FRESENIUS SE & CO. KGAA

2021

Annual Report

Management Report

Report of the Supervisory Board

Convenience Translation – The German version of these Financial Statements is legally binding

FRESENIUS SE & CO. KGAA, BAD HOMBURG V. D. HÖHE

STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2021

ASSETS

€ in millions	Note	**31.12.2021**	31.12.2020
A. Fixed Assets	(4)		
I. Intangible assets		10	12
II. Tangible assets		121	125
III. Financial assets		11,802	11,797
		11,933	**11,934**
B. Current Assets			
I. Accounts receivable and other assets	(5)		
1. Trade accounts receivable		0	0
2. Accounts receivable from related parties		4,117	3,859
3. Other assets		113	169
		4,230	4,028
II. Cash and cash equivalents	(6)	105	7
		4,335	**4,035**
C. Deferred expense	(7)	41	50
		16,309	**16,019**

LIABILITIES AND SHAREHOLDERS' EQUITY

	Note	**31.12.2021**	31.12.2020
A. Shareholders' equity			
I. Subscribed capital	(8, 9, 10, 11, 12)		
Ordinary shares		558	557
II. Capital reserves	(13)	3,345	3,314
III. Other reserves	(14)	2,729	2,740
IV. Retained earnings	(15)	514	491
		7,146	**7,102**
B. Special reserve for government investment grants	(16)	0	0
C. Accruals	(17)		
1. Pensions and similar obligations		111	91
2. Accruals for income taxes		202	189
3. Other accruals		27	61
		340	**341**
D. Liabilities	(18)		
1. Senior notes		3,950	4,400
2. Convertible bonds		500	500
3. Bank loans		2,274	1,796
4. Trade accounts payable		4	6
5. Accounts payable to related parties		1,962	1,746
6. Other liabilities		131	124
		8,821	**8,572**
E. Deferred income	(19)	2	4
		16,309	**16,019**

FRESENIUS SE & CO. KGAA, BAD HOMBURG V. D. HÖHE

PROFIT AND LOSS STATEMENT JANUARY 1 TO DECEMBER 31, 2021

€ in millions	Note	2021	2020
1. Income from participations	(20)	646	801
2. Sales	(21)	81	74
3. Other operating income	(22)	156	224
4. Cost of materials	(23)	-22	-22
5. Personnel expenses	(24)	-57	-44
6. Depreciation and amortization on intangible assets and on property, plant and equipment	(25)	-12	-11
7. Other operating expenses	(26)	-225	-273
8. Net interest	(27)	-21	-70
9. Income taxes	(28)	-41	-73
10. After tax profit		**505**	**606**
11. Other taxes		-2	-3
12. Net income		**503**	**603**
13. Retained earnings brought forward		–	1
14. Decrease/Increase of other reserves		11	-113
15. Retained earnings		**514**	**491**

FRESENIUS SE & CO. KGAA, BAD HOMBURG V. D. HÖHE

NOTES AS OF DECEMBER 31, 2021

1. GENERAL INFORMATION

Fresenius SE & Co. KGaA, registered in Bad Homburg v.d.H. is listed under number B 11852 in the Commercial Register in Bad Homburg v.d.H.

The reporting currency of Fresenius SE & Co. KGaA is the euro. In order to make the presentation clearer, amounts are shown in Euro million. Amounts under €1 million after rounding are marked with „0“. In particular cases amounts are shown in Euro thousands.

The preparation of the financial statements has been done according to the rules of the German Commercial Code (HGB) and the rules of the German Stock Corporation Act (AktG - Aktiengesetz). The financial statements include the balance sheet, the profit and loss statement as well as the Notes. The profit and loss statement follows the nature of expense method (Gesamtkostenverfahren).

2. STRUCTURE

The Fresenius Group is as of December 31, 2021, divided into four legally independent business segments:

- Fresenius Medical Care
- Fresenius Kabi
- Fresenius Helios
- Fresenius Vamed

Fresenius SE & Co. KGaA owns the stakes in the management companies and functions as an operating holding.

The list of investments of Fresenius SE & Co. KGaA is to be found in the enclosure to the Notes.

3. ACCOUNTING PRINCIPLES AND STANDARDS OF VALUATION

Acquired **intangible assets** are valued at purchase cost less regular amortization. The useful life is normally between 2 and 5 years, for personal computer auxiliary programs the useful life is 2 years, and for know-how up to 5 years.

The value of **investments in property, plant and equipment** is stated at the cost of the assets less regular linear depreciation.

The following useful lives were used for calculating depreciation:

► Office and factory buildings	10 - 40 years
► Technical equipment and machinery	5 - 10 years
► Other fixtures and fittings, tools and equipment	3 - 10 years

Assets with purchase cost of up to €250.00 are fully written off in the year of addition.

Depreciable movable non-current assets with a value of more than €250.00 and less than €1,000.00 are grouped into a collective item which is dissolved through profit and loss by one fifth in the year of capitalization and the following four years each.

Extraordinary depreciation is carried out, provided that the carrying book value is other than temporarily impaired.

Financial assets are valued at purchase price or, if the asset is other than temporarily impaired the lower market value.

The lower value of non-current assets resulting from write-downs to fair value has to be reversed if the reasons for the extraordinary write-down no longer apply (Section 253 (5) HGB).

Accounts receivable and other assets are stated at nominal value reduced by individual allowance if necessary.

No **deferred tax** is to be recognized for temporary differences in valuations in the tax and financial reporting balance sheets as long as the net difference would result in an asset.

The **subscribed capital** is carried at its nominal amount.

The **special reserve with equity portion** that was built according to Section 247 (3) HGB in previous years can be retained according to the option in Art. 67 (3) sentence 1 EGHGB.

The **pension obligation** is determined according to actuarial principles on the basis of biometric probabilities (Richttafeln Heubeck 2018 G) using the Projected Unit Credit-Method. Future expected remuneration and pension increases are taken into account in calculating the obligation. Remuneration is currently adjusted depending on age by between 3% and 4% and pensions by 1.75%. The company specific fluctuation rate that is also taken into consideration for the calculation has been between 0% and 18% depending on age cohort. The actuarial interest rate applicable to the pension obligation was 1.87%. This interest rate is based on the last-ten-year-average interest rate for an estimated remaining life of 15 years as determined and published by the German Federal Bank (Deutsche Bundesbank). Until December 31, 2015 the actuarial interest rate was based on the last-seven-year-average discount rate. According to Section 253 (6) HGB the difference from this legal change amounts to€12,450,620.

Pursuant to Section 253 (1) sentence 3 HGB (security-based pension obligations), the value of the provisions for the employee financed life work time account (Demografiefonds) is based on the performance of the asset value of the corresponding plan reinsurance.

The asset values used to offset the provisions are calculated at their fair values.

Tax accruals and other accruals are accounted for recognizable risks and uncertain liabilities at the amounts to be paid and calculated on the basis of a reasonable commercial assessment. Long term accruals are accounted for taking into account future price and cost increases and are discounted with the last-seven-year-average discount rate that corresponds to the remaining life of the accrual.

Liabilities are valued at their settlement amounts.

Income and expenses incurred after the date of the financial statements are accounted for as accruals and deferrals.

Foreign currency items are translated with the foreign exchange rate at the time of origin or the hedging rate for hedging transactions.

Assets and liabilities with a remaining life of up to a year and carried at foreign currencies are translated at the average closing spot rate according to section 256a HGB.

Assets and liabilities with a remaining expected life of over one year and carried at foreign currencies are translated at inception at the foreign currency exchange rate, while at the balance sheet date the lowest closing spot rate is used for translating assets and the highest closing spot rate is used for translating liabilities. If the conditions to apply hedge accounting are met, the hedging financial instruments and the underlying transactions are combined in a hedge and valued either using the 'Durchbuchungsmethode' or the 'Einfrierungsmethode'. In the first case changes in value are recognized in the income statement. In the second case the transaction is recognized at inception only and changes in value resulting from the hedged risk are not subsequently recorded in the balance sheet or statement of income.

Gains and losses from translation to euro of items carried at foreign currencies are recognized in the statement of income under "Other operating income" or "Other operating expenses".

Income and expense from profit transfer agreements is recorded in the same reporting period in which it arises given that earnings from affiliated companies are precise enough at the time of preparing the financial statements and is assured according to reasonable commercial assessment.

Income from incorporated affiliates is recorded at the date when the distribution of earnings is decided, which is after the completion of the financial statements of Fresenius SE & Co. KGaA.

Derivative financial instruments are contracted for hedging purposes only. Both interest rate and foreign currency derivatives are contracted for hedging.

Besides hedging instruments for cash pool balances and loans in foreign currencies that Group Companies have borrowed from Fresenius SE & Co. KGaA or that Fresenius SE & Co. KGaA has borrowed from Group Companies or banks, Fresenius SE & Co. KGaA acquires hedging instruments from banks, that are mirrored by agreements between Fresenius SE & Co. KGaA and its affiliated companies at nearly the same conditions. The affiliated companies use these agreements to hedge their operating businesses against foreign currency risks.

Derivative financial instruments are measured at fair value at balance sheet date. According to German Commercial Law accounting principles and standards of valuation any remeasurement losses are recognized in earnings while remeasurement gains are not taken into account. When the conditions for hedge accounting are met, the underlying asset and the hedging instrument are considered together.

NOTES ON THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

4. FIXED ASSETS

The following is a breakdown of fixed assets and their development:

	Acquisition costs					Write-ups/Depreciation				Carrying amount	
€ in millions	As of Jan. 1, 2021	Additions	Disposals	Reclassifications	As of Dec. 31, 2021	As of Jan. 1, 2021	Additions	Disposals	As of Dec. 31, 2021	**Dec. 31, 2021**	Dec. 31, 2020
Intangible assets											
Concessions, industrial and similar rights and assets as well as licenses acquired for consideration	21	1	–	1	23	9	4	–	13	10	12
	21	**1**	**–**	**1**	**23**	**9**	**4**	**–**	**13**	**10**	**12**
Tangible assets											
Land, leasehold and buildings including buildings on third party property	194	2	-1	1	196	82	5	–	87	109	112
Plant and machinery	1	0	–	0	1	1	0	–	1	0	0
Other fixtures and fittings, tools and equipment	21	1	-1	3	24	14	3	-1	16	8	7
Payments on account and tangible assets in course of construction	6	3	–	-5	4	–	–	–	–	4	6
	222	**6**	**-2**	**-1**	**225**	**97**	**8**	**-1**	**104**	**121**	**125**
Financial assets											
Shares in related parties	9,880	0	-21	–	9,859	0	–	–	0	9,859	9,880
Loans to related parties	1,916	40	-15	–	1,941	–	–	–	–	1,941	1,916
Investments	1	1	–	–	2	–	–	–	–	2	1
	11,797	**41**	**-36**	**–**	**11,802**	**0**	**–**	**–**	**0**	**11,802**	**11,797**
Fixed assets	**12,040**	**48**	**-38**	**0**	**12,050**	**106**	**12**	**-1**	**117**	**11,933**	**11,934**

FINANCIAL ASSETS

As of December 31, 2021, Fresenius SE & Co. KGaA owns stakes in the following domestic management companies for business segments:

- Fresenius Medical Care AG & Co. KGaA, Hof an der Saale
- Fresenius Kabi AG, Bad Homburg v.d.H.
- Fresenius ProServe GmbH, Bad Homburg v.d.H.

The percentage of Fresenius Medical Care AG & Co. KGaA´s (“FMC-AG & Co. KGaA”) subscribed capital held by Fresenius SE & Co. KGaA at the end of fiscal year 2021 was 32.21% (previous year 32.23%). Fresenius SE & Co. KGaA continued to hold 100% of the management companies of the business segments Fresenius Kabi (Fresenius Kabi AG) as well as Fresenius Helios and Fresenius Vamed (both held through Fresenius ProServe GmbH) on December 31, 2021. Through Fresenius ProServe GmbH, Fresenius SE & Co. KGaA holds 100% in Helios Kliniken GmbH and in Helios Health GmbH (100% stakeholder of the Quirónsalud Group and the Eugin Group) as well as a 77% stake in Vamed Aktiengesellschaft.

Fresenius SE & Co. KGaA holds all of the stakes of the following domestic property management and service companies as well as foreign finance companies:

- Fresenius Immobilien-Verwaltungs-GmbH
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Schweinfurt KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt St. Wendel KG
- Fresenius Immobilien-Verwaltungs-GmbH & Co. Objekt Friedberg KG
- Hyginus Publisher GmbH
- Fresenius Versicherungsvermittlungs GmbH
- Fresenius Medical Care Management AG
- Fresenius US Finance II, Inc.
- Fresenius Finance Holdings Ltd.
- Fresenius Vamed GmbH

All of the subscribed capital of Fresenius Digital Technology GmbH is indirectly held via Fresenius Versicherungsvermittlungs GmbH.

Through Fresenius Finance Holdings Ltd., Fresenius SE & Co. KGaA indirectly wholly owns Fresenius Finance Ireland PLC and Fresenius Finance Ireland II PLC.

In August 2021 Fresenius Biotech Beteiligungs GmbH was merged into Fresenius ProServe GmbH.

Vamed Gesundheit Holding Deutschland GmbH, an indirect affiliated company of Vamed Aktiengesellschaft, was granted a further loan of €40 million.

Moreover, €1 million was invested in the Futury Regio Growth GmbH & Co. KG.

5. ACCOUNTS RECEIVABLE AND OTHER ASSETS

€ in millions	Dec. 31, 2021	Dec. 31, 2020
Trade accounts receivable	0	0
(amount with a remaining term of more than one year)	(–)	(–)
Accounts receivable from related parties	4,117	3,859
(amount with a remaining term of more than one year)	(–)	(–)
Other assets	113	169
(amount with a remaining term of more than one year)	(62)	(62)
	4,230	**4,028**

Accounts receivable from related parties include €4,111 million mainly consisting of loans and financing related accounts in the context of inhouse banking (cash pool) (previous year €3,855 million) as well as €6 million of trade accounts receivables (previous year €4 million).

Other assets mainly contain stock options (call options) with a value of €62 million (previous year € 62 million) held for hedging market price fluctuations of the derivative embedded in the convertible bond as well as €13 million (previous year €12 millon) VAT receivable (including foreign VAT receivable), and social security related receivables of €354 thousand (previous year €295 thousand).

Also included are receivables from corporation tax law (Körperschaftsteuer) and solidarity surcharge (Solidaritätszuschlag) as well as business tax (Gewerbesteuer) of €34 million (previous year €91 million). Receivables from income tax (Ertragsteuer) include expected amounts of outstanding tax assessments for previous years and for the assessment and collection year 2021.

6. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and cash at banks of €105 million (previous year €7 million).

7. DEFERRED EXPENSE

The deferred expenses of €41 million (previous year €50 million) mainly consist of discounts with a net book value of €36 million as of December 31, 2021 (previous year €48 million).

The placement of a convertible bond in January 2017 resulted in a discount of €62 million that will be released on a straight-line basis over the lifetime of the convertible bond. As of December 31, 2021, it is included in deferred expenses with a value of €19 million.

The placement of a convertible bond in January 2020 resulted in a discount of €16 million that will be released on a straight-line basis over the lifetime of the convertible bond. As of December 31, 2021, it is included in deferred expenses with a value of €12 million.

Moreover, bonds issued in January 2019 resulted in a discount of €8 million that will be released on a straight-line basis over the lifetime of the bond. As of December 31, 2021, it is included in deferred expenses with a value of €5 million.

Furthermore, it includes the prepayment of the Directors & Officers-Insurance (D & O-Insurance) and the accidental and product liability insurance.

8. SUBSCRIBED CAPITAL

During the fiscal year 2021, 961,234 stock options were exercised.

Consequently, as of December 31, 2021, the subscribed capital of Fresenius SE & Co. KGaA consisted of 558,502,143 bearer ordinary shares. The shares are issued as non-par value shares. The proportionate amount of the subscribed capital is €1.00 per share.

The subscribed capital developed as follows:

€ in millions	2021	2020
As of January 1	557	557
Increase due to exercise of stock options	1	–
As of December 31	**558**	**557**

9. OWN SHARES

Fresenius SE & Co. KGaA can purchase own ordinary shares during the year for distribution to employees entitled to the profit-sharing program.

On the basis of the agreement from February 2016, employees are awarded a profit-sharing bonus for the previous year as far as given performance targets for the given year or for a period of four years are met. If the performance targets for a given year are not met, it is possible to consider a relevant timeframe for the fiscal year of up to four years instead and award the shares subsequently.

For the years 2018 to 2021 and the relevant timeframes, the targets were not met or are not expected to be met and consequently no own shares were purchased in 2021.

As of December 31, 2021, no own shares were held.

10. NOTIFICATION BY SHAREHOLDERS

The following table shows the notifications disclosed in 2021 in accordance with Section 40 (1) of the German Securities Trading Act (WpHG).

Notifying party	Registered office	Date of exceeding or falling below	Reporting threshold	Percentage of voting rights	Number of voting rights	Attribution pursuant to WpHG
Allianz Global Investors GmbH	Frankfurt am Main, Germany	March 19, 2021	Falling below 3%	2.98	16,595,436	section 34
Janus Henderson Group Plc	St. Helier, Jersey	April 27, 2015	Falling below 3%	2.89	15,705,151	section 34

In cases where holdings reached, exceeded or fell below the thresholds on several occasions, only the most recent notification is mentioned.

The Else Kröner-Fresenius-Stiftung as major shareholder informed Fresenius SE & Co. KGaA on December 30, 2021, that it holds 148,685,702 ordinary shares of Fresenius SE & Co. KGaA representing 26.6% of the subscribed capital on December 31, 2021. All WpHG-notifications by shareholders in 2021 are published on the website of the Company www.fresenius.com/shareholder-structure.

11. AUTHORIZED CAPITAL

Fresenius SE Co. KGaA has an Authorized Capital of €125,000000 wich complies with the Articles of association.

The general partner, Fresenius Management SE, is authorized, with the approval of the Supervisory Board, until May 17, 2023, to increase Fresenius SE & Co. KGaA's share capital (subscribed capital) by a total amount of up to €125,000,000 through a single or multiple issues of new bearer ordinary shares against cash contributions and / or contributions in kind (Authorized Capital I).

The number of shares must increase in the same proportion as the subscribed capital. A subscription right must be granted to the shareholders in principle. In defined cases, the general partner is authorized, with the consent of the Supervisory Board, to decide on the exclusion of the shareholders' subscription right (e. g. to eliminate fractional amounts). For cash contributions, the authorization can only be exercised if the issue price is not significantly below the stock exchange price of the already listed shares at the time the issue price is fixed with final effect by the general partner. Furthermore, in case of a capital increase against cash contributions, the proportionate amount of the shares issued with exclusion of subscription rights may not exceed 10% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization. In the case of a subscription in kind, the subscription right can be excluded only in order to acquire a company, parts of a company or a participation in a company.

The authorizations granted concerning the exclusion of subscription rights can be used by Fresenius Management SE only to such extent that the proportional amount of the total number of shares issued with exclusion of the subscription rights does not exceed 10% of the subscribed capital. An exclusion of subscription rights in the context of the use of other authorizations concerning the issuance or the sale of the shares of Fresenius SE & Co. KGaA or the issuance of rights which authorize or bind to the subscription of shares of Fresenius SE & Co. KGaA has to be taken into consideration during the duration of the Authorized Capital until its utilization.

The Authorized Capital I developed as follows:

€ in millions	2021	2020
As of January 1	125	125
As of December 31	**125**	**125**

12. CONDITIONAL CAPITAL

The Conditional Capital IV is in place to fulfill the obligation to issue shares relating to the exercise of Stock Options on the basis of the existing 2013 Stock Option Plan. A further Conditional Capital III exists for the authorization to issue option bearer bonds and / or convertible bonds.
The Conditional Capital I for the Fresenius AG Stock Option Plan 2003 (expired) developed as follows:

in €	Ordinary shares
As of January 1, 2021	4,735,083
As of December 31, 2021	**4,735,083**

The Conditional Capital II for the Fresenius SE Stock Option Plan 2008 (expired) developed as follows:

in €	Ordinary shares
As of January 1, 2021	3,452,937
As of December 31, 2021	**3,452,937**

The Conditional Capital III, for option bearer bonds and / or convertible bonds, developed as follows:

in €	Ordinary shares
As of January 1, 2021	48,971,202
As of December 31, 2021	**48,971,202**

The Conditional Capital IV for the Fresenius SE & Co. KGaA Stock Option Plan 2013 developed as follows:

in €	Ordinary shares
As of January 1, 2021	23,786,091
Decrease due to exercise of stock options	-961,234
As of December 31, 2021	**22,824,857**

DESCRIPTION OF THE FRESENIUS SE & CO. KGAA SHARE-BASED COMPENSATION PLANS IN PLACE

As of December 31, 2021, Fresenius SE & Co. KGaA had two share-based compensation plans in place: the Fresenius SE & Co. KGaA Long Term Incentive Program 2013 (2013 LTIP) which is based on stock options and phantom stocks and the Long Term Incentive Plan 2018 (LTIP 2018) which is solely based on performance shares. Currently, solely LTIP 2018 can be used to grant performance shares.

LTIP 2018

On April 12, 2018 and March 15, 2018, respectively, the Management Board and Supervisory Board of the general partner, Fresenius Management SE, resolved the Long Term Incentive Plan 2018 (LTIP 2018).

The LTIP 2018 is based solely on virtual stocks (performance shares). The performance shares issued through the plan are non-equity-backed, virtual compensation instruments. When performance targets are reached and other prerequisites are met, they guarantee the entitlement to a cash payment by Fresenius SE & Co. KGaA or one of its affiliated companies.

The plan is available both for members of the Management Board (with the exception of Mr. Rice Powell, who receives his compensation from Fresenius Medical Care Management AG) and other executives. Performance shares may be granted once annually over a period of five years. The grant to the members of the Management Board is made by the Supervisory Board of the general partner, Fresenius Management SE, the grant to the other executives is made by the Management Board of Fresenius Management SE, in each case on the basis of a grant value determined at its discretion. The grant value is determined in consideration of the personal performance and the responsibilities of the concerned plan participant. The number of performance shares granted is calculated through applying the grant value and the average stock market price of the Fresenius share over the period of 60 stock exchange trading days prior to the grant date.

The number of performance shares may change over a period of four years, depending on the level of achievement of the performance targets described in more detail below.

This could entail the entire loss of all performance shares or also – at maximum – the doubling of their number. The resulting number of performance shares, which is determined after a performance period of four years and based on the respective level of target achievement, is deemed finally earned four years after the date of the respective grant. The number of vested performance shares is then multiplied by the average stock exchange price of Fresenius SE & Co. KGaA's share over a period of 60 stock exchange trading days prior to the lapse of this vesting period plus the total of the dividends per share of Fresenius SE & Co. KGaA paid by Fresenius SE & Co. KGaA between the grant date and the vesting date. The resulting amount will be paid to the respective plan participant in cash. The potential disbursement entitlement of each member of the Management Board is limited to a maximum value of 250% of the grant value, the entitlement of all other plan participants is limited to a maximum value of 400%.

The LTIP 2018 has two equally weighted performance targets: firstly, the growth rate of the adjusted consolidated net income (adjusted for currency effects) and, secondly, the relative Total Shareholder Return based on the STOXX Europe 600 Health Care Index. Disbursement entitlement requires that at least one of the two performance targets must be reached or surpassed over the four-year performance period.

For the performance target "Net Income Growth Rate" a level of target achievement of 100% is reached when the same is at least 8% over the four-year performance period. If the growth rate falls below or corresponds to only 5%, the level of target achievement is 0%. If the growth rate is between 5% and 8%, the level of target achievement is between 0% and 100%, while, where the growth rate is between 8% and 20%, the level of target achievement will be between 100% and 200%. Intermediate values are calculated through linear interpolation. The net income is the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA reported in the consolidated financial statements of Fresenius SE & Co. KGaA prepared in accordance with IFRS, adjusted for extraordinary effects. The determination of the adjusted net income (adjusted for currency effects) and the change in comparison with the adjusted net income (not adjusted for currency effects) of the previous Fresenius Group fiscal year will be verified in a binding manner by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. For the ascertainment of the currency translation effects, all line items of the income statements of the companies that are included in the consolidated financial statements and which have a functional currency other than the reporting currency (Euro) of the Fresenius Group are translated with the average exchange rates of the Fresenius Group fiscal year of the consolidated financial statements that are the basis for the comparison.

For the "Total Shareholder Return" performance target, a target achievement of 100% is met when the Total Share-holder Return of Fresenius SE & Co. KGaA in comparison with the Total Shareholder Return of the other companies of the STOXX Europe 600 Health Care Index achieves an average ranking within the benchmark companies, i. e. exactly in the middle (50th percentile), over the four-year performance period. If the ranking corresponds to the 25th percentile or less, the level of target achievement is 0%. Where the ranking is between the 25th percentile and the 50th percentile, the level of target achievement is between 0% and 100%; and, for a ranking between the 50th percentile and the 75th percentile, between 100% and 200%. Intermediate values will also be calculated through linear interpolation. Total Shareholder Return denotes the percentage change in the stock market price within the performance period including reinvested dividends and all capital measures, whereby capital measures are to be calculated through rounding down to the fourth decimal place. The ranking values are determined using the composition of STOXX Europe 600 Health Care on the grant date. For equalization purposes, the relevant market price is the average market price in the period of 60 stock exchange trading days prior to the beginning and end of a performance period; the relevant currency is that of the main stock exchange of a company, which was listed in STOXX Europe 600 Health Care on the grant date.

A level of target achievement in excess of 200% is not possible for both performance targets. To calculate the level of overall target achievement, the level of target achievement of the two performance targets are given equal weighting. The total number of performance shares vested on each plan participant is calculated through multiplying the number of performance shares granted by the overall target achievement. The performance targets for the 2018 grant were not achieved. Therefore, the performance shares granted in 2018 forfeited.

In the event of violation of compliance rules, the Supervisory Board of Fresenius Management SE, in due exercise of its discretion, is entitled to reduce the number of performance shares vested on a member of the Management Board to zero. Regarding all other plan participants, such decision is made by the Management Board of Fresenius Management SE. Furthermore, Fresenius SE & Co. KGaA is entitled to a complete or partial reimbursement in the event of violation of compliance rules in the period of three years following disbursement.

2013 LTIP

The 2013 LTIP is comprised of the Fresenius SE & Co. KGaA Stock Option Plan 2013 (2013 SOP) and the

Fresenius SE & Co. KGaA Phantom Stock Plan 2013 (2013 PSP). It combines the granting of stock options with the granting of phantom stock awards which entitle the holder to receive cash payments upon exercising the phantom stock. Each of the 2013 SOP and 2013 PSP making up the 2013 LTIP have been established under a stand-alone legal documentation.

2013 SOP

Under the 2013 SOP, which was approved by the Annual General Meeting of Fresenius SE & Co. KGaA on May 17, 2013, Fresenius Management SE was originally authorized to issue up to 8.4 million subscription rights for an amount of 8.4 million non-par value ordinary bearer shares of Fresenius SE & Co. KGaA until May 16, 2018.

Of the up to 8.4 million options, up to 1.6 million options were designated for members of the Management Board of Fresenius Management SE; up to 4.4 million options were designated for members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and up to 2.4 million options were designated for executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care).

In connection with the stock split in 2014, the total volume of not yet granted subscription rights increased in the same proportion as the subscribed capital (factor 3) as far as options had not yet been granted under the 2013 SOP. The same applies to the subsets of the subscription rights that are attributable to individual groups of participants. For stock options that were granted before the stock split 2014 came into effect, the entitlement of the participants to receive new shares through the exercise of stock options increased in the same proportion as the subscribed capital (factor 3). The participants are now entitled to receive three bearer ordinary shares of Fresenius SE & Co. KGaA. The exercise price was reduced proportionally.
The granting of the options occurred in five annual tranches, each to the last Monday in July or the first Monday in December. With respect to new options, the Supervisory Board of Fresenius Management SE determined the stock options granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determined the other participants in the 2013 SOP and the stock options granted to them.

The exercise price of an option equals the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic Xetra trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, on the last 30 calendar days prior to the respective grant date.

Options granted have an eight-year term but can be exercised only after a four-year vesting period. The exercise of options is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the options to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to IFRS, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to IFRS, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the options issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting period, i. e. by one quarter, two quarters, three quarters, or completely. In the years 2013 to 2019, the performace targets for stock options granted in 2013 to 2016 were met. For stock options granted in 2017, only one quarter of the performance target was achieved. Therefore, in 2020, three quarters of the stock options granted in 2017 were forfeited.

The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA according to IFRS (currency adjusted) and changes thereto compared to the adjusted net income according to IFRS (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements. Upon exercise of vested options, Fresenius SE & Co. KGaA has the right to grant treasury shares in lieu of increasing capital by the issuance of new shares.
After the expiration of the waiting period, all options in respect of which the success target has been achieved may be exercised at any time outside the designated blackout periods.

The last options were granted in 2017.

2013 PSP

Fresenius SE & Co. KGaA's 2013 PSP was established in May 2013, together with the 2013 SOP in line with the 2013 LTIP. Awards of phantom stock can be granted on each stock option grant date. Phantom stock awarded under the 2013 PSP may be granted to the members of Fresenius Management SE's Management Board, the members of the management of directly or indirectly affiliated companies (except for Fresenius Medical Care) and to executive employees of Fresenius SE & Co. KGaA and its affiliated companies (except for Fresenius Medical Care). The holders of phantom stocks, that had been issued before the stock split 2014 came into effect, were granted an economic compensation through retroactively tripling the number of phantom stocks granted before the stock split 2014 came into effect.

As under the 2013 SOP, the Supervisory Board of Fresenius Management SE determined the phantom stocks granted to members of Fresenius Management SE's Management Board, whereas the Management Board of Fresenius Management SE determined the other participants in the 2013 PSP and the phantom stocks granted to them.

Phantom stock awards under the 2013 PSP entitle the holder to receive a cash payment. Each phantom stock award shall entitle the holder to receive the volume-weighted average stock market price (closing price) of the non-par value ordinary bearer share of Fresenius SE & Co. KGaA in the electronic Xetra trading of Deutsche Börse AG in Frankfurt am Main, or a comparable successor system, during the last three months prior to the date the phantom stock is exercised.

The exercise of phantom stock is subject to the condition precedent, in each case, that the annual success target within a four-year waiting period is achieved. The success target is achieved in each case if, after the granting of the subscription rights to the respective entitled person, either (i) the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to IFRS, adjusted for extraordinary effects and on a constant currency basis, has increased by at least 8% per annum in comparison to the previous year in each case within the waiting period, or (ii) – if this is not the case – the compounded annual growth rate of the consolidated net income attributable to shareholders of Fresenius SE & Co. KGaA according to IFRS, adjusted for extraordinary effects and on a constant currency basis, during the four years of the waiting period amounts to at least 8%. In the event that the success target within the four-year waiting period is not achieved for the individual years or for the compounded annual growth rate, the phantom stock awards issued in each case are forfeited in proportion to the non-achievement of the success target within the waiting period, i. e. by one quarter, two quarters, three quarters, or completely. In the years 2013 to 2019, the performace targets for phantom stocks granted in 2013 to 2016 were met. For phantom stocks granted in 2017, only one quarter of the performance target was achieved. Therefore, in 2020, three quarters of the phantom stocks granted in 2017 were forfeited.

The adjusted net income attributable to shareholders of Fresenius SE & Co. KGaA according to IFRS (currency adjusted) and changes thereto compared to the adjusted net income according to IFRS (without currency adjustment) of the relevant comparison year shall be verified with binding effect in each case by the auditors of Fresenius SE & Co. KGaA on the basis of the audited consolidated financial statements.

