



Stephan Sturm
Chairman of the Management Board

Dear shareholders,

2018 was another eventful year for Fresenius. Many developments were positive and took us forward – I'll tell you about the most important ones a little farther down. 2018 was also a successful business year for our company, as we set new records for sales and earnings – for the 15th straight year! We will, therefore, be proposing to the Annual General Meeting our 26th consecutive dividend increase.

There were also some less positive events last year, particularly the legal dispute with Akorn. Our original intent was to acquire this U.S.-based generic drugs producer to achieve a very targeted and sensible expansion of Fresenius Kabi's generics portfolio. It was the right plan at the time – until we discovered grave misconduct at Akorn relating to product data, which had been systematically manipulated. Misconduct of this kind violates all our principles of integrity and moral

behavior, and after very careful consideration it was clear to us that we had no choice but to terminate the merger agreement. We knew this would lead to a very complicated legal battle. But we also knew that we were in the right, and in the end the courts in Delaware confirmed it.

The courts also confirmed that our due diligence of Akorn was as thorough as legally possible. Unfortunately, deliberate intent to deceive can never be completely ruled out, which is why we secured contractual assurances concerning compliance and correctness in those areas we were not allowed to examine during the due diligence process. The fact that we stopped the transaction on time showed that our risk management works. And it showed that we are uncompromising in defense of our shareholders' interests and our rights – however difficult that may sometimes be.

Also very difficult last year was the fact that we had to reduce our communicated earnings targets twice in the second half – once for our 2018 guidance and once concerning our mid-term

targets. That is not something we are used to doing, and it falls short of our own standards. The main reasons were that Fresenius Medical Care's growth in North America and some emerging market countries, while solid, was less than forecast, and that patient admissions at Fresenius Helios in Germany did not develop as expected. In both areas we have already initiated strong measures to rectify the situation. In addition, we will make additional investments that will pay off in future, but will temporarily limit our earnings growth. The two releases communicating our reduced targets created quite some uncertainty on the capital markets, and triggered a sharp slide in our share price. We will work hard to once again strengthen confidence in the capabilities and dynamism of our company.

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The negative headlines should, however, not obscure the fact that overall, 2018 was a successful year for Fresenius. In constant currency, we increased our sales by 6 percent and net income by 7 percent. That made 2018 our 15th consecutive record year. The number of our employees climbed to more than 276,000, we successfully expanded our activities in every business segment, and some important milestones were achieved. I'd like to tell you briefly about a few of them:

At Fresenius Medical Care, we have developed a new dialysis machine – the 4008A – specially designed to meet the needs of emerging markets. Sturdy, and simple to operate, it offers Fresenius Medical Care's high therapy standards while keeping costs for healthcare systems low. In Asia, especially, there is a huge treatment gap: Only one-third of people suffering



In 2018, the groundbreaking ceremony was held in Schweinfurt for a new, 8,000-square-meter technology center for the development of dialysis machines.

from kidney disease receive dialysis. With the 4008A, we want to help make life-saving dialysis available to a growing number of patients. The machine has been launched in India, with a phased introduction to follow in other Asia-Pacific region countries.

The 4008A is the result of cooperation between Fresenius experts from around the world, and we are steadily expanding our international research and development network to create products tailored to the different needs of different markets. In the past year we have started work on a technology center in Schweinfurt and the expansion of our R & D center in Bad Homburg. We have taken a stake in the U.S. medical R & D company Humacyte, and entered a strategic partnership to introduce a new vascular access for dialysis patients based on human cells. And we have established a long-term research collaboration with Germany's Medical Center Hamburg-Eppendorf to explore the molecular and cellular mechanisms of kidney diseases.

We have further increased the number of our dialysis clinics to more than 3,900. And we have been growing not only in our established markets but in growth markets such as Brazil and China. Through the divestment of Sound Inpatient Physicians Holdings, we have optimized our Care Coordination portfolio.

