Drug Products with Therapeutic Equivalence Evaluations, also known as the Orange Book. The complaint was filed within the 45-day period provided for under the Hatch-Waxman legislation, and triggered a stay of FDA approval of the ANDAs for 30 months (specifically, up to July 29, 2020 for Lupin's ANDA; and August 6, 2020 for Teva's ANDA), or a shorter time if a decision in the infringement suit is reached that the patents-at-issue are invalid or not infringed. In response to another ANDA being filed for a generic Velphoro®, VFMCRP filed a complaint for patent infringement against Annora Pharma Private Ltd., and Hetero Labs Ltd. (collectively, "Annora"), in the U.S. District Court for the District of Delaware on December 17, 2018. A 30-month stay of FDA approval of Annora's ANDA will run through to May 30, 2021.

On December 17, 2018, FMCH was served with a subpoena under the False Claims Act from the United States Attorney for the District of Colorado (Denver) as part of an investigation of allegations against DaVita, Inc. involving transactions between FMCH and DaVita. The subject transactions include sales and purchases of dialysis facilities, dialysis-related products and pharmaceuticals, including dialysis machines and dialyzers, and contracts for certain administrative services. FMCH is cooperating in the investigation.

On June 28, 2019, certain FMCH subsidiaries filed a complaint against the United States seeking to recover monies owed to them by the United States Department of Defense under the Tricare program, and to preclude Tricare from recouping monies previously paid. Bio-Medical Applications of Georgia, Inc., et al. v. United States, CA 19-947, United States Court of Federal Claims. Tricare provides reimbursement for dialysis treatments and other medical care provided to members of the military services, their dependents and retirees. The litigation challenges unpublished administrative actions by Tricare administrators reducing the rate of compensation paid for dialysis treatments provided to Tricare beneficiaries based on a recasting or "crosswalking" of codes used and followed in invoicing without objection for many years. Tricare administrators have acknowledged the unpublished administrative action and declined to change or abandon it. The Tricare administrators filed a motion to dismiss the complaint, but are not yet required to articulate, and have not yet presented, a substantive defense to the complaint. FMCH opposed the motion to dismiss. The court on April 16, 2020 denied the government's motion to dismiss in substantial part and accordingly required the government to answer FMCH's complaint and discovery to proceed. FMCH has imposed a constraint on revenue otherwise recognized from the Tricare program that it believes, in consideration of facts currently known, sufficient to account for the risk of this litigation.

From time to time, the Company is a party to or may be threatened with other litigation or arbitration, claims or assessments arising in the ordinary course of its business. Management regularly analyzes current information including, as applicable, the Company's defenses and insurance coverage and, as necessary, provides accruals for probable liabilities for the eventual disposition of these matters.

The Company, like other health care providers, insurance plans and suppliers, conducts its operations under intense government regulation and scrutiny. It must comply with regulations which relate to or govern the safety and efficacy of medical products and supplies, the marketing and distribution of such products, the operation of manufacturing facilities, laboratories, dialysis clinics and other health care facilities, and environmental and occupational health and safety. With respect to its development, manufacture, marketing and distribution of medical products, if such compliance is not maintained, the Company could be subject to significant adverse regulatory actions by the FDA and comparable regulatory authorities outside the U.S. These regulatory actions could include warning letters or other enforcement notices from the FDA, and/or comparable foreign regulatory authority which may require the Company

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to expend significant time and resources in order to implement appropriate corrective actions. If the Company does not address matters raised in warning letters or other enforcement notices to the satisfaction of the FDA and/or comparable regulatory authorities outside the U.S., these regulatory authorities could take additional actions, including product recalls, injunctions against the distribution of products or operation of manufacturing plants, civil penalties, seizures of the Company's products and/or criminal prosecution. FMCH is currently engaged in remediation efforts with respect to one pending FDA warning letter. The Company must also comply with the laws of the United States, including the federal Anti-Kickback Statute, the federal False Claims Act, the federal Stark Law, the federal Civil Monetary Penalties Law and the federal Foreign Corrupt Practices Act as well as other federal and state fraud and abuse laws. Applicable laws or regulations may be amended, or enforcement agencies or courts may make interpretations that differ from the Company's interpretations or the manner in which it conducts its business. Enforcement has become a high priority for the federal government and some states. In addition, the provisions of the False Claims Act authorizing payment of a portion of any recovery to the party bringing the suit encourage private plaintiffs to commence whistleblower actions. By virtue of this regulatory environment, the Company's business activities and practices are subject to extensive review by regulatory authorities and private parties, and continuing audits, subpoenas, other inquiries, claims and litigation relating to the Company's compliance with applicable laws and regulations. The Company may not always be aware that an inquiry or action has begun, particularly in the case of whistleblower actions, which are initially filed under court seal.