After the expiration of the waiting period, all exercisable phantom stock will be deemed to be exercised and cashed out on March 1 following the end of the waiting period (or the following banking day). At December 31, 2020, the provision for phantom stocks issued in 2016 that will be exercised and paid out on March 1, 2021, amounted to €7 million.

The last phantom stocks were granted in 2017.

TRANSACTIONS DURING 2021 AND 2020

On September 13, 2021, Fresenius SE & Co. KGaA awarded 915,105 performance shares under the LTIP 2018, the total fair value at the grant date being €41 million, including 193,800 performance shares valued at €9 million to the members of the Management Board of Fresenius Management SE. The fair value per performance share at the grant date was €44.75.

On September 14, 2020, Fresenius SE & Co. KGaA awarded 924,237 performance shares under the LTIP 2018, the total fair value at the grant date being €39 million, including 183,420 performance shares valued at €8 million to the members of the Management Board of Fresenius Management SE. The fair value per performance share at the grant date was €41.98.

During the fiscal year 2021, Fresenius SE & Co. KGaA received cash of €32 million from the exercise of 961,234 stock options. The average stock price of the ordinary share at the exercise date was €44.32.

During the fiscal year 2020, Fresenius SE & Co. KGaA received cash of €5 million from the exercise of 160,930 stock options. The average stock price of the ordinary share at the exercise date was €40.63.

At December 31, 2021, 4,967,507 stock options issued under the 2013 LTIP were outstanding and exercisable. The members of the Fresenius Management SE Management Board held 603,281 stock options. 38,592 phantom stocks issued under the 2013 LTIP were outstanding at December 31, 2021. The members of the Fresenius Management SE Management Board held 5,059 phantom stocks and employees of Fresenius SE & Co. KGaA 4,662 phantom stocks. At December 31, 2021, the Management Board members of Fresenius Management SE held 582,234 performance shares and employees of Fresenius SE & Co.

KGaA held 2,367,562 performance shares under the LTIP 2018.

Of the 6,117,024 outstanding stock options issued under the 2013 LTIP, 5,633,679 were exercisable at December 31, 2020. The members of the Fresenius Management SE Management Board held 890,156 stock options. 231,684 phantom stocks issued under the 2013 LTIP were outstanding at December 31, 2020. The members of the Fresenius Management SE Management Board held 35,464 phantom stocks and employees of Fresenius SE & Co. KGaA 38,191 phantom stocks. At December 31, 2020, the Management Board members of Fresenius Management SE held 467,335 performance shares and employees of Fresenius SE & Co. KGaA held 1,684,235 performance shares under the LTIP 2018.

Stock option transactions are summarized as follows:

	stock options
Number as of December 31, 2020	6,117,024
less forfeited options	-188,283
less exercises	-961,234
Number as of December 31, 2021	**4,967,507**

13. CAPITAL RESERVES

Capital reserves comprise the premium paid on the issue of shares and the exercise of stock options (additional paid-in capital).

The capital reserves have developed during the fiscal year as follows:

€ in millions	2021	2020
As of January 1	3,314	3,309
Increase due to exercise of stock options	31	5
As of December 31	**3,345**	**3,314**

The capital reserve exceeds 10% of the subscribed capital and therewith conforms with the legal reserve as in section 150 (1) and (2) of the German Stock Corporation Act (AktG).

14. OTHER RESERVES

Other reserves developed as follows:

€ in millions	2021	2020
As of January 1	2,740	2,627
Additions to other reserves from net income of the period	–	113
Withdrawals from other reserves	-11	–
As of December 31	**2,729**	**2,740**

According to the restrictions in Section 253 (6) HGB, an amount of €12 million of other reserves shall not be distributed.

15. RETAINED EARNINGS

Accumulated profits from the prior year of €116 thousand are included in retained earnings in accordance with the decision taken at the Annual General Meeting on May 21, 2021.

Given that the amount of capital that shall not be distributed is sensibly higher than retained earnings, there is no distribution restriction for this amount.

16. SPECIAL RESERVE FOR GOVERNMENT INVESTMENT GRANTS

Special reserves in an amout of €1 thousand primarily comprise government investment grants and subsidies according to sections 1, 4 and 4b of the German Investment Subsidy Code (InvZulG). Dissolution of grants and subsidies is spread over the useful life of the subsidized assets. The yearly dissolution (€1 thousand) is included in the profit and loss statement under “Other operating income”.

17. ACCRUED EXPENSES

The **pension obligation** has been determined according to the method described under Note (3) “Accounting principles and standards of valuation”. Included in accrued expenses is an obligation of €36 million in favor of Fresenius Management SE for pension obligations related to its Management Board members.

In accordance with legal regulations the employee credit balances of **partial retirement agreements** are secured against insolvency. To fulfill this purpose the company buys shares of a money-market-similar investment fund in the amount of the cumulated credit balances. The securitization is done via pledging the investment fund shares to a trustee, hence the securities have the sole purpose of fulfilling the obligations derived from the partial retirement agreements and are not available to other creditors. They have been netted with their matching obligations following Section 246 (2) sentence 2 HGB. The acquisition cost of these securities at the date of issuance reflects their fair value.

€ in thousands	31.12.2021
Amount to be paid for partial retirement agreements	359
Fair value of matching securities	171
Funded status (surplus of obligations over assets)	188
Acquisition cost of securities	171

On the basis of a Works Council Agreement from 2009 and starting on January 1, 2010, employees can participate in a demography fund **(Demografiefonds)** by contributing part of their compensation or working time to an account run by Fresenius SE & Co. KGaA in exchange of time-off in the future. The credit balances of the employees are invested in an insurance product via a trust agreement so that Fresenius SE & Co. KGaA and its creditors do not have access to the funds. This construction is a security-based pension obligation in the sense of Section 253 (1) sentence 3 HGB. The amount provisioned for the time balances of the employees corresponds to the fair value of the insurance product. The fair value results from the forecasted actuarial reserves of the insurance company plus the present profit sharing on the surplus.

€ in thousands	31.12.2021
Amount to be paid for obligations from the demography fund	4,912
Fair value of matching insurance	4,912
Funded status (surplus of assets over obligations)	–
Acquisition cost of insurance	4,438

The statement of income includes €134 thousand of netted expense and income, from the valuation of the insurance product and the corresponding provision.

Accruals for income taxes mainly include income tax accruals of €153 million (previous year €144 million). Accruals for income taxes refer to estimated amounts of outstanding tax payments from current year as well as prior years expected to be received.

Other accruals mainly include accruals to cover personnel expenses of €12 million (previous year €14 million), accruals for invoices outstanding of €8 million (previous year €8 million) and foreign currency risks of €2 million (previous year €34 million).

18. LIABILITIES

	December 31, 2021				December 31, 2020			
		thereof with a remaining term of				thereof with a remaining term of		
€ in millions	Total	up to 1 year	1 year to 5 years	over 5 years	Total	up to 1 year	1 year to 5 years	over 5 years
Senior notes	3,950	–	1,450	2,500	4,400	450	950	3,000
Convertible bonds	500	–	500	–	500	–	500	–
Bank loans	2,274	921	1,057	296	1,796	45	1,212	539
Trade accounts payable	4	4	–	–	6	6	–	–
Accounts payable to related parties	1,962	1,761	48	153	1,746	1,580	29	137
Other liabilities	131	69	62	–	124	62	62	–
	8,821	**2,755**	**3,117**	**2,949**	**8,572**	**2,143**	**2,753**	**3,676**

SENIOR NOTES

The following table shows the liabilities from the Senior Notes as of December 31, 2021.

Issuer	Notional amount	Maturity date	Interest rate
Fresenius SE & Co. KGaA 2014 / 2024	€450 million	Feb. 1, 2024	4.00%
Fresenius SE & Co. KGaA 2019 / 2025	€500 million	Feb. 15, 2025	1.875%
Fresenius SE & Co. KGaA 2020 / 2026	€500 million	Sep. 28, 2026	0.375%
Fresenius SE & Co. KGaA 2020 / 2027	€750 million	Oct. 8, 2027	1.625%
Fresenius SE & Co. KGaA 2020 / 2028	€750 million	Jan. 15, 2028	0.750%
Fresenius SE & Co. KGaA 2019 / 2029	€500 million	Feb. 15, 2029	2.875%
Fresenius SE & Co. KGaA 2020 / 2033	€500 million	Jan. 28, 2033	1.125%

Fresenius SE & Co. KGaA can issue bonds with different maturities under the existing debt issuance program of €12.5 billion. In 2020, the proceeds of the financing activities were mainly used for general corporate purposes, including refinancing of existing financial liabilities.

The bonds issued by Fresenius SE & Co. KGaA in the amount of €450 million which were due on February 1, 2021, were redeemed at maturity.

CONVERTIBLE BONDS, EQUITY-NEUTRAL

On January 31, 2017, Fresenius SE & Co. KGaA issued €500 million of equity-neutral convertible bonds due 2024. The convertible bonds will not bear any interest. The issue price was fixed at 101% of the nominal value. The proceeds were used to fund the acquisition of IDCSalud Holding S.L.U. (Quirónsalud) and for general corporate purposes. The coupon was fixed at 0%. On December 31, 2021 the conversion price was €105.2603.

The negative fair value of the derivative embedded in the convertible bonds of Fresenius SE & Co. KGaA was €70 thousand at December 31, 2021. Fresenius SE & Co. KGaA purchased stock options (call options) with a corresponding fair value to hedge future fair value fluctuations of this derivative. The embedded derivative and the call options build a hedge relationship and are accounted for in other assets and other liabilities at a book value of €62 million each following the "Einfrierungsmethode".

The conversions will be cash-settled. Any increase of Fresenius' share price above the conversion price would be offset by a corresponding value increase of the call options.

BANK LOANS

Schuldschein Loans

At December 31, 2021 Fresenius SE & Co. KGaA had €1,721 million (previous year €1,721 million) liabilities from Schuldschein Loans.

The Schuldschein Loans of Fresenius SE & Co. KGaA issued before 2017 are guaranteed by Fresenius Kabi AG and Fresenius ProServe GmbH.

Commercial-Paper-Program

Fresenius SE & Co. KGaA has a commercial paper program under which Fresenius SE & Co. KGaA and Fresenius Finance Ireland PLC can issue short-term notes. On September 15, 2021 the commercial paper was modified, and the credit facilities increased from €1,000 billion to €1,500 million which are available for a joint utilization of Fresenius SE & Co. KGaA and Fresenius Finance Ireland PLC. As of December 31, 2021 and as of December 31, 2020, the commercial paper program was not utilized by Fresenius SE & Co. KGaA.

ACCOUNTS PAYABLE TO RELATED PARTIES

Accounts payable to related parties comprise loans and financing accounts with affiliated companies in the context of inhouse banking (cash pool) in an amount of €1,961 million (previous year €1,744 million).

Included in this item are liabilities of €7 million (previous year €3 million) in favor of the general partner Fresenius Management SE. Moreover, liabilities of €42 million (previous year €38 million) in favor of Fresenius Management SE are included in pension liability and other liabilities.

OTHER LIABILITIES

Other liabilities primarily include €62 million liabilities from the derivative embedded in the convertible bond (previous year €62 million) as well as interest liabilities, and liabilities from tax on wages.

Liabilities from tax on wages amount to €2 million (previous year €1 million).

19. DEFFERRED INCOME

Deferred income of €2 million (previous year €4 million) relates mainly to premiums.

The placement of the convertible bond in January 2017 resulted in a premium of €5 million that will be released on a straight-line basis over the lifetime of the convertible bond. As of December 31, 2021, it is included in deferred income with a value of €1 million.

Moreover, a premium of €2 million resulted from a senior note and shall be released on a straight-line basis over the term of the senior note. As of December 31, 2021, it is included in deferred income with a value of €1 million.

NOTES ON THE CONSOLIDATED STATEMENT OF INCOME

The structure of the profit and loss statement has been adapted to the holding character of Fresenius SE & Co. KGaA and starts with income from participations

20. INCOME FROM PARTICIPATIONS

€ in millions	2021	2020
Income from profit transfer agreements	523	678
Income from participations	136	124
(thereof amount from affiliated companies)	136	124
Expenses from loss transfer agreements	-13	-1
	646	**801**

21. SALES

€ in millions	2021	2020
Sales from personnel services	62	55
Sales from rental services	19	19
	81	**74**

22. OTHER OPERATING INCOME

Other operating income of €156 million in total (previous year €224 million) is comprised primarily of foreign currency gains of €108 million (previous year €182 million), cost transfers to group companies of €42 million (previous year €33 million), as well as other income from other accounting periods mainly income from the dissolution of short-term accruals of €4 million (previous year €6 million). The total income from other accounting periods was €6 million in the fiscal year (previous year €6 million).

The main reason for the decrease in other operating income is a decrease in foreign currency gains, that is levelled by foreign currency losses of the same amount included in operating expense.

23. COST OF MATERIALS

Cost of materials of 22 Mio € (previous year €22 million) mainly consist of costs to attain sales from rentals and lease agreements such as rents and lease payments for buildings as well as repair, maintenance and cleaning costs for the mentioned buildings.

24. PERSONNEL EXPENSES

€ in millions	2021	2020
Wages and salaries	39	34
Social security contributions, cost of retirement pensions and social assistance	18	10
(thereof retirement pensions)	11	4
	57	**44**

The annual average number of employees of Fresenius SE & Co. KGaA by function is divided into the following groups:

	2021	2020
Wage earners	15	16
Salaried employees	364	334
Apprentices	194	190
	573	**540**

25. DEPRECIATION AND AMORTIZATION OF INTANGIBLE ASSETS AND PROPERTY PLANT AND EQUIPMENT

Depreciation of intangible assets and property plant and equipment of €12 million (previous year €11 million) is regular depreciation.

26. OTHER OPERATING EXPENSES

Other operating expenses of €225 million in total (previous year €273 million) were primarily foreign currency losses of €113 million (previous year €182 million). Also included are IT-related expenses, insurance premiums and consulting expenses, as well as the costs of Fresenius Management SE for business management activities of €18 million (previous year €12 million) that are passed on. Total expenses from other accounting periods were €2 million in the fiscal year (previous year €1 million).

27. NET INTEREST

€ in millions	2021	2020
Interest income from long-term loans	42	33
(thereof amount from affiliated companies)	(42)	(33)
Other interest and similar income	53	49
(thereof amount from affiliated companies)	(37)	(26)
Interest and similar expenses	-116	-152
(thereof amount from affiliated companies)	(-10)	(-17)
(thereof expense from interest accrued	(-2)	(-2)
	-21	**-70**

28. INCOME TAXES

Income taxes in the amount of €41 million (previous year €73 million) resulted from current income tax of €41 million for the year 2021 (previous year €60 million) as well as tax expense from other accounting periods in the amount of €85 thousand (net) (previous year €13 million).

The deferred tax for the Income-Tax-Group is calculated with a tax rate of 30.5%, which is the tax rate expected to be applicable at the time the temporary differences reverse. Deferred tax liabilities arise from differences in the valuation of accounts receivables and from other assets not recognized for tax purposes. Differences in the valuation of pensions and other provisions generate deferred tax assets that exceed the amount of deferred tax liabilities.

OTHER NOTES

29. CONTINGENT LIABILITIES

€ in millions	31.12.2021	31.12.2020
Contingencies from indemnity agreements and guarantees	4,984	5,316
(thereof amount in favor of and from affiliated companies)	(4,979)	(5,311)
Commitments from retirement provisions	15	16
(thereof amount to affiliated companies)	(15)	(16)
	4,999	**5,332**

According to our judgment the affected companies can meet the underlying obligations in any case and assertion of the claim is, taking into account the positive earnings situation of the affiliated companies, currently not expected.

Commitments from retirement provisions comprise liabilities for joint commitments resulting from transferring pension obligations to affiliated companies of the business segments.

Fresenius SE & Co. KGaA has committed itself to exempt on certain preconditions various members of the managing boards of foreign affiliates from claims, in case such claims were made due to their function as members of the managing board of the affiliates concerned, and these claims were based on the law of the respective country.

Fresenius SE & Co. KGaA has committed itself, to the extent legally admissible, to indemnify the members of the Management Board of Fresenius Management SE against claims against them arising from their work for the Company and its affiliates, if such claims exceed their responsibilities under German law. To secure such obligations, the Company concluded a 'Directors & Officers' insurance with an excess, in compliance with stock corporation requirements. The indemnity applies for the time in which each member of the Management Board is in office and for claims in this connection after the ending of the membership of the Management Board in each case.

COMMERCIAL-PAPER-PROGRAM

Fresenius SE & Co. KGaA guarantees the commercial paper issued by Fresenius Finance Ireland PLC under the Commercial-Paper-Program. As of December 31, 2021, the commercial paper program was utilized by Fresenius Finance Ireland PLC in the amount of €1,056 million.

SENIOR NOTES

Fresenius SE & Co. KGaA guarantees the Senior Notes of Fresenius US Finance II, Inc. and Fresenius Finance Ireland PLC, all of them directly or indirectly wholly-owned subsidiaries of Fresenius SE & Co. KGaA.

The following table shows these liabilities of these subsidiaries as of December 31, 2021:

Issuer	Notional amount	Maturity date	Interest rate
Fresenius Finance Ireland PLC 2017 / 2024	€700 million	Jan. 30, 2024	1.50%
Fresenius Finance Ireland PLC 2021 / 2025	€500 million	Oct. 1, 2025	0.00%
Fresenius Finance Ireland PLC 2017 / 2027	€700 million	Feb. 1, 2027	2.125%
Fresenius Finance Ireland PLC 2021 / 2028	€500 million	Oct. 1, 2028	0.50%
Fresenius Finance Ireland PLC 2021 / 2031	€500 million	Oct. 1, 2031	0.875%
Fresenius Finance Ireland PLC 2017 / 2032	€500 million	Jan. 30, 2032	3.00%
Fresenius US Finance II, Inc. 2015 / 2023	US$300 million	Jan. 15, 2023	4.50%

All bonds issued before 2019 of Fresenius US Finance II, Inc. and Fresenius Finance Ireland PLC may be redeemed prior to their maturity at the option of the issuers at a price of 100% plus accrued interest and a premium calculated pursuant to the terms of the indentures under observance of certain notice periods. The holders have the right to request that the issuers repurchase the bonds at 101% of principal plus accrued interest upon the occurrence of a change of control followed by a decline in the rating of the respective bonds.

Fresenius SE & Co. KGaA has agreed to a number of covenants to provide protection to the holders of bonds issued before 2017, which partly restrict the scope of action of Fresenius SE & Co. KGaA and its subsidiaries (excluding Fresenius Medical Care AG & Co. KGaA (FMC-AG & Co. KGaA) and its subsidiaries). These covenants include restrictions on further debt that can be raised, the mortgaging or sale of assets, the entering into sale and lease-back transactions as well as mergers and consolidations with other companies. Some of these restrictions were suspended automatically as the rating of the respective bonds reached investment grade status. As of December 31, 2021, the Fresenius Group was in compliance with all of its covenants.

SYNDICATED CREDIT FACILITY

On July 1, 2021, Fresenius SE & Co. KGaA entered into a new syndicated revolving credit facility of €2,000 million with a group of 29 core relationship banks. It has a maturity of five years with two one-year extension options and can be drawn in various currencies. Emphasizing Fresenius' commitment to embed sustainability in all aspects of its business, a sustainability component has been included in the credit facility. Correspondingly, the credit facility's margin can be adjusted up or down according to changes in Fresenius' sustainability performance.

The new credit facility replaces the €1,100 million and US$500 million revolving credit facilities, originally entered into in 2012 and amended from time to time.

As of December 31, 2021, the FSE Syndicated Credit Facility was undrawn and continuously serves as backup line for the company.

30. OTHER FINANCIAL COMMITMENTS

€ in millions	31.12.2021	31.12.2020
Commitments from building leases, and leasing commitments		
due 2022 (prior year 2021)	13	13
due 2023-2026 (prior year 2022-2025)	27	32
due after 2026 (prior year after 2025)	2	4
	42	49
Commitments from ongoing capital expenditures	11	10
	53	**59**

Other financial commitments in their entirety are against third parties.

31. DERIVATIVES

Fresenius SE & Co. KGaA uses derivative financial instruments, normally micro-hedges, to hedge against existing or highly probable future interest and currency risks. Derivative financial instruments are contracted exclusively for hedging purposes. As the critical terms of the underlying transactions basically match those of the derivative financial instruments it can be assumed that hedges are highly effective. Fresenius SE & Co. KGaA has approved guidelines for assessing risks and to control the use of financial instruments. The guidelines require a clear separation between the execution function on the one side and the clearing, accounting and control on the other side. Fresenius SE & Co. KGaA uses derivative financial instruments to reduce fluctuations in earnings and cash flows caused by changes in foreign currency exchange rates and interest rates. The high effectiveness of the derivative financial instruments leads to the expectation that, in general, the underlying transaction and the corresponding derivative will offset each other.

FOREIGN EXCHANGE RISK

The company uses foreign exchange forward contracts to hedge foreign exchange risk.

Fresenius SE & Co. KGaA entered into foreign exchange forward contracts with external partners to hedge foreign currency risks from accounts receivable and liabilities as well as highly probable forecasted transactions from the Company and its affiliates. On the balance sheet date, the Company had only currency derivatives in relation with €-currency risks hedging with a nominal value of €1,166 million and a positive fair value of €4 million with a maximum remaining term to maturity of 33 months.

For foreign exchange forward contracts contracted with banks that were closed to hedge the foreign exchange risk of Fresenius SE & Co. KGaA Group companies' and that were passed down with the same conditions to the affected Group companies via Group internal transactions, hedges were built for the forward contracts and the underlying transactions with an offsetting fair value. The Company does not revaluate these hedges for financial reporting purposes until maturity ('Einfrierungsmethode'). The net fair value of internal and external hedges was €0 thousand. As of December 31, 2021, the notional amount of these transactions totaled €583 million. The offsetting cash flows will level after 33 months the latest.

Further hedges were built for loans in foreign currencies that Group Companies have borrowed from the Company or that the Company has borrowed from Group Companies, and their offsetting foreign exchange forward contracts closed for hedging purposes. In this case only the spot component is designated in the valuation unit. The loan receivables and payment obligations hedged against currency risk had a net book value of €104 million (liability). External foreign currency hedging contracts for the individual loan receivables and payment obligations with a nominal value of €104 million on December 31, 2021 had a positive fair value of €360 thousand and were recognized in the balance sheet in an amount of €165 thousand. The changes in value of both the loan receivables and payment obligations and the foreign currency hedging contracts have been recognized as income ('Durchbuchungsmethode'). The offsetting cash flows will nearly level after one month the latest.

The rest of the currency derivative contracts can have positive and negative fair values. Positive fair values of €5 million were not recognized for financial reporting purposes. Negative fair values amounting to €2 million were recognized as provision for contingent losses.

STANDARDS OF VALUATION

The fair values of derivative financial instruments are valuated according to customary standards that take market information (market values) on the balance sheet date into account. In detail following principles are used:

- The fair value is based on the market value of a derivative that could be reached in voluntary transactions by independent parties without taking forced or liquidation sales into account.
- To determine the market value of foreign exchange forward contracts, the contracted forward rate is compared to the current forward rate for the remaining term of the contract as of the balance sheet. date The result is then discounted on the basis of the market interest rates prevailing at the date of the statement of financial position.

The effectiveness of hedging relationships is measured with the Critical Terms Match-Method and the Cumulated Dollar Offset-Method for foreign exchange forward contracts.

32. COMPENSATION OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Detailed and individualized information regarding the compensation of the members of the Management Board and of the Supervisory Board is disclosed in the Compensation Report.

The compensation of the Management Board is, as a whole, performance-based and geared towards promoting sustainable corporate development. It is composed of the following elements:

- non-performance-based compensation (fixed compensation and fringe benefits)´
- short-term performance-based compensation (one-year variable compensation (bonus))
- components with long-term incentive effects (multi-year variable compensation comprising performance shares and postponed payments of the one-year variable compensation / of the bonus).

The cash compensation paid to the Management Board for the performance of its responsibilities was €16,057 thousand (2020: €15,017 thousand). Thereof, €8,602 thousand (2020: €6,669 thousand) is not performance-based and €7,455 thousand (2020: €8,348 thousand) is performance-based. The amount of the short-term performance-based compensation depends on the achievement of targets relating to the net income and the sales of the Fresenius Group and the business segments as well as on the achievement of sustainability criteria.

As a long-term incentive component, the members of the Management Board received 193,800 Fresenius SE & Co. KGaA performance shares (2020: 183,420) and 40,894 Fresenius Medical Care AG & Co. KGaA Performance Shares (2020: 35.030) in the equivalent value of €10,979 thousand (2020: €9,870 thousand).

Requirements and conditions of the long-term incentive components are explained under Note 12 Conditional Capital (Description of the Fresenius SE Co. KGaA Share-Based Compensation Plans in place).

The total compensation of the Management Board was €27,036 thousand (2020: €25,070 thousand.

The total compensation paid to the Supervisory Board of Fresenius SE & Co. KGaA and its committees was €2,502 thousand in 2021 (2020: €1,990 thousand). The total compensation paid to the Supervisory Board of Fresenius Management SE and its committees was €1,353 thousand in 2021 (2020: €940 thousand). In addition, the employee representatives on the Supervisory Board receive a regular salary from their respective employment contracts.

In 2021 former members of the Management Board re ceived €8,102 thousand (2020: €1,461 thousand) . The pension obligation of these persons according to HGB amounted to €32,220 thousand in 2021 (2020: €21,223 thousand).

In the fiscal years 2021 and 2020, no loans or advance payment on future compensation components were granted to any member of the Management Board of Fresenius Management SE.

33. SUBSEQUENT EVENTS

The months of January and February were characterized worldwide by a regionally varying development of the COVID-19 pandemic with again significantly rising infection numbers, particularly due to the Omikron variant. Large-scale constraints of public and private life are still enacted in various countries in order to curtail the spread of COVID-19. The vaccination programs were continued worldwide and the development in each country differs. The further development of the global situation and its impact on Fresenius remain uncertain. Cost inflation and supply chain disruption continue to be a theme on a global level.

Beyond that, there have been no significant changes in the Fresenius Group's operating environment following the end of the fiscal year 2021 until February 21, 2022. No other events of material importance on the assets and liabilities, financial position, and results of operations of the Group have occurred following the end of the fiscal year.

34. CORPORATE GOVERNANCE

For each consolidated stock exchange listed entity, the declaration pursuant to Section 161 of the German Stock Corporation Act (Aktiengesetz) has been issued and made available to shareholders on the website of Fresenius SE & Co. KGaA (www.fresenius.com/corporate-governance) and of Fresenius Medical Care AG & Co. KGaA (www.freseniusmedicalcare.com).

35. CONSOLIDATED FINANCIAL STATEMENTS

As parent company Fresenius SE & Co. KGaA prepares and publishes consolidated financial statements and management report in accordance with the International Financial Reporting Standards (IFRS) which are binding to be applied in the EU applying Section 315e of the German Commercial Code (HGB) for the smallest group of consolidated companies. The consolidated financial statements are published in the electronic Bundesanzeiger (German Federal Gazette). Fresenius Management SE, Bad Homburg v.d.H. prepares and publishes the consolidated financial statements for the largest group of consolidated companies which is also published in the electronic Bundesanzeiger (German Federal Gazette).

36. AUDITOR'S FEES

The fees for the auditor PricewaterhouseCoopers GmbH, Frankfurt am Main (PwC), are disclosed in the company´s consolidated financial statements. They contain audit-related fees and other fees mainly related to the review of quarterly financial statements, audit services in connection with financing activities as well as audits with respect to implementation activities in the IT.

37. PROPOSAL FOR THE DISTRIBUTION OF EARNINGS

The General Partner and the Supervisory Board of Fresenius SE & Co. KGaA propose to the Annual General Meeting that the earnings for 2021 of Fresenius SE & Co. KGaA be distributed as follows:

in €	
Payment of a dividend of €0.92 per bearer ordinary share on the 558,502,143 ordinary shares entitled to dividend	513,821,971.56
Balance to be carried forward	52,789.29
Retained earnings	**513,874,760.85**

The Management Board of Fresenius Management SE will propose a scrip dividend to the Supervisory Board. Fresenius wants to give its shareholders the opportunity to opt to receive portion of the dividend (Dividend Option Portion) in Fresenius SE & Co. KGaA shares. The remaining portion of the dividend (Dividend Base Portion) will always be paid in cash.

Bad Homburg v. d. H., February 21, 2022

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its general partner

The Management Board

S. Sturm

Dr. S. Biedenkopf

Dr. F. De Meo

R. Empey

R. Powell

M. Sen

Dr. E. Wastler

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Name	Occupation	Year of birth	Initial appointment	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: External positions as at Dec. 31, 2021	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2021
Wolfgang Kirsch (Chair since May 21, 2021)	Member of various Supervisory Boards	1955	2021	Adolf Würth GmbH & Co. KG AGCO Corporation, USA[1] (until April 22, 2021)	Fresenius Management SE (Chair since May 21, 2021)
Dr. Gerd Krick[2] (until May 21, 2021, Chair)	Honorary Chairman of the Supervisory Board of Fresenius SE & Co. KGaA and Fresenius Management SE	1938	2003		Fresenius Management SE (until May 21, 2021; Chair) Fresenius Medical Care Management AG (until May 20, 2021) VAMED AG, Austria (until July 08, 2021; Chair)
Prof. Dr. med. D. Michael Albrecht	Medical Director and Spokesman of the Management Board of the University Hospital Carl Gustav Carus Dresden	1949	2011	Universitätsklinikum Aachen	
Stefanie Balling	Full-time Works Council Member Fresenius Medical Care Deutschland GmbH	1968	2016		
Bernd Behlert	Full-time Works Council Member Helios Vogtland-Klinikum Plauen GmbH	1958	2018		Helios Vogtland-Klinikum Plauen GmbH
Michael Diekmann Deputy Chair	Member of various Supervisory Boards	1954	2015	Allianz SE[1] (Chair) Siemens AG[1]	Fresenius Management SE
Grit Genster Deputy Chair	Secretary of the Trade Union ver.di, Vereinte Dienstleistungsgewerkschaft Division Manager Health Care/ Health Policy	1973	2020		
Konrad Kölbl	Full-time Works Council Member VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m.b.H.	1959	2007		VAMED-KMB Krankenhausmanagement und Betriebsführungsges. m. b. H., Austria (until February 28, 2021)
Frauke Lehmann	Full-time Works Council Member Helios Kliniken Schwerin GmbH	1963	2016		Helios Kliniken Schwerin GmbH (Deputy Chair)
Prof. Dr. med. Iris Löw-Friedrich	Chief Medical Care Officer and Executive Vice President, Head of Development, UCB S.A.	1960	2016	Evotec AG[1] (Chair since June 15, 2021)	

The term of office expires at the end of the Annual General Meeting 2025.

[1] Stock-listed company
[2] Dr. Krick resigned from the Supervisory Board of Fresenius Management SE on May 21, 2021. He was appointed Honorary Chairman of the Supervisory Board.

BOARDS

SUPERVISORY BOARD FRESENIUS SE & CO. KGAA

Name	Occupation	Year of birth	Initial appointment	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: External positions as at Dec. 31, 2021	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2021
Klaus-Peter Müller	Honorary Chairman of the Supervisory Board of Commerzbank AG	1944	2008		Fresenius Management SE (until May 21, 2021)
Oscar Romero de Paco	Production staff member Fresenius Kabi España S.A.U.	1974	2016		
Hauke Stars (until January 31, 2022)	Member of supervisory bodies	1967	2016	Kühne + Nagel International AG, Switzerland[1] RWE AG (since April 28, 2021)	
Susanne Zeidler (since February 9, 2022)	Member of various Supervisory Boards	1961	2022	DWS Investment GmbH	Fresenius Management SE (since May 21, 2021)

The term of office expires at the end of the Annual General Meeting 2025.