Fresenius Kabi brought numerous new products on to the market last year across our full portfolio, from I.V. generic drugs to infusion pumps. To meet the steadily increasing demand for high-quality medicines, we are continuously investing in the expansion and modernization of our production facilities. These projects are now underway in China, the Dominican Republic, the United Kingdom, Canada, the Netherlands and the United States. Just in our Melrose Park plant, near Chicago, we will invest about €350 million by 2026.

These investments not only ensure the continued growth of Fresenius Kabi, they are helping us fulfill our responsibility as a producer of essential medicines. Shortages of important drugs occur regularly – even in advanced nations like the United States. Thanks to the high quality of our production processes and facilities, and our international production network, we are often able to help overcome these shortages. Last year we received an award from the U.S. Food and Drug Administration for our efforts in helping to relieve a shortage of I.V. saline solutions in the wake of Hurricane Maria.



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In 2018, the German post-acute care business of Fresenius Helios was transferred to Fresenius Vamed. Fresenius Helios will now focus even more strongly on the acute care hospital business and its continued internationalization.

We are also satisfied with the development of our biosimilars business, acquired in 2017. We expect to bring our first biosimilar to market in Europe this year – a biosimilar of Humira®, currently the world's top-selling pharmaceutical product. We expect to launch it in the United States in 2023.

At Fresenius Helios, the picture is more mixed. Internationally, the business continues to run outstandingly. Quirónsalud is developing according to plan in Spain, where we opened a new hospital in Cordoba and increased the number of our hospitals in Andalusia to six. In October we agreed to acquire Clínica Medellín, which operates two hospitals with a total of 185 beds in Colombia's second-largest city. After our market entry in Peru in 2017, we are strengthening our presence in South America's growing hospital market.

In Germany, however, we have been facing strong headwinds. After many years of steady growth, admissions declined at our HELIOS hospitals. Some of them had trouble filling job vacancies, especially for highly specialized personnel, so we

could not handle as many patients as planned. Another reason was the continuing trend toward more outpatient treatments. We have already initiated active measures to respond to these developments.

In addition, we reorganized our inpatient rehabilitation business inside the Fresenius Group, transferring 38 healthcare facilities and 13 service companies in Germany specializing in inpatient post-acute and nursing care from Fresenius Helios to Fresenius Vamed. This has strengthened Fresenius Vamed's position as one of the leading providers of post-acute care in Europe, while Fresenius Helios will be able to focus even more strongly on the acute care hospital business and continued internationalization.

Fresenius Vamed developed strongly in other areas, as well. We won contracts on almost every continent. In Germany, we are now the leading supplier of services for sterile supplies, following our acquisition of Instruclean. And in Austria, we opened the country's first family-oriented children's rehabilitation clinic in St. Veit im Pongau, and took over management of a health resort in Bad Waltersdorf. VAMED Vitality World now operates 10 thermal spas and health resorts in Austria and Hungary.

As you can see, Fresenius is in very good shape. We have excellent prospects to continue our dynamic growth in the future. But success does not happen by itself – you have to make it happen. So for us, 2019 will mean increasing our already very substantial investments in R & D and the further development of our business. In this way we will be positioning Fresenius even better for the coming decade. Here are a few concrete examples:

At the end of February, Fresenius Medical Care closed the acquisition of the U.S. medical technology company NxStage, which will greatly strengthen our position in home dialysis. To extensively expand in home dialysis, we have to invest in the necessary infrastructure. We will also invest more in new products and in growth markets such as China.

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At Fresenius Kabi, we are investing massively in our strongest growth areas: generics, but also enteral nutrition and infusion solutions. We will also invest to further develop our new biosimilars business. We are thereby securing significant growth opportunities for the future.

The trend toward more outpatient treatments also offers opportunities, and to profit from them at Fresenius Helios in Germany we are expanding our outpatient offering in a new division of Helios. In another, newly established division we will build attractive business models. These include, for example, video consultations in addition to our regular outpatient care, check-ups as a standalone business, and occupational medicine as a service for companies. Another major focus is the ongoing digitalization of hospital processes. We will also continue to work on establishing compe-

tence centers for specific pathologies and disease patterns. And we want to hire 1,000 new care personnel, to further improve care for our patients.