The Company operates many facilities and handles the personal data ("PD") of its patients and beneficiaries throughout the United States and other parts of the world and engages with other business associates to help it carry out its health care activities. In such a decentralized system, it is often difficult to maintain the desired level of oversight and control over the thousands of individuals employed by many affiliated companies and its business associates. On occasion, the Company or its business associates may experience a breach under the Health Insurance Portability and Accountability Act Privacy Rule and Security Rules, the EU's General Data Protection Regulation and or other similar laws ("Data Protection Laws") when there has been impermissible use, access, or disclosure of unsecured PD or when the Company or its business associates neglect to implement the required administrative, technical and physical safeguards of its electronic systems and devices, or a data breach that results in impermissible use, access or disclosure of personal identifying information of its employees, patients and beneficiaries. On those occasions, the Company must comply with applicable breach notification requirements.

The Company relies upon its management structure, regulatory and legal resources, and the effective operation of its compliance program to direct, manage and monitor the activities of its employees. On occasion, the Company may identify instances where employees or other agents deliberately, recklessly or inadvertently contravene the Company's policies or violate applicable law. The actions of such persons may subject the Company and its subsidiaries to liability under the Anti-Kickback Statute, the Stark Law, the False Claims Act, Data Protection Laws, the Health Information Technology for Economic and Clinical Health Act and the Foreign Corrupt Practices Act, among other laws and comparable state laws or laws of other countries.

Physicians, hospitals and other participants in the health care industry are also subject to a large number of lawsuits alleging professional negligence, malpractice, product liability, worker's compensation or related claims, many of which involve large claims and significant defense costs. The Company has been and is currently subject to these suits due to the nature of its business and expects that those types of lawsuits may continue. Although the Company maintains insurance at a level which it believes to be prudent, it cannot assure that the coverage limits will be adequate or that insurance will cover all asserted claims. A successful claim against the Company or any of its subsidiaries in excess of insurance coverage could have a material adverse effect upon it and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

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The Company has also had claims asserted against it and has had lawsuits filed against it relating to alleged patent infringements or businesses that it has acquired or divested. These claims and suits relate both to operation of the businesses and to the acquisition and divestiture transactions. The Company has, when appropriate, asserted its own claims, and claims for indemnification. A successful claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition, and the results of its operations. Any claims, regardless of their merit or eventual outcome, could have a material adverse effect on the Company's reputation and business.

In Germany, the tax audits for the years 2006 through 2009 have been substantially completed. The German tax authorities have indicated a re-qualification of dividends received in connection with intercompany mandatorily redeemable preferred shares into fully taxable interest payments for these and subsequent years until 2013. The Company has defended its position and will avail itself of appropriate remedies. The Company is also subject to ongoing and future tax audits in the U.S., Germany and other jurisdictions in the ordinary course of business. Tax authorities routinely pursue adjustments to the Company's tax returns and disallowances of claimed tax deductions. When appropriate, the Company defends these adjustments and disallowances and asserts its own claims. A successful tax related claim against the Company or any of its subsidiaries could have a material adverse effect upon its business, financial condition and results of operations.

Other than those individual contingent liabilities mentioned above, the current estimated amount of the Company's other known individual contingent liabilities is immaterial.