[1] Stock-listed company

COMMITTEES OF THE SUPERVISORY BOARD

Nomination Committee	Audit Committee	Joint Committee[1]
Wolfgang Kirsch (since May 21, 2021; Chair)	Klaus-Peter Müller (Chair)	Dr. Dieter Schenk (Chair)
Michael Diekmann	Grit Genster	Michael Diekmann
Dr. Gerd Krick (until May 21, 2021; Chair)	Wolfgang Kirsch (since May 21, 2021)	Wolfgang Kirsch (since May 21, 2021)
Klaus-Peter Müller	Konrad Kölbl	Dr. Gerd Krick (until May 21, 2021)
	Dr. Gerd Krick (until May 21, 2021; Chair)	Klaus-Peter Müller (until May 21, 2021)
	Hauke Stars	Hauke Stars (since May 21, 2021)

[1] The committee consists equally of two members each of the Supervisory Board of Fresenius SE & Co. KGaA and of Fresenius Management SE

BOARDS

MANAGEMENT BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Name	Segment	Year of birth	Initial appointment	Term expires	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: External positions as at Dec. 31, 2021	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2021
Stephan Sturm	Chairman	1963	2005	2026	Deutsche Lufthansa AG[1] (until May 4, 2021)	Fresenius Kabi AG (Chair) Fresenius Medical Care Management AG (Chair) VAMED AG, Austria (Chair since July 8, 2021; formerly Deputy Chair)
Dr. Sebastian Biedenkopf	Responsible for Human Resources (Labor Relations Director), Risk Management and Legal	1964	2020	2023		
Dr. Francesco De Meo	Business Segment Fresenius Helios	1963	2008	2026		
Rachel Empey	Chief Financial Officer	1976	2017	2025	BMW Group[1] (since May 12, 2021) Inchcape, plc, Great Britain[1] (until April 30, 2021; Non-Executive Director)	Fresenius Kabi AG (Deputy Chair) Fresenius Medical Care Management AG
Mats Henriksson (until March 16, 2021)	Business Segment Fresenius Kabi	1967	2013	2022		
Rice Powell	Business Segment Fresenius Medical Care	1955	2013	2022		Fresenius Medical Care Holdings, Inc., USA (Chair) Vifor Fresenius Medical Care Renal Pharma Ltd., Switzerland[1] (Deputy Chair)
Michael Sen (since April 12, 2021)	Business Segment Fresenius Kabi	1968	2021	2024		
Dr. Ernst Wastler	Business Segment Fresenius Vamed	1958	2008	2025		Vamed-KMB Krankenhausmanagement und Betriebsführungsges. m. b. H., Austria (Chair)

[1] Stock-listed company

BOARDS

SUPERVISORY BOARD FRESENIUS MANAGEMENT SE

(General partner of Fresenius SE & Co. KGaA)

Name	Occupation	Year of birth	Initial appointment	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: External positions as at Dec. 31, 2021	Membership of statutory supervisory boards and comparable domestic or foreign supervisory bodies: Fresenius Group company positions as at Dec. 31, 2021
Wolfgang Kirsch (Chair since May 21, 2021)	Member of various Supervisory Boards	1955	2020	Adolf Würth GmbH & Co. KG AGCO Corporation Duluth, USA	Fresenius SE & Co. KGaA [1] (Chair since May 21, 2021)
Dr. Gerd Krick [2] (until May 21, 2021; Chair)	Honorary Chairman of the Supervisory Board of Fresenius SE & Co. KGaA and Fresenius Management SE	1938	2010		Fresenius SE & Co. KGaA [1] (until May 21, 2021; Chair) Fresenius Medical Care Management AG (until May 20, 2021) VAMED AG, Austria (until July 08, 2021; Chair)
Dr. Frank Appel (since May 21, 2021)	Chief Executive Officer Deutsche Post DHL Group [1]	1961	2021		
Michael Diekmann	Member of various Supervisory Boards	1954	2015	Allianz SE [1] (Chair) Siemens AG [1]	Fresenius SE & Co. KGaA [1] (Deputy Chair)
Dr. Heinrich Hiesinger	Member of various Supervisory Boards	1960	2020	ZF Friedrichshafen AG (Chair since January 01, 2022) BMW AG [1] Deutsche Post AG [1]	
Klaus-Peter Müller (until May 21, 2021)	Honorary Chairman of the Supervisory Board of Commerzbank AG	1944	2010		Fresenius SE & Co. KGaA [1]
Dr. Dieter Schenk Deputy Chair	Member of various Supervisory Boards	1952	2010	HWT invest AG Gabor Shoes AG (Chair) TOPTICA Photonics AG (Chair) Else Kröner-Fresenius-Stiftung (Chair of Foundation Board)	Fresenius Medical Care AG & Co. KGaA [1] (Chair) Fresenius Medical Care Management AG (Deputy Chair)
Susanne Zeidler (since May 21, 2021)	Member of various Supervisory Boards	1961	2021	DWS Investment GmbH	
Dr. Karl Schneider	Honorary Member of the Supervisory Board of Fresenius Management SE				

The term of office expires at the end of the Annual General Meeting 2025.

[1] Stock-listed company

[2] Dr. Krick resigned from the Supervisory Board of Fresenius Management SE on May 21, 2021. He was appointed Honorary Chairman of the Supervisory Board.

FRESENIUS SE & CO. KGAA, BAD HOMBURG V. D. HÖHE

MANAGEMENT REPORT AS AT DECEMBER 31, 2021

Fresenius SE & Co. KGaA acts as an operating holding that holds the shares of the Fresenius Group management companies. Fresenius SE & Co. KGaA collects income from service contracts, and in a higher amount, income from participations. The income from investments and with it, the result of operations, financial position and the assets and liabilities are highly dependent on the performance of the whole Group. Therefore, the business development of the group is described in the following paragraphs.

FUNDAMENTAL INFORMATION ABOUT THE GROUP

THE GROUP'S BUSINESS MODEL

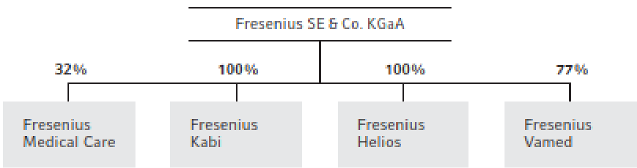
Fresenius is a global health care Group in the legal form of an SE & Co. KGaA (a partnership limited by shares). We offer products and services for dialysis, hospitals, and outpatient medical care. In addition, Fresenius focuses on hospital operations. We also manage projects and provide services for hospitals and other health care facilities worldwide.

The operating business comprises four business segments, all of which are legally independent entities and have a decentralized structure, managed by the operating parent company Fresenius SE & Co. KGaA.

There were no changes to the Group's business model in 2021.

- **Fresenius Medical Care** offers services and products for patients with chronic kidney failure. As of December 31, 2021, Fresenius Medical Care treated 345,425 patients at 4,171 dialysis clinics. Dialyzers and dialysis machines are among the most important product lines. In addition, Fresenius Medical Care offers dialysis-related services.
- **Fresenius Kabi** specializes in products for the therapy and care of critically and chronically ill patients. The portfolio includes intravenously administered generic drugs (IV drugs), biosimilar products with a focus on oncology and autoimmune diseases, clinical nutrition, and infusion therapies. In addition, the company is also a supplier of medical devices and products for transfusion technology.
- **Fresenius Helios** is Europe's leading private hospital operator. Under the holding Helios Health, the company includes Helios Germany, Helios Spain (Quirónsalud) and the Eugin Group. At the end of 2021, Helios Germany operated a total of 90 hospitals, around 130 outpatient clinics, and 6 prevention centers. In Spain, Quirónsalud operated 49 hospitals, 88 outpatient centers, and around 300 occupational risk prevention centers at the end of 2021. In addition, Helios Spain is active in Latin America with 7 hospitals as well as a provider of medical diagnostics. The Eugin Group's network comprises 33 clinics and an additional 39 sites across 10 countries on 3 continents. Eugin offers a wide spectrum of state-of-the-art services in the field of fertility treatments.
- **Fresenius Vamed** manages projects and provides services for hospitals as well as other health care facilities worldwide and is a leading post-acute care provider in Central Europe. The portfolio ranges along the entire value chain from project development, planning, and turnkey construction, via maintenance and technical management, to total operational management. The services are aimed at various areas of health care, ranging from prevention and acute care to rehabilitation and nursing.

GROUP STRUCTURE



Fresenius has an international sales network and maintains more than 90 production sites. Large production sites are located in the United States, China, Japan, Germany, and Sweden.

IMPORTANT MARKETS AND COMPETITIVE POSITION

Fresenius operates in more than 90 countries through its subsidiaries. The main markets are Europe with 45% and North America with 38% of sales, respectively.

Fresenius Medical Care holds the leading position worldwide in dialysis care as it serves about 9% of all dialysis patients, as well as in dialysis products, with a market share of about 36%.

Fresenius Kabi aims to make a significant contribution to therapy and care of critically and chronically ill patients with products and services. In this area of care in particular, the need for high-quality, modern, and affordable therapies is growing as the proportion of chronic diseases continues to increase.

Fresenius Kabi is one of the leading companies in Europe for large parts of its product portfolio and has significant market shares in the growth markets of Asia-Pacific and Latin America. Furthermore, Fresenius Kabi is one of the leading companies in the field of generic IV drugs both in the U.S. market and in Europe. We intend to further strengthen and expand these market positions in the future.

Fresenius Helios is Europe's leading private hospital operator. Helios Germany and Helios Spain are the largest private hospital operators in their respective home markets. The Eugin Group is a leading international provider in the field of fertility services.

Fresenius Vamed is a global company with no direct competitors covering a comparably comprehensive portfolio of projects, services, and total operational management over the entire life cycle of health care facilities. In Central Europe, the company is one of the leading private providers of rehabilitation services. As a result, Fresenius Vamed has a unique selling proposition of its own. Depending on the business segment, the company competes with international companies and consortia, as well as with local providers.

EXTERNAL FACTORS

The COVID-19 pandemic has a significant impact on the economic environment of the Fresenius Group. We demonstrated our special responsibility as part of the health care system even under the difficult circumstances of the COVID-19 pandemic. With our products, services, and therapies, we have made many important contributions to high-quality and affordable health care worldwide during the COVID-19 pandemic. Despite partial government compensation, COVID-19 had an overall strong negative effect on the 2021 financial figures in many of the Group's important markets.

Despite the challenges posed by the COVID-19 pandemic, Fresenius has shown economic resilience. Our company's business development has proven to be comparatively stable and largely independent of economic cycles. Our diversification into four business segments and our global focus give the Group additional stability.

The legal framework for the operating business of the Fresenius Group remained essentially unchanged in 2021.

In 2021, the Fresenius Group was involved in various legal disputes resulting from business operations. Although it is not possible to predict the outcome of these disputes, none is expected to have a significant adverse impact on the assets and liabilities, financial position, and results of operations of the Group.

We carefully monitor and evaluate country-specific political, legal, and financial conditions. This also applies to the potential impact on our business that could result from inflation risks.

MANAGEMENT AND CONTROL

In the legal form of a KGaA, the Company's corporate bodies are the Annual General Meeting, the Supervisory Board, and the general partner, Fresenius Management SE. Fresenius Management SE is wholly owned by Else Kröner-Fresenius-Stiftung. The KGaA has a **two-tier management system – management** and control are strictly separated.

The **general partner**, represented by its **Management Board**, conducts the business and represents the Company in dealings with third parties. The Management Board generally has seven members. According to the Management Board's rules of procedure, each member is accountable for his or her own area of responsibility. However, the members have joint responsibility for the management of the Group. In addition to the Supervisory Board of Fresenius SE & Co. KGaA, Fresenius Management SE has its own Supervisory Board. The Management Board is required to report to the Supervisory Board of Fresenius Management SE regularly, in particular on its corporate policy and strategies. In addition, the Management Board reports on business profitability, current operations, and any other matters that could be of significance for the Company's profitability and liquidity. The Supervisory Board of Fresenius Management SE also advises and supervises the Management Board in its management of the Company. It is prohibited from managing the Company directly. However, the Management Board's rules of procedure require it to obtain the approval of the Supervisory Board of Fresenius Management SE for specific activities.

The members of the Management Board are appointed and dismissed by the Supervisory Board of Fresenius Management SE. Appointment and dismissal is in accordance with Article 39 of the SE Regulation[1]. The articles of association of Fresenius Management SE also provide that deputy members of the Management Board may be appointed.

The **Supervisory Board of Fresenius SE & Co. KGaA** advises and supervises the management of the Company's business by the general partner, reviews and approves the annual financial statements and the consolidated financial

[1] Council Regulation (EC) No. 2157/2001 of October 8, 2001 on the Statute for a European Company (SE) (SE Regulation - SE-Reg)

statements, and performs the other functions assigned to it by law and the Company's articles of association. It is involved in corporate planning and strategy, and in all matters of fundamental importance for the Company. The Supervisory Board of Fresenius SE & Co. KGaA has six shareholder representatives and six employee representatives. A Nomination Committee of the Supervisory Board of Fresenius SE & Co. KGaA has been instituted for election proposals for the shareholder representatives. Its activities are aligned with the provisions of law and the Corporate Governance Code. The shareholder representatives are elected by the **Annual General Meeting of Fresenius SE & Co. KGaA.** The European works council elects the employee representatives to the Supervisory Board of Fresenius SE & Co. KGaA.

The Supervisory Board must meet at least twice per cal- endar half-year. The Supervisory Board of Fresenius SE & Co. KGaA has two permanent **committees:** the Audit Committee, consisting of five members, and the Nomination Committee, consisting of three members. The Company's annual corporate governance declaration pursuant to Section 315d and Section 289f of the German Commercial Code (HGB) describes the procedures of the Supervisory Board's committees. The declaration can be found on the website www.fresenius.com / corporate-governance.

The description of both the **compensation system** and individual amounts paid to the Management Board and Supervisory Board of Fresenius Management SE, and the Supervisory Board of Fresenius SE & Co. KGaA, are included in the Compensation Report.

CAPITAL, SHAREHOLDERS, ARTICLES OF ASSOCIATION

The subscribed capital of Fresenius SE & Co. KGaA amounted to 558,502,143 ordinary shares as of December 31, 2021 (December 31, 2020: 557,540,909).

The shares of Fresenius SE & Co. KGaA are non-parvalue bearer shares. Each share represents €1.00 of the capital stock. Shareholders' rights are regulated by the German Stock Corporation Act (AktG – Aktiengesetz).

Fresenius Management SE, as general partner, is authorized, subject to the consent of the Supervisory Board of Fresenius SE & Co. KGaA: to increase the subscribed capital of Fresenius SE & Co. KGaA by a total amount of up to €125 million, until May 17, 2023, through a single issuance or multiple issuance of new bearer ordinary shares against cash contributions and / or contributions in kind **(Authorized Capital I).** In principle, the shareholders shall be granted a subscription right. In certain cases, however, the right of subscription can be excluded.

In addition, there are the following **Conditional Capitals** according to the articles of association of May 21, 2021:

- The subscribed capital is conditionally increased by up to €4,735,083.00 through the issuance of new bearer ordinary shares **(Conditional Capital I)**. The conditional capital increase will only be executed to the extent that convertible bonds for ordinary shares have been issued under the 2003 Stock Option Plan and the holders of these convertible bonds exercise their conversion rights.
- The subscribed capital is conditionally increased by up to €3,452,937.00 through the issuance of new bearer ordinary shares **(Conditional Capital II)**. The conditional capital increase will only be executed to the extent that subscription rights have been issued under the 2008 Stock Option Plan, the holders of these subscription rights exercise their rights, and the Company does not use its own shares to service the subscription rights or does not exercise its right to make payment in cash.

- The general partner is authorized, with the approval of the Supervisory Board, until May 17, 2023, to issue option bearer bonds and/or convertible bearer bonds, once or several times, for a total nominal amount of up to €2.5 billion. To fulfill the granted subscription rights, the subscribed capital of Fresenius SE & Co. KGaA was increased conditionally by up to €48,971,202.00 through issuance of new bearer ordinary shares **(Conditional Capital III)**.

  The conditional capital increase shall only be implemented to the extent that the holders of convertible bonds issued for cash, or of warrants from option bonds issued for cash, exercise their conversion or option rights and as long as no other forms of settlement are used.
- The share capital is conditionally increased by up to €23,786,091.00 by the issuance of new ordinary bearer shares **(Conditional Capital IV)**. The conditional capital increase will only be implemented to the extent that subscription rights have been, or will be, issued in accordance with the Stock Option Program 2013 and the holders of subscription rights exercise their rights, and the Company does not grant its own shares to satisfy the subscription rights.

The Company is authorized, until May 17, 2023, to purchase and use its **own shares** up to a maximum amount of 10% of the subscribed capital. In addition, when purchasing its own shares, the Company is authorized to use equity derivatives with possible exclusion of any tender right. The Company had not utilized these authorizations as of December 31, 2021.

As the **largest shareholder**, Else Kröner-Fresenius-Stiftung, Bad Homburg, Germany, informed the Company on December 30, 2021, that it held 148,685,702 ordinary shares of Fresenius SE & Co. KGaA. This corresponds to an equity interest of 26.6% as of December 31, 2021.

Amendments to the articles of association are made in accordance with Section 278 (3) and Section 179 (2) of the German Stock Corporation Act (AktG) in conjunction with Article 17 (3) of the articles of association of Fresenius SE & Co. KGaA. Unless mandatory legal provisions require otherwise, amendments to the articles of association require a simple majority of the subscribed capital represented in the resolution. If the voting results in a tie, a motion is deemed rejected. Furthermore, in accordance with Section 285 (2) sentence 1 of the German Stock Corporation Act (AktG), amendments to the articles of association require the consent of the general partner, Fresenius Management SE. The Supervisory Board is entitled to make such amendments to the articles of association that only concern their wording without a resolution of the Annual General Meeting.

Under certain circumstances, a **change of control** would impact our major long-term financing agreements, which contain customary change of control provisions that grant creditors the right to request early repayments of outstanding amounts in case of a change of control. The majority of our financing arrangements, in particular our bonds placed in the capital markets, however, require that the change of control is followed by a decline or a withdrawal of the Company's rating or that of the respective financing instruments.

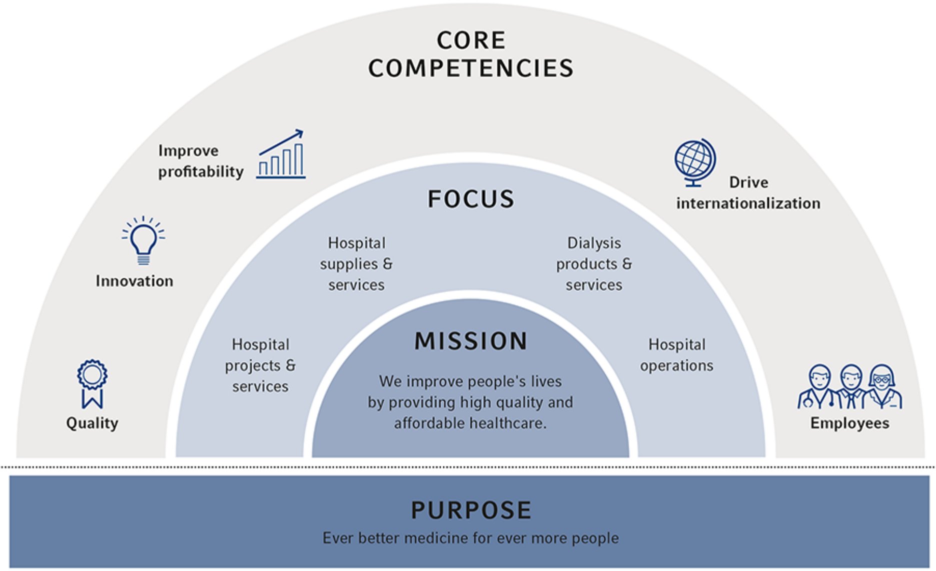
STRATEGY AND GOALS

Demographic change is posing fundamental challenges to societies worldwide. Not only are people living longer, but the pace of population aging is also increasing significantly. As a result, the social and health care systems of many countries are coming under increasing pressure. As the average age of the population increases, so does the number of chronically and critically ill patients.[1] This represents a major global challenge for the public health system. A longer life, however, also offers opportunities for individuals and societies. The extent to which these opportunities can be leveraged depends heavily on one factor: health.

Our purpose is to offer “Ever better medicine for ever more people”. In line with this purpose, Fresenius develops innovative, affordable, and profitable medical solutions for the megatrends of health and demographics. What drives us to achieve top performance every day is our mission: we improve people’s lives by providing high-quality and affordable health care. Consequently, Fresenius’ business decisions are guided by this mission. Our goal is to expand Fresenius’ position as a leading global provider of products, services, and therapies for critically and chronically ill people. At the same time, we want to grow profitably and use our capital efficiently.

We have set ourselves clear medium-term goals. The targets announced in February 2019 stated that based on the key financial figures for 2019, average annual organic sales growth (CAGR) for the period 2020 to 2023 is expected in the range of 4% to 7%. Net income[2,3] is expected to grow organically at a CAGR in a range of 5% to 9 % in the period 2020 to 2023. We had expected small and mid-sized acquisitions to additionally increase the CAGR for both sales and net income by approximately 1%-point.

FRESENIUS STRATEGY



In February 2019, when we originally communicated our medium-term targets, no one has foreseen a global pandemic and the related knock-on effects such as increased inflationary pressure. Hence, we have to refine our expectations based on the financial results for fiscal years 2020 and 2021: we now expect to achieve a sales CAGR at the bottom to middle of the range and the bottom of the range for the net income CAGR. Furthermore, we now expect that small and mid-sized acquisitions will add less than 1% point to both CAGRs.

For Fresenius, economic success is not an end in itself, but a means that enables us to continue investing in better medicine.

We have lived up to our special responsibility as part of the health care system, even under the difficult circumstances of the current COVID-19 pandemic. With our products, services, and therapies, we have made many important contributions worldwide. Our dialysis clinics and hospitals, for example, have taken extensive measures to ensure that patients continuously receive the best possible care. For essential drugs used for COVID-19 patients, we have committed ourselves to keeping prices stable – despite a significant increase in demand.

[1] WHO 2021: “Ageing and health”
[2] Net income attributable to the shareholders of Fresenius SE & Co. KGaA
[3] Before special items

In our view, a significant adjustment of our strategy due to the COVID-19 pandemic is not necessary. On the contrary, our good economic development in 2021 confirms our strategy. COVID-19 will even accelerate the implementation of some strategic goals, such as the further expansion of digital services. Through various digital solutions, e.g., telemedicine services, we were able to address patients' concerns about becoming infected in hospital and provide them with targeted advice.

OUR STRATEGIC FOCUS

Fresenius invests in and manages a diversified portfolio of health care businesses that create value. With our four business segments we focus on a defined number of health care areas. We continuously develop our business areas and strive to assume leading positions in the respective health care markets and segments. We have defined strategic priorities to strengthen our position as the leading global provider of products, services, and therapies for critically and chronically ill patients:

- **Profit from megatrends:** gearing businesses towards the megatrends health, demographic change, and digitalization in health care
- **Create value:** sustainable value creation by allocating capital to profitable growth areas
- **Act responsibly:** responsible and sustainable corporate governance as part of our corporate culture
- **Foster collaboration:** targeted fostering of intra-Group cooperation to leverage synergies

OUR CORE COMPETENCIES

QUALITY

All business segments make an overall contribution to increasing the quality and efficiency of health care.

Fresenius Medical Care ensures patient health and product safety by providing a safe environment in its clinics. Fresenius Medical Care considers the quality and safety of its products and services to be the foundation of its success.

Fresenius Kabi's corporate philosophy "caring for life" expresses the company's commitment to improving the quality of life of its patients. The quality and safety of its products and services is thus of paramount importance to Fresenius Kabi.

Fresenius Helios hospitals are characterized by high standards of treatment quality, hygiene standards, patient safety, and quality of care.

Fresenius Vamed bases its quality processes on clearly defined and generally established standards.

INNOVATION

Fresenius' goal is to continue building on its strength in technology, its competence and quality in patient care, and its ability to manufacture cost-effectively. Developing products and systems that provide a high level of safety and user-friendliness and enable tailoring to individual patient needs is an inherent part of our strategy of sustainable and profitable growth. We will continue to develop ever more effective products and treatment methods for critically and chronically ill patients in order to offer best-in-class medical standards. Digitalization is playing an increasingly important role – whether it is in health care facilities or in production. It drives innovative technologies and treatment concepts and can contribute to solving numerous challenges in the health care system.

Fresenius Medical Care will focus on creating the future of health care for chronically and critically ill patients across the renal care continuum and critical care solutions. Fresenius Medical Care also strives to identify new opportunities in value-added technologies and approaches on an ongoing basis, for example through the Fresenius Medical Care Ventures fund, which invests in start-ups and early-stage companies in the health care industry.

Fresenius Kabi focuses its research and development activities on products for the therapy and care of critically and chronically ill patients. With our products we want to support medical advancements in acute and post-acute care and improve patients' quality of life. We are also committed to providing access to high-quality, state-of-the-art therapies for an increasing number of people worldwide. Our development expertise covers all relevant components such as drug raw materials, pharmaceutical formulations, primary packaging, medical technologies for the application of drugs and infusions, as well as production technology. In the area of biosimilars, we have specialized in the

Statements on market position according to company research development of products for the treatment of oncological and autoimmune diseases, making affordable treatments accessible for even more patients.

Fresenius Helios' goal is to foster knowledge sharing across its international hospital network and use innovation to develop ever better health care services and therapies for its patients. In order to comprehensively drive forward digitalization, the company is focusing on the further expansion of the IT infrastructure in the hospitals and the online patient portal, which accompanies our patients before, during, and after their stay in hospital. In Germany, Helios has set itself clear goals: by the end of 2022, additional medical data such as nursing care documentation and medication should be available in the digital patient file at all clinics. The Helios patient portal is also to be introduced at all clinics. Moreover, Fresenius Helios is also focusing on health apps for the chronically ill. As a result of the COVID-19 pandemic, telemedical applications are increasingly in demand – more than 8,900 video consultations were booked by patients in 2021. The company will continue to expand this service in its health care facilities and offer it on a shared platform. Medical consultations are already being conducted via video. Numerous facilities already offer such video consultations on a regular basis. Moreover, Fresenius Helios is driving forward initiatives focused on occupational medicine for company employees, as well as prevention programs.

Fresenius Vamed's goal is to realize further projects in integrated health care services and to support health care systems more efficiently. In addition, state-of-the-art standards such as the use of Building Information Modeling (BIM) in the construction of health care facilities, new concepts for operational management through the application of innovative technologies, and digitalization measures contribute to the improvement of medical care as well as to the relief of medical professionals.

IMPROVE PROFITABILITY

Fresenius is committed to continuously improving Group profitability and capital efficiency. For example, our financial medium-term goals foresee that over the coming years we will increase net income[1, 2] more strongly than sales.

To contain costs, we initiated a cost and efficiency program in 2021 and achieved initial cost savings. The measures to sustainably increase profitability and operational excellence are targeted to lead to cost savings of more than €100 million p.a. after taxes and minority interest in 2023, with some further potential to increase thereafter.

By focusing on our operating cash flow and employing efficient working capital management, we are expanding our scope for investment and improving our balance sheet ratios. We also aim to optimize our weighted average cost of capital (WACC). To this end, we are focusing on a balanced mix of equity and debt and striving to achieve a net debt/EBITDA[3] ratio within a range of 3.0× to 3.5×.

DRIVE INTERNATIONALIZATION

Fresenius' goal is to ensure and expand its long-term position as a leading international provider of products, services, and therapies in the health care industry. To this end, and to geographically expand our business, we plan to grow organically as well as through selective small to medium-sized acquisitions, complementing our existing portfolio. We are constantly seeking new above-average growth opportunities in developing as well as in emerging countries. Our aim is to strengthen our activities in these regions and successively introduce further products from our portfolio into these markets.

Fresenius Medical Care is the worldwide leader in dialysis, with a strong market position in the United States. Future opportunities in dialysis will arise from the further global expansion of dialysis services products.

Fresenius Kabi is the market leader in infusion therapy in Europe and Latin America.

In clinical nutrition therapy, Fresenius Kabi is market leader in Europe as well as in the key markets in Asia-Pacific (including China); in Latin America, Fresenius Kabi is one of the three leading providers of clinical nutrition.

In the area of IV generic drugs, Fresenius Kabi is one of the leading companies in the U.S. market. In the biosimilars product segment, Fresenius Kabi started with launches of its first biosimilar product, Idacio, in Europe in 2019. In 2021, the company continued to launch Idacio in several European countries and has received marketing authorization in selected countries in Latin America and Asia-Pacific, as well as in Israel and Canada. In addition, Fresenius Kabi is one of the leading suppliers in the field of transfusion technology and medical devices.

1 Net income attributable to the shareholders of Fresenius SE & Co. KGaA
2 Before special items
3 Both net debt and EBITDA calculated at LTM average exchange rates; before special items, pro forma closed acquisitions/divestitures. For pro forma acquisitions, the missing pro forma EBITDA for the full 12 months is included. For divestments, the EBITDA contribution of the last 12 months is deducted.

With 89 hospitals, Fresenius Helios operates in nearly all of Germany. Building on this, Fresenius Helios is now in a position to develop new patient care models. To benefit from the trend towards outpatient treatment, Helios Germany has been expanding outpatient service offerings. Helios Spain has attractive growth opportunities through the expansion and construction of hospitals, and potential for further consolidation in the highly fragmented private hospital market in Spain. Fresenius Helios will exploit upcoming opportunities for cross-border synergies in areas such as laboratory services and joint purchasing. The cross-border exchange of experience and knowledge is creating the economic prerequisites for the further internationalization of our hospital business. In the field of fertility services, the company intends to grow organically and through acquisitions.

Fresenius Vamed plans to further strengthen its position as a global specialist for projects and services for hospitals and other health care facilities. In Central Europe, Fresenius Vamed is one of the leading providers of rehabilitation services. Furthermore, the collaboration with Fresenius Helios has been further intensified. This applies, for example, to technical services and purchasing, where both companies are cooperating on selected products.

FACILITATING ACCELERATED GROWTH

Fresenius has defined a strategic path to pursue accelerated profitable growth and hence to strengthen the Group and each of its business segments by tapping new sources of capital and prioritizing segment capital allocation. All our stakeholders continue to benefit from the advantages of the Group’s current structure, which offers stability through diversification as well as efficiency through economies of scale, access to attractive debt financing and tax savings.

All of Fresenius’ business segments have excellent market positions and ample meaningful growth opportunities. Properly balancing the objectives of all our stakeholder groups requires an even more targeted approach to capital allocation. While we continue to believe in the virtues of vertical integration, we are keen to gradually re-balance the relative weights of our products and service businesses.

Primarily based on its superior profitability and excellent growth prospects, Fresenius Kabi is defined as top priority. With respect to Fresenius Medical Care, which has been particularly hard hit by the pandemic, the transformation program FME25 is expected to result in ever improving profitability and accelerated growth, driving improved valuation for Fresenius’ controlling stake. For Fresenius Helios and Fresenius Vamed, smaller inorganic growth opportunities will continue to be financed from Fresenius Group funds. For larger growth opportunities at Fresenius Helios and Fresenius Vamed, Fresenius is open to external equity investments at business segment level with an appropriate valuation. An equity increase on Group level would then be redundant and is hence not foreseen.