In Spain we are building a hospital just outside Madrid, in Torrejón, while inside Madrid we are building Spain's first proton beam therapy center for the treatment of cancer.

At Fresenius Vamed, our main investment focus will be on the expansion of the post-acute care business in Europe.

But more investments mean more costs, and these will temporarily weigh on our earnings. For this reason, we expect Fresenius' 2019 income to be at about the same level as last year's. Sales, however, are expected to increase between 3 and 6 percent. After this year of investment, we are forecasting a resumption of dynamic growth in our net income as well, with organic growth averaging 5 to 9 percent annually between 2020 and 2023. Over the same period, organic sales growth should average 4 to 7 percent.

This guidance is based on our expectations for organic growth. If we add in small and medium-sized acquisitions, growth rates 1 percentage point higher can be expected. Large, strategic takeovers will continue to be a driver of our successful development; here we will remain prudent and selective, but bold when it comes to seizing opportunities.

The long-term trends for the continued, positive development of our company remain intact. The healthcare market is growing, and life expectancies are continuously increasing. Demand for high-quality medicine is rising around the world, and needs and expectations are changing. It is no longer only about preserving lives, but about raising people's quality of life into old age. The mighty challenge of keeping quality healthcare affordable over the long term remains, but Fresenius is making substantial contributions and is superbly positioned to do even more in the future.

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2018 showed, once again, the advantages of a diversified healthcare Group standing on four strong pillars. Each of our four business segments is active in a different, fast-growing area of healthcare, which enables us to recognize trends early, respond quickly to meet changing needs, and then offer tailored solutions. At the same time, we can offer increased stability. Temporary slowdowns in individual business segments can generally be balanced by faster growth in the others. Even when, as in 2018, we encounter unexpected challenges in individual segments, our size and stability allow us to address them efficiently and comprehensively, without excessive time pressure. In many cases the area in question comes out stronger than before.

And remember this: As a large, diversified company we can take a totally different approach to strategic investments than smaller companies active in fewer business areas. We are not focused on the next quarter, but oriented to the long term. What is decisive for us are the future developments in health-care – and not only in the coming years, but over the coming decades.

Each of our four business segments will remain on its own a strong and stable pillar of our success. The measures we have been taking to reinforce and better connect them will make the business segments an even stronger foundation for our future growth, because we are working to harness more of the opportunities created by closer cooperation within our company. In the past we have placed great weight on decentralization, and strong units that operate as independently as possible. That has many advantages and we want to continue benefiting from them, but in some cases it means lost synergies and untapped potential. I am convinced that with our current size and structure, closer cooperation will create additional benefits. That is why I am pushing this development forward, along with my colleagues on the Management Board.

Some first, very promising steps have been taken. For example, Fresenius Medical Care is supporting Fresenius Kabi on its entry into the North American infusion solutions market. In other parts of the world, Fresenius Kabi is already a leading producer of these products. In North America, Fresenius Medical Care has large production and logistical capacities. Through a close collaboration of these two business segments, we want to achieve low production and logistics costs while providing a high-quality, fast and reliable supply.

In the announced acquisition of Clínica Medellín by Quirónsalud, it was also a great advantage that Fresenius Medical Care and Fresenius Kabi have been operating successfully in Colombia for years. Fresenius Medical Care already operates a dialysis center in Clínica Medellín, and Fresenius Kabi is currently working with the company to establish a blood bank. We want to expand this cooperation and bring in Fresenius Vamed, as we also plan more growth in the Andes region. Fresenius Vamed and Fresenius Helios have been working very closely together in Spain and Germany on medical technology procurement, hospital construction, and non-medical services.

We are also working to network more closely together our employees, who now number more than 270,000. They all want to help patients, and there is enormous potential there. We want to encourage it, and get even more from it for our company.

Above all, one thing remains crystal clear to us: The well-being of patients is the key to our success! If they are doing well, Fresenius will do well. And then you also profit, dear shareholders.

With warm regards,



Stephan Sturm
Chairman of the Management Board