**9. Financial instruments**

The following tables show the carrying amounts and fair values of the Company's financial instruments at March 31, 2020 and December 31, 2019:

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**Carrying amount and fair value of financial instruments**

in € THOUS

March 31, 2020	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents <sup>(1)</sup>	1,253,385	151,667	-	-	1,405,052	151,667	-	-
Trade accounts and other receivables	3,634,068	-	-	73,960	3,708,028	-	-	-
Accounts receivable from related parties	128,033	-	-	-	128,033	-	-	-
Derivatives - cash flow hedging instruments	-	-	-	9,084	9,084	-	9,084	-
Derivatives - not designated as hedging instruments	-	24,204	-	-	24,204	-	24,204	-
Equity investments	-	170,519	47,095	-	217,614	9,434	41,458	166,722
Debt securities	-	84,091	271,462	-	355,553	350,770	4,783	-
Other financial assets	161,408	-	-	104,070	265,478	-	-	-
Other current and non-current assets	161,408	278,814	318,557	113,154	871,933	-	-	-
<b>Financial assets</b>	<b>5,176,894</b>	<b>430,481</b>	<b>318,557</b>	<b>187,114</b>	<b>6,113,046</b>	-	-	-
Accounts payable	762,384	-	-	-	762,384	-	-	-
Accounts payable to related parties	134,159	-	-	-	134,159	-	-	-
Short-term debt and short-term debt from related parties	2,027,511	-	-	-	2,027,511	-	-	-
Long-term debt	7,768,094	-	-	-	7,768,094	5,073,510	2,692,280	-
Long-term lease liabilities and long-term lease liabilities from related parties	-	-	-	4,781,629	4,781,629	-	-	-
Derivatives - cash flow hedging instruments	-	-	-	1,248	1,248	-	1,248	-
Derivatives - not designated as hedging instruments	-	12,530	-	-	12,530	-	12,530	-
Variable payments outstanding for acquisitions	-	74,194	-	-	74,194	-	-	74,194
Noncontrolling interest subject to put provisions	-	-	-	953,719	953,719	-	-	953,719
Other financial liabilities	1,471,320	-	-	-	1,471,320	-	-	-
Other current and non-current liabilities	1,471,320	86,724	-	954,967	2,513,011	-	-	-
<b>Financial liabilities</b>	<b>12,163,468</b>	<b>86,724</b>	<b>-</b>	<b>5,736,596</b>	<b>17,986,788</b>	-	-	-

(1) Highly liquid short-term investments are categorized in level 1 of the fair value hierarchy. Cash and cash equivalents measured at amortized cost is not categorized.

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**Carrying amount and fair value of financial instruments**

in € THOUS

December 31, 2019	Carrying amount					Fair value		
	Amortized cost	FVPL	FVOCI	Not classified	Total	Level 1	Level 2	Level 3
Cash and cash equivalents <sup>(1)</sup>	841,046	166,677	-	-	1,007,723	166,677	-	-
Trade accounts and other receivables	3,343,873	-	-	77,473	3,421,346	-	-	-
Accounts receivable from related parties	159,196	-	-	-	159,196	-	-	-
Derivatives - cash flow hedging instruments	-	-	-	107	107	-	107	-
Derivatives - not designated as hedging instruments	-	2,406	-	-	2,406	-	2,406	-
Equity investments	-	186,273	50,975	-	237,248	13,110	41,084	183,054
Debt securities	-	107,988	261,833	-	369,821	365,170	4,651	-
Other financial assets	141,355	-	-	111,649	253,004	-	-	-
Other current and non-current assets	141,355	296,667	312,808	111,756	862,586	-	-	-
<b>Financial assets</b>	<b>4,485,470</b>	<b>463,344</b>	<b>312,808</b>	<b>189,229</b>	<b>5,450,851</b>	-	-	-
Accounts payable	716,526	-	-	-	716,526	-	-	-
Accounts payable to related parties	118,663	-	-	-	118,663	-	-	-
Short-term debt and short-term debt from related parties	1,171,853	-	-	-	1,171,853	-	-	-
Long-term debt	7,905,557	-	-	-	7,905,557	5,555,475	2,537,932	-
Long-term lease liabilities and long-term lease liabilities from related parties	-	-	-	4,705,038	4,705,038	-	-	-
Derivatives - cash flow hedging instruments	-	-	-	2,534	2,534	-	2,534	-
Derivatives - not designated as hedging instruments	-	10,762	-	-	10,762	-	10,762	-
Variable payments outstanding for acquisitions	-	89,677	-	-	89,677	-	-	89,677
Noncontrolling interest subject to put provisions	-	-	-	934,425	934,425	-	-	934,425
Other financial liabilities	1,414,464	-	-	-	1,414,464	-	-	-
Other current and non-current liabilities	1,414,464	100,439	-	936,959	2,451,862	-	-	-
<b>Financial liabilities</b>	<b>11,327,063</b>	<b>100,439</b>	-	<b>5,641,997</b>	<b>17,069,499</b>	-	-	-