By setting this course, we will accelerate the growth of each of our business segments for the benefit of all stakeholders.

COST AND EFFICIENCY PROGRAM

In 2021, Fresenius initiated a cost and efficiency program. First initiatives have already been successfully implemented. This has led to first cost savings of ~€20 million[1] and one-time expenses of ~€80 million[1] in fiscal year 2021.

The program was initiated in early 2021 and aims to further safeguard the medium-term targets and sustainably enhance profitability. Given the good progress, especially driven by the accelerated implementation of initiatives, Fresenius significantly increases its cost savings target and now expects cost savings to at least €150 million p.a. after tax and minority interest in 2023. Initially, €100 million after tax and minority interest were projected. We expect a further significant increase in sustainable cost savings for the years thereafter. The savings will be achieved by all four business areas and from the corporate center.

Fresenius anticipates that achieving these sustainable efficiency improvements will require substantial up-front expenses. In 2022, we expect the largest portion of expenses on a level of more than €200 million and in 2023 we anticipate further expense of around €100 million, in each case after taxes and minority interest. No further significant expenses are expected thereafter. In line with previous practice, these expenses are classified as special items.

[1] Refers to net income attributable to shareholders of Fresenius SE & Co. KGaA

FME25

Fresenius Medical Care announced details of the FME25 program on November 2, 2021. With a significantly simplified future structure of two global operating segments – Care Enablement and Care Delivery – the company orients its operating model along the relevant future value drivers.

Based on the implementation of the new global operating model, Fresenius Medical Care assumes to reduce its annual cost base by €500 million by the end of 2025.

Around 50% of these savings are expected to be realized by 2023. Around 80% of the anticipated one-time investments in FME25, amounting to approximately €450–500 million, are expected to be made by the end of 2023. The investments will be treated as a special item. The Company thus expects to reach positive net savings by the end of 2023.

VISION 2026

Fresenius Kabi has developed a strategic plan to transform the company for the next decade and to better capture new growth opportunities. Given the sustainable growth potential and the company's already strong market position, Fresenius Kabi will continue to focus on products and services for critically and chronically ill patients. Within this clear direction, Fresenius Kabi has defined three growth vectors:

- the broadening of our biopharmaceutical offering,
- further roll-out of clinical nutrition,
- expansion in the MedTech area.

The focus will be on further developing the portfolio to capitalize on key market and industry trends in order to capture future growth opportunities. In addition, the company will more actively go after growth opportunities in the various regions with increased focus, especially once the pandemic normalizes.

In parallel, Fresenius Kabi will continue to build resilience in its volume-driven IV business.

Furthermore, Fresenius Kabi will improve its global competitiveness and the effectiveness of its organization; a first step is the introduction of a business-oriented instead of a regional organization.

In the new organizational structure, the business units and the regions will be given more accountability to support Fresenius Kabi's growth targets. At the same time, the interfaces within the company will be streamlined to foster collaboration. The new organization was implemented as of January 2022.

NEW GLOBAL IT ORGANIZATION

Fresenius Digital Technology reached a milestone on the path to becoming a modern, global IT organization in 2021. With efficient processes and harmonized IT services, it will optimally support the business segments and their strategies. The aim of the comprehensive transformation process is to simplify the technology landscape, communication, and collaboration within the Group. At the same time, it will increase the efficiency of IT services and make them more cost-efficient.

SUSTAINABILITY PROGRAM

For Fresenius, sustainability is an integral part of its business model. The company is working to establish global sustainability standards and continuously improve its own sustainability performance. To this end, Fresenius continued to drive forward its ESG (Environment, Social, Governance) initiatives in the fiscal year.

Fresenius has set a climate target for the Group complementing its existing sustainability targets and programs. The company aims to be climate neutral by 2040 and to reduce 50 % of absolute scope 1 and scope 2 emissions by 2030 compared to 2020 levels. Fresenius will continuously assess scope 3 emission impacts for inclusion in our targets.

The Fresenius Group Sustainability Board (GSB) held six meetings to discuss the implementation of regulatory requirements, in particular the EU taxonomy and the Due Diligence Act, as well as Sustainable Finance. Furthermore, sustainability was introduced as a non-financial performance target in the Management Board compensation system in 2021. In July 2021, Fresenius took a further step toward integrating sustainability into all aspects of its business activities by launching its first sustainability-oriented financing instrument. In November 2021, we were again included in the Dow Jones Sustainability Index (DJSI Europe).

CORPORATE PERFORMANCE CRITERIA

The key performance indicator for Fresenius SE & Co. KGaA as group parent company is retained earnings. The goal is to implement our long-term, earnings-driven dividend policy by means of profit transfers and distributions from affiliates.

RESEARCH AND DEVELOPMENT

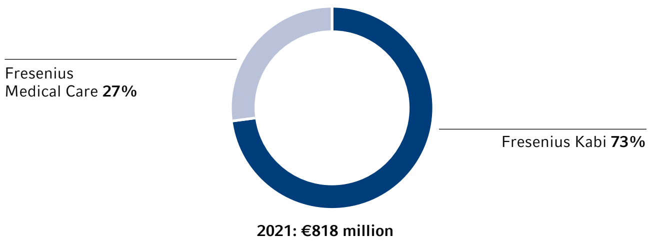
Product and process development and the improvement of therapies are at the core of our growth strategy. Fresenius focuses its R & D efforts on its core competencies in the following areas:

- Dialysis
- Generic IV drugs
- Biosimilars
- Infusion and nutrition therapies
- Medical devices

Apart from new products, we are concentrating on developing optimized or completely new therapies, treatment methods, and services.

Research services provided by third parties are mainly used by Fresenius Kabi, especially in the field of biosimilars.

R & D EXPENSES BY SEGMENT[1]



[1] Before expenses related to the Fresenius cost and efficiency program and revaluations of contingent biosimilars purchase price liabilities

As of December 31, 2021, there were 3,656 employees in research and development (2020: 3,565). Of that number, 1,236 were employed at Fresenius Medical Care (2020: 1,262) and 2,366 at Fresenius Kabi (2020: 2,288).

Our main research sites are in Europe, the United States, and India. Product-related development activities are also carried out in China.

Research and development **expenses**[1] were €818 million (2020: €748 million), approximately 7.5% of our product sales (2020: 7.2%).

EMPLOYEES

The knowledge, experience, and commitment of our employees are critical to our success. For this reason, Fresenius values a culture of **diversity**. The interplay of a wide range of views, opinions, cultural backgrounds, experiences, and values enables us to successfully exploit our potential as a global company.

The **number of employees** of Fresenius SE & Co. KGaA at the end of 2021 was 586 (December 31, 2020: 554).

HUMAN RESOURCES MANAGEMENT

We are constantly adapting our human resources tools to meet new requirements arising from demographics, the transformation to a service economy, the shortage of skilled workers, and employees' desire to better balance family and career. For example, we offer flexible working hours.

KEY FIGURES RESEARCH AND DEVELOPMENT

	2021	2020	2019	2018	2017
R & D expenses, € in millions[1]	818	748	677	649	538
as % of product sales[1, 2]	7.5%	7.2%	6.8%	6.7%	5.7%
R & D employees	3,656	3,565	3,412	3,042	2,772

[1] 2021: Before expenses related to the Fresenius cost and efficiency program and revaluations of contingent biosimilars purchase price liabilities
2020, 2019, and 2018: Revaluations of biosimilars contingent purchase price liabilities
[2] 2021, 2019, and 2018 excluding impairment losses from capitalized in-process R & D activities

[1] Before expenses related to the Fresenius cost and efficiency program and revaluations of contingent biosimilars purchase price liabilities

EMPLOYEE RECRUITMENT AND PERSONNEL DEVELOPMENT

In order to ensure that our long-term needs for highly qualified employees are met, and to recruit new employees, we make use of online personnel marketing, regularly participate in recruiting events and careers fairs, and organize our own recruiting events. In addition, we try to encourage long-term retention with attractive development programs.

The approaches and measures for employee recruitment and personnel development in the business segments are based on the market requirements of each segment. They are coordinated, developed, and realized independently for each business segment. At Fresenius, qualifications and experience are the only things that matter in the selection of personnel. Consequently, at Fresenius we have the aspiration that women and men with comparable qualifications will continue to have the same career opportunities. The proportion of female employees in the Fresenius Group increased slightly to 69% as at December 31, 2021 (Dec. 31, 2020: 68%). The proportion of females in services or care is traditionally higher than in the area of production. This is reflected in the proportion of female employees in our business segments: Our business segment Fresenius Helios has with 74% the highest proportion of female employees among the Group. The number of female participants in the Group-wide Long Term Incentive Plan (LTIP 2018) is a good indication of the share of women in management positions. According to this, the ratio of women among the more than 1,800 top executives increased to 32.6% as at December 31, 2021 (Dec. 31, 2020: 31.6% of 1,700 top executives).

You can visit our multiple-award-winning careers portal at www.career.fresenius.com.

CHANGES TO THE MANAGEMENT BOARD

Michael Sen (52) became the new Chief Executive Officer of Fresenius Kabi AG. The Supervisory Board of Fresenius Management SE unanimously appointed him to the Management Board of Fresenius as of April 12, 2021. He succeeded Mats Henriksson (53), who left the company due to different views on Fresenius Kabi’s future direction.

CHANGES TO THE SUPERVISORY BOARD

Dr. Gerd Krick (82) left the Supervisory Boards of Fresenius Management SE and the listed Fresenius SE & Co. KGaA when his term ended at the close of the Annual General Meeting in May 2021.

Wolfgang Kirsch (65), a member of the Supervisory Board of Fresenius Management SE since January 1, 2020, took over from him as Chairman of both Supervisory Boards.

In recognition and deep appreciation of his long decades of accomplishment and invaluable work on behalf of Fresenius, Dr. Krick was named Honorary Chairman of both Supervisory Boards.

Klaus-Peter Müller (76) stepped down from the Supervisory Board of Fresenius Management SE at the end of his term in May 2021. At the listed Fresenius SE & Co. KGaA, Klaus-Peter Müller was reelected to the Supervisory Board at the Annual General Meeting in May. He is chairing the Audit Committee for a further year.

The Annual General Meeting of Fresenius Management SE elected Susanne Zeidler (60), Chief Financial Officer of Deutsche Beteiligungs AG (DBAG) since November 2012, and Dr. Frank Appel (59), Chief Executive Officer of Deutsche Post DHL Group since February 2008, to the Supervisory Board of Fresenius Management SE.

Hauke Stars resigned from her office as a member of the Supervisory Board with effect to the end of January 31, 2022, and therefore left the Supervisory Board of the Company before the regular end of her term of appointment. Susanne Zeidler succeeds Hauke Stars and was appointed as a member of the Supervisory Board by court order until the end of the Annual General Meeting in 2022.

The CVs of the members of the Supervisory Board and the Management Board can be found on our website at https://www.fresenius.com/Corporate-Management.

SUSTAINABILITY

We orient our activities within the Fresenius Group to long-term goals, and thus ensure that our work is aligned to the needs of patients and employees, as well as shareholders and business partners, in a sustainable manner. Our **responsibility as a health care Group** goes beyond our business operations. It is our mission to constantly improve our performance in the areas of environmental protection, occupational health and technical safety, and product responsibility and logistics, and to comply with legal requirements.

ECONOMIC REPORT

HEALTH CARE INDUSTRY

The health care sector is one of the world's largest industries and we are convinced that it shows excellent growth opportunities.

The main **growth factors** are:

- rising medical needs deriving from aging populations,
- the growing number of chronically ill and multimorbid patients,
- stronger demand for innovative products and therapies,
- advances in medical technology,
- the growing health consciousness, which increases the demand for health care services and facilities, and
- the increasing demand for digital health services for patients.

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

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

At the same time, the **cost of health care** is rising and claiming an ever-increasing share of national income. Health care spending averaged 9.7% of GDP in the OECD countries in 2020 (2019: 8.8%)[1].

The United States had the highest per capita spending with US$10,949[2] (2018: US$10,528). Germany ranked fourth among the OECD countries with US$6,6518[2] (2018: US$6,291). In Germany, 85% of **health spending** was funded by public sources in 2020, above the average of 76% in the OECD countries. Most of the OECD countries have enjoyed large gains in **life expectancy** over the past decades, thanks to improved living standards, public health interventions, and progress in medical care. In 2019, average life expectancy in the OECD countries was 81.0 years[2] (2018: 80.7).

Health care structures are being reviewed and cost-cutting potential identified in order to contain the steadily rising **health care expenditures**. However, such measures cannot compensate for the cost pressure. Market-based elements are increasingly being introduced into the health care system to create incentives for cost- and qualityconscious behavior. Overall treatment costs will be reduced through improved quality standards.

In addition, ever-greater importance is being placed on disease prevention and innovative reimbursement models linked to treatment quality standards.

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

HEALTH CARE SPENDING AS % OF GDP

in %	2020	2010	2000	1990	1980	1970
USA	16.8	16.3	12.5	11.2	8.2	6.2
France	12.4	11.2	9.6	8.0	6.8	5.2
Germany	12.5	11.1	9.9	8.0	8.1	5.7
Switzerland	11.3	9.9	9.1	7.6	6.4	4.8
Spain	9.0	9.1	6.8	6.1	5.0	3.1
China	5.1	4.4	4.5	–	–	–

Source: The latest available data from OECD Health Data refers to 2020, as no more recent data has been published; database for USA, Switzerland, and Spain 2019 and China 2018.

[1] OECD Health Data
[2] The latest available data from OECD Health Data refers to 2019, as no more recent data has been published.

THE DIALYSIS MARKET

In 2021, the **global dialysis market** (products and services) was worth approximately €79 billion.

Worldwide, approximately 4.7 million **patients with chronic renal failure** were treated in 2021. Of these patients, around 3.8 million received dialysis treatments and about 890,000 were living with a transplanted kidney. About 89% were treated with hemodialysis, 11% with peritoneal dialysis.

The major growth driver is the growing number of patients suffering from diabetes and high blood pressure, two diseases that often precede the onset of chronic kidney failure. The **number of dialysis patients** worldwide increased by around 2% in 2021.

Due to the COVID-19 pandemic, Fresenius Medical Care already reported increased mortality among patients in 2020. As a result of the global spread of the delta variant, COVID-19-related excess mortality increased again in the second half of 2021. This results in a total excess mortality of approximately 30,000 patients since the start of the pandemic.

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

Dialysis Services

In 2021, the **global dialysis care market** (including renal pharmaceuticals) was worth around €64 billion.

About 9% of worldwide dialysis patients were treated by Fresenius Medical Care. With 4,171 dialysis clinics and more than 345,000 dialysis patients in around 50 countries, Fresenius Medical Care operates by far the largest and most international network of clinics for the treatment of dialysis patients. In the United States, Fresenius Medical Care treated approximately 37% of dialysis patients in 2021. The market for dialysis care in the United States is already highly consolidated.

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

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

To be able to continue care for patients during the COVID-19 pandemic, Fresenius Medical Care implemented a number of measures, both operational and financial, to maintain an adequate workforce, protect patients and employees through expanded personal protective equipment protocols, and cover expenses related to surge capacity for dialysis patients suspected of having or confirmed to have COVID-19.

Dialysis products

In 2021, the **global dialysis products market** was worth around €15 billion.

Fresenius Medical Care is the leading provider of dialysis products in the world, with a **market share** of 36%.

Fresenius Medical Care is the leading supplier worldwide of hemodialysis products, with a market share of 42%, and has a market share of approximately 16% in the worldwide market of products for peritoneal dialysis.

Severe COVID-19 cases often cause acute kidney failure, which has significantly increased worldwide demand for dialysis solutions needed to conduct acute dialysis.

Renal care continuum, critical care solutions, and complementary assets

With our strategy 2025, we intend to achieve the next level and provide health care for chronically and critically ill patients across the entire **renal care continuum**. We aim to use our innovative, high-quality products and services to offer sustainable solutions at a reliable cost. To achieve this, we will concentrate on three key areas: the renal care continuum, critical care solutions, and complementary assets.

Fresenius Medical Care aims to implement new renal care models by applying state-of-the-art digital tools to give our business a major boost in terms of personalized dialysis and therapeutic innovations. Fresenius Medical Care also intends to treat more patients in their homes by offering holistic home care.

Market data on the dialysis market based on company's own surveys

In addition, Fresenius Medical Care's value-based care models create medical value while ensuring that care remains affordable and will incorporate kidney transplants in future. To achieve this, Fresenius Medical Care builds sustainable partnerships with payors worldwide to support the transition from a fee-for-service to a pay-for-performance system. In addition, Fresenius Medical Care Ventures GmbH therefore makes strategic investments in start-ups to gain access to new technologies in our core and complementary businesses, as well as new therapy approaches.

The number of patients requiring continuous renal replacement therapy to treat acute renal failure is set to rise to more than 1.6 million p.a. by 2030. Over the next few years, we will leverage our competence in the business of critical care solutions to address a variety of health challenges. We can also use our expertise in the area of extracorporeal blood treatment for acute renal failure to treat acute heart and lung failure. We are also planning innovative solutions for multi-organ support to benefit from the growing critical care market.

Creating additional medical value while cutting costs requires **complementary assets** and solutions. We have reached some important milestones and gained many insights into how to coordinate patients more efficiently. We will continue to leverage our core competencies through partnerships, investments, and acquisitions.

A reasonable estimate of the market volume of the renal care continuum, critical care solutions, and complementary assets is not possible due to the large number of different services. The spectrum of our value-based care services may vary across countries and regions, depending on the particular reimbursement system or market specifics.

THE MARKET FOR GENERIC IV DRUGS, BIOPHARMACEUTICALS, CLINICAL NUTRITION, INFUSION THERAPY, AND MEDICAL DEVICES/TRANSFUSION TECHNOLOGY[1]

The global market for **generic IV drugs**, biopharmaceuticals, nutrition and infusion therapies, and medical devices/transfusion technology was worth about €114 billion in 2021.

Of this amount, around €42 billion[2] was attributable to the global market for generic IV drugs. Fresenius Kabi was able to enter additional segments of the global addressable market due to targeted investments and the expansion of our product portfolio in the areas of complex formulations, liposomal solutions, and prefilled syringes, among others.

The global market for generic IV drugs generated low double-digit growth as it recovered from the 2020 market downturn as a result of the COVID-19 outbreak. Competitors of Fresenius Kabi in the market for generic IV drugs include Pfizer, Sanofi, Sandoz, Viatris, and Hikma.

The market for **biopharmaceuticals** from the therapeutic areas of oncology and autoimmune diseases addressed by Fresenius Kabi grew by approximately 6% to around €51 billion in 2021. Today, more than one in three new drug approvals is a biopharmaceutical and significant growth of this global market, including biosimilars, is expected in the next few years and decades.

In 2021, the global market for **clinical nutrition** was worth about €10 billion. In Europe, this market grew by about 3%. Growth rates in emerging market regions were higher. In Latin America, the market for clinical nutrition grew by around 10%. Similarly strong growth of around 9% was realized in the Africa region. The market for clinical nutrition in Asia-Pacific increased by about 5%.
There is growth potential in clinical nutrition worldwide, because nutrition therapies are often not yet sufficiently used in patient care, although studies have proven their medical and economic benefits. In cases of health- or age-induced nutritional deficiencies, for example, the administration of clinical nutrition can reduce hospital costs through shorter stays.

In the market for clinical nutrition, Fresenius Kabi is one of the leading suppliers worldwide. Fresenius Kabi is the global market leader in the parenteral nutrition product segment and intends to expand this position through products, offers, and services with high differentiation potential. In the enteral nutrition product segment, the company is a leader in Europe, Latin America, and China. The company intends to focus its enteral nutrition offerings more strongly than before on the regions where its product and service offerings have not yet or hardly been represented and launch them there. With the existing range and newly developed products as well as the entry into new distribution channels, Fresenius Kabi will serve the patient needs of the future. In parenteral nutrition, competitors include Baxter, B. Braun, JW Pharma, and Kelun Pharmaceuticals. In the market for enteral nutrition, Fresenius Kabi competes with, among other companies, Abbott, Nestlé, and Danone.

[1] Market data is based on company research and refers to the markets relevant for Fresenius Kabi. This is subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among other things.
[2] As in the previous year, the market definition also includes sales of off-patent products.

The market for **infusion therapies** was worth about €5 billion in 2021, growing by 5%. In 2021, there was an increased demand for standard solutions in Asia-Pacific. In Europe, the infusion therapies market grew slightly, while business in the United States remained stable. Fresenius Kabi is the market leader in infusion therapies in Europe and Latin America. Competitors in the market for infusion therapies include B. Braun and Baxter.

The market for **medical devices** in 2021 was slightly above the previous year's level, at around €4 billion. In the medical devices market, the growth drivers are primarily IT-based solutions that focus on application safety and increased therapy efficiency. In the future, Fresenius Kabi will focus on the continuous further development of its product range and, in doing so, take into account the increasing proportion of software in the field of medical devices and its areas of application. In addition, the MedTech product range will be developed regionally and thus be available in more countries. In the medical devices segment, Fresenius Kabi ranks among the leading suppliers worldwide. Competitors in the market for medical devices include Baxter, B. Braun, Becton Dickinson, and ICU Medical.

The market for **transfusion technology** grew by around 6% to 7% to around €3.5 billion compared with a weak previous year. Although blood and plasma donations recovered slightly compared to the previous year and demand for blood bags and plasma disposable products is on the rise again, they have not yet returned to the levels seen before the COVID-19 pandemic, even in 2021. The need for autotransfusion treatments has decreased further compared to the previous year due to operations still being postponed. The pandemic continued to have a slightly positive impact on the demand for convalescent plasma. A potential therapy option for some COVID-19 patients is based on the use of plasma (blood component) in patients who have recovered. This process is made possible by devices from our portfolio such as Alyx.

In transfusion technology, Fresenius Kabi is one of the world's leading companies. Competitors in the market for transfusion technology include Terumo, Haemonetics, and Macopharma.

THE HOSPITAL MARKET[1]

The market volume for acute care hospitals in Germany in 2019 was around €111 billion[2], as defined by total costs (gross). Personnel costs accounted for around 61% of this total and material costs for 37%, each of which increased by around 6%.

With a share of sales of around 6%[3], Helios Germany is the leading company in the German market for acute care hospitals. The company's hospitals compete primarily with individual hospitals or local and regional hospital associations. The main private competitors are Asklepios Kliniken, Sana Kliniken, and Rhön-Klinikum.

The COVID-19 pandemic had a significant impact on the number of **inpatient treatments** in German hospitals in 2020. A total of 16.4 million admissions were treated, around 13% fewer patients than in the previous year.

The **economic situation** of German hospitals overall improved in 2020 compared with the previous year. While the pandemic led to significantly fewer admissions, the hospitals received some financial support to partially compensate for the negative effects of COVID-19. Expectations for 2021, however, are significantly more negative: around 60% of hospitals expect to record losses in 2021. 23% project to break even and just 17% expect to be able to generate a profit for the year. The main reason for the worsening economic situation is the COVID-19-related revenue loss among hospitals.

[1] In each case, the most recent market data available refers to the year 2019 as no more recent data has been published: German Federal Statistical Office, 2019 data; German Hospital Institute (DKI), Krankenhaus Barometer 2021
[2] The market is defined by total costs of the German acute care hospitals (gross), less academic research and teaching.
[3] Measured by 2021 sales in relation to gross total costs of acute care hospitals minus scientific research and teaching in Germany (latest available data: Federal Statistical Office, 2019 data)

In addition to the often difficult economic and financial situation, there is an enormous **need for capital expenditure** due to medical and technological advances, higher quality requirements, and necessary building renovations, as well as investments in digitalization and increasing sustainability efforts[1]. Moreover, the federal states have in the past failed to meet their statutory obligation to provide sufficient financial resources. The German Hospital Institute (DKI) estimates that the annual investment requirement at German hospitals is over €6 billion. This is more than two times the investment funding currently being provided by the federal states.

What is known as the **change in value figure** is crucial for the increase in reimbursement for hospital treatments. It is used to compensate for rising costs in the hospital market, particularly with regard to personnel and material costs. The change in value figure is redetermined each year for the following year. For 2021, it was 2.53% (2020: 3.66%).

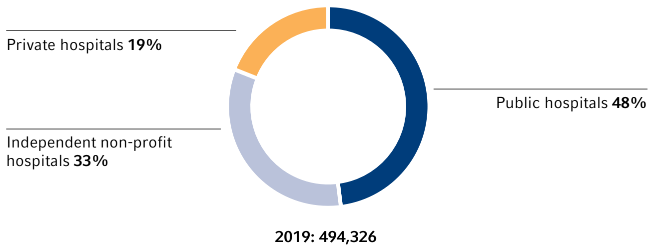
For the first phase of the COVID-19 pandemic until the end of September 2020, what was referred to as the German law to ease the financial burden on hospitals ("Krankenhaus Rettungsschirm") was passed as an instrument of economic support for hospitals. Among other things, the law provided for a compensation lump sum for each bed kept free per day of occupancy. In various follow-up regulations, the conditions for the financial assistance were adjusted until they expired by the end of May 2021. In addition, a full-year offset was implemented to compensate for COVID-19-related revenue shortfalls (Corona compensation). The reference figure is the hospital-specific revenue from 2019. Due to the sharp rise in COVID-19 infection levels and hospital admissions in the fall of 2021, those hospitals that kept beds free for the treatment of COVID-19 patients or that were heavily burdened due to the interregional transfers of ICU patients within what was referred to as the "Kleeblattsystem" again received compensation payments starting in November.

KEY FIGURES FOR INPATIENT CARE IN GERMANY

	2019	2018	2017	2010	2000	Change 2019 / 2018
Hospitals	1,914	1,925	1,942	2,064	2,242	0%
Beds	494,326	498,192	497,182	502,749	559,651	0%
Length of stay (days)	7.2	7.2	7.3	7.9	9.7	0%
Number of admissions (millions)	19.41	19.39	19.44	18.03	17.26	0%
Average costs per admission in €[1]	5,926	5,615	5,439	4,432	3,216	6%

[1] Total costs, gross
Source: German Federal Statistical Office, 2019 data

HOSPITAL BEDS BY OPERATOR



Digitalization in hospitals in Germany is to be driven forward with the Hospital Future Act ("Krankenhauszukunftsgesetz"). For example, nationwide standards will be introduced to better interlink the health care system and to further improve patient care. Funding is being provided for investments in modern emergency room capacities and digital infrastructure, e.g., patient portals, electronic documentation of nursing and treatment services, digital medication management, IT security measures, and cross-sector telemedical network structures.

In 2021, the electronic patient file (ePA) was introduced on a mandatory basis. This also creates an obligation for hospitals to become connected to the telematics infrastructure (TI), which is intended to standardize and simplify the exchange of data between players in the health care system. Hospitals must store patient-related data digitally or make it available via the ePA.

In 2021, the **minimum level for nursing staff** in the care-intensive units introduced in 2019 was expanded to include internal medicine, general surgery, pediatrics, and pediatric intensive care. Previously, the minimum level for nursing staff already applied in the areas of geriatrics, intensive care, cardiology, trauma surgery, cardiac surgery, neurology, early neurological rehabilitation, and neurology/stroke unit wards.

[1] Roland Berger, Krankenhausstudie 2021

Due to the regulations of the **Act to Strengthen Nursing Staff** ("Pflegepersonalstärkungsgesetz"), since 2020, nursing costs have been deducted from the standardized base rates and the costs for direct nursing patient care are instead fully reimbursed by the health insurance companies via separate care budgets at costs. In December 2020, the German Hospital Federation (DKG) and the German Association of Statutory Health Insurance Funds (GKV-SV) concluded a new agreement on the separation of nursing staff costs for 2021 ("Pflegepersonalabgrenzungsvereinbarung"). Following various amendment agreements, a narrower definition (interpretation) of nursing staff costs went into effect for the full year 2021. In July 2021, the legislator created the foundation for nursing budgets for 2020 to also be negotiated according to the new regulations ("Gesundheitsversorgungsweiterentwicklungsgesetz – GVWG"). Only those hospitals that had concluded a written agreement on the care budget before the GVWG came into force are exempt from the new regulations.

The **private hospital market in Spain** had a volume of around €16 billion[1] in 2020.

Helios Spain is the market leader with a market share of around 12% in the private hospital market in terms of sales. Helios Spain competes with a large number of stand alone private hospitals as well as with smaller hospital chains such as HM Hospitales, Hospiten, Vithas, Ribera Salud, Hospitales Sanitas, and HLA, among other chains.

After high infection rates and health care overload, especially in the first half of 2020, the **epidemiological situation** in Spain improved and almost approached pre-pandemic normality in 2021. In particular, high vaccination readiness and a well-organized vaccination structure with large vaccination centers allowed the country to achieve a vaccination rate close to 80%, one of the highest in Europe[2]. As a result, hospitals recorded significantly fewer severe COVID-19 cases and the number of COVID-19 intensive care patients decreased significantly. Hospital operations continued to return to normal with increased safety measures. Even the rising incidences at the end of the year did not lead to constraints in patient care, and very few elective treatments were canceled.

Reimbursement for COVID-19 patients in 2021 remained largely unchanged from 2020. The treatment is generally negotiated bilaterally according to existing contracts, tariffs, and regulations between the private hospital operators and the private health insurers or the relevant government authorities.

The COVID-19 crisis has also accelerated the use of **telemedicine** in Spain, leading to an increase in video consultations. This trend will continue as, among other things, medical care can be improved and greater efficiency created in the health care system in this way.

The global **market for fertility services** was worth about €9 billion in 2020. Market growth is driven by demographic and health trends as well as changing lifestyles. Notable scientific advances in this field have led to higher success rates and less strain for patients. The global market for fertility services is highly fragmented, representing an attractive opportunity for consolidation.

[1] Market data based on company research and refers to the addressable market of Quirónsalud. Market definition includes both inpatient and outpatient health care services. It includes neither public-private partnership (PPP) nor occupational risk prevention centers (ORP). The market definition may differ from the definition in other contexts (e.g., regulatory definitions).
[2] The Lancet, News, Volume 9, Issue 12, E120, December 2021

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

The global market for projects and services for hospitals and other health care facilities was heavily impacted by the COVID-19 pandemic throughout 2021.

The general conditions for hospital planning and construction projects were again challenging and characterized by supply bottlenecks, extraordinary cost increases, and travel and quarantine restrictions. Due to long-standing project partnerships and a high level of competence and experience, Fresenius Vamed was able to meet these challenges.

The service business also faces challenges regarding the safety of employees and patients in the context of the COVID-19 pandemic. Capacity restrictions and lower demand for rehabilitation services due to postponed elective surgeries played a smaller role in 2021 than last year. Demand for reliable management of medical technology and high-end health care services remains robust.

The market for projects and services for hospitals and other health care facilities is very fragmented. Therefore, an overall market size cannot be determined. The market is country-specific and depends, to a large extent, on factors such as public health care policies, government regulation, and levels of privatization, as well as demographics and economic and political conditions. In markets with established health care systems and mounting cost pressure, the challenge for health care facilities is to increase their efficiency. Here, demand is especially high for sustainable planning and energy-efficient construction, optimized hospital processes, and the outsourcing of medical-technical support services to external specialists. This enables hospitals to concentrate on their core competency – treating patients.

In addition to offering services for health care facilities worldwide, Fresenius Vamed itself is active as a leading post-acute care provider in Central Europe, especially in Germany, Austria, Switzerland, and the Czech Republic. In emerging markets, the focus is on building and developing health care infrastructure and improving the level of health care.

Fresenius Vamed is a global company with no direct competitors covering a comparably comprehensive portfolio of projects, services, and total operational management over the entire life cycle of health care facilities. As a result, Fresenius Vamed has a unique selling proposition of its own. Depending on the business segment, the company competes with international companies and consortia, as well as with local providers.

OVERALL BUSINESS DEVELOPMENT

THE MANAGEMENT BOARD’S ASSESSMENT OF THE EFFECT OF GENERAL ECONOMIC DEVELOPMENTS AND THOSE IN THE HEALTH CARE SECTOR FOR FRESENIUS AS WELL AS BUSINESS RESULTS AND SIGNIFICANT FACTORS AFFECTING OPERATING PERFORMANCE

We have demonstrated our special responsibility as part of the health care system, even under the difficult circumstances of the current COVID-19 pandemic. With our products, services, and therapies, we have made many important contributions to high-quality and affordable medical care worldwide. In this way, we stand by the side of our patients – and live up to our social responsibility. For example, our dialysis clinics and hospitals took extensive measures to ensure that patients received the best possible care throughout. Despite partial government compensation, the COVID-19 pandemic had an overall negative effect on the 2021 fiscal year figures, in many of the Group’s key markets.

The global economy had only an insignificant overall impact on our industry in 2021. Over the course of the year, we experienced increased cost inflation effects, including rising raw material and transport prices, higher energy costs, bottlenecks in the supply chains, and higher price levels for medical products to protect our employees and patients (e.g., protective clothing, medical masks). The Management Board is of the opinion that Fresenius has proven to be stable and resilient in the face of the enormous challenges in 2021 and our significant contributions to the fight against and containment of the COVID-19 pandemic.

This has particularly benefited our patients, whom we have been able to continue to care for reliably despite the challenges posed by the pandemic. We achieved the Group's improved sales and earnings targets for the year 2021. Hence, the Management Board is of the opinion that 2021 was a successful year for the Fresenius Group from a financial perspective.

Fresenius Medical Care's sales decreased by 1% (increased by 2% in constant currency) to €17,619 million (2020: €17,859 million). Net income[1] attributable to shareholders of Fresenius Medical Care decreased by 25% (23% in constant currency) to €1,018 million (2020: €1,359 million).

Fresenius Kabi achieved organic sales growth of 4%. EBIT[1] increased by 5% (7% in constant currency) to €1,153 million (2020: €1,205 million).

The organic sales growth of Fresenius Helios was 7%. EBIT[1] increased by 10% (10% in constant currency) to €1,127 million (2020: €1,025 million).

The organic sales development of Fresenius Vamed was 11%. EBIT[1] increased to €101 million (2020: €29 million).

RESULTS OF OPERATIONS, FINANCIAL POSITION, ASSETS AND LIABILITIES

RESULTS OF OPERATIONS

Net income of Fresenius SE & Co. KGaA in the fiscal year 2021 was €503 million (previous year €603 million). The decrease in net income mainly results from lower transfers of profits.

All the following companies have profit and loss transfer agreements with Fresenius SE & Co. KGaA: Fresenius Kabi AG, Fresenius ProServe GmbH, Fresenius Versicherungsvermittlungs GmbH and Hyginus Publisher GmbH.

Fresenius ProServe GmbH contributed with earnings of €411 million (previous year €488 million) to the net income from participations. The decrease mainly results from lower operating earnings of Helios affiliated companies.

The profit and loss transfer agreement with Fresenius Kabi AG yielded earnings of €111 million (previous year €190 million). The decrease in relation to the previous year mainly results from lower dividend income from foreign Kabi affiliated companies.

Other significant income from participations came from a €126 million Fresenius Medical Care AG & Co. KGaA dividend (previous year €113 million).

In addition to earnings from dividends and from profit and loss transfer agreements, Fresenius SE & Co. KGaA receives €81 million of income from rents and from providing personnel services (previous year €74 million). Other operating income includes €108 million (previous year €182 million) of foreign currency gains while €113 million (previous year €182 million) of foreign currency losses are included in other operating expenses.

The General Partner and Supervisory Board of Fresenius SE & Co. KGaA will propose a dividend increase to the Annual General Meeting. For 2021, a dividend of €0.92 per ordinary share shall be paid to shareholders. This is an increase of 5%. The total dividend distribution will increase by 5% to €514 million (previous year €491 million).

[1] Before special items

CASH FLOW STATEMENT

€ in millions	**2021**	2020
Net Income	503	603
Depreciation and amortization of non-current assets and financial assets	12	11
Increase in pension liabilities	20	7
Interest result	21	70
Income from investments	-646	-801
Cash flow	**-90**	**-110**
Decrease/Increase in accruals for income taxes and other accrued expenses	-21	42
Decrease/Increase in trade accounts payable	-2	1
Increase in other operating assets and liabilities	70	15
Increase in working capital	**47**	**58**
Cash flows from operating activities	**-43**	**-52**
Payments for contributions to equity of subsidiaries, for loans to subsidiaries and for investments	-41	-621
Cash inflow from merger of subsidaries	21	–
Proceeds from loans to subsidiaries	15	16
Payments for investments in intangible assets and property plant and equipment	-7	-14
Proceeds from the disposal of intangible and tangible fixed assets	1	0
Interest received	95	82
Dividends received	814	763
Cash flows from investing activities	**898**	**226**
Proceeds from bank loans	523	2,540
Repayment of bank loans	-495	-883
Change in financing activities with related parties	-210	-1,211
Proceeds from the exercise of stock options	32	5
Interest paid	-116	-152
Dividends paid	-491	-468
Cash flows from financing activities	**-757**	**-169**
Change of cash and cash equivalents	**98**	**5**
Cash and cash equivalents at the beginning of the year	7	2
Cash and cash equivalents at the end of the year	**105**	7

The following paragraphs "financial position" and "investments, divestments and acquisitions" describe material positions of the cash flow statements in more detail.

Fresenius believes that its existing credit facilities, as well as the operating cash flows, income from transfer agreements and additional sources of short-term funding, are sufficient to meet the company's foreseeable liquidity needs. More in-formation on credit facilities can be found in the notes to the financial statements.

As of December 31, 2021, Fresenius SE & Co. KGaA complied with the covenants under all the credit agreements.

FINANCIAL POSITION

Total assets of Fresenius SE & Co. KGaA increased by €290 million to €16,309 million (previous year €16,019 million).

On the asset side, receivables against related companies increased from €3,859 million to €4,117 million mainly due to higher internal Group loans taken by Helios Kliniken GmbH.

On the liability side, liabilities have increased from €8,572 million to €8,821 million. The €450 million bonds due on February 1, 2021 were repaid as scheduled. While short term bank loans increased by €483 million.

Moreover accounts payable to related parties increased by €216 million due to more loans and financial accounts within the Inhouse Banking (Cashpool) facility with Group Companies. The equity ratio decreased from 44.3% to 43.8%.

Investments, disvestments and acquisitions

Total investments in property, plant and equipment and intangible assets were €7 million in 2021.
Changes in the financial assets in the fiscal year 2021 mainly resulted from following transactions:

- In August 2021 Fresenius Biotech Beteiligungs GmbH was merged into Fresenius ProServe GmbH.
- Moreover Vamed Gesundheit Holding Deutschland GmbH was granted a further loan of €40 million.

OVERALL ASSESSMENT OF THE BUSINESS SITUATION

COVID-19 will continue to impact Fresenius' operations in 2022. The extent of the impact on the Group is partly dependent on the vaccination coverage in Fresenius' relevant markets and the potential evolution of new virus mutants.

Fresenius expects COVID-19 case numbers to decline from spring 2022 onwards and consequently, the number of elective treatments and staff availability to improve. These assumptions are subject to considerable uncertainty.

Fresenius closely monitors the development of COVID-19 case numbers and the associated various containment measures enacted in the Company's relevant markets. A possible significant deterioration of the situation associated with further containment measures that could have a significant and direct impact on the health care sector without any appropriate compensation is not reflected in the Group's FY/22 guidance.

Headwinds from cost inflation are reflected. However, Fresenius expects no significant acceleration of inflation effects and supply chain challenges versus current environment. In its FY/22 forecast, the Management Board assumes an unchanged corporate tax rate in the United States. Furthermore, the assumptions for Fresenius Medical Care's 2022 guidance are also fully applicable to the Fresenius Group's 2022 guidance.

Despite the challenges posed by the COVID-19 pandemic, the Management Board continues to assess the business outlook of the Fresenius Group as positive at the time of preparing the Group Management Report. We continue to see steadily growing demand for our products, services, and therapies worldwide.

OUTLOOK

This Group Management Report contains forward-looking statements, including statements on future sales, expenses, and investments, as well as potential changes in the health care sector, our competitive environment, and our financial situation. These statements were made on the basis of the expectations and assessments of the Management Board regarding events that could affect the Company in the future, and on the basis of our mid-term planning. Such forward-looking statements are subject, as a matter of course, to risks, uncertainties, assumptions, and other factors, so that the actual results, including the financial position and profitability of Fresenius, could therefore differ materially – positively or negatively – from those expressly or implicitly assumed or described in these statements.

GENERAL AND MID-TERM OUTLOOK

Despite the challenges posed by the COVID-19 pandemic, the Management Board considers the Fresenius Group's prospects for the coming years to be positive due to the increasing global demand for our products, services, and therapies. Some trends, such as the digitalization of health care, will even be accelerated by the COVID-19 pandemic, and we believe that we are very well positioned as a Group to benefit from this in the coming years.

We are continuously striving to optimize our costs, to adjust our capacities, and to improve our product mix, as well as to expand our products and services business.

We also plan to expand our biosimilars product portfolio. We expect these efforts to increase our earnings in the coming years. In addition, good growth opportunities for Fresenius are, above all, presented by the following factors:

- **The sustained growth of the markets in which we operate:** Fresenius still sees very good opportunities to benefit from the growing health care needs arising from aging populations, with their growing demand for comprehensive care, and technical advances, but driven also by the still-insufficient access to health care in the developing and emerging countries. There are above average growth opportunities for us not only in the markets of Asia-Pacific and Latin America, but also in Africa. Efficient health care systems with appropriate reimbursement structures will evolve over time in these countries, as economic conditions improve. We will strengthen our activities in these regions and introduce further products from our portfolio into these markets successively.
- **The expansion of our regional presence:** Fresenius Medical Care expects excellent growth opportunities in the field of dialysis in the Asia-Pacific region.

  The fast growing markets in Asia-Pacific, Latin America, and Africa especially offer further potential to strengthen our market position of Fresenius Kabi. They offer excellent mid-term growth opportunities in infusion and nutrition therapies, IV drugs, and medical devices. We plan to further roll out additional products and therapies from our existing portfolio in countries where we do not yet offer a comprehensive range or are not yet represented.

  Fresenius Helios sees good opportunities for further international growth, including in Latin America. Here, Helios Spain is already represented in Colombia and Peru.

- **The broadening of our services business:** there are significant growth opportunities for Fresenius Medical Care in the field of dialysis treatment as soon as a country opens up to private dialysis providers or allows public and private providers to cooperate, for instance in public-private partnerships. Whether and in what form private companies can offer dialysis treatment depends on the health care system and the legal framework of the respective country.

  Fresenius Helios has an extensive nationwide hospital network in Germany and Spain. Based on this platform, Fresenius Helios aims to develop and offer innovative, integrated care offerings. In addition, Helios Germany is expanding outpatient services. Patient care should be further improved through the exchange of knowledge and experience (best practice) between Helios Germany and Helios Spain. Growth opportunities in Spain arise from expansion and construction of hospitals, and further consolidation potential in the highly fragmented Spanish private hospital market. The close integration of Helios Spain's facilities for occupational risk prevention within the Spanish hospital network offers additional growth opportunities. In addition, Fresenius Helios is seizing growth opportunities in Latin America through acquisitions to exploit potential in the private hospital market. Helios is also expanding its business in the field of fertility services, thus complementing its range of services.

  Fresenius Vamed is driving the expansion of high-end services such as the management of medical devices, sterile services, operational technology, and IT development.
- **The broadening of our products business:** at Fresenius Medical Care, we see the planned expansion of the core business with dialysis products as a growth driver.

  At Fresenius Kabi, we plan to expand our IV drugs product business. We develop generic drug formulations that are ready to launch at the time of market formation, directly after the patents of the branded products expire. We also develop new formulations for non-patented drugs. Furthermore, we develop ready-to-use products that are especially convenient and safe, including, for example, pre-filled syringes and ready-to-use solutions in our freeflex infusion bags. Furthermore, we plan to expand our biosimilars product portfolio.
- **Digitalization and the development of innovative products and therapies:** these will create the potential to further expand our market position in the regions.

  In addition to innovation, best-in-class quality, reliability, and the convenience of our products and therapies are key factors here. This will provide growth potential for Fresenius Medical Care.

  In addition, Fresenius Kabi is developing new dosage forms for its products. In the area of biosimilars, Fresenius Kabi specializes in the development of products for the treatment of autoimmune diseases and use in oncology and has a pipeline of molecules at various stages of development.

  Fresenius Helios is expanding its fertility services business segment to complement its range of innovative therapies.

  Helios Germany and Spain, as well as Fresenius Vamed are developing innovative business areas such as digital offerings. For example, health apps such as Curalie are being developed. Curalie is a platform and app for digital health programs according to scientific standards, e.g. for people with chronic diseases such as diabetes mellitus or heart failure. With Curalie, these patients can manage their illness digitally and receive important information and tips for a healthier life.
- **Selective acquisitions:** besides retaining organic sales growth as the basis for our business, we will continue to utilize opportunities to grow by making small and mid-sized acquisitions that expand our product portfolio and strengthen our regional presence.

We are also exploiting any opportunities within our operations for **cost management** and **efficiency enhancement** measures. These include plans for cost-efficient production and a further-optimized procurement process. Furthermore, we can use digital technologies to speed up central administrative processes and increase their efficiency.

The outlook takes account of all events known at the time the annual financial statements were prepared that could influence our operating performance in 2022 and beyond.

Significant risks are discussed in the Opportunities and Risk Report. As in the past, we will do our utmost to achieve and – if possible – exceed our targets.

FUTURE MARKETS

We expect the consolidation process to continue among competitors in our markets in Europe, Asia-Pacific, and Latin America. Consequently, we expect that there will be opportunities for us to penetrate new markets, both by expanding our regional presence and by extending our product portfolio.

New markets will open up as **Fresenius Medical Care** successively rolls out its product and services portfolio, especially in emerging countries. Value-based care models enable Fresenius Medical Care to create medical value while ensuring that care remains affordable. The aim is to build sustainable partnerships with payors worldwide to support the transition from a fee-for-service to a pay-for-performance system. Fresenius Medical Care is committed to aligning its business activities for further sustainable, profitable growth by investing in future growth markets in its product and service businesses. Based on its strategic business planning, Fresenius Medical Care has set a new ambitious target for the expansion of home dialysis: By 2025, the Company aims to perform 25% of all treatments in the U.S. at home.

Fresenius Kabi plans to introduce products already offered outside the United States into that country as well. It also aims to further roll out its product portfolio internationally, especially in the fast-growing markets of Asia-Pacific and Latin America. Market share is to be expanded further through the launch of new products in the field of IV drugs and medical devices for infusion therapy and clinical nutrition. In the biosimilars business, we are developing additional products focusing on autoimmune diseases and oncology, which will be introduced to the market over the next few years.

With its broad hospital network across Germany, **Fresenius Helios** is able to develop new patient care models. In addition, Helios Germany is expanding outpatient and digital services. The increasing number of privately insured patients is opening up opportunities for Helios Spain. Fresenius Helios also sees good opportunities for further international growth in Latin America, among other locations. Furthermore, the activities in the fertility services offer further growth opportunities.

Fresenius Vamed expects both the project and service business to continue to grow due to the need for life cycle and PPP projects. Furthermore, the company intends to expand its position through follow-up contracts with existing customers and to enter new target markets. In addition, Fresenius Vamed plans to further strengthen its leading position as a post-acute care provider in Central Europe.

HEALTH CARE SECTOR AND MARKETS

The health care sector is considered to be widely independent of economic cycles. The demand, especially for lifesaving and life-sustaining products and services, is expected to increase irrespective of the COVID-19 pandemic and mortality among dialysis patients, given that they are medically needed and the population is aging. Moreover, medical advances and the large number of diseases that are still difficult to cure – or are incurable – are expected to remain growth drivers.

In the emerging countries, the availability of basic health care and the demand for high-quality medical treatment are increasing. As per-capita income increases, individuals increasingly have to cope with the illnesses associated with lifestyle diseases.

On the other hand, experts estimate that further financial constraints in the public sector could result in more pricing pressure and a slowdown in revenue for companies in the health care industry. Some countries are experiencing significant financing problems in the health care sector due to the strained public finance situation. Especially in the industrialized countries, increased pressure to encourage saving can be expected as health care costs constitute a large portion of the budget.

It will be increasingly important for companies in the health care sector to increase patient benefit, to improve treatment quality, and to offer preventive therapies. In addition, especially those products and therapies that are not only medically but also economically advantageous will be of increasing importance.

THE DIALYSIS MARKET

The global dialysis market is expected to grow in a range of 2% to 7% at constant exchange rates in 2022.
The number of dialysis patients worldwide is expected to rise, depending on further developments of the global COVID-19 pandemic, by approximately 5% in 2022, although significant regional differences will remain. For the United States, Japan, and the countries of Central and Western Europe, where prevalence is already relatively high, we forecast below-average patient growth in the region. In emerging markets, we expect growth rates to be even higher.

Excess mortality of dialysis patients due to the COVID-19 pandemic is continuing in 2022 and is expected to have a significant adverse effect on treatment volumes and additional COVID-19 related costs. The further development significantly depends on the adoption and speed of the roll-out of vaccinations to our worldwide patient population.

Overall, factors such as aging populations and the growing number of people suffering from diabetes and hypertension, which are ailments often preceding terminal kidney failure, are contributing toward continued growth of the dialysis markets. The life expectancy of dialysis patients is also rising thanks to ongoing advances in treatment quality and the rising standard of living, especially in the emerging countries.

THE MARKET FOR GENERIC IV DRUGS, BIOPHARMACEUTICALS, NUTRITION AND INFUSION THERAPIES, MEDICAL DEVICES, AND TRANSFUSION TECHNOLOGY[1]

The market for **generic IV drugs** is expected to grow in the high single-digit range worldwide in 2022. The demand for generic IV drugs is likely to grow because of their significantly lower price in comparison to the price of originator drugs. The growth dynamic will continue to be driven by originator drugs going off-patent, as well as by original off-patent products that are offered at steady prices due to a unique selling proposition. The patent expiries of some high-revenue IV drugs in 2022 suggest extraordinary market growth for the year. A factor working in the opposite direction is the price erosion of original drugs now off-patent and generic drugs that are already on the market.

It is forecast that, in 2022, the market for **biopharmaceuticals** relevant for Fresenius Kabi will grow by 4% to 6% on the basis of units sold and by 3% to 5% on the basis of sales.

We expect the market for **clinical nutrition** to continue to grow at the same level as the previous year in 2022. Growth prospects are supported by increasing awareness of the need for early clinical nutrition, which is also reflected in the latest guidelines. In addition, the practice of mandatory screening for malnutrition[2] is on the rise. We see additional potential in the continuing high proportion of malnourished people who do not yet have access to nutrition therapies. Considerable potential continues to be projected in Latin America and Africa with growth rates of 5% to 7% in individual regions.

We expect the market for infusion therapies in Europe to be slightly above the level of the previous year in 2022. While the market for blood volume substitutes is expected to remain relatively stable, the standard solutions business is expected to grow slightly in Europe in 2022. Outside Europe, we expect the infusion therapies market to be around 1% to 3% above the previous year's level, with Latin America likely to grow at mid single-digit rates.

In 2022, the **medical devices** market should experience growth of 1% to 3%. In many countries, we continue to see strong demand in the infusion technology segment with more nationally resilient positions even after COVID-19. In addition, the infusion pumps already placed in recent years will increase the demand for dedicated infusion sets.

In transfusion technology, we expect to see growth of 5% to 6%. In the product segments, we expect plasma to grow by between 8% and 9%. In particular, the demand for plasma-derived products, such as intravenously administered immunoglobulins, is on the rise worldwide, driven by the fact that more and more people have access to high-quality health care and that plasma products are used more widely. In cell therapy, we expect to see growth of up to 15%. In this therapy, the patient's own immune cells are taken, processed in the laboratory, and returned to the patient via an infusion. Especially in cancer immune therapy, we are seeing an increase in the use of cell therapies.

Company research

[1] Market data refers to Fresenius Kabi's addressable markets. Those are subject to annual volatility due to currency fluctuations and patent expiries of original drugs in the IV drug market, among other things. Percentage increase based on market value (price × volume). Depending on the further development of the COVID-19 pandemic in 2021, the market growth of single product segments could change.
[2] Sources: New ESPEN guideline on clinical nutrition and hydration in geriatrics. Clin Nutr. 2019 38(1):10-47; by Volkert D, Beck AM, Cederholm T, Cruz-Jentoft A, Goisser S, Hooper L, et al.; latest implemented e.g., in Portugal: "National Policy for effective screening implementation"; Directorate General of Health DGS

THE HOSPITAL MARKET[1]

We assume there will be a stagnation or decline in inpatient hospital admissions in the future, in particular as a result of the increasing number of outpatient treatments, as well as the increasing acceptance and use of digital health offerings.

What is known as the change in value figure is crucial for the increase in **reimbursement for hospital treatments** in Germany. For 2022, it was set at 2.32%. In addition, the hospital funding system provides for various increases and reductions for acute hospitals. For additional services agreed in advance with the health insurance companies, hospitals have to accept what is known as the fixed-cost degression discount of up to 35%. The exact amount of the discount is negotiated between the hospitals and the health insurance companies.

In order to factor medical outcomes into the remuneration, the Federal Joint Committee defines quality indicators. The specific financial terms and details are being worked out in a consistent overall fashion. However, we do not expect any adverse effects from this since the Helios Group is well prepared for quality-based remuneration thanks to its clear focus on quality and transparency of medical outcomes.

The future **expectations** for 2022 among German hospitals with respect to their economic situation are clearly negative: according to the Krankenhaus Barometer 2021 survey by the German Hospital Institute (DKI), only a fifth (21%) of hospitals expect their economic situation to improve in 2022, whereas 50% expect it to worsen.

Hospitals' **results of operations** could further worsen, as the COVID-19-related support measures are expected to be largely discontinued in 2022 and the fundamental challenges in the German hospital market remain unchanged. In addition to inadequate income from current business, the need for capital expenditure continues to grow, while government subsidies are decreasing. Hospitals can only close this gap to a limited extent on their own.

With regard to the financial support of hospitals in Germany, a surcharge for patients with COVID-19 has been introduced. The surcharge applies to patients who test positive for COVID-19 on admission and who are admitted in the period from November 1, 2021 to March 20, 2022. Furthermore, the legal amendment regulates an ordinance authorization for the Ministry of Health ("BMG"). The BMG can thus issue regulations on COVID-19-related revenue shortfalls by statutory order, i.e., without the approval of the parliament of federal state governments ("Bundesrat"). The full-year Corona compensation has been extended for 2022. Although the details have not yet been agreed, it is likely that the 2021 schemes will be continued.

Further measures to provide financial support to hospitals in Germany in 2022 are not planned. The renewed rapid increase in incidence rates, combined with a vaccination rate that is still insufficient, may make it necessary to extend the current regulation. It remains to be seen what concrete measures the new German government will take.

The Rheinisch-Westfälisches Institut für Wirtschaftsforschung (RWI) forecasts that more hospitals will respond to economic pressures by joining together into networks and bundling their services. The affiliated hospitals benefit from synergy effects, including the possibility of generating cost savings, for example in purchasing. RWI expects the COVID-19 pandemic to further accelerate the trend towards more collaboration.

The agreement on the **separation of nursing staff costs** ("Pflegepersonalabgrenzungsvereinbarung"), which has been in force since 2021, will remain in force until further notice.

In addition, the regulations on the binding **minimum level for nursing staff** will apply again in 2022. These regulations apply to nursing staff in hospitals in the following areas: geriatrics, intensive care, cardiology, trauma surgery, cardiac surgery, neurology, neurology / stroke unit, and early neurological rehabilitation, as well as internal medicine, general surgery, pediatrics, and pediatric intensive care medicine. For the year 2022, the minimum level for nursing staff has been extended to the area of orthopedics, gynecology and obstetrics. Binding minimum levels for nursing staff could also be introduced in other areas of hospitals. However, there is currently no timetable for the implementation of these further regulations. In the coalition agreement, the new German government agreed to introduce a defined measurement of the staffing levels according to the hospitals' need (Pflegepersonalregelung 2.0 or PPR 2.0).

We expect the **private hospital market in Spain** to continue to grow by 2% to 3% in 2022. The continuing increase in the number of privately insured patients should also open up opportunities for private operators in the future.

Relevant indicators, for example nationwide health care spending and bed density, indicate the further market development potential in the Spanish health care system compared with other EU countries. This also provides opportunities for the establishment of new hospitals. In addition, the highly fragmented private Spanish hospital market offers further consolidation potential.

Key for the future viability of hospitals will increasingly be the degree of **digitalization**. Interconnectivity and the use of digital solutions open up new opportunities to make processes safer and more efficient, and thus to break new ground in patient care. The integration of telemedicine and

[1] In each case, most recent market data available refers to the year 2018 as no more recent data has been published: German Federal Statistical Office, 2018 data
Sources: Company research; German Hospital Institute (DKI), Krankenhaus Barometer 2020, Roland Berger Krankenhausstudie 2020, McKinsey & Company, eHealth Monitor 2020

digital health applications in the inpatient setting could also significantly expand hospital services in the future.

We expect the trend toward **digitalization** in health care to continue and generally increase in importance. The COVID-19 crisis has provided a decisive push, particularly with regard to interest in and use of telemedicine. Experts assume that as people become more accustomed to the new tools, acceptance of digital healthcare applications and services will increase on a broad scale and that the future of medical care will be a hybrid mix of digital and personal treatment.

The global **market for fertility services** is expected to grow between 10% and 15% in 2022, depending on the market, due to an anticipated pent-up demand brought about by COVID-19, as well as demographic and health trends and changing lifestyles.

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

For 2022, we expect a slight increase in demand for projects and services for hospitals and other health care facilities worldwide, depending on the further course of the COVID-19 pandemic.

In the Central European markets with **established health care systems**, we expect solid growth and a continued rise in demand. This is due to demographic developments and an increasing need for investment and modernization in public health care facilities that has also become apparent as a result of the COVID-19 pandemic. Demand is particularly strong for services, i.e., the maintenance and repair of medical and hospital technology, facility management, technical or overall operational management, and the optimization of infrastructural processes – especially within the framework of public-private partnership models. Additional growth opportunities arise from the fact that public institutions are increasingly outsourcing non-medical services to private service providers due to increasing efficiency pressure. In addition, an expansion of the range of post-acute services in Europe is expected.

In the **emerging markets**, we anticipate an overall dynamic development. Growth in markets such as Africa, Latin America, and southeast Asia will initially be driven by the demand for efficient, needs-oriented medical care. In China and the Middle East, growth will be driven by the development of infrastructure and the creation of new care services, as well as research and training facilities.

Further opportunities arise from the progress of **digitalization**. It is important to systematically exploit the opportunities it offers, for example in the establishment and operation of "virtual hospitals". These can make a decisive contribution to making state-of-the-art technology and medical expertise available at adequate cost. This goes hand in hand with networking between health care systems at different levels of development in order to facilitate access to high-quality health care services for broad sections of the population.

ECONOMIC OUTLOOK OF FRESENIUS SE & CO. KGAA FOR THE YEAR 2022

For the fiscal year 2022 the company expects a slight higher net income mainly due to higher dividend income from foreign affiliated companies. Retained earnings are expected to increase slightly.

DIVIDEND

The dividend increases provided by Fresenius in the last 28 years show impressive continuity. Our dividend policy aims to align dividends with earnings-per-share growth (before special items). The payout ratio is expected to be in the range of approximately 20% to 25%. Fresenius intends to increase the dividend for 2022.

OPPORTUNITIES AND RISK REPORT

We will continue to take advantage of the wide-ranging opportunities for sustainable growth and expansion that the health care market offers to the Fresenius Group.

At the same time, the Fresenius Group is exposed to a number of risks when undertaking these activities due to the complexity and the dynamics of its business. These risks are inevitable consequences of entrepreneurial activity, because **opportunities can only be exploited when there is a willingness to take risks**.

As a provider of products and services for the, to a large extent, severely and chronically ill, we are relatively independent of economic cycles. The diversification into four business segments, which operate in different segments of the health care market, and the global footprint further minimize the Group's risk profile. Our many years of experience, as well as our regularly leading market position, serve as a solid basis for achieving a realistic assessment of opportunities and risks.

OPPORTUNITIES MANAGEMENT

Managing opportunities is an ongoing, integral part of corporate activity. To be successful over the long term, we consolidate and improve on what we have already achieved and create new opportunities. The Fresenius Group and its business segments are organized and managed in a way that enables us to identify and analyze trends, requirements, and opportunities in our often fragmented markets, and to focus our actions accordingly. We maintain regular contact and dialog with research groups and scientific institutions to explore new prospects, and keep a close watch on markets and competitors in order to identify opportunities. Within the Group, opportunities and synergies can be exploited through continuous communication involving the exchange of information and know-how between the business segments. As part of our strategic and operational budgeting process, we identify and analyze short-, medium-, and long-term opportunities and risks. We discuss opportunities in the **Outlook** section.

RISK MANAGEMENT

FRESENIUS RISK MANAGEMENT SYSTEM

Risk management is a continuous process. The aim of risk management is to identify potential risks as early as possible in order to assess their impact on business and, if necessary, to take appropriate countermeasures. The ability to identify, assess, and manage risks that put the achievement of our business goals at risk is an important element of sound corporate governance. The Fresenius risk management and internal control system is therefore closely linked to its corporate strategy. It explicitly takes into account all types of risk, including non-financial risks associated with our business activities or our business relationships, products, and services. In the reporting period, for example, we analyzed potential non-financial risks in the areas of climate change and water shortages. In both areas we identified no risks threatening to our business model.

We consider short-, medium-, and long-term risks. For example, we consider a period of 10 years and beyond when analyzing product development, investment and acquisition decisions. Opportunities are not recorded in the risk management system.

Due to the constantly changing external and internal requirements and environment, our risk management and internal control system is being continuously developed. In the past fiscal year, for example, the risk management and internal control systems were linked even more closely. The completeness and validity of the risk information within our risk management approach was also strengthened by applying a newly defined concept for analyzing our risk-bearing capacity and our aggregated risk position.

The Management Board is responsible for the quality and effectiveness of our risk management and internal control system. It is regularly monitored by the Supervisory Board's Audit Committee as well as audited by the Internal Audit department. The findings from these audits are used to continuously advance our risk management and internal control system.