(1) Highly liquid short-term investments are categorized in level 1 of the fair value hierarchy. Cash and cash equivalents measured at amortized cost is not categorized.

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Derivative and non-derivative financial instruments are categorised in the following three-tier fair value hierarchy that reflects the significance of the inputs in making the measurements. Level 1 is defined as observable inputs, such as quoted prices in active markets. Level 2 is defined as inputs other than quoted prices in active markets that are directly or indirectly observable. Level 3 is defined as unobservable inputs for which little or no market data exists, therefore requiring the Company to develop its own assumptions. Fair value information is not provided for financial instruments, if the carrying amount is a reasonable estimate of fair value due to the relatively short period of maturity of these instruments. Transfers between levels of the fair value hierarchy have not occurred as of March 31, 2020 and December 31, 2019. The Company accounts for transfers at the end of the reporting period.

#### **Derivative financial instruments**

In order to manage the risk of currency exchange rate fluctuations and interest rate fluctuations, the Company enters into various hedging transactions by means of derivative instruments with highly rated financial institutions. The Company primarily enters into foreign exchange forward contracts and interest rate swaps. Derivative contracts that do not qualify for hedge accounting are utilized for economic purposes. The Company does not use financial instruments for trading purposes.

#### **Non-derivative financial instruments**

The significant methods and assumptions used for the classification and measurement of non-derivative financial instruments are as follows:

The Company assessed its business models and the cash flow characteristics of its financial assets. The vast majority of the non-derivative financial assets are held in order to collect the contractual cash flows. The contractual terms of the financial assets allow the conclusion that the cash flows represent payment of principle and interest only. Trade accounts and other receivables, Accounts receivable from related parties and Other financial assets are consequently measured at amortized cost.

Cash and cash equivalents are comprised of cash funds and other short-term investments. Cash funds are measured at amortized cost. Short-term investments are highly liquid and readily convertible to known amounts of cash. Short-term investments are measured at FVPL. The risk of changes in fair value is insignificant.

Equity investments are not held for trading. At initial recognition the Company elected, on an instrument-by-instrument basis, to represent subsequent changes in the fair value of individual strategic investments in OCI. If equity instruments are quoted in an active market, the fair value is based on price quotations at the period-end-date. From time to time the Company engages external valuation firms to determine the fair value of Level 3 equity investments. The external valuation uses a discounted cash flow model, which includes significant unobservable inputs such as investment specific forecasted financial statements, weighted average cost of capital, that reflects current market assessments as well as a terminal growth rate.

The majority of the debt securities are held within a business model whose objective is achieving both contractual cash flows and sell the securities. The standard coupon bonds give rise on specified dates to cash flows that are solely payments of principal and interest on the outstanding principal amount. Subsequently these financial assets have been classified as FVOCI. The smaller part of debt securities does not give rise to cash flows that are solely payments of principle and interest. Consequently, these securities are measured at FVPL. In general most of the debt securities are quoted in an active market.

Long-term debt is recognized at its carrying amount. The fair values of major long-term debt are calculated on the basis of market information. Liabilities for which market quotes are available are measured using these quotes. The fair values of the other long-term debt are calculated at the present value of the respective future cash flows. To determine these present values, the prevailing interest rates and credit spreads for the Company as of the balance sheet date are used.