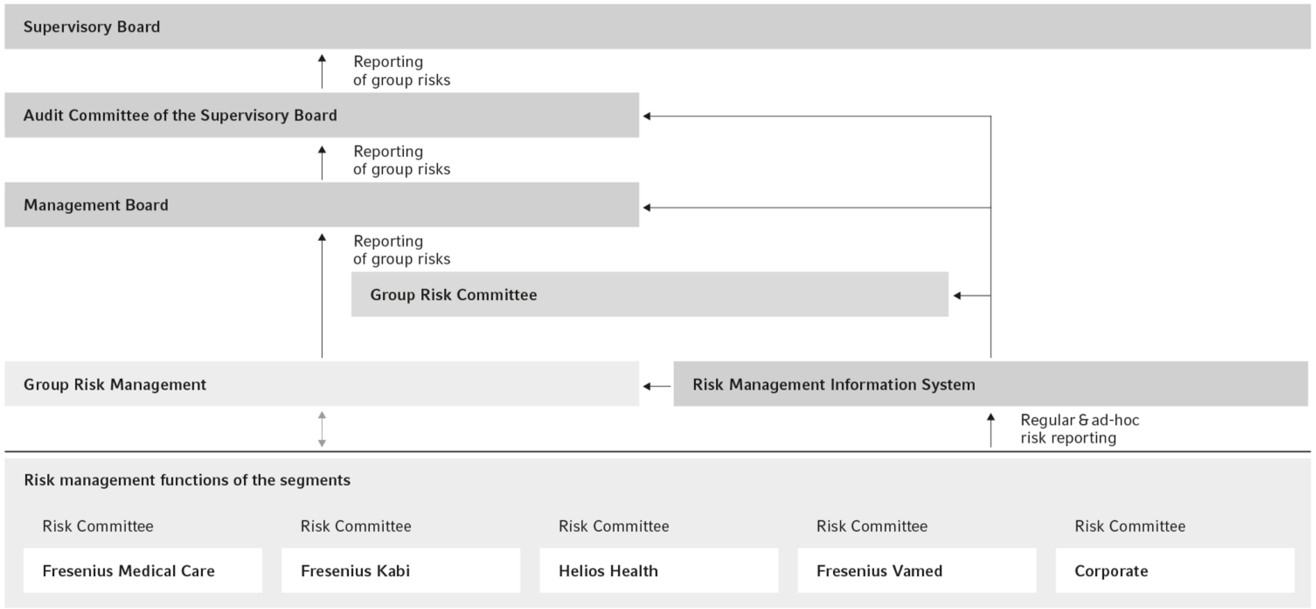
The structure of the Fresenius risk management and internal control system is based on the internationally recognized framework for corporate risk management, the "Enterprise Risk Management – Integrated Framework" from the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and on the "Three Lines of Defense" model of the Institute of Internal Auditors (IAA). The "Three Lines of Defense" model distinguishes between three essential roles within the risk management and internal control system as well as within the general governance system: While the "First Line of Defense" acts as a direct, active participant in the risk management and internal control process, the "Second Line of Defense" at entity, segment, and Group level and the "Third Line of Defense" in the form of the Internal Audit function each represent an independent monitoring and quality assurance function in the Fresenius Group's governance system. The "Second Line of Defense" also sets guidelines and minimum requirements for the Group. On the basis of these guidelines, Group-wide standards are established and documented for the risk management and internal control system.

In addition, the core principles of the risk culture and of the risk strategy are defined and integrated into the business processes.

The organization and responsibilities of the risk management process and process control are defined as follows:

- The business segments and their operational business units are responsible for identifying, assessing, and managing risks.
- The managers of each organizational unit are required to report any relevant changes in the risk profile to the Management Board without delay.
- A dedicated Risk Management function at Group level defines standards valid for the entire Group and supports and monitors risk management and internal control system structures and processes. Specialized subdepartments have been set up within this Group function.
- The Group function is supplemented by risk management functions at segment or entity level. The tasks and responsibilities between the different organizational levels are clearly defined and documented.
- A Risk Steering Committee chaired by the Member of the Management Board for Human Resources (Labor Relations Director), Risk Management and Legal is an advisory body that discusses internal and external developments regarding the risk management and internal control system. In addition, the Risk Steering Committee advises on significant risks and prepares decision proposals for the Fresenius Management Board. The Management Board of the Fresenius Group has the overall responsibility for effective risk management and regularly discusses the current risk situation. Within the Fresenius Group Management Board, the Member of the Management Board for Human Resources (Labor Relations Director), Risk Management and Legal is responsible for the risk management and internal control system, as well as their organization.

ORGANIZATION OF THE RISK MANAGEMENT PROCESS



- The Supervisory Board's Audit Committee monitors the quality and effectiveness of the risk management and internal control system.

The risk situation is evaluated regularly and compared with specified requirements using standardized processes. If relevant changes to the risk profile or new risks arise between the regular reporting cycles, these are recorded and evaluated as part of ad hoc reporting process. Should negative trends arise, we can then take countermeasures at an early stage.

In addition to risk reporting, regular financial reporting to management is an important tool for managing and controlling risks. Detailed monthly and quarterly reports are used to identify and analyze deviations of actual versus planned business development. In addition, the risk management and internal control system includes organizational processes and safeguards, as well as internal controls and audits incorporated in our business processes, which help us to identify significant risks at an early stage and to counteract them.

RISK ASSESSMENT AND CAPACITY TO BEAR RISK

Fresenius uses standardized processes to assess risks. These include both quantitative and qualitative valuation methods. The assessment of a risk takes into account its likelihood of occurrence, its potential impact on our business, financial position, and operational result, and the time horizon. Fresenius assesses the potential impact on the results of operations on the basis of the key figure EBIT-at-risk. The risks are presented taking into account already initiated and implemented countermeasures (net assessment of risks). Risks are evaluated for a period of 12 months in order to assess the impact of the risk situation on the one-year forecast for the Fresenius Group. In addition, potential risks with an impact on the medium-term plan are analyzed and estimated.

Fresenius categorizes the likelihood of occurrence of a risk as follows:

Probability	Classification
Almost certain	≥ 90%
Probable	≥ 50 to < 90%
Possible	≥ 10 to < 50%
Unlikely	< 10%

The following overview shows how the potential impact on our business, financial position, and operational result is classified:

Potential impact	Classification
Severe	Significant negative impact
Significant	Considerable negative impact
Moderate	Moderate negative impact
Low	Low negative impact

As part of this process, the potential impact on our business, financial position, and operational result is usually assessed on a three-point basis, namely the impact in the best-case, the realistic, and the worst-case scenario.

The risk matrix on the next page shows the significant risks that could lead to deviations from the expected business performance within the one-year forecast period. Since the past fiscal year, significant risks have been categorized within this four-tier risk matrix taking into account the likelihood of occurrence and the potential impact on our business, financial position, and operational result.

On the basis of the quantitative risk assessment, the overall risk position is determined at Group level by means of a Monte-Carlo Simulation. This involves taking correlations and dependencies between risks into account. The calculated overall risk position is compared to the Group's risk-bearing capacity. The risk-bearing capacity represents the maximum acceptable level of risks beyond which the continued existence of the Fresenius Group could be jeopardized. Fresenius determines its risk-bearing capacity on the basis of selected key balance sheet figures, such as the liquidity reserve, and rating-related key figures of the Group, such as the leverage ratio. The overall risk position is fully covered by the risk-bearing capacity of the Fresenius Group.

INTERNAL CONTROL SYSTEM AS PART OF THE RISK MANAGEMENT SYSTEM

The internal control system is an important part of Fresenius' risk management. In addition to internal controls with regard to the financial reporting, it includes control objectives for further critical processes, such as quality management and patient safety, cybersecurity and data protection, and sustainability. Fresenius has documented relevant critical control objectives in a Group-wide framework, integrating the various management systems into the internal control system in a holistic manner.

The risk management and internal control system is regularly reviewed by the Management Board, the Supervisory Board's Audit Committee, and the Internal Audit department. Moreover, the external auditor reviews whether the monitoring system set up by the Management Board is suitable for the early identification of risks that would jeopardize the continued existence of the Company.

Fresenius has ensured that the organizational structure and systems for identifying, assessing, and controlling risks, and for developing countermeasures, are designed appropriately and that they are properly functional. However, there can be no absolute certainty that this will enable us to fully identify and manage all risks.

INTERNAL FINANCIAL REPORTING CONTROLS

Fresenius employs numerous measures and internal controls to ensure that accounting processes are reliable and that financial reporting is correct, including the preparation of annual financial statements, consolidated financial statements, and management reports in compliance with applicable regulations and principles. Our **four-tier reporting process** especially promotes intensive discussion and ensures control of the financial results. At each reporting level, i.e.,

- the local entity,
- the region,
- the business segment, and
- the Group,

financial data and key figures are reported, discussed, and compared with the prior-year figures, budget, and latest forecast on a monthly basis.

In addition, all parameters, assumptions, and estimates that are of relevance for the externally reported Group and segment results are discussed intensively with the department responsible for preparing the Group's consolidated financial statements. These matters are also reviewed and discussed quarterly by the Supervisory Board's Audit Committee.

Control mechanisms, such as automated and manual reconciliation processes, are further precautions put in place to ensure that financial reporting is reliable and that transactions are correctly accounted for. All consolidated entities report according to Group-wide standards, which are determined at the head office. These are regularly adjusted to allow for changes made to the **accounting regulations**. The consolidation proposals are supported by the IT system. In this context, internal Group balances, among other things, are reconciled in a comprehensive manner. To prevent abuse, we take care to maintain a strict separation of functions. **Monitoring and assessments** carried out by management also help to ensure that risks with a direct impact on financial reporting are identified and that controls are in place to minimize them. Moreover, changes in accounting principles are closely monitored and employees involved in financial reporting are instructed regularly and comprehensively. External experts and specialists are engaged if necessary. The Treasury, Tax, Controlling, and Legal departments are involved in supporting the preparation of the financial statements. Finally, the information provided is verified once more by the department responsible for preparing the consolidated financial statements.

Fresenius Medical Care is also subject to the controls of Section 404 of the **Sarbanes-Oxley Act.**

ASSESSMENT OF THE OVERALL RISK SITUATION

The established risk management and internal control system is fundamental for assessing the overall risk position of the Fresenius Group. Potential risks for Fresenius include factors beyond our direct control. These also include the macroeconomic development, which we constantly monitor. They also include factors immediately within our control, such as operating risks, which we anticipate at as early a stage as possible and to which we react with appropriate countermeasures, as required.

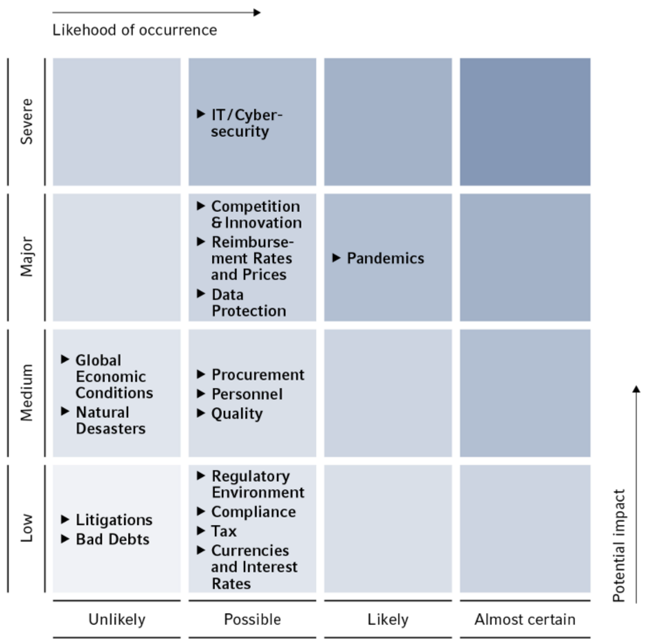
In synopsis, there are currently no recognizable risks that appear to present a long-term and significant threat to the Fresenius Group's business, financial position, and operational result.

We have created organizational structures that provide all the conditions needed to rapidly alert us to possible risk situations and enable us to take suitable countermeasures.

RISKS AFFECTING THE ONE-YEAR FORECAST PERIOD

The chart besides shows the significant risks that could lead to deviations from the expected business performance within the one-year forecast period.

RISKS AFFECTING THE ONE-YEAR FORECAST PERIOD



Compared with the previous year, the matrix was expanded to four instead of three dimensions for probability of occurrence and potential impact. Based on our quantitative analysis, risks relating to competition and innovation, as well as loss of receivables and data privacy, were newly included. In addition, the potential impact of IT and cybersecurity risks and procurement risks has been increased. The potential impact of compliance risks, risks relating to the regulatory environment, and currency and interest rate risks decreased.

RISKS WITH EFFECTS ON OUR MEDIUM-TERM GOALS

Fundamentally, all the risk areas and risks listed in the Risk Report could lead to us failing to achieve our medium-term goals. We believe the following will be of particular significance in this respect:

- Risks relating to the quality, safety, and effectiveness of our products and services (see Operating risks,);
- Risks arising from the financing of health care systems and potential changes to reimbursement systems (see Risks in the health care sector);
- Risks arising from the regulatory environment and compliance with laws and regulations (see General economic risks and risks in the general operating framework);
- Risks arising from the medium- and long-term effects of the COVID-19 pandemic, such as changes in demand and cost base (see Risks related to the COVID-19 pandemic);
- Risks relating to information technology and cyber security (see Risks relating to information technology and cyber security).

RISK AREAS

OVERALL ECONOMIC RISKS AND RISKS DUE TO THE OPERATING FRAMEWORK

At present, despite the COVID-19 pandemic, no trends in the global economy present a going-concern risk to the Fresenius Group. Depending on how the pandemic develops, we expect the global economy to continue to recover in the fiscal year 2022. Moreover, Fresenius is affected only to a small extent by general economic fluctuations. We expect demand for our life-saving and life-sustaining products and services to continue to grow.

Furthermore, Fresenius is striving for balanced distribution of its business in the main global regions and between established and emerging markets. The risk situation for each business segment depends in particular on the development of their respective relevant markets. Country-specific political, legal, and financial conditions are therefore monitored and evaluated carefully, particularly in the current macroeconomic environment. This applies, for example, to countries with budget problems as a result of their debt burden, in particular with regard to our accounts receivable.

This also applies to any initiatives taken by governments with regard to potential changes to current health care programs.

And this holds true in particular for current developments related to the COVID-19 pandemic.

RISKS RELATED TO THE COVID-19 PANDEMIC

The rapid spread of the COVID-19 pandemic and the measures taken to contain it have led to a significant deterioration in economic conditions worldwide, and financial markets have been significantly impacted. This development also had a negative impact on our business, financial position, and operational results in the fiscal year 2021. We anticipate further negative effects on our business, financial position and operational results in 2022. The COVID-19 pandemic may also continue to have a negative impact on our financial position, liquidity, and the recoverability of our assets, including goodwill. The pandemic poses significant risks to the health of our patients, as well as to our supply chains, our production, the sale of our products, and the provision of our services.

Negative effects on our business could be caused, for example, by a continued or increasing higher excess mortality among our dialysis patients, and by restrictions on the business activities of our suppliers, customers, and ourselves, including our personnel, resulting from regulatory requirements, orders, and conditions at regional, national, or international level. The unavailability of critical staff, increased costs, for example from protective measures in our dialysis clinics, hospitals, and production sites, and a significant diversion of public health funding away from our products and services to address the COVID-19 pandemic could also negatively impact our business. Additionally, inflationary cost increases may have an unfavorable effect on our business, especially if the prices for our products and services remain unchanged or do not adequately track against cost increases.

In response to the COVID-19 pandemic, various governments in regions in which we operate have launched economic support programs to address the impact of the pandemic on businesses and to support health care providers and patients. For example, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was passed in the United States to mitigate the negative financial impacts of the COVID-19 pandemic, including on the health care sector. Additional funds provided under the CARES Act, as well as other COVID-19-related assistance funds, are providing some financial support to our businesses. For example, the 2% cut in Medicare benefits was suspended several times from May 2020 to March 2022, Medicare reimbursements were paid more quickly and in advance, and grants were approved to cover costs and mitigate revenue losses related to the Covid 19 pandemic. In addition, companies in which we have less than 100% ownership received financial assistance from the U.S. Department of Health and Human Services in the fourth quarter of 2021 (Provider Relief Fund Phase 4).

However, these measures may not fully offset losses and increased costs. And while many of these measures are only in effect for the duration of the public health emergency, it is possible that some of these temporary measures could result in long-term changes that could affect, in particular, Fresenius Medical Care’s business, financial position, and operational results in ways that cannot be quantified or predicted at this time.

Fresenius Medical Care experienced increased mortality rates among dialysis patients compared to the historical average, which could continue to have a material adverse effect on our operational result in 2022 and beyond. Dialysis patients typically have comorbidities, which has led and could continue to lead to an increased need for inpatient care for these patients. In addition, it appears that COVID-19 has led to an increase in individuals with acute renal failure. We expect to face continued staffing shortages as well as additional staffing costs to meet the increased demand for dialysis treatments and to provide equipment and our medical staff for emergency treatments, such as in hospitals.

The COVID-19 pandemic had a different impact on our hospitals in Germany, Spain, and Latin America, as well as on the Eugin fertility clinics.

The impact of the pandemic varied depending on the outbreak in the different regions and the respective virus variant. Helios Germany was severely affected in the first quarter of 2021 due to the pronounced third wave of COVID-19. Due to the high number of COVID-19 cases, elective treatments had to be postponed in some hospitals. As a result of the heavy COVID-19 burden, the rescue package for hospitals was extended by the German Federal Ministry of Health (“BMG”) until June 15, 2021.

The “Ordinance on the Regulation of Further Measures for the Economic Safeguarding of Hospitals” enables a full-year compensation for hospitals, for which 98% of the revenues of the year 2019 were used as a benchmark. 85% of the hospitals' revenue shortfall was eventually refinanced in 2021. However, the negative impact of the pandemic could not be fully offset in some hospitals by the rescue package and reimbursements for COVID-19 in Germany. In Spain, the third wave was milder compared to the previous ones and opened up some opportunities such as coronavirus testing for the occupational health sector.

In addition, COVID-19 pandemic measures, such as the minimum distance of 1.5 meters between hospital beds for infection control, continued in 2021 and will remain in place in 2022.

In addition, travel restrictions had a significant negative impact on the number of international (private) patients in Germany and Spain. Overall, this may continue to have a negative impact on our net assets, financial position, and results of operations. We expect the negative effects of the COVID-19 pandemic to continue in the fiscal year 2022.

Fresenius Vamed also experienced and continues to experience significant delays and additional costs due to the COVID-19 pandemic in its project business as a result of travel restrictions, interrupted supply chains, delayed project execution, and imposed construction stops.

The extent of the impacts described on all business segments of the Fresenius Group depends on the progress of the vaccination campaigns as well as the duration of the COVID-19 pandemic and the measures required to contain it. In particular, the emerging variants of the virus increase uncertainty about how the pandemic will continue to develop.

We have continued to demonstrate our particular responsibility as part of the health care system during the challenging time of the current COVID-19 pandemic. For example, our dialysis clinics and hospitals have taken extensive measures to ensure that patients receive the most seamless care possible. Fresenius Kabi has responded to the significantly increased global demand for important drugs and infusion technology to treat COVID-19 patients, particularly for sedative drugs such as propofol, analgesics, and infusion pumps. We have thus maximized the supply using all the appropriate manufacturing capacities dedicated to these important products.

RISKS IN THE HEALTH CARE SECTOR

Risks related to changes in the health care market are of major importance to the Fresenius Group. The main risks are the financing of health care systems and the corresponding reimbursement systems, as well as the development of new products and therapies.

Financing of health care systems and reimbursement systems

In our extensively regulated business environment, **changes in the law – also** with respect to reimbursement of costs – can have a major impact on our business success.

National insurance systems are financed in very different ways. For example, health care systems in Europe and in the British Commonwealth countries are generally based on one of two financing models: Systems with a mandatory employer and employee contribution and systems predominantly financed through taxes.

In the Asia-Pacific region, universal health care (UHC) is at different stages of implementation, so reimbursement mechanisms can vary significantly from country to country (and even from province to province and city to city). In Latin America, health care systems are funded by public or private payers, or a combination of both. Due to the high percentage of Group sales that the U.S. market accounts for, changes to the state **reimbursement system,** such as reimbursements for dialysis treatments, can be particularly significant for our business. For example, in 2021, approximately 27% of Fresenius Medical Care's global sales were attributable to reimbursements from the U.S. federal health care benefit programs the **Centers of Medicare and Medicaid Services (CMS)**.

Changes in legislation or reimbursement practices, such as those relating to the End-Stage Renal Disease (ESRD) Prospective Payment System (PPS), physician and clinical laboratory fee schedules, and the billing system for ambulatory surgical clinics, could affect both the level of Medicare and Medicaid reimbursement for services and the level of insurance coverage.

A reduction in reimbursement rates, reimbursed services or changes in standards, regulations and government funding in countries in which we operate could adversely affect our revenue and profitability and have a material adverse effect on our business, financial position and operational result.

Based on the "Budget Control Act" of 2011, reimbursement by Medicare for dialysis treatment is provided under a **prospective payment system (PPS),** which bundles particular products and services into one reimbursement rate. Due to pressure to reduce health care costs, increases in the reimbursement rate by the U.S. government have been limited.

As part of the PPS, our dialysis clinics in the United States participate in the **Quality Improvement Program (QIP)**. Medicare reimbursement benefits can be reduced by up to 2% based on the previous year's benefits if clinics do not meet the quality standards of the QIP. Underlying quality measures are reviewed, extended, and amended annually by the CMS. A material failure by Fresenius Medical Care to achieve the minimum client quality standards under the QIP could materially and adversely affect our business, financial condition, and results of operations.

Through value- and risk-based agreements and risk care programs, Fresenius Medical Care assumes the risk of both medical and administrative costs for certain patients in return for fixed periodic payments or set benchmark targets from governmental and commercial insurers:

- The CMS Comprehensive ESRD Care Model allows dialysis providers and physicians to form ESRD Seamless Care Organizations (ESCOs) that seek to deliver better health outcomes for ESRD patients with chronic kidney failure while lowering the CMS' costs. ESCOs that achieve the program's minimum quality requirements and generate reductions in treatment costs for the CMS above certain threshold values will receive a share of the cost savings. However, ESCOs are also obliged to share the risk of cost increases and to reimburse the CMS for some of these increases. This model ended March 31, 2021.
- The treatment choices model for patients with chronic kidney failure ("ESRD Treatment Choices Model" – ETC model) launched on January 1, 2021. This is a mandatory model that provides financial incentives for home dialysis treatments and transplants. This model is scheduled to be in place from January 2021 to June 2026. The ETC model consists of two partial reimbursement programs: first, it includes increases in the three-year reimbursement offset for home dialysis treatments, and second, it includes a performance-based reimbursement offset for all dialysis claims. The model applies both positive and negative payment adjustments to claims submitted by physicians and dialysis facilities for dialysis patients. It applies to dialysis facilities and physicians in certain randomly selected geographic regions. About 35% of Fresenius Medical

Care's U.S. dialysis clinics are participating in the model.

- Voluntary Medicare reimbursement models, such as Comprehensive Kidney Care Contracting (CKCC), are designed to provide financial incentives for health care providers in the area of chronic kidney disease and transplants. Health care providers can take on financial risks to varying degrees by forming a Kidney Care Entity (KCE). This entity assumes responsibility for the overall cost and quality of care for Medicare patients with stage 4 and 5 chronic kidney failure and Medicare patients with end-stage renal disease. The implementation period for the CKCC model began on October 15, 2020, on a no-risk basis, and we began participation in the first performance year of the CKCC model on January 1, 2022, at which time each participating entity starts to assume financial risk. We do not yet know whether we and our partners will be able to deliver better health outcomes while lowering CMS' costs.
- In addition, Fresenius Medical Care has entered into per capita sub-capitations and risk-based and value-based agreements with certain insurers to provide health care to private and Medicare Advantage patients with end-stage renal disease. These agreements provide for the establishment of a basic amount per patient per month. If we provide complete care at costs below the basic amount, we retain the difference. However, if the costs of complete care exceed the basic amount, we may be obliged to pay the difference to the insurer.

Inadequate pricing of products or an unsuitable cost estimate for the service portfolio for beneficiaries and ineffective cost management may have a material adverse effect on our financial position, net assets, and operational results.

Fresenius Medical Care mitigated the impact of the PPS and the additional above-referenced reimbursement models by two broad measures:

- First, Fresenius Medical Care works with medical directors and treating physicians to generate options for efficiency increases consistent with QIP and good clinical practice and negotiates cost savings on the purchasing of pharmaceuticals.
- Second, Fresenius Medical Care introduces new initiatives in order to achieve efficiency increases and better patient outcomes by increasing care upon initiation of dialysis, increasing the percentage of patients using home dialysis, and generating additional cost reductions in its clinics.

The previous U.S. government had announced its intention to make significant changes to existing health care programs, including new remuneration models to promote earlier detection and treatment of kidney disease, as well as increasing home dialysis and transplants. Efforts to repeal or replace the "Affordable Care Act" (ACA) have not been successful and the current U.S. administration has announced its intention to continue and expand ACA. In addition, options to restructure the Medicare program in the direction of a defined-contribution, "premium support" model and to shift Medicaid funding to a block grant or per capita arrangement, with greater flexibility for the states, are also being considered.

In 2017, the U.S. administration announced its decision to end subsidies, known as cost-sharing reduction (CSR) payments, to health insurance companies to help pay out-of-pocket costs of low-income Americans. Some private insurers have stated that they will need much higher premiums and may withdraw from the insurance exchanges created under the Affordable Care Act if the subsidies were eliminated. It is not possible to predict the outcome of ongoing litigation on this matter. As a result, significant increases in insurance premiums and a reduction in the availability of insurance through such insurance exchanges established by the ACA could reduce the number of Fresenius Medical Care's privately insured patients and shift such patients to Medicare and Medicaid. Because Medicare and Medicaid reimbursement rates are generally lower than the reimbursement rates paid by private insurers, a shift of privately insured patients to Medicare and Medicaid could have a material adverse impact on the results of operations of Fresenius Medical Care.

Further requirements for dialysis clinics and changes in reimbursement from government and private insurers for our entire product and service portfolio in the United States could have a material adverse effect on our business and operating results. For example, the ballot initiatives introduced at the state level could result in further regulation of clinic staffing requirements, state inspection requirements, and a cap on private insurer margins. Such additional state regulations would increase the cost of operating dialysis clinics and create additional costs. This could have a material adverse effect on our business in the affected states.

A portion of dialysis treatments in the United States is reimbursed by **private insurance companies** and **managed care organizations**, with reimbursements generally higher than the reimbursements provided by the government health care program. As a result, payments from private health insurers contribute a significant portion to Fresenius Medical Care's profits. In 2021, approximately 40% of Fresenius Medical Care's sales from health care services in the North American segment were attributable to private health insurance companies. If these organizations in the United States manage to push through a reduction in the reimbursements, or the share of reimbursements by private health insurers decreases, it would significantly reduce the sales revenues and operating earnings for the products and services of Fresenius Medical Care. Beginning January 1, 2021, all ESRD patients will be eligible to enroll in Medicare Advantage plans for the first time. As a result, formerly privately insured patients may opt for Medi-care Advantage plans, which generally provide lower reimbursement payments than private payers.

A portion of Fresenius Medical Care’s patients who are currently covered by private insurers may elect to transition to government-funded reimbursement programs that reimburse us at lower rates for our services if efforts to restrict or eliminate the charitable funding of patient insurance premiums are successful.

In addition, the health care insurance industry is experiencing continuing consolidation among insurers and pharmacy benefit managers, including increasing buyer power and impacts on referral streams. This may have an adverse impact on our ability to negotiate favorable coverage terms and commercially reasonable rates with such insurers. We monitor the relationships with private health insurance companies continuously and try to hedge the business through long-term contracts to maintain profitability.

Changes in reimbursement from government and private insurers for our entire product and service portfolio in the United States could have a material adverse effect on our business and operating results.

The same applies to the hospital market in Germany, where the **DRG (Diagnosis-Related Groups) system** is intended to increase the efficiency of hospitals while reducing health care spending. Patients are largely assigned to hospitals by the public health and pension insurers. It is therefore important for Helios Germany that the contracts between its hospitals and the insurers and health care institutions are maintained. We not only monitor legislative changes intensively, but also work together with governmental health care institutions.

As part of the Nursing Staff Strengthening Act (PpSG), nursing costs were removed from the flat rates per case (DRG) from 2020 and the costs of patient-centered care were fully reimbursed by the health insurance funds via separate nursing budgets. As early as 2021, every additional or increased bedside nursing position was fully refinanced by the payers and the inclusion criteria of the nursing budget were changed.

The allocation of nursing staff to the nursing budget was adjusted to the current definitions of ″nursing specialist″ and ″nursing assistant″ or ″other professions″ in the Nursing Staff Lower Limits Ordinance (PpUGV).

For the 2021 nursing budget, the personnel costs of the following occupational groups were fully included in the nursing budget: Nursing professionals and nursing assistants (nursing assistant, physician assistant, anesthesia technical assistant, emergency paramedic, or nursing and geriatric care assistant).

The digital or technical measures that reduce or support nursing activities were included in the nursing budget (4 es total nursing budget).

In the German market, Helios Germany sees a general trend towards outpatient treatment, which could lead to lower growth in the number of inpatient cases. In response to this trend, Helios Germany is expanding outpatient services offerings in a separate division. If Helios Germany does not succeed in sustainably adapting its business model through suitable measures, this could lead to a decline in the number of cases and have a material adverse effect on our business and results of operations.

Quirónsalud, our private chain of clinics in Spain, operates hospitals through **PPP** contracts (public-private partnership), among other methods. These are part of the public health system in Spain. The company has thus been given responsibility in certain areas of health care for the citizens of Spain with statutory health insurance. Quirónsalud receives compensation for its services in the form of a per capita lump sum or remuneration for the specific service rendered.

If Quirónsalud were to lose the concession to operate hospitals with PPP contracts or renegotiations with public or private insurance companies resulted in worse conditions for doing so, or if hospitals are not able to compensate for lower reimbursement rates by cutting costs, this could have a material adverse effect on our net assets, financial position, and results of operations.

Reductions in health care spending could also negatively affect the pricing of Fresenius Kabi products.

Changes in the law, the reimbursement method, and the health care programs could affect the scope of payments for services, as well as the scope of insurance coverage and the product business. This could have a significant adverse impact on our business operations as well as net assets, financial position, and results of operations. Generally, our aim is to counter such possible regulatory risks through enhanced performance and cost reductions.

Development of new products and therapies

The **introduction of new products and services,** or the development of advanced technologies by competitors, could render one or more of our products and services less competitive or even obsolete, and thus have a significant negative impact on future sales, the prices of products, and our range of services. This includes the introduction of generic or patented drugs by competitors, which may have an impact on sales and operational results. Cooperation with medical doctors and scientists allows us to identify and support relevant technological innovations. This means we are always able to keep abreast of current developments in alternative treatment methods so that we are able to evaluate and, if necessary, adjust our corporate strategy.

Operating risks

Our operational business around the world is exposed to a number of **risks** and extensive **government regulation**, which include, among others:

- The quality, safety, and efficacy of medical and pharmaceutical products, supplies, and therapies;
- The operation and licensing of hospitals, other health care facilities, manufacturing facilities, and laboratories;
- The planning, construction, equipping, and management of pharmaceutical and medical-technological production facilities;
- The planning, construction, equipping and management of health care facilities;
- Permits from public authorities and monitoring of clinical and non-clinical research and development activities;
- Product approvals and regulatory approvals for new products and product modifications;
- Audits and reviews by enforcement authorities of compliance with applicable pharmaceutical legislation;
- Compliance with due diligence obligations, warranty obligations, and product liability regulations;
- The accurate reporting of and billing for reimbursements by government and private insurers;
- Discounting reimbursable pharmaceutical and medical device products and reporting drug prices to government agencies;
- The labeling and designation of pharmaceutical products and their marketing;
- Attracting qualified personnel;
- Compensation of medical personnel and financial arrangements with physicians and establishments that arrange patient referrals;
- Access to collection, publication, use, and security of health-related information and other protected data;
- Limitation of our ability to make acquisitions or certain investments and the conditions for transactions of this nature.

If Fresenius fails to comply with laws or regulations, this may give rise to a number of consequences, including monetary penalties, increased compliance costs, exclusion from governmental reimbursement programs, or a complete or partial curtailment of our authorization to conduct business, any of which could have a material adverse effect on our business reputation, net assets, financial condition, or results of operations. Significant risks of operations for the Fresenius Group are described in the following sections.

Production, products, and services

Compliance with **product specifications and manufacturing regulations** is ensured by our quality management systems, which are structured in accordance with the internationally recognized **quality standards ISO 9001** and **ISO 13485** and take into account relevant international and national regulations. We implement them by means of internal standards such as quality and work procedure manuals. Regular internal and external audits are carried out at the Group's production sites, distribution companies, and dialysis clinics to check compliance. This covers all requirements and regulations, from management and administration to production and clinical services, right through to patient satisfaction.

Our production facilities comply with the Good Manufacturing Practice (GMP) requirements of the markets they supply. Our facilities are audited by local public health authorities such as the U.S. Food and Drug Administration (FDA) or the European Medicines Agency (EMA) and other authorities. If an authority identifies any deficiencies, Fresenius will immediately take comprehensive and appropriate rectifying measures.

Non-compliance with the requirements of these authorities in our production facilities or at our suppliers could lead to regulatory actions, such as warning letters, product recalls, production interruptions, monetary sanctions, or delays in new product approvals. Any of these regulatory actions could adversely affect our business reputation and our ability to generate sales and result in significant expenses.

Global safety officers react promptly as soon as Fresenius becomes aware of a quality-related issue. They initiate and coordinate necessary actions on a global level, such as product recalls. With its early warning system, Fresenius evaluates any quality-related information from various risk areas to identify risks at an early stage and take corrective and preventive actions. For this purpose, Fresenius Kabi uses databases in which complaints and side effects are logged, internal and external audits, and key performance indicators used for internal control purposes and the optimization of quality processes. In this way, safety profiles of the products can be created and evaluated worldwide. Product recalls, for example, are initiated as a risk-minimizing measure in cooperation with the responsible regulatory authority; at the same time, the cause of the recall is analyzed thoroughly. Corrective action may be taken to avoid the circumstances that led to the recall occurring again in the future.

In addition, changes made to requirements and regulations by regulatory authorities, such as those affecting our production processes, can lead to lower production volumes during any transitional period or jeopardize production.

Production could also be adversely affected by events such as natural disasters, infrastructure disruptions, regulatory rulings, supply disruptions, such as of raw materials, or technical failures. To minimize these risks, stocks are built up, for example to bridge any gaps in the event of short-term problems.

Potential risks arising from the start-up of new production sites or the introduction of new technologies are countered through careful planning, regular analysis, and continual progress reviews.

Providing medical services in our hospitals, rehabilitation clinics, and dialysis clinics is generally subject to inherent risks. For example, disruptions to processes, also due to causes such as natural disasters or technical failures, involve risks for patients and the clinic. In addition, there are operational risks, for example regarding hygiene. We counteract these risks with strict operating procedures, continual personnel training, and patient-oriented work procedures. At Fresenius Helios, for example, a structured hygiene management system is in place to ensure that infections within the hospital are avoided and their spread prevented as quickly as possible. Furthermore, we are constantly striving to improve the standard of patient treatment through our quality management systems.

Performance risks associated with Fresenius Vamed's project business are countered through professional project management and control and with a proven system tailored to each business activity for identifying, evaluating, and minimizing these risks. This system consists of organizational measures, such as standards for pricing in risks when preparing quotations. Risks are assessed even before accepting orders and are subsequently updated during regular project controlling. To avert the risk of default, the system also includes financial measures, such as checking creditworthiness and, as a rule, safeguarding through prepayments, letters of credit, and secured credits.

Procurement

In the procurement sector, potential risks arise mainly from price increases or the lack of availability of raw materials and goods, as we saw in the wake of the COVID-19 pandemic in the 2021 fiscal year. We counter these risks by appropriately selecting and working together with our suppliers, through long-term framework agreements in certain purchasing segments, and by bundling volumes within the Group.

We counter the risk of poor-quality purchased raw materials, semi-finished products, and components mainly by requiring our suppliers to meet strict quality standards. This includes a structured qualification process, which comprises audits, document and advance sample inspections, as well as regular quality controls of deliveries. We only purchase high-quality products with proven safety and suitability from qualified suppliers that conform to our specifications and standards.

Evaluating our risks and our management measures, we also take into account new regulatory requirements and legal conditions, such as the Act on Corporate Due Diligence Obligations in Supply Chains, which will be effective in Germany in 2023.

Competition

We face numerous competitors in both our health care services business and dialysis products business, some of which may possess substantial financial, marketing or research and development resources. Competition from new and existing competitors and especially new competitive developments and innovations in technology, pharmaceuticals and care delivery models could materially adversely affect the future pricing and sale of our products and services.

Growing competition, among other things induced by the recovery of some notable competitors, in particular in the U.S. market for generic IV drugs after halts to production, may continue to materially affect the pricing and sale of our products and services. In addition, the introduction of generic or patented drugs by competitors may have an impact on the sales and operational results of our products.

Generally, the health care sector is characterized by pricing pressure (including from tenders), competition, and efforts to contain costs. These factors could result in lower sales and adversely affect our business, financial position, and operational results.

In the United States, almost all Fresenius Kabi injectable pharmaceutical products are sold to customers through arrangements with group purchasing organizations (GPOs) and distributors. The GPOs also have purchasing agreements with other manufacturers, and the bidding process for products is highly competitive. In the fourth quarter 2021, one of the largest GPOs in the United States issued a request-for-proposal for bids for a significant portion of their pharmaceutical contracts. These new contracts are expected to be effective in mid-2022.

If Fresenius Kabi is not successful in maintaining its existing contracts or if new contracts are concluded on less favorable terms, this could have an adverse effect on our operational results.

Similar developments with regard to price pressure in the tender business and increasing competition and price reductions are affecting our business in all major markets in Asia. In China, two Fresenius Kabi products were successful in winning National Volume based Procurement (NVBP) negotiations. As a result, there will be a significant decline in prices. Further expansion of NVBP and Provincial Volume based Procurement (PVBP) is expected with one or two rounds annually over the next three years. Based on the directive from the Chinese State Council, drug price reduction will continue to be one of the major measures to further contain health care costs in a market in which volumes are steadily growing. This development could have a negative impact on our sales, financial position, and operational results if Fresenius Kabi is not successful in offsetting these price reductions, for example through cost savings and efficiency gains in production.

To ensure our permanent competitiveness, we work closely together with physicians and scientists. Important technological and pharmaceutical innovations are intended to be quickly identified and further developed, if necessary also by adapting our business strategy. Moreover, we secure our competitiveness by ongoing analyzes of our market environment as well as the regulatory framework. The market activity, especially our competitors' products and newly launched dialysis-related products are thoroughly monitored. The cooperation between the various technical, medical and academic institutions within our company also ensures our competitiveness, which is finally further enhanced by our consequent conduction of programs devoted to cost saving and efficiency increase.

Referrals from doctors

Our hospitals, rehabilitation clinics, and dialysis clinics are dependent on patients selecting them for their medical treatment. To a large extent, patients rely on the recommendation of their attending physician. Physicians make their recommendations based on various factors, including the quality of the medical treatment and the competence of the hospital staff, as well as the distance to the hospital and the availability of appointments for treatment. If we are unable to meet these criteria, physicians may recommend fewer or no patients at all to our clinics. In addition, Fresenius Helios could receive fewer referrals from doctors' practices because they increasingly perceive Fresenius Helios' outpatient services as competition or because they no longer take rehabilitation clinics with a certain medical focus into account when making their choice. These factors could result in lower sales and adversely affect our business, financial position, and operational results.

Payment defaults

As a rule, we assess the creditworthiness of new customers in order to limit the risk of **late payment and defaults** by customers. We also conduct follow-up assessments and review credit lines on an ongoing basis. We monitor receivables outstanding from existing customers, and assess the risk of default. This particularly applies to countries with budgetary problems and countries exposed to political risks. In 2021, we again worked on the status of our receivables, by taking measures such as factoring.

Personnel

Fresenius addresses **potential shortages of qualified personnel** through appropriate employer branding measures, as well as recruitment, upskilling, and retention of qualified staff.

In order to increase the awareness and attractiveness of the Fresenius Group, our employer branding relies on a mix of marketing to universities, in-house events (such as the Fresenius Career Day "Meet the Board" involving our top management), and digital employer branding (such as by expanding our career website and our presence on social media channels).

To ensure a sustainable supply of qualified staff, we offer, for example, targeted programs for young academic talent with subsequent retention programs, as well as comprehensive apprenticeships for students who just graduated high school.

With more than 6,305 apprentices and dual students, Fresenius is one of the biggest training companies in Germany. Fresenius offers 42 apprenticeships and 29 study programs throughout Germany. The number of our apprenticeships and study program offerings was further expanded nationwide in 2021.

We provide information about our apprenticeship and study program offerings on our career website, as well as at our respective training locations through various marketing activities and vocational orientation offers (such as the career guidance app Aivy, vocational information days, and the Night of Apprenticeship). In June 2021, a virtual training fair was held for the second time, which is integrated into the careers website. We offer this fair format on a regular basis since 2020.

Furthermore, we offer young academic talent the opportunity to gain initial practical experience and to establish contacts within our company in the context of internships and working student positions before or during their studies or in the context of their final papers.

Depending on the customer and market structure, our business segments place very different demands on concepts and measures for personnel development. We strengthen employee loyalty to our company by offering our employees attractive development opportunities and fringe benefits and variable compensation and working-time models. In addition, we promote international and interdisciplinary cooperation.

By using target-group-specific measures, Fresenius addresses the overall shortage of specialized hospital personnel. We thereby aim to recruit qualified and dedicated personnel, thus ensuring our high standard of treatment quality.

Greater employee absenteeism and longer recruiting cycles as an effect from the COVID-19 pandemic further contribute to the experienced shortages in personnel. Additionally, evolving guidelines and requirements regarding vaccine mandates for our employees may have an impact on our ability to attract and retain qualified clinical personnel.

Since January 1, 2019, the German hospital market has also been subject to the Ordinance on the Minimum Requirements for Nursing Personnel in Hospitals (PpUGV). This ordinance stipulates minimum staffing levels for nursing personnel in certain areas of the hospital. Further statutory regulations on minimum personnel levels in additional hospital departments with beds may further intensify competition for qualified nursing staff.

Helios Germany is therefore working intensively on additional measures to make it particularly attractive as an employer for nursing staff. These include the compatibility of family and career (e.g., through childcare facilities at hospital sites or the option of part-time work), attractive further and advanced training opportunities, occupational health management, and career opportunities.

At present, the Spanish hospital market is also experiencing a shortage of qualified nursing staff. As a result of the COVID-19 pandemic and the associated additional need for nursing staff, public hospitals have hired more nurses at more attractive terms than before. Quirónsalud is undertaking various measures such as online campaigns and other employer branding measures to attract new employees. In addition, long-term security in the workplace and attractive working conditions, for example, should help to retain existing employees.

FINANCIAL RISKS

Currency and interest rate risks

The global focus of our operations exposes us to a variety of **currency risks**. In addition, the financing of the business can expose us to certain **interest rate risks.** We use derivative financial instruments, among other things, to minimize these risks. However, we limit ourselves to non-exchange-traded, marketable instruments, used exclusively to hedge our underlying transactions and not for trading or speculative purposes. Transactions are carried out within the limits approved by the Board of Management, which are set depending on the counterparty's rating.

Our **foreign exchange risk management** is based on a policy approved by the Management Board that defines the targets, organization, and handling of the risk management processes. In particular, the policy assigns responsibilities for the determination of currency risks, the execution of hedging transactions, and the regular risk management reporting. These responsibilities are coordinated with the decision-making structures in the residual business processes of the Group. Decisions on the use of derivative financial instruments in **interest rate management** are made in close consultation with the Management Board. Transactions using derivatives are carried out by the Group Treasury of the Fresenius Group – apart from a few exceptions in order to adhere to foreign currency regulations. These transactions are subject to stringent internal controls. This policy ensures that the Management Board is fully informed of all significant risks and current hedging activities.

The Fresenius Group is protected, to a large extent, against **currency risks and interest rate risks.** As of December 31, 2021, approximately 78% of the Fresenius Group's debt was protected against increases in interest rates either by fixed-rate financing arrangements or by interest rate hedges; accordingly, around 22% is subject to an interest rate risk. A sensitivity analysis shows that a rise of 0.5 percentage points in the reference interest rates relevant for Fresenius would have an impact of approximately 0.8% on Group net income. As a global company, Fresenius is exposed to translation effects. The exchange rate of the U.S. dollar to the euro is of particular importance because of our extensive operations in the United States. Currency translation risks are not hedged. A sensitivity analysis shows that a one percent change in the exchange rate of the U.S. dollar to the euro would have an annualized effect of around €130 million on Group sales, around €20 million on EBIT, and around €6 million on Group net income.

As a globally active company, we have production facilities in all the main currency areas. In the service businesses, our revenue and cost base largely coincide. The Fresenius Group uses a Cash-Flow-at-Risk (CFaR) model in order to estimate and quantify such **transaction risks** from foreign currencies. The foreign currency cash flows that are reasonably expected to occur within the following 12 months, less any hedges, form the basis for the analysis of the currency risk. As of December 31, 2021, the Fresenius Group cash flow at risk was €44 million, i.e., with a probability of 95%, a potential loss in relation to the forecast foreign exchange cash flows of the next 12 months will not be higher than €44 million.

Recoverability of assets

Financial risks that could arise from acquisitions and investments in property, plant and equipment, and in intangible assets are assessed through careful and in-depth reviews assisted by external consulting firms. The intangible assets, including goodwill, product rights, trade names, and management contracts, contribute a considerable part to the total assets of the Fresenius Group.

Currency devaluations, adverse changes in general interest rates and deteriorating economic conditions, including inflationary price developments in various markets combined with deteriorating country credit ratings, increase the risk of goodwill impairment, which may lead to a partial or complete write-down of the goodwill or brand name of the affected cash-generating unit or negatively impact our investments and external partnerships.

Goodwill and other intangible assets with an indefinite useful life carried in the Group's consolidated balance sheet are tested for impairment each year.

Taxes and duties

As a global corporation, Fresenius is subject to numerous tax laws and regulations. Risks arising therefrom are identified and evaluated on an ongoing basis. The Fresenius Group's companies are subject to regular tax audits. Any changes in tax regulations or adjustments resulting from tax audits and additional duties, import levies, and trade barriers could lead to higher taxes and duties.

Similarly, tax and trade law reforms, in particular the OECD initiatives for the reallocation of taxation rights and the introduction of a global minimum tax, as well as a potential U.S. tax reform, may increase our tax and duty burden.

Debt and liquidity

As of December 31, 2021, the Fresenius Group's financial liabilities including leases under IFRS 16 were €27,155 million. The debt could, among other things, limit the Company's ability to pay dividends, arrange refinancing of financial liabilities, or implement the corporate strategy. If Fresenius' credit rating or the conditions on the relevant financial markets deteriorate significantly, financing risks could arise for Fresenius. We reduce these risks through early refinancing as well as a high proportion of mid- and long-term funding with a balanced maturity profile.

Some of our financing agreements that were concluded before the year 2017 contain covenants requiring us to comply with certain financial ratios. These covenants are currently suspended due to the investment grade rating of the Fresenius Group. A deterioration of the rating may therefore also lead to the currently suspended covenants in some financing agreements becoming active again. Noncompliance with these covenants could then result in a default and acceleration of the debt under the respective agreements. We counteract this risk by taking the performance indicators relevant for our investment grade rating into account in our Group planning and continuously monitoring their development. This enables us to take countermeasures at an early stage.

Additional information about conditions and maturities can be found on Note 18.

Inflation risks

As an international company, Fresenius is exposed to varying **inflation rates and price developments**. We also operate in high-inflation countries such as Argentina and Lebanon. Due to inflation in Argentina and Lebanon, our subsidiaries there apply IAS 29, Financial Reporting in Hyperinflationary Economies.

Inflation-related cost increases could have an adverse effect on our business, particularly if prices for our products and services remain unchanged or cannot be adjusted sufficiently to reflect increased costs.

RISKS ASSOCIATED WITH RESEARCH AND DEVELOPMENT AND PRODUCT APPROVAL

The **development of new products and therapies** always carries the risk that the ultimate goal might not be achieved, or it might take longer than planned. This is particularly true for our biosimilar products from Fresenius Kabi. The development of biosimilar products entails additional risks, such as significant development costs and the still-developing regulatory and approval processes. Regulatory approval of new products requires comprehensive, cost-intensive preclinical and clinical studies. Furthermore, there is a risk that regulatory authorities either do not grant, or delay, product approval, or withdraw an existing approval. In addition, adverse effects of our products that may be discovered after regulatory approval or registration may lead to a partial or complete withdrawal from the market, due either to legal or regulatory actions or our voluntary decision to stop marketing a product.

For example, following feedback from the European Medicines Agency (EMA), risk mitigation measures for HES products from Fresenius Kabi (controlled dispensing of hydroxyethyl starch (HES) medicines to accredited hospitals, training and letters to health care professionals and warnings on packaging) were initiated in 2019. Based on the results of a study examining the routine use of HES in accredited clinics, the effectiveness of the interventions will be evaluated.

Follow-up studies as well as similar measures could also be taken by authorities in non-EU countries. For example, two regulatory studies are currently underway to evaluate the long-term safety and efficacy of our HES products in surgical and trauma patients. As soon as the results of these studies are available, they will be evaluated by the European authorities.

The Fresenius Group spreads its risk widely by conducting development activities in various product segments. We also counteract risks from research and development projects by regularly analyzing and assessing development trends and examining the progress of research projects. Furthermore, we strictly comply with the legal regulations for clinical and chemical-pharmaceutical research and development.

With IV drugs, it is also crucial that new products are continually brought to the market in a timely manner. Therefore, we monitor the development of new products on the basis of detailed project plans and focus on achieving specific milestones. In this way, we can take countermeasures if defined targets are called into question.

Both Fresenius Medical Care and Fresenius Kabi are exposed to typical patent-related risks. These include insufficient protection by patents of the technologies and products we develop, which could enable competitors to copy our products without having to bear comparable development costs.

RISKS FROM ACQUISITIONS

The acquisition and integration of companies carries risks that can adversely affect the net assets, financial position, and results of operations of Fresenius. Acquisition processes often include closing conditions, including but not limited to antitrust clearance, fulfillment of assurances and warranties, and adherence to laws and regulations. Noncompliance with such closing conditions by either party to an acquisition could lead to litigation between the parties or with others and thus claims against Fresenius.

Following an acquisition, the acquired company's structure must be integrated while clarifying legal questions and contractual obligations. Marketing, patient services, and logistics must also be unified. During the integration phase, there is the risk that key managers will leave the company and that both the course of ongoing business processes and relationships with customers and employees will be harmed. In addition, change-of-control clauses may be claimed. The integration process may prove more difficult or require more time and resources than expected. Risks can arise from the operations of the newly acquired company that Fresenius regarded as insignificant or was unaware of. An acquisition may also prove to be less beneficial than initially expected. **Future acquisitions** may be a strain on the finances and management of our business. Moreover, as a consequence of an acquisition, Fresenius may become directly or indirectly liable towards third parties, or claims against third parties may turn out to be non-assertable.

We counter risks from acquisitions by means of structured, detailed due diligence prior to deciding to go ahead with the acquisition and by means of detailed integration plans, as well as with a dedicated integration and project management process afterward so that countermeasures can be initiated in good time if there are deviations from the expected development.

INFORMATION TECHNOLOGY AND CYBERSECURITY RISKS

Technological innovations promise new therapeutic approaches in the treatment of diseases, not least because information technology (IT) applications and digital components offer the potential to relieve medical staff and make health care more efficient. Fresenius is also using digital product solutions to enter new markets. At the same time, we are taking into account the risks associated with digitalization.

The Company's processes are growing ever more complex as a result of the Fresenius Group's steady growth and increasing internationalization. Correspondingly, the **dependence on information and communication technologies** and on the IT systems used to structure procedures and – increasingly – harmonize them internationally, is intensifying. A failure of these IT systems could temporarily lead to an interruption of other parts of our business and thus cause serious damage.

Due to the increased integration of IT systems, the integration of digital components and applications into medical technology products and services and the use of technologies, such as cloud computing, within our business processes, there is the possibility that **cyber incidents** may compromise the confidentiality, integrity, or availability of our information assets and systems. Risks to information security, cyber security, and the stability of IT systems also increase if we fail to keep our information assets and systems at the cutting edge of technology and security.

The disclosure of sensitive data or **non-compliance with data protection laws,** regulations, and standards could damage our competitive position, our reputation, and the entire company. In addition, Fresenius or one of the Group companies could be subject to a significant fine in the event of a data protection breach. To comply with all legal requirements, we have implemented comprehensive data protection management systems, which provide the appropriate technical and organizational measures and controls for the protection of personal data.

In 2017, the Management Board of Fresenius Management SE adopted the Cybersecurity Approach, Roadmap and Execution (CARE). Since 2018, CARE has served as a cybersecurity program that bundles cybersecurity initiatives and strengthens our resilience to protect and defend against cyber attacks. In 2020, the Management Board of Fresenius Management SE enacted a Group-wide Cybersecurity Policy. This policy defines the objectives as well as the organizational and operational structure for the management of cybersecurity in the Fresenius Group, integrated into CARE.

To sustainably protect the Group's added value, we have introduced tailored frameworks for our cybersecurity risk domains that define the security architectures, concepts and requirements.

In addition, the Group Cybersecurity Office (GCSO) conducts a business-oriented assessment of strategic cybersecurity risks along the value chain in collaboration with the business units. The Group's cyber risks are related to the business activities of the respective business sectors: In the product business, they are closely linked to the disruption of production or logistics processes and the theft of intellectual property; in our health care facilities, they relate to patients and their health care information and operated medical devices. The results of these semi-annual cyber risk assessments are presented to the Cybersecurity Board, which includes all cybersecurity officers from the business units. On this basis, the GCSO continuously derives risk-based measures to further mitigate cyber risks and enables the Group-wide exchange of knowledge and best practices. While our primary goal is to prevent the materialization of cyber risks, we have established monitoring mechanisms to detect and address cyber threats at an early stage in order to limit the impact of security incidents on business operations.

We are guided in this process by internationally recognized standards for information security such as the ISO / IEC 27000 series, ISO / IEC 62443, KRITIS, or the NIST Cybersecurity Framework. The central IT infrastructure, as well as critical infrastructures in the medical sector, among other things, have ISO / IEC 27001 certification.

We will continue to invest in cybersecurity and expand our capabilities to make us more resilient to the threat posed by cyberattacks on our systems and digital products and services.

COMPLIANCE AND LEGAL RISKS

COMPLIANCE RISKS

Fresenius is subject to comprehensive government regulation and control in nearly all countries. In addition, Fresenius must comply with general rules of law, which differ from country to country. There could be far-reaching legal repercussions or reputation damage should Fresenius fail to comply with these laws or regulations.

We must comply in particular with rules and regulations that monitor the safety and effectiveness of our medical products and services. Corruption is a core risk area across all business segments. Antitrust law, data protection, money laundering, sanctions, and the upholding of human rights are further significant risk areas. It is therefore of particular importance to us that our **compliance programs and guidelines** are strictly adhered to. Through compliance, we aim to meet our own expectations and those of our partners, and to orient our business activities to generally accepted standards and local laws and regulations.

At Fresenius, risk-oriented **compliance management systems** are implemented in each business segment. These systems take into account the markets in which the respective business segment operates and are tailored to the specific requirements of the business segment. Furthermore, we at Fresenius assess compliance risks using a standardized methodology.

Each business segment has appointed a Chief Compliance Officer to oversee the development, implementation, and monitoring of the compliance management system of the relevant business segment and to check progress made in this regard. In line with their organizational and business structure, the business segments have established compliance responsibilities at the respective organizational levels.

The Corporate Compliance department of Fresenius SE & Co. KGaA supports the compliance officers in each business segment with standardized tools, processes, and methods, and reports to the Chief Compliance Officer of Fresenius SE & Co. KGaA.

Our compliance programs set binding rules of conduct for our employees. We believe that we have taken adequate measures to ensure that national and international rules are observed and complied with. Nevertheless, even when a comprehensive compliance program is in place, individual cases of misconduct by individual employees or contractual partners cannot be ruled out, which could cause damage to the Company.

Data protection

Fresenius' business activities are also subject to data protection regulatory requirements. This includes compliance with the General Data Protection Regulation (GDPR) as well as compliance with other country-specific data protection regulations. Breaches of these regulations or of the GDPR can result in substantial fines, damage to reputation, and loss of trust.

The core element of data protection is the secure and lawful processing of personal data in accordance with these regulatory requirements. In addition to patient data, this also includes the personal data of employees as well as that of contractual partners and other persons.

Risk areas include compliance with data protection principles, information obligations, data subjects' rights, risk analysis regulations, and the documentation of data processing activities, as well as ensuring secure data processing, including the establishment of an appropriate level of data protection in (inter)national data transfers.

To comply with legal requirements, Fresenius has implemented comprehensive data protection management systems, which provide the appropriate technical and organizational measures and controls for the protection of personal data. Fresenius SE & Co. KGaA and all business segments maintain data protection organizations in accordance with their organizational and business structures. This includes independent data protection officers reporting to the respective company's management. The dependence on data protection and IT security / cybersecurity resulting from increasing internationalization is also taken into account by the data protection organizations by ensuring collaboration with the respective departments is as close as possible.

The business segments have implemented processes and standards based on their organizational and business structures that also provide internal guidelines for processing personal data in a secure and appropriate manner. In addition, the individual data protection management systems also include appropriate control measures in order to adequately check compliance with regulatory and internal requirements.

Legal risks

Risks arising in connection with **litigation** or official proceedings are continuously identified, assessed, and – above a relevant set materiality threshold, where applicable – reported within the Group. Companies in the health care industry are regularly exposed to claims or actions for breach of their duties of due care, product liability, breach of warranty obligations, patent infringements, treatment errors, and other claims. This can result in high claims for damages and substantial costs for legal defense, regardless of whether a claim is actually justified. This applies in particular to disputes and proceedings in the United States, where legal defense costs and claims for damages can be exceptionally high. If legal matters or official proceedings are decided against Fresenius, it may also no longer be possible to insure risks of this kind in the future, or it may no longer be possible to insure such risks under appropriate conditions.

The Fresenius Group is involved in several legal matters and official proceedings arising from the ordinary course of its business. However, although the outcome cannot always be reliably predicted, we do not currently expect any significant adverse effect on our net assets, financial position, and results of operations arising from the legal matters and proceedings currently pending.

OTHER RISKS

Our international orientation also gives rise to the following risks, which could have an adverse effect on our business and thus on our financial position and operational results:

- Political, social, or economic instability, especially in developing and emerging countries;
- Civil unrest, war, or the outbreak of diseases, such as pandemics, e.g. the coronavirus pandemic;
- Environmental risks;
- Natural disasters, terrorist attacks, and other unforeseen events;
- Different labor law conditions and difficulties in meeting the global demand for qualified personnel;
- Different and less stable regulations protecting intellectual property;
- Delays in the transport and delivery of our products.

Insurance

In its risk management, Fresenius uses the option to transfer certain risks to external insurers. Fresenius Versicherungsvermittlungs-GmbH is the Fresenius Group's insurance department, which is organized as a captive insurance broker, and ensures appropriate insurance cover for large parts of the Group. Other sub-groups ensure adequate insurance coverage through their own departments. The aim is to protect the Company's employees and assets against possible hazards within the risk management process by procuring insurance coverage that is appropriate to the risks. To this end, we purchase adequate coverage, taking into account the cost-benefit ratio. For example, Fresenius has all-risk insurance against property damage and loss of earnings due to, for example, fire, storms, water, earthquakes, and other natural hazards, product liability insurance, insurance for volunteers and patients in clinical trials, hospital liability insurance, environmental liability insurance and environmental damage insurance, and directors' and officers' insurance.

Bad Homburg v. d. H., February 21, 2022

GLOSSARY

Health care terms/Products and services

Apheresis
A medical technology in which the blood of a person is passed through a device that separates out one particular blood component and returns the remainder to the circulation. This technology is used for the collection of various blood components by donors, as well as for therapeutic applications for patients.

Bioequivalence
The active pharmaceutical ingredient of the generic product is the same as that of the reference product. Both are therefore interchangeable with each other.

Biosimilars
A biosimilar is a drug that is "similar" to another biologic drug already approved.

Blood volume substitutes
They are used for the temporary stabilization and/or maintenance of blood volume, for example, in the event of major blood loss.

CAR T cell therapy
In this therapy form, the immune cells of patients are collected, genetically modified, and reinfused into the patient with better characteristics than before. In the patient's body, they activate the immune system and destroy cancer cells.

CUE
Cue is an automated cell processing system capable of washing, concentrating, and preparing white blood cell suspensions for cryopreservation (freezing in liquid nitrogen) and/or dispensing into final containers.

Dialysis
Form of renal replacement therapy where a semipermeable membrane – in peritoneal dialysis the peritoneum of the patient, in hemodialysis the membrane of the dialyzer – is used to clean a patient's blood.

Dialysis machine
The hemodialysis process is controlled by a dialysis machine, which pumps blood, adds anticoagulants, regulates the cleansing process, and controls the mixture of dialysate and its flow rate through the system.

Dialysis solution/Dialysate
Fluid used in the process of dialysis in order to remove the filtered out substances and excess water from the blood.

Dialyzer
Special filter used in hemodialysis for removing toxic substances, waste products of metabolic processes, and excess water from the blood. The dialyzer is sometimes referred to as the "artificial kidney".

DRG flat rate per case
The Diagnosis Related Group (DRG) is a flat rate per case and forms the basis for the reimbursement of inpatients treated in German hospitals.

Enteral nutrition
Application of liquid nutrition as a tube or sip feed via the gastrointestinal tract.

FDA (U.S. Food & Drug Administration)
Official authority for food observation and drug registration in the United States.

Hemocompatibility
Blood compatibility

HD (Hemodialysis)
A treatment method for dialysis patients where the blood of the patient is cleansed by a dialyzer. The solute exchange between blood and dialysate is dominated by diffusive processes.

Immunogenicity
The ability of an antigen to cause an immune response (immunization, sensitization).

Immunosuppression
The suppression of the body's own defense system.

LOVO
LOVO is a cell processing system to wash differentiated and undifferentiated white blood cells for laboratory and research use. It is designed to offer a simple, fast, and automated method to remove supernatant, add and reduce volume in a fully closed system.

Medicare/Medicaid
A program developed by the federal U.S. Social Security Administration that reimburses health insurance companies and providers of medical services for medical care to individuals over 65, people with chronic kidney failure, or the disabled.

Outpatient clinic
Interdisciplinary facility for outpatient care, managed by physicians. The responsible body of a medical care center includes all service providers (such as physicians, pharmacists, health care facilities) that are authorized to treat patients with statutory health insurance.

GLOSSARY

Health care terms / Products and services

Parenteral nutrition
Application of nutrients directly into the bloodstream of the patient (intravenously). This is necessary if the condition of a patient does not allow them to absorb and metabolize essential nutrients orally or as sip and tube feed in a sufficient quantity.