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Variable payments outstanding for acquisitions are recognized at their fair value. The estimation of the individual fair values is based on the key inputs of the arrangement that determine the future contingent payment as well as the Company's expectation of these factors. The Company assesses the likelihood and timing of achieving the relevant objectives. The underlying assumptions are reviewed regularly.

Noncontrolling interests subject to put provisions are recognized at the present value of the exercise price of the option. The exercise price of the option is generally based on fair value. The methodology the Company uses to estimate the fair values assumes the greater of net book value or a multiple of earnings, based on historical earnings, development stage of the underlying business and other factors. From time to time the Company engages external valuation firms for the valuation of the put provisions. The external valuation estimates the fair values using a combination of discounted cash flows and a multiple of earnings and/or revenue. When applicable, the obligations are discounted at a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability. The estimated fair values of the noncontrolling interests subject to these put provisions can also fluctuate, and the discounted cash flows as well as the implicit multiple of earnings and/or revenue at which these noncontrolling interest obligations may ultimately be settled could vary significantly from the Company's current estimates depending upon market conditions. For the purpose of analyzing the impact of changes in unobservable inputs on the fair value measurement of noncontrolling interest subject to put provisions, the Company assumes an increase on earnings of 10% compared to the actual estimation as of the balance sheet date. The corresponding increase in fair value of €68,490 is then compared to the total liabilities and the shareholder's equity of the Company. This analysis shows that an increase of 10% in the relevant earnings would have an effect of less than 1% on the total liabilities and less than 1% on the shareholder's equity of the Company.

Following is a roll forward of Level 3 financial instruments at March 31, 2020 and December 31, 2019:

**Reconciliation from beginning to ending balance of level 3 financial instruments**

*in € THOUS*

	2020			2019		
	Equity investments	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions	Equity investments	Variable payments outstanding for acquisitions	Noncontrolling interests subject to put provisions
Beginning balance at January 1,	183,054	89,677	934,425	-	172,278	818,871
Transfer from Level 2	-	-	-	186,427	-	-
Increase	-	11,886	5,234	2,233	4,828	109,109
Decrease	-	(26,229)	(8,720)	-	(43,941)	(20,269)
(Gain) loss recognized in profit or loss	(20,843)	12	-	128	(41,537)	-
(Gain) loss recognized in equity	-	-	12,963	-	-	14,523
Foreign currency translation and other changes	4,511	(1,152)	9,817	(5,734)	(1,951)	12,191
Ending balance at March 31, and December 31,	166,722	74,194	953,719	183,054	89,677	934,425

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**10. Segment and corporate information**

The Company's operating segments are the North America Segment, the EMEA Segment, the Asia-Pacific Segment and the Latin America Segment. The operating segments are determined based upon how the Company manages its businesses with geographical responsibilities. All segments are primarily engaged in providing health care services and the distribution of products and equipment for the treatment of ESRD and other extracorporeal therapies.

Management evaluates each segment using measures that reflect all of the segment's controllable revenues and expenses. With respect to the performance of business operations, management believes that the most appropriate measures are revenue, operating income and operating income margin. The Company does not include income taxes as it believes this is outside the segments' control. Financing is a corporate function, which the Company's segments do not control. Therefore, the Company does not include interest expense relating to financing as a segment measurement. Similarly, the Company does not allocate certain costs, which relate primarily to certain headquarters' overhead charges, including accounting and finance, because the Company believes that these costs are also not within the control of the individual segments. Production of products, production asset management, quality management and procurement related to production are centrally managed. Products transferred to the segments are transferred at cost; therefore, no internal profit is generated. The associated internal revenue for the product transfers and their elimination are recorded as corporate activities. Capital expenditures for production are based on the expected demand of the segments and consolidated profitability considerations. The Company's global research and development as well as its Global Medical Office (as of January 1, 2020), which seeks to standardize medical treatments and clinical processes within the Company, are also centrally managed. These corporate activities ("Corporate") do not fulfill the definition of a segment according to IFRS 8, Operating Segments. In addition, certain revenues, investments and intangible assets, as well as any related expenses, are not allocated to a segment but are accounted for as Corporate.