PD (Peritoneal dialysis)
Dialysis treatment method using the patient's peritoneum as a filter to cleanse their blood.

Pharmacokinetics
The effect of the body on the drug.

Pharmacodynamics
The effect of the drug on the body.

Prevalence
Number of all patients who suffer from a specific disease within a defined period. The prevalence rate indicates the number of people with this specific disease (e.g., terminal kidney failure) treated per million population.

PPP (public-private partnership model)
Public-private partnership describes a government service or private business venture that is funded and operated through a partnership of government and one or more private-sector companies. In most cases, PPP accompanies a part-privatization of governmental services.

Subcutaneous injection
An injection of vaccines or drugs into the subcutaneous fat tissue.

Telematics infrastructure
The telematics infrastructure is intended to network all those involved in the German health care system and enable a secure exchange of information across sectors and systems.

Multi-chamber bag
The multi-chamber bag contains all the macronutrients like amino acids, glucose, and lipids, as well as electrolytes, in separate chambers. Immediately before infusion, all nutrients are mixed thoroughly within the bag simply by opening individual chambers. This reduces the risk of contamination and saves time when preparing the infusions.

UNE
The Spanish Association for Standardization, UNE, is the body legally responsible for the development of standards in Spain. It is the Spanish representative in ISO.

GLOSSARY

Financial terms [1]

After adjustments
In order to measure the operating performance extending over several periods, key performance measures are "adjusted" where applicable. Adjusted measures are labelled with "after adjustments". A reconciliation table is available within the respective quarterly or annual report and presents the composition of special items.

Before special items
In order to measure the operating performance extending over several periods, key performance measures are adjusted by special items, where applicable. Adjusted measures are labelled with "before special items". A reconciliation table is available within the respective quarterly or annual report and presents the composition of special items.

Cash flow
Financial key figure that shows the net balance of incoming and outgoing payments during a reporting period.

Operating cash flow
Operating cash flow is a financial measure showing cash inflows from operating activities during a period. Operating cash flow is calculated by subtracting non-cash income and adding non-cash expenses to net income.

Cash flow from investing activities
Cash flow from investing activities is a financial measure opposing payments for the acquisition or purchase of property, plant and equipment and investments versus proceeds from the sale of property, plant and equipment and investments.

Cash flow from financing activities
Cash flow from financing activities is a financial measure showing how the investments of the reporting period were financed.

Cash flow from financing activities is calculated from additions to equity plus proceeds from the exercise of stock options, less dividends paid, plus proceeds from debt increase (loans, bonds, etc.), less repayments of debt, plus the change in noncontrolling interests, plus proceeds from the hedge of exchange rate effects due to corporate financing.

Cash flow before acquisitions and dividends
Fresenius uses the cash flow before acquisitions and dividends as the financial measure for free cash flow. Cash flow before acquisitions and dividends is calculated by operating cash flow less investments (net). Net investments are calculated by payments for the purchase of property, plant and equipment less proceeds from the sale of property, plant and equipment.

[1] Integral part of Group Management Report

GLOSSARY

Financial terms [1]

Constant currencies
Constant currencies for income and expenses are calculated using prior-year average rates; constant currencies for assets and liabilities are calculated using the mid-closing rate on the date of the respective statement of financial position.

CSR (Corporate Social Responsibility)
CSR refers to the social responsibility of companies. Their operations can affect economic, social, and environmental conditions all over the world.

DSO (Days Sales Outstanding)
Indicates the average number of days it takes for a receivable to be paid.

EBIT (Earnings before Interest and Taxes)
EBIT does include depreciation and write-ups on property, plant and equipment.

EBIT is calculated by subtracting cost of sales, selling, general, and administrative expenses, and research and development expenses from sales.

EBIT margin
EBIT margin is calculated as the ratio of EBIT to sales.

EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization)
EBITDA is calculated from EBIT by adding depreciations recognized in income and deducting write-ups recognized in income, both on intangible assets as well as property, plant and equipment.

EBITDA margin
EBITDA margin is calculated as the ratio of EBITDA to sales.

Net debt / EBITDA
Net debt / EBITDA is a financial measure reflecting the ability of Fresenius to fulfill its payment obligations. Net debt and EBITDA are calculated at LTM (last-12-month) average exchange rates, respectively.

Calculation of net debt:
Short-term debt
+ Short-term debt from related parties
+ Current portion of long-term debt and capital lease obligations
+ Current portion of Senior Notes
+ Long-term debt and capital lease obligations, less current portion
+ Senior Notes, less current portion
+ Convertible bonds
= Debt
- Less cash and cash equivalents
= Net debt

NOPAT
Net Operating Profit After Taxes (NOPAT) is calculated from operating income (EBIT), as stated in the profit and loss statement, less income taxes.

Organic growth
Growth that is generated by a company's existing businesses and not by acquisitions, divestitures, or foreign exchange impact.

ROE (Return on Equity)
Measure of a corporation's profitability revealing how much profit a company generates with the money shareholders have invested.
ROE is calculated by fiscal year's net income / total equity × 100.

ROIC (Return on Invested Capital)
Calculated by: (EBIT - taxes) / Invested capital.

Invested capital = total assets + accumulated amortization of goodwill - deferred tax assets - cash and cash equivalents - trade accounts payable - accruals (without pension accruals) - other liabilities not bearing interest.

ROOA (Return on Operating Assets)
Calculated as the ratio of EBIT to operating assets (average).

Operating assets = total assets - deferred tax assets - trade accounts payable - cash held in trust - payments received on account - approved subsidies.

SOI (Scope of Inventory)
Indicates the average number of days between receiving goods as inventory and the sale of the finished product.

Calculated by: (Inventories / Costs of goods sold) × 365 days.

Working capital
Current assets (including prepaid expenses) - accruals - trade accounts payable - other liabilities - deferred income.

[1] Integral part of Group Management Report

The following copy of the auditor's report also includes a "Report on the audit of the electronic renderings of the financial statements and the management report prepared for disclosure purposes in accordance with § 317 Abs. 3b HGB" ("Separate report on ESEF conformity"). The subject matter (ESEF documents to be audited) to which the separate report on ESEF conformity relates is not attached. The audited ESEF documents can be inspected in or retrieved from the Federal Gazette.

Note: This is a translation of the German original. Solely the original text in German language is authoritative.

INDEPENDENT AUDITOR'S REPORT

To Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Audit Opinions

We have audited the annual financial statements of Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, which comprise the balance sheet as at 31 December 2021, and the statement of profit and loss for the financial year from 1 January to 31 December 2021 and notes to the financial statements, including the presentation of the recognition and measurement policies. In addition, we have audited the management report of Fresenius SE & Co. KGaA for the financial year from 1 January to 31 December 2021.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law and give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2021 and of its financial performance for the financial year from 1 January to 31 December 2021 in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development.

Pursuant to § [Article] 322 Abs. [paragraph] 3 Satz [sentence] 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Audit Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with § 317 HGB and the EU Audit Regulation (No. 537/2014, referred to subsequently as "EU Audit Regulation") in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). We performed the audit of the annual financial statements in supplementary compliance with the International Standards on Auditing (ISAs). Our responsibilities under those requirements, principles and standards are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2) point (f) of the EU Audit Regulation, we declare that we have not provided non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements for the financial year from 1 January to 31 December 2021. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our audit opinion thereon; we do not provide a separate audit opinion on these matters.

In our view, the matter of most significance in our audit was as follows:

I. Measurement of shares in affiliated companies and loans to these affiliated companies

Our presentation of this key audit matter has been structured as follows:

1. Matter and issue

2. Audit approach and findings

3. Reference to further information

Hereinafter we present the key audit matter:

I. Measurement of shares in affiliated companies and loans to these affiliated companies

1. In the annual financial statements of the Company shares in affiliated companies amounting to EUR 9.859 Mio and loans to these affiliated companies amounting to EUR 1.941 Mio are reported under the "Financial assets" balance sheet item. Together, the carrying amount of this total engagement amounts to EUR 11.800 Mio (72,4% of total assets). Shares in affiliated companies and loans are measured in accordance with German commercial law at the lower of cost and fair value in the event of an impairment that is expected to be permanent. The evaluation of a possible impairment is based on stock exchange and market prices – if available – and otherwise using discounted cash flow models based on present values of the expected future cash flows according to the planning projections prepared by the executive directors. Expectations relating to future market developments and assumptions about the development of macroeconomic factors are taken into account. In addition, expectations about the progress of the Corona pandemic were also formed and the corresponding effects were also taken into account. The discount rate used is the individually determined cost of capital. On the basis of the values determined and supplementary documentation, no write-downs were required for the financial year.

   The outcome of this valuation is dependent to a large extent on the estimates made by the executive directors of the future cash flows, and on the respective discount rates and rates of growth used. The valuation is therefore, also against the background of the ongoing Corona pandemic, subject to material uncertainties. Against this background and due to the highly complex nature of the valuation and its material significance for the Company's assets, liabilities and financial performance, this matter was of particular significance in the context of our audit.

2. As part of our audit, we assessed the methodology used by the Company for the purposes of the valuation of shares in affiliated companies and loans to these affiliated companies, among other things. In particular, we assessed whether the evaluation of a possible impairment had been performed appropriately based on discounted cash flow models taking the relevant measurement standards into account. We based our assessment, among other things, on a comparison with general and sector-specific market expectations as well as on the executive directors’ detailed explanations regarding the key value drivers underlying the expected cash flows. In this context we also evaluated the assessment of the executive directors regarding the effects of the Corona pandemic and examined how they were taken into account in determining the future cash flows. In the knowledge that even relatively small changes in the discount rate and rates of growth applied can have a material impact on the value of the entity calculated in this way, we focused our testing with the support of our internal valuation specialists in particular on the parameters used to determine the discount rate and rates of growth applied, and assessed the calculation models. Finally, we evaluated whether the values calculated in this way were properly compared against the carrying amount in order to determine any write-downs or reversals of write-downs.

   In our view, taking into consideration the information available, the valuation parameters and underlying assumptions used by the executive directors are appropriate overall for the purpose of appropriately measuring the shares in affiliated companies and loans to these affiliated companies.

3. The Company's disclosures relating to the financial assets and loans to affiliated companies are contained number 3 and 4 of the notes to the financial statements.

Other Information

The executive directors are responsible for the other information.

The other information comprises

- the statement on corporate governance pursuant to § 289f HGB and § 315d HGB
- the publication "Fresenius SE Financial Statements 2021 (HGB)" – excluding cross-references to external information – with the exception of the audited annual financial statements, the audited management report and our auditor's report

Our audit opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an audit opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information mentioned above and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report disclosures audited in terms of content or with our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Executive Directors and the Supervisory Board for the Annual Financial Statements and the Management Report

The executive directors are responsible for the preparation of the annual financial statements that comply, in all material respects, with the requirements of German commercial law, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, the executive directors are responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, the executive directors are responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, the executive directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, the executive directors are responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The supervisory board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our audit opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with § 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) and supplementary compliance with the ISAs will always detect a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements and this management report.

We exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an audit opinion on the effectiveness of these systems of the Company.
- Evaluate the appropriateness of accounting policies used by the executive directors and the reasonableness of estimates made by the executive directors and related disclosures.
- Conclude on the appropriateness of the executive directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective audit opinions. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by the executive directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the executive directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

REPORT ON THE ASSURANCE ON THE ELECTRONIC RENDERING OF THE ANNUAL FINANCIAL STATEMENTS AND THE MANAGEMENT REPORT PREPARED FOR PUBLICATION PURPOSES IN ACCORDANCE WITH § 317 ABS. 3A HGB

Assurance Opinion

We have performed assurance work in accordance with § 317 Abs. 3a HGB to obtain reasonable assurance as to whether the rendering of the annual financial statements and the management report (hereinafter the "ESEF documents") contained in the electronic file FSE_KGaA_JA_LB_ESEF-2021-12-31.zip and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format ("ESEF format"). In accordance with German legal requirements, this assurance work extends only to the conversion of the information contained in the annual financial statements and the management report into the ESEF format and therefore relates neither to the information contained within these renderings nor to any other information contained in the electronic file identified above.

In our opinion, the rendering of the annual financial statements and the management report contained in the electronic file identified above and prepared for publication purposes complies in all material respects with the requirements of § 328 Abs. 1 HGB for the electronic reporting format. Beyond this assurance opinion and our audit opinion on the accompanying annual financial statements and the accompanying management report for the financial year from 1 January to 31 December 2021 contained in the "Report on the Audit of the Annual Financial Statements and on the Management Report" above, we do not express any assurance opinion on the information contained within these renderings or on the other information contained in the electronic file identified above.

Basis for the Assurance Opinion

We conducted our assurance work on the rendering of the annual financial statements and the management report contained in the electronic file identified above in accordance with § 317 Abs. 3a HGB and the IDW Assurance Standard: Assurance Work on the Electronic Rendering, of Financial Statements and Management Reports, Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB (IDW AsS 410 (10.2021)) and the International Standard on Assurance Engagements 3000 (Revised). Our responsibility in accordance therewith is further described in the "Auditor's Responsibilities for the Assurance Work on the ESEF Documents" section. Our audit firm applies the IDW Standard on Quality Management 1: Requirements for Quality Management in the Audit Firm (IDW QS 1).

Responsibilities of the Executive Directors and the Supervisory Board for the ESEF Documents

The executive directors of the Company are responsible for the preparation of the ESEF documents including the electronic renderings of the annual financial statements and the management report in accordance with § 328 Abs. 1 Satz 4 Nr. [number] 1 HGB.

In addition, the executive directors of the Company are responsible for such internal control as they have considered necessary to enable the preparation of ESEF documents that are free from material non-compliance with the requirements of § 328 Abs. 1 HGB for the electronic reporting format, whether due to fraud or error.

The supervisory board is responsible for overseeing the process for preparing the ESEF-documents as part of the financial reporting process.

Auditor's Responsibilities for the Assurance Work on the ESEF Documents

Our objective is to obtain reasonable assurance about whether the ESEF documents are free from material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error. We exercise professional judgment and maintain professional skepticism throughout the assurance work. We also:

- Identify and assess the risks of material non-compliance with the requirements of § 328 Abs. 1 HGB, whether due to fraud or error, design and perform assurance procedures responsive to those risks, and obtain assurance evidence that is sufficient and appropriate to provide a basis for our assurance opinion.
- Obtain an understanding of internal control relevant to the assurance work on the ESEF documents in order to design assurance procedures that are appropriate in the circumstances, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Evaluate the technical validity of the ESEF documents, i.e., whether the electronic file containing the ESEF documents meets the requirements of the Delegated Regulation (EU) 2019/815 in the version in force at the date of the annual financial statements on the technical specification for this electronic file.
- Evaluate whether the ESEF documents provide an XHTML rendering with content equivalent to the audited annual financial statements and to the audited management report.

FURTHER INFORMATION PURSUANT TO ARTICLE 10 OF THE EU AUDIT REGULATION

We were elected as auditor by the annual general meeting on 21 May 2021. We were engaged by the supervisory board on 13 October 2021. We have been the auditor of the Fresenius SE & Co. KGaA, Bad Homburg v. d. Höhe, without interruption since the financial year 2020.

We declare that the audit opinions expressed in this auditor’s report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

REFERENCE TO AN OTHER MATTER– USE OF THE AUDITOR’S REPORT

Our auditor’s report must always be read together with the audited annual financial statements and the audited management report as well as the assured ESEF documents. The annual financial statements and the management report converted to the ESEF format – including the versions to be published in the Federal Gazette – are merely electronic renderings of the audited annual financial statements and the audited management report and do not take their place. In particular, the “Report on the Assurance on the Electronic Rendering of the Annual Financial Statements and the Management Report Prepared for Publication Purposes in Accordance with § 317 Abs. 3a HGB” and our assurance opinion contained therein are to be used solely together with the assured ESEF documents made available in electronic form.

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr. Bernd Roese.

Frankfurt am Main, February 21, 2022

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

(Original German Version signed by:)

Dr. Ulrich Störk	Dr. Bernd Roese
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

RESPONSIBILITY STATEMENT

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company, and the Company management report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company."

Bad Homburg v. d. H., February 21, 2022

Fresenius SE & Co. KGaA,
represented by:
Fresenius Management SE, its general partner

The Management Board

S. Sturm	Dr. S. Biedenkopf	Dr. F. De Meo	R. Empey
R. Powell	M. Sen	Dr. E. Wastler	

REPORT OF THE SUPERVISORY BOARD

Wolfgang Kirsch
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD

In the reporting year, the Supervisory Board of Fresenius SE & Co. KGaA fulfilled its obligations in accordance with the provisions of the law, the articles of association, and the rules of procedure. It regularly advised the Management Board of the general partner, Fresenius Management SE, regarding the management of the Company and has supervised the management in accordance with its Supervisory Board responsibilities.

COOPERATION BETWEEN THE MANAGEMENT AND THE SUPERVISORY BOARD

Carrying out its monitoring and advisory activities, the Supervisory Board was regularly kept informed by the management in a timely and comprehensive oral and written manner about, among other things:

- all important matters relating to business policy
- the course of business
- profitability
- the situation of the Company and of the Group
- corporate strategy and planning
- the risk situation
- risk management and compliance, and
- important transactions.

Based on the reports provided by the Management Board of the general partner, the Supervisory Board discussed all significant business transactions in the Audit Committee and in its plenary meetings, depending on their areas of responsibility. The Management Board of the general partner discussed the Company's strategic direction with the Supervisory Board. The Supervisory Board passed resolutions within its legal and Company statutory authority.

The Supervisory Board of Fresenius SE & Co. KGaA convened for four regular meetings in 2021, in March, May, October, and December, as well as two extraordinary meetings in February and June. Before the meetings, the Management Board of the general partner sent detailed reports and comprehensive approval documents to the members of the Supervisory Board. At the meetings, the Supervisory Board discussed with them in detail the business development and any important matters based on the reports from the general partner's Management Board.

All matters requiring Supervisory Board approval were submitted with sufficient time for proper scrutiny. After reviewing the related approval documents and following detailed consultation with the Management Board of the general partner, the Supervisory Board approved all matters submitted to it.

The Supervisory Board was also informed about any important transactions occurring between meetings. In addition, the Chairman of the general partner's Management Board regularly informed the Chairman of the Supervisory Board in separate meetings about the latest development of the business and forthcoming decisions and discussed them with him.

MEETING PARTICIPATION

Prof. D. Michael Albrecht did not attend the meeting of the Supervisory Board on March 16, 2021. Otherwise, all meetings of the Supervisory Board and its committees in 2021 were attended by all sitting members of the Supervisory Board of Fresenius SE & Co. KGaA or of the respective committee.

Participation in meetings of the Supervisory Board and its committees is reported individually for each member on the Company's website. Information on this can be found in the Supervisory Board section.

MAIN FOCUS OF THE SUPERVISORY BOARD'S ACTIVITIES

In 2021, once again, the Supervisory Board mostly focused its monitoring and consulting activities on supporting business operations and investments carried out by the business segments. The Supervisory Board thoroughly reviewed and discussed all business activities of significance to the Company with the Management Board of the general partner. The Supervisory Board also dealt with the following items:

- Budget
- Medium-term planning of the Fresenius Group
- Cost-cutting and efficiency-enhancing measures
- Strategic orientation of the Fresenius Group and its business segments
- Further development of the risk management and internal control system

At its meetings and within the Audit Committee, the Management Board of the general partner also regularly informed the Supervisory Board about the Group's risk situation and risk management activities as well as compliance.

At the meeting on February 19, 2021, the Supervisory Board approved the Supervisory Board remuneration system.

At its meeting on March 16, 2021, the Supervisory Board dealt in detail with the audit and approval of the financial statements and the consolidated financial statements (IFRS), as well as the management report and the Group management report of Fresenius SE & Co. KGaA. The results for 2020 were discussed on the basis of a detailed report provided by the Chairman of the Audit Committee and statements by the auditor, PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main. At the same meeting, a resolution was passed on profit distribution proposed by the general partner, Fresenius Management SE, and the separate Group Non-financial Report for 2020. In addition, the business segments reported in detail on the course of business in the first two months of the fiscal year. Another topic of discussion was the Annual General Meeting of Fresenius SE & Co. KGaA, which was again held virtually due to the ongoing COVID-19 pandemic.

At its meeting on May 21, 2021, following the immediately preceding election of shareholder representatives at the Annual General Meeting, the Supervisory Board reconstituted itself. The Chairman and the two Deputy Chairmen of the Supervisory Board as well as the respective members and chairmen of the Audit Committee and the Nomination Committee were elected. The rules of procedure of the Supervisory Board were also amended. In addition, the Management Board reported to the general partner on business performance for the months January through April 2021.

The meeting of the Supervisory Board on June 17, 2021 focused on cost-cutting and efficiency-enhancing measures. In addition, at this meeting, the Supervisory Board conducted a self-assessment in accordance with Recommendation D.13 of the German Corporate Governance Code.

At the Supervisory Board meeting on October 14, 2021, the members of the Supervisory Board were informed in detail about business performance from January through September 2021. In addition, the progress of the planned cost-cutting and efficiency-enhancing measures, the observations on the strategic orientation of the Fresenius Group and its business segments, and the further development of risk management were reported on. The Supervisory Board also discussed the declaration of conformity with the German Corporate Governance Code.

At the meeting of the Supervisory Board on December 7, 2021, the Management Board reported to the general partner on the further progress of the planned cost-cutting and efficiency-enhancing measures. A further key topic of the meeting was the progress report on the strategic orientation of the Fresenius Group and its business segments. Furthermore, information was provided on plans for the years 2022 to 2024 for the Group and separately for all four business segments. The Management Board of the general partner reported on the business performance from January to October 2021. The Chairman of the Audit Committee reported in detail on the status of preparation of the financial statements. Furthermore, a resolution was passed on the declaration of conformity with the German Corporate Governance Code.

CORPORATE GOVERNANCE

On December 20, 2021, the Supervisory Board of Fresenius SE & Co. KGaA and the Management Board of the general partner issued the declaration of conformity with the German Corporate Governance Code in accordance with Article 161 of the German Stock Corporation Act (AktG) and made it permanently available to the shareholders on the Company's website. In March and October 2021, the Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA decided to update the previous declaration of conformity from December 2020.

In 2021, the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA was ready, to the extent permitted by law and in close consultation with the Management Board of the general partner, to hold discussions with investors on topics specific to the Supervisory Board. In October

2021, the Chairman of the Supervisory Board of Fresenius SE & Co. KGaA participated in a Corporate Governance Roadshow.

The Management Board of the general partner and the Supervisory Board of Fresenius SE & Co. KGaA have a duty to act in the best interests of the Company. In performing their activities, they do not pursue personal interests or bestow unjustified benefits on others. Any secondary activities or dealings with the Company by members of the corporate bodies must immediately be reported to, and approved by, the Supervisory Board.

There were no conflicts of interest of Supervisory Board members in the past fiscal year.

There are regular separate preliminary meetings of the employee representatives and consultations among the shareholder representatives.

The members of the Supervisory Board independently undertake necessary training and further education measures required for their tasks. They keep themselves regularly informed, through internal and external sources, about the latest requirements with regard to their supervisory activities. The Supervisory Board at all times ensures that its members are suitably qualified, keep their professional knowledge up to date, and further develop their judgment and expertise. They are supported appropriately by the Company in accordance with the Code. External experts as well as experts from the Company provide information about important developments, for example about relevant new laws and precedents or changes in the IFRS accounting and auditing standards. In addition, the Company holds an onboarding event for new members of the Supervisory Board.

For more information on corporate governance at Fresenius, please see the Corporate Governance Declaration on pages 219 to 232 of the Annual Report. Fresenius has disclosed the information on related parties on page 380 of the Annual Report.

SEPARATE GROUP NON-FINANCIAL REPORT

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the separate Group Non-financial Report for 2021.

The separate Group Non-financial Report and the audit report of the appointed auditor were made available to each member of the Supervisory Board of the Company in good time. At their meetings on March 16 and 17, 2022, the Audit Committee and then the Supervisory Board discussed all the documents in detail.

The auditor delivered a detailed report on the results of the audit at each of these meetings. The Audit Committee and the Supervisory Board approved the auditor’s findings. The Audit Committee’s and the Supervisory Board’s own review also found no objections to the separate Group Non-financial Report. At its meeting on March 17, 2022, the Supervisory Board approved the separate Group Non-financial Report presented by the general partner.

The separate Group Non-financial Report is published on pages 114 to 216 of the Annual Report and the auditor’s findings are published on page 217f. of the Annual Report.

WORK OF THE COMMITTEES

In order to perform its duties efficiently, the Supervisory Board has formed various committees, which prepare the consultations and resolutions in the plenary session or can pass resolutions themselves. The committees of the Supervisory Board consist of an Audit Committee, a Nomination Committee, and a Joint Committee.

The **Audit Committee** held four meetings and four conference calls in the reporting year. The main focus of its monitoring activities was the preliminary audit of the annual financial statements and consolidated financial statement for 2020 and discussions with the auditor about their reports and the terms of reference of the audit. Another matter dealt with by the Audit Committee was its recommendation to the Supervisory Board regarding which auditing firm to propose as auditor for the annual financial statements and consolidated financial statements for 2021. Following the recommendation of the Audit Committee, the Supervisory Board proposed to the 2021 Annual General Meeting that PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, be elected as auditors of the annual financial statements and auditors of the consolidated financial statements for 2021 and as auditors for any review of interim financial information within the meaning of Section 115 (7) of the German Securities Trading Act (WpHG) that is prepared before the 2021 Annual General Meeting.

The Audit Committee also dealt with the following items in detail:

- the 2021 quarterly reports,
- assessment of the quality of the audit,
- monitoring reports on progress of acquisitions,
- compliance and internal audit,
- review of the risk management system, the internal control system, and the internal auditing system, and
- approval of non-audit services by PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main.

The Chairman of the Audit Committee reported regularly in each subsequent Supervisory Board meeting on the work of the committee.

Represented by the Chairman of the Audit Committee, there is a regular dialog between the Supervisory Board and the Audit Committee, on the one hand, and the auditor, on the other, even outside of meetings.

The Company's **Nomination Committee** met three times in 2021. It dealt in particular with preparations for the election of the Supervisory Board in May 2021.

The **Joint Committee** is responsible for approving certain important transactions of Fresenius SE & Co. KGaA and certain legal transactions between the Company and the Else Kröner-Fresenius-Stiftung. In 2021, no transactions were carried out that required its approval. Accordingly, the Joint Committee did not meet in 2021.

There is no **Mediation Committee** because the Supervisory Board of Fresenius SE & Co. KGaA does not appoint the Management Board members of Fresenius Management SE.

For more information about the committees, their composition, and their work methods, please refer to the Corporate Governance Declaration on pages 219 and 230 and page 394 of the Annual Report.

PERSONNEL

With the Annual General Meeting of Fresenius SE & Co. KGaA on May 21, 2021, the term of office of all members of the Company's Supervisory Board ended.

The six shareholder representatives were re-elected at the Annual General Meeting on May 21, 2021. Mr. Wolfgang Kirsch was elected to the 12-member committee for the first time. Prof. D. Michael Albrecht, Mr. Michael Diekmann, Prof. Iris Löw-Friedrich, Mr. Klaus-Peter Müller, and Ms. Hauke Stars were all re-elected. Ms. Stephanie Balling, Mr. Bernd Behlert, Ms. Grit Genster, Ms. Frauke Lehmann, Mr. Konrad Kölbl, and Mr. Oscar Romero de Paco, all of whom had previously been members of the Supervisory Board, were elected as employee representatives on the European Works Council.

At its constituent meeting on May 21, 2021, the Supervisory Board elected Mr. Wolfgang Kirsch as Chairman of the Supervisory Board of Fresenius SE & Co. KGaA. Mr Kirsch succeeds Dr. Gerd Krick, who did not stand for re-election at the end of the election period and therefore retired from the Supervisory Board of Fresenius SE & Co. KGaA at the end of the Annual General Meeting on May 21, 2021. At the proposal of the shareholder representatives, Mr. Michael Diekmann, and at the proposal of the employee representatives, Ms. Grit Genster, were elected as Deputy Chairpersons of the Supervisory Board. At the same meeting, Ms. Grit Genster, Ms. Hauke Stars, Mr. Wolfgang Kirsch, Mr. Konrad Kölbl, and Mr. Klaus-Peter Müller were elected as members of the Audit Committee. Mr. Klaus-Peter Müller was elected Chairman of the Audit Committee. Furthermore, at the Supervisory Board meeting on May 21, 2021, Mr. Michael Diekmann, Mr. Wolfgang Kirsch, and Mr. Klaus-Peter Müller were elected as members of the Nomination Committee and Mr. Wolfgang Kirsch as its Chairman. By resolution of the Annual General Meeting of May 21, 2021, Ms. Hauke Stars and Mr. Michael Diekmann were appointed members of the Supervisory Board of the Company in the Joint Committee. The general partner Fresenius Management SE delegated Mr. Wolfgang Kirsch and Dr. Dieter Schenk as members of the Joint Committee and appointed Dr. Dieter Schenk as Chairman of the Joint Committee. In appreciation and recognition of his decades of meritorious service to Fresenius, Dr. Gerd Krick was appointed Honorary Chairman of the Supervisory Board of Fresenius SE & Co. KGaA.

The composition of the Management Board of the general partner Fresenius Management SE also changed in the past financial year. As of April 12, 2021, Mr. Michael Sen was appointed as a member of the Management Board of Fresenius Management SE for the business segment Fresenius Kabi. He follows Mr. Mats Henriksson, who left the Company on March 16, 2021.

FINANCIAL STATEMENTS AND CONSOLIDATED FINANCIAL STATEMENTS

PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft, Frankfurt am Main, audited the annual financial statements and the management report as well as the consolidated financial statements and the Group management report of the Company for 2021. The firm was elected as auditor in accordance with a resolution passed at the Annual General Meeting of Fresenius SE & Co. KGaA on May 21, 2021, and was subsequently commissioned by the Supervisory Board. The auditor attended all meetings of the Supervisory Board and all meetings and conference calls of the Audit Committee.

The annual financial statement, management report, and Group management report of the Company were prepared in accordance with the accounting regulations of the German Commercial Code (HGB), and the consolidated financial statements of the Company were prepared in accordance with IFRS, as applicable in the EU, and the supplementary provisions of commercial law applicable in accordance with Article 315e of the HGB. The auditors issued their unqualified audit opinion for these statements.

The financial statements, the consolidated financial statements, the management reports, and the auditor's reports were submitted to each member of the Company's Supervisory Board within the required time. The auditor reported on the main results of their audits at the meetings on March 16 and 17, 2022. The auditor found no weaknesses in the risk management system or the internal control system with regard to the accounting process. At these meetings, first the Audit Committee and then the Supervisory Board discussed in detail all the documents submitted and the results of the audit presented by the auditors.

The Audit Committee and the Supervisory Board approved the auditor's findings. Independent reviews by the Audit Committee and the Supervisory Board raised no objections to the Company's financial statements and management report or the consolidated financial statements and the Group management report. At its meeting on March 17, 2022, the Supervisory Board approved the financial statements and management reports presented by the general partner and the statements contained therein with respect to future development.

The Supervisory Board concurs with the general partner's proposal on the 2021 profit distribution, according to which the shareholders may choose to receive the dividend, which has been increased to €0.92, either in cash or partly in the form of shares of the Company.

The Supervisory Board would like to thank the members of the Management Board of the general partner and all employees for their achievements over the past financial year.

Bad Homburg v. d. H., March 17, 2022

The Supervisory Board of Fresenius SE & Co. KGaA

Wolfgang Kirsch
Chairman