Information pertaining to the Company's segment and Corporate activities for the three months ended March 31, 2020 and 2019 is set forth below:

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#### Segment and corporate information

in € THOUS

	North America Segment	EMEA Segment	Asia- Pacific Segment	Latin America Segment	Total Segment	Corporate	Total
<b>Three months ended March 31, 2020</b>							
Revenue from contracts with customers	3,102,277	672,494	431,936	167,262	4,373,969	11,965	4,385,934
Other revenue external customers	83,946	6,252	10,958	706	101,862	-	101,862
Revenue external customers	3,186,223	678,746	442,894	167,968	4,475,831	11,965	4,487,796
Inter-segment revenue	7,175	1,313	4	121	8,613	(8,613)	-
Revenue	3,193,398	680,059	442,898	168,089	4,484,444	3,352	4,487,796
Operating income	463,411	101,054	76,809	6,857	648,131	(93,001)	555,130
Interest							(104,219)
Income before income taxes							450,911
Depreciation and amortization	(256,629)	(45,975)	(25,959)	(8,712)	(337,275)	(62,399)	(399,674)
Impairment loss	(999)	(14)	-	-	(1,013)	-	(1,013)
Income (loss) from equity method investees	21,050	(1,662)	950	71	20,409	-	20,409
Total assets	22,761,436	3,824,691	2,774,610	872,778	30,233,515	3,838,912	34,072,427
thereof investment in equity method investees	425,139	166,369	100,723	24,911	717,142	-	717,142
Additions of property, plant and equipment, intangible assets and right of use assets	359,866	45,173	45,290	17,167	467,496	75,785	543,281
<b>Three months ended March 31, 2019</b>							
Revenue from contracts with customers	2,826,212	635,800	411,603	160,601	4,034,216	4,168	4,038,384
Other revenue external customers	60,564	16,813	15,971	825	94,173	-	94,173
Revenue external customers	2,886,776	652,613	427,574	161,426	4,128,389	4,168	4,132,557
Inter-segment revenue	576	1	234	65	876	(876)	-
Revenue	2,887,352	652,614	427,808	161,491	4,129,265	3,292	4,132,557
Operating income	372,394	137,776	94,702	11,395	616,267	(79,717)	536,550
Interest							(107,848)
Income before income taxes							428,702
Depreciation and amortization	(228,735)	(46,973)	(22,601)	(8,363)	(306,672)	(55,704)	(362,376)
Income (loss) from equity method investees	21,362	(1,317)	(294)	282	20,033	-	20,033
Total assets	21,513,220	4,232,196	2,669,344	821,984	29,236,744	3,116,460	32,353,204
thereof investment in equity method investees	332,184	177,658	96,641	23,956	630,439	-	630,439
Additions of property, plant and equipment, intangible assets and right of use assets	188,150	47,114	13,743	14,783	263,790	73,487	337,277

#### 11. Events occurring after the balance sheet date

On March 27, 2020, President Trump signed the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") which provides relief funds to hospitals and other healthcare providers in connection with the impact of the on-going worldwide severe acute respiratory syndrome coronavirus 2 ("COVID-19") pandemic. In April 2020, the Company received U.S. federal relief funding under the CARES Act as well as advanced payments under the CMS Accelerated and Advance Payment program, as provided for by the CARES Act. There was no impact on the Company's financial statements for the three-month period ended March 31, 2020 related to funds received in connection with the CARES Act.

No further significant activities have taken place subsequent to the balance sheet date March 31, 2020 that have a material impact on the key figures and earnings presented. Currently, there are no other significant changes in the Company's structure, management, legal form or personnel.

## **Corporate governance**

The Management Board of the General Partner, represented by Fresenius Medical Care Management AG, and the Supervisory Board of Fresenius Medical Care AG & Co. KGaA issued a compliance declaration pursuant to Section 161 of the German Stock Corporation Act (AktG). The Company has frequently made this declaration available to the public by publishing it on its website:

<https://www.freseniusmedicalcare.com/en//investors/corporate-governance/declaration-of-compliance/>

### **Auditor's report review**

The consolidated financial statements as of and for the period ended March 31, 2020 and the interim management report for the three months ended March 31, 2020 were not audited nor reviewed.